TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE Jan. 3, 1929

TO Secretary Morgenthau
FROM Mr. Haas

Subject: Mr. Winthrop W. Aldritch's Proposal for "United States Annuity Bonds"

I. Description of Proposed Bonds

The annuity bonds proposed by Mr. Aldrich would be in two series -- one for large and the other for small investors. In the description given by Mr. Aldrich, the yield of each series is 2-1/2 percent. He states, however, that this rate "... is used for illustration; it is not put forward as a recommendation."

Each of the bonds, as described by Mr. Aldrich, would be issued at $92.82 and would appreciate in value (at 2-1/2 percent interest) to $100.00 at the end of three years. During this period, and during an additional six months before the disbursement of the first annuity payment -- a total of 3-1/2 years -- the bonds would not be redeemable. Since it is also proposed that the bonds be non-negotiable, the holders would have no way of realizing on them during this so-called "grace period."

Commencing 3-1/2 years after issue date, the bonds would be liquidated by a series of equal semi-annual annuity payments, each paid partly out of principal and partly out of interest. In the case of the bond designed for large investors, these payments would be $3.00 per $100.00 and would continue until 25 years after issue date, the last payment being only about $1.20. In the case of the bond designed for small investors, the semi-annual payments would be $7.50 per $100.00 and would continue until 10 years after issue date, the last payment being a little over $5.00.
The bonds of each series would be redeemable at the option of the holder at any time after the initial 3-1/2 year grace period, but only at substantial discounts from their unpaid principal balances. The bond for large investors, for example, would be redeemable at $90.70, 3-1/2 years after issuance at $92.82 and after the payment of one semi-annual annuity of $3.00. This is equivalent to an investment yield of 0.25 percent per annum for the period held, and compares with 1.04 percent on Series G savings bonds redeemed after being held for an equal period. Investment yields for the period held increase gradually thereafter, reaching 0.80 percent at the end of 5 years; 2.05 percent at the end of 12 years (the maturity date of the present Series F and G bonds); and 2.50 percent at the end of 25 years.

The bond designed for small investors gives a yield of 2.50 percent if held for the entire 10 year period; but, as the intermediate redemption yields are only as great as those of the series designed for large investors, the penalty for redemption prior to maturity is much greater. This is, of course, just the reverse of the relationship between the present Series E bonds on the one hand and Series F and G bonds on the other.

Mr. Aldrich suggests that a provision be inserted in each series analogous to that in the present Series G savings bonds providing for the redemption of the full unpaid principal balance in the event of death.

II. Merits Claimed for Proposed Bonds

Mr. Aldrich believes that the bonds which he proposes would have the following advantages:

(1) They would be attractive to investors.

(2) They would lighten the burden of the demand debt imposed on the Treasury by the present savings bonds.

(3) They would provide for a more systematic liquidation of the debt during the post-war period.
III. Evaluation of Proposed Bonds

It is believed that the proposed bonds, if offered, would not sell well for the following reasons:

1. It would be difficult to popularize a security neither redeemable nor negotiable for a 3-1/2 year period.

2. A term annuity such as the proposed security is a "wasting asset", and it is believed that such an asset would be less attractive at any given rate of interest than either an appreciation security or a current interest security. The traditional preference of the market for discount securities as compared with premium securities is an example of the relative unpopularity of "wasting assets." If a security is to be repaid in the form of an annuity, it would probably be much more popular dollar-for-dollar of actuarial value if it were payable in the form of an annuity for a period certain or for life, whichever is longer, rather than for a period certain only.

3. The suggested yields of the proposed bonds would be unattractive in the present market and compare very unfavorably with those offered on the present savings bonds of all series. (It should be noted in this connection that Mr. Aldrich says that the proposed yields are for purposes of illustration only.)

It should finally be noted, from the standpoint of public policy, that the proposed method of repayment of the securities by periodic principal payments would impair the flexibility of Treasury policy in handling the debt in the post-war period.
A Proposal

from

Winthrop W. Aldrich, Chairman Board of Directors
of the

Chase National Bank of the City of New York

Introduction

Any proposal, worthy of serious consideration at this time, must recognize the magnitude and complexity of the Treasury's task in providing funds for the war effort. The proposal must go further and look to the nature of the Treasury's responsibilities in the transition from war to a peace economy. The bond issue herein described is designed to appeal to the public and at the same time regularize the Treasury's financing without increasing its immediate cash outlay. It is adapted to the basic economics of the present and future situation of the nation, in so far as that situation can be appraised. It is believed that the bond would utilize the present needs of the Treasury for new money to furnish a bridge into the post-war reconstruction of the nation by providing purchasing power to the nation when it will be needed.

Briefly, the form of the proposed bond is patterned on the characteristics of term loans as developed in recent years by commercial banks. After a three and one half year grace period, during which interest accumulates, principal and interest would be returned to the purchaser in equal installments so as to retire the bond at its maturity. Purchases would not be limited to any fixed amount. It is believed that the bond would appeal to large purchasers, as well as to those with medium or small resources. It should attract those whose income during the war will exceed their prospective post-war income, and those who, by reason of age, would be interested in annuities.
The introduction of such a bond would give added strength and security to the fiscal position of the Treasury. For, to the extent that the Annuity Bond finds favor with investors, the short-term indebtedness of the Treasury would be thereby reduced. The fact that the principal repayments are spread over a period of time would, in itself, ease the burden of debt retirement in the post-war period.

Although tax revenues will increase, the projected war expenditures of the federal government will be financed, for the most part, by the sale of its obligations. Estimates contained in the President's budget message of January 7 indicate the sale of over $19,000,000,000 of obligations in the fiscal year 1941-42, and $34,000,000,000 to $35,000,000,000 of obligations in 1942-43. These are sales that must be made in addition to those government issues placed with trust funds under the Social Security and other legislation.

The Status of Defense Bonds

With such requirements confronting it, the Treasury must exercise the utmost skill in handling its finances. The security issues most importantly used in the financing of the Treasury are of two types, the general money market bonds issued under the Second Liberty Loan Act (together with Treasury notes and bills) and the "defense bonds" issued in Series "E", "F" and "G". It has been estimated that of total borrowings, exclusive of trust fund borrowings, approximately $9,000,000,000 to $10,000,000,000 annually will be realized from the sale of defense bonds. These issues are not negotiable but are redeemable. The Series "E" and "F" bonds are purchased at a discount of par and are redeemable at successively higher

1/ Series "E" bonds are designed for smaller purchasers and the Series "F" and "G" for those with larger resources.
percentages of par value. The Series "G" bonds are purchased at par and redemption value varies between 94.7 per cent of par and par during the life of the bond. For the most part, defense bonds are sold to individuals, institutions, and other non-banking purchasers. It is highly desirable that a still larger part of the Treasury's borrowing be done in this manner.

The sale of these defense bonds began last May. In the final eight months of 1941, a total of $2,538,000,000 was sold. Of this total, 45 per cent went to smaller purchasers in the form of Series "E" bonds, and 55 per cent to larger purchasers in the form of Series "F" and "G" bonds. Interestingly enough, December sales reversed these percentages, 45 per cent consisting of Series "E" bonds and but 35 per cent Series "F" and "G" bonds. Series "F" and "G" bonds contributed about 45 per cent of total defense bond sales in the Second Federal Reserve District from January 1 to January 25, inclusive. The present series of defense bonds appear to be of limited suitability for purchases in substantial amounts by those with large resources. For this and other reasons, it is proposed to supplement and, perhaps, replace the Series "F" and "G" bonds by an issue of United States Annuity Bonds.

In addition, the Series "F" and "G" bonds have another objectionable characteristic from the standpoint of the Treasury. After six months, they become redeemable on the first day of any calendar month, on one month's notice in writing. The Series "E" and "F" bonds are redeemable at not less than the cost price. The Series "G" bonds are redeemable at moderate discounts of the cost price but at not less than cost price when interest payments are included. Heavy demands on the Treasury in the future might occur under unfavorable circumstances should the sale of defense bonds reach large levels. The one month's grace period would not provide the same relief for the Treasury that it provides in the case of a bank. In so far as redemption might be demanded by the
public in successive months, the defense bonds constitute a liability
on the Treasury's books of uncertain nature, but one more akin to a
demand than to a time obligation with a fixed maturity.

**Requirements of a Desirable Issue**

Three important requirements occur in considering the most desirable type of obligation for the Treasury to issue. The bond should appeal more strongly than the Series "F" and "G" bonds to potential purchasers who possess large idle balances. The demand liability position of the Treasury should be prevented from increasing in so far as possible. There should be no unnecessary addition made to the cash demands on the Treasury in the immediate future. If a bond can be devised to accomplish these objectives, a highly desirable revision will result in the Treasury's financing program.

**The United States Annuity Bond**

It is hoped that the United States Annuity Bond herein described may accomplish these purposes. The form of the bond, in substance, constitutes a term annuity. The issue would be dated as of the first of the month in which purchase is made, and would be extinguished 25 years after the issue date. It would be purchased at a discount and interest would accrue at 2 1/2 per cent compounded semi-annually for three years from the issue date. The 2 1/2 per cent rate is used for illustration; it is not put forward as a recommendation. By setting a purchase price of $928.17 per $1,000, the 2 1/2 per cent rate enhances the purchase price to $1,000 principal amount after the three-year period has elapsed.

\[a/\] If desired, this figure could be rounded out by accruing interest for three years at a slight variation of the 2 1/2 per cent rate.
Semi-annual payments of principal and interest begin 3 1/2 years from the issue date. These semi-annual amortization and interest payments are made in equal aggregate amounts, $30 each six months on a $1,000 bond. The interest paid progressively decreases, while the principal reduction payments progressively increase until maturity when the total principal will have been returned to the purchaser. The net yield, if held to maturity, is 2 1/2 per cent. The return to the holder after three years is 6 per cent per annum, including both interest and return of capital.

The Treasury would mail checks on a single bond each six months. Since bonds would be sold in each month, different bonds would be dated differently and the Treasury would mail checks to various holders on the first day of each month in the calendar year. Each check would carry a notation of the amount to be credited to interest and the amount to be credited to return of principal. The interest accrued during the first three years would be paid out with other payments of interest and principal, beginning 3 1/2 years from the issue date.

The schedule which follows shows the semi-annual return of principal with semi-annual interest payments computed at 2 1/2 per cent per annum on the respective unpaid balances of principal at successive intervals of time. These combined payments amount to $30 per $1,000 bond every six months over a period of 22 years, after the lapse of the three and one half year grace period during which interest accumulates on the original purchase price at the rate of 2 1/2 per cent compounded semi-annually.
U. S. AMOUNT BOND

Payment and Redemption Value Schedule of a $1,000 - 2% Interest Bearing Bond producing $60.00 per annum, or $30.00 each six months. This is a 25 Year Bond with annuity payments commencing 1/2 year from the issue date. These $30. annuity payments become due over 44 semi-annual periods of 22 years. (Not redeemable until end of 3½ year period)

<table>
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<th>Semi-Annual Periods</th>
<th>Semi-Annual Interest at 2% per annum</th>
<th>Semi-Annual Principal Reduction of Bond</th>
<th>Principal Balance Payable if</th>
<th>Net Dollars of Income over Cost</th>
<th>Annuitization to Redemtion Date to Maturity</th>
<th>Approx. Investment on Redemption value from Issue Date</th>
<th>Approx. Yield on Redemption price (Average Life Method Used)</th>
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* Increment of $71,43 represents an accumulation of 2% Interest compounded semi-annually on the $928.17 Subscriptio price.

* Dollar units were maintained when arriving at Redemption Values.
Registration

The bonds would be issued in registered form in denominations of $1,000, $5,000, $10,000, $50,000, $100,000 and $500,000 and made non-negotiable. The rules that now apply to the registration of the defense bonds might be used in connection with the United States Annuity Bond.

Redeemability

The issue would not be callable by the Treasury Department, but on one month’s notice in writing may be redeemed prior to maturity after 3 1/2 years from the issue date at the owner’s option at fixed redemption values, as provided in the accompanying schedule. These redemption values represent a greater discount of the face value of the bonds than is now the case with defense bonds.

Provision should be made for redemption in full upon the death of the registered owner at the then prevailing principal balance. This is equivalent to making the bonds acceptable for payment of estate and inheritance taxes. Or, if it is preferred by the holder, the annuity payments might be continued after death by registering the bonds in two names, or by naming a beneficiary in the bond’s registration.

Annuity Bonds

For Smaller Incomes

The foregoing description and table outline the features of a bond that should appeal to those in the middle and higher income groups. It is entirely possible that the annuity feature could be applied also to a bond designed to draw off
the abnormal wartime incomes of many in the lower income ranges. Industrial workers particularly should look with favor upon an instrument in which they could place enhanced incomes today, and have their incomes returned with interest over a period of years in the future.

A bond designed for this purpose should have a shorter maturity; should pay out in, perhaps, ten years. Since the annuity feature would be its chief attraction, it might carry a moderate rate of interest. Cash outlays of the Treasury to service a bond paying out this rapidly would be heavier, and the amount issued in any year to any one person might be limited to $2,500. Denominations should be limited, perhaps, to $100 minimum in order to minimize clerical expenses in servicing the issue.

The following table describes a $100 bond, at 2 1/2 per cent, to be retired in 10 years. After the three and one-half year period of grace, semi-annual payments of $7.80 would begin. A somewhat larger payment would be made on the maturity date, so as to return principal with interest in full.
#### U. S. ANNUITY BOND

Payment and Redemption Value Schedule of a $100. - 2½% Interest bearing Bond producing $15.60 per annum, or $7.80 each six months. This is a 10 Year Bond with annuity payments commencing 3½ years from the issue date. These $7.80 annuity payments become due over 14 semi-annual periods or 7 years. (Not Redeemable until end of 3½ year period)

<table>
<thead>
<tr>
<th>Years Harns периода</th>
<th>Semi-Annual Periods</th>
<th>Semi-Annual Interest at 2½% per annum</th>
<th>Semi-Annual Principal Reduction of Bond</th>
<th>Dollars Net of Income if Redeemed</th>
<th>Approx. Investment on Redemption</th>
<th>Approx. Yield from value from Issue Date to Redemption Date to Redemption Date to Maturity</th>
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<td>Subscription price</td>
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<td>Redeemed</td>
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* Increment of $7.18 represents an accumulation of 2½% interest compounded semi-annually on the $92.02 subscription price.

# Dollar units were maintained when arriving at Redemption Values.
Economic Effects

The economic effects of using annuity bonds as a supplement to Series "F" defense bonds and, perhaps, as a substitute for Series "F" and "G" bonds may be considered from the standpoint of the Treasury, the holder of the bonds, and the general economy of the country.

Effect on the Treasury

The present defense bonds create a contingent claim upon the Treasury in any month that holders may wish to redeem. The amount of this contingent claim increases in proportion to the success realized in selling the defense issues. There are two principal reasons why holders might demand payment. Individuals may need funds from time to time which they can conveniently obtain by redeeming their defense bonds. This could result in a large number of demands upon the Treasury in the event of a post-war deflation with rising unemployment. But it is improbable that the aggregate dollar demands from this source would be great or would be difficult for the Treasury to handle. Moreover, redemption in these circumstances would supply purchasing power to the community when it would be desirable.

The most important potential demand upon the Treasury in dollar amount is provided by the possibility of a material revision in the economic expectations of the larger holders of defense bonds. A state of high business activity with booming prices might induce redemption of the Series "F" and "G" bonds especially. In those circumstances, unlike those in a situation of large unemployment, redemption on a large scale would provide the community with new purchasing power at a time when it is most undesirable that purchasing power be increased.

A highly desirable feature of the United States Annuity Bond is that it is redeemable at sizable discounts of the face value. In this circumstance, a holder confronted with the decision of redeeming
the bonds to acquire funds to use in other investments must accept a known loss for a contingent gain. It seems less likely that a large "run" on redeemable government bonds could occur in this situation.

Even if open-market bonds should decline in market price to a level making it profitable for the holder of Annuity Bonds to cash his holdings and purchase the open-market government obligations, the Treasury would find itself in the enviable position of realizing a net decrease in its debt as a result of the transaction. But this is an improbable contingency in view of the announced intention to maintain comparatively easy interest rates.

After the three year accretion period, the service of Annuity Bonds would require greater cash outlays than other types of government issues. The following table uses the 25-year Annuity Bond to show just how much greater this service would be for outstanding amounts from $10,000,000,000 to $40,000,000,000. To the extent that it is not financed with new issues, the additional cash outlay represents a reduction of debt and a strengthening of government credit. In addition, it is a determinable amount, whereas the cash outlays to service an equal amount of Defense Bonds might fluctuate within wide ranges, depending upon the rate of their redemption.

ANNUAL DEBT SERVICE TO CARRY DEFENSE PROGRAM
(in millions of dollars)

<table>
<thead>
<tr>
<th>Amount</th>
<th>Six per cent Principal and Interest Service Per Annum</th>
<th>Two and one-half per cent Interest on &quot;Long&quot; Bonds in any event</th>
<th>Additional Cash Outlays of Treasury--Applied to Principal Reduction of &quot;Defense&quot; Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$600</td>
<td>$250</td>
<td>$550</td>
</tr>
<tr>
<td>20,000</td>
<td>1,200</td>
<td>500</td>
<td>700</td>
</tr>
<tr>
<td>25,000</td>
<td>1,500</td>
<td>625</td>
<td>875</td>
</tr>
<tr>
<td>30,000</td>
<td>1,800</td>
<td>750</td>
<td>1,050</td>
</tr>
<tr>
<td>40,000</td>
<td>2,400</td>
<td>1,000</td>
<td>1,400</td>
</tr>
</tbody>
</table>
Effect on the Holder

The holder of Annuity Bonds has somewhat less to fear from changing economic developments than would be the case if he possessed a marketable government bond of the customary type, which he held to maturity or was forced to sell in the market at an inopportune time. In the third year after issuance, semi-annual return of principal begins in progressively larger amounts until the issue has been fully paid at its redemption date. These successive principal payments provide the holder with the opportunity of reinvesting successive parts of his original funds over a period of time so that the average conditions that pertain over the life of the bond are available to him in his reinvestment decisions. This provides him with the opportunity of mitigating the effects of broad economic change upon his personal affairs.

Moreover, it provides the holder with a convenient means of saving wartime income that would be returned in instalments with interest over a period of years in the future. This is especially true of the 10-year issue designed to appeal to smaller income receivers.

Effect on the Economy

The effects of the Annuity Bond issue upon the general economy, and more specially upon the money markets, depend largely upon the extent of their sale. To the extent that the bonds are sold in large amounts to people who use existing dormant deposits, the result is an activating of those deposits. Since the annuity feature of the bonds is designed to appeal to those who have substantial resources, it is reasonable to believe that this would be one of the results. No other type of government issue has been conspicuously successful in tapping these large unused funds.
To the extent that the Treasury might succeed in financing the war effort in this way, there would be a reduction in the amount of new general money market bonds which it had to sell. Perhaps the most difficult problem today associated with war finance occurs in connection with the now indicated necessity of large bond purchases by the commercial banks of the nation. From the standpoint of the money markets, this problem can be eased somewhat by the Treasury gradually reducing the maturity of its outstanding obligations and concentrating the bulk of its forthcoming financing in the short-term market. But it still remains true that for many reasons, it is highly desirable for the government to sell as large a part of its issues as possible to non-banking purchasers. Anything that can divert the forthcoming Treasury financing away from the banks and toward the public will serve the national interest and is worthy of serious consideration. The Annuity Bonds appear to possess the necessary features to attract large balances from private sources and thus to ease this phase of government finance.

Finally, the method of repayment should have a beneficial effect on the economy. Repayment of the Liberty and Victory bonds of the last war occurred at irregular maturity intervals. This released funds to the money markets that were used to stimulate some of the undesirable financing of the 1920's. In contrast, the provisions of the Annuity Bonds would insure that new funds would arrive in stabilized amounts. To the extent that the bonds might be widely held, funds would be returned to all sections of the nation and not concentrated in the large money markets.

January 28, 1942
### Unfilled Orders for Savings Bonds at the Federal Reserve Banks and the Post Office Department
#### January 15 to date

(In thousands of pieces)

<table>
<thead>
<tr>
<th></th>
<th>Unfilled orders at opening of business</th>
<th>New orders received today</th>
<th>Bonds manufactured today</th>
<th>Unfilled orders at close of business</th>
<th>Stock of bonds on hand*</th>
<th>IBM deliveries this day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>550</td>
<td>660</td>
<td>750</td>
<td>455</td>
<td>231</td>
<td>1,000</td>
</tr>
<tr>
<td>16</td>
<td>455</td>
<td>773</td>
<td>775</td>
<td>426</td>
<td>204</td>
<td>750</td>
</tr>
<tr>
<td>17</td>
<td>426</td>
<td>672</td>
<td>800</td>
<td>298</td>
<td>204</td>
<td>1,000</td>
</tr>
<tr>
<td>18</td>
<td>298</td>
<td>none-no mail</td>
<td>none-closed</td>
<td>298</td>
<td>204</td>
<td>800</td>
</tr>
<tr>
<td>19</td>
<td>298</td>
<td>204</td>
<td>800</td>
<td>202</td>
<td>704</td>
<td>825</td>
</tr>
<tr>
<td>20</td>
<td>202</td>
<td>204</td>
<td>800</td>
<td>86</td>
<td>1,184</td>
<td>1,000</td>
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<tr>
<td>21</td>
<td>202</td>
<td>204</td>
<td>800</td>
<td>59</td>
<td>1,546</td>
<td>1,000</td>
</tr>
<tr>
<td>22</td>
<td>202</td>
<td>204</td>
<td>800</td>
<td>86</td>
<td>1,676</td>
<td>1,000</td>
</tr>
<tr>
<td>23</td>
<td>202</td>
<td>204</td>
<td>800</td>
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<td>1,871</td>
<td>1,000</td>
</tr>
<tr>
<td>24</td>
<td>202</td>
<td>204</td>
<td>800</td>
<td>28</td>
<td>1,922</td>
<td>1,000</td>
</tr>
<tr>
<td>25</td>
<td>202</td>
<td>204</td>
<td>800</td>
<td>none-no mail</td>
<td>1,922</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>202</td>
<td>204</td>
<td>800</td>
<td>none-no mail</td>
<td>1,922</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>202</td>
<td>204</td>
<td>800</td>
<td>none-no mail</td>
<td>1,922</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>202</td>
<td>204</td>
<td>800</td>
<td>none-no mail</td>
<td>1,922</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>202</td>
<td>204</td>
<td>800</td>
<td>none-no mail</td>
<td>1,922</td>
<td></td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics. January 30, 1942

* Bonds in Washington vaults only.
1/ Includes 400 thousand pieces manufactured for inventory in the field.
2/ Includes 500 thousand pieces manufactured for inventory in the field.
# Stock of Series E Savings Bonds on Hand 1/

January 15, 1942 to date

(In thousands of pieces)

<table>
<thead>
<tr>
<th>Jan.</th>
<th>Stock on hand</th>
<th>Sales</th>
<th>Bonds</th>
<th>Stock on hand</th>
<th>IBM delivers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>beginning</td>
<td>this day</td>
<td>manufactured</td>
<td>close of day</td>
<td>this day</td>
</tr>
<tr>
<td>15</td>
<td>6,569</td>
<td>320</td>
<td>750</td>
<td>6,999</td>
<td>1,000</td>
</tr>
<tr>
<td>16</td>
<td>6,999</td>
<td>445</td>
<td>775</td>
<td>7,329</td>
<td>750</td>
</tr>
<tr>
<td>17</td>
<td>7,329</td>
<td>163</td>
<td>800</td>
<td>7,966</td>
<td>1,000</td>
</tr>
<tr>
<td>18</td>
<td>7,966</td>
<td>none-closed</td>
<td>none-closed</td>
<td>7,966</td>
<td>800</td>
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<tr>
<td>19</td>
<td>7,966</td>
<td>665</td>
<td>800</td>
<td>8,101</td>
<td>825</td>
</tr>
<tr>
<td>20</td>
<td>8,101</td>
<td>218</td>
<td>800</td>
<td>8,683</td>
<td>1,000</td>
</tr>
<tr>
<td>21</td>
<td>8,683</td>
<td>337</td>
<td>800</td>
<td>9,146</td>
<td>875</td>
</tr>
<tr>
<td>22</td>
<td>9,146</td>
<td>381</td>
<td>800</td>
<td>9,565</td>
<td>1,000</td>
</tr>
<tr>
<td>23</td>
<td>9,565</td>
<td>377</td>
<td>800</td>
<td>9,988</td>
<td>1,000</td>
</tr>
<tr>
<td>24</td>
<td>9,988</td>
<td>263</td>
<td>800</td>
<td>10,525</td>
<td>1,000</td>
</tr>
<tr>
<td>25</td>
<td>10,525</td>
<td>none-closed</td>
<td>none-closed</td>
<td>10,525</td>
<td>-</td>
</tr>
<tr>
<td>26</td>
<td>10,525</td>
<td>487</td>
<td>1,000</td>
<td>11,038</td>
<td>2,000</td>
</tr>
<tr>
<td>27</td>
<td>11,038</td>
<td>186</td>
<td>1,000</td>
<td>11,852</td>
<td>-</td>
</tr>
<tr>
<td>28</td>
<td>11,852</td>
<td>251</td>
<td>1,000</td>
<td>12,601</td>
<td>2,000</td>
</tr>
<tr>
<td>29</td>
<td>12,601</td>
<td>265</td>
<td>1,000</td>
<td>13,336</td>
<td>-</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics | January 30, 1942

1/ Includes stock in hands of (1) Federal Reserve Banks and branches, (2) Post offices, (3) Federal Reserve Bank issuing agents, and (4) Treasury vaults in Washington.
UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
Last Twenty-three Business Days of January 1942 and December and November 1941
(November 1-29, December 4-31, January 3-29)
On Basis of Issue Price

(Amounts in thousands of dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>Sales</th>
<th>Amount of Increase</th>
<th>Percentage of Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>January 1942</td>
<td>December 1941</td>
<td>November 1941</td>
</tr>
<tr>
<td>Series E - Post Offices</td>
<td>$141,850</td>
<td>$97,439</td>
<td>$37,411</td>
</tr>
<tr>
<td>Series E - Banks</td>
<td>$457,554</td>
<td>228,701</td>
<td>71,476</td>
</tr>
<tr>
<td>Series E - Total</td>
<td>599,405</td>
<td>326,140</td>
<td>109,475</td>
</tr>
<tr>
<td>Series F - Banks</td>
<td>$67,492</td>
<td>30,446</td>
<td>18,978</td>
</tr>
<tr>
<td>Series G - Banks</td>
<td>$277,331</td>
<td>135,923</td>
<td>105,035</td>
</tr>
<tr>
<td>Total</td>
<td>$844,227</td>
<td>$492,568</td>
<td>$233,487</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics, January 30, 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.
<table>
<thead>
<tr>
<th>Date</th>
<th>Post Office Bond Sales</th>
<th>Bank Bond Sales</th>
<th>Total</th>
<th>All Bond Sales</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Series E</td>
<td>Series F</td>
<td>Series G</td>
<td></td>
<td>Series E</td>
</tr>
<tr>
<td>January 1942</td>
<td>$3,982</td>
<td>$10,229</td>
<td>$1,964</td>
<td>$7,605</td>
<td>$19,798</td>
</tr>
<tr>
<td></td>
<td>$4,602</td>
<td>$10,736</td>
<td>$2,056</td>
<td>$7,779</td>
<td>$20,571</td>
</tr>
<tr>
<td></td>
<td>$4,457</td>
<td>$9,557</td>
<td>$1,278</td>
<td>$5,453</td>
<td>$16,286</td>
</tr>
<tr>
<td></td>
<td>$9,684</td>
<td>$26,724</td>
<td>$3,240</td>
<td>$13,704</td>
<td>$43,666</td>
</tr>
<tr>
<td></td>
<td>$6,711</td>
<td>$7,659</td>
<td>$1,341</td>
<td>$6,778</td>
<td>$19,778</td>
</tr>
<tr>
<td></td>
<td>$6,718</td>
<td>$21,267</td>
<td>$3,692</td>
<td>$18,852</td>
<td>$43,790</td>
</tr>
<tr>
<td></td>
<td>$7,509</td>
<td>$21,297</td>
<td>$3,821</td>
<td>$12,871</td>
<td>$37,369</td>
</tr>
<tr>
<td></td>
<td>$5,746</td>
<td>$12,359</td>
<td>$1,798</td>
<td>$4,765</td>
<td>$18,923</td>
</tr>
<tr>
<td></td>
<td>$4,398</td>
<td>$16,031</td>
<td>$1,858</td>
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<tr>
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<td>$10,187</td>
<td>$37,483</td>
<td>$3,830</td>
<td>$14,383</td>
<td>$55,666</td>
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<tr>
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<td>$7,902</td>
<td>$15,059</td>
<td>$2,507</td>
<td>$11,944</td>
<td>$29,510</td>
</tr>
<tr>
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<td>$4,706</td>
<td>$19,393</td>
<td>$3,701</td>
<td>$14,293</td>
<td>$37,393</td>
</tr>
<tr>
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<td>$6,444</td>
<td>$16,597</td>
<td>$2,243</td>
<td>$13,283</td>
<td>$32,123</td>
</tr>
<tr>
<td></td>
<td>$5,721</td>
<td>$26,239</td>
<td>$4,319</td>
<td>$14,078</td>
<td>$44,637</td>
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<tr>
<td></td>
<td>$4,830</td>
<td>$6,933</td>
<td>$759</td>
<td>$10,700</td>
<td>$11,763</td>
</tr>
<tr>
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<td>$8,835</td>
<td>$39,000</td>
<td>$3,916</td>
<td>$16,599</td>
<td>$59,545</td>
</tr>
<tr>
<td></td>
<td>$5,155</td>
<td>$10,549</td>
<td>$2,285</td>
<td>$10,834</td>
<td>$23,365</td>
</tr>
<tr>
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<td>$4,886</td>
<td>$19,375</td>
<td>$3,538</td>
<td>$15,866</td>
<td>$38,479</td>
</tr>
<tr>
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<td>$5,161</td>
<td>$22,257</td>
<td>$3,973</td>
<td>$9,850</td>
<td>$36,080</td>
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<tr>
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<td>$5,308</td>
<td>$23,392</td>
<td>$2,652</td>
<td>$8,004</td>
<td>$30,048</td>
</tr>
<tr>
<td></td>
<td>$4,655</td>
<td>$15,620</td>
<td>$2,239</td>
<td>$5,344</td>
<td>$23,403</td>
</tr>
<tr>
<td></td>
<td>$7,095</td>
<td>$39,997</td>
<td>$5,022</td>
<td>$17,916</td>
<td>$62,555</td>
</tr>
<tr>
<td></td>
<td>$4,957</td>
<td>$11,504</td>
<td>$3,569</td>
<td>$23,125</td>
<td>$38,199</td>
</tr>
<tr>
<td></td>
<td>$5,318</td>
<td>$18,394</td>
<td>$2,656</td>
<td>$18,656</td>
<td>$39,686</td>
</tr>
<tr>
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<td>$4,826</td>
<td>$20,123</td>
<td>$3,223</td>
<td>$12,422</td>
<td>$35,768</td>
</tr>
<tr>
<td>Total</td>
<td>$150,635</td>
<td>$476,519</td>
<td>$71,513</td>
<td>$892,714</td>
<td>$629,153</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics. January 30, 1942.

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

Figures have been rounded to nearest thousand and not necessarily add to totals.
January 30, 1942

To: E. C. GRAVES

Subject: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SALO OF BONDS

Actual cash receipts from the sale of E, F and G bonds for the last twenty-three business days of January (January 1 excluded) totaled $929,006,000, an increase of 100.6 per cent over sales for the corresponding number of days in December. Sales for the last twenty-three business days of December were $463,093,000, and the same period in November, $233,487,000.

Sales of bonds on Monday, January 26, totaled $89,530,000, setting the highest daily record since the start of the Defense Savings program.

Series E Bond sales for the last twenty-three business days of January were $539,993,000, an increase of 75.1 per cent over Series E sales for the same period in December. Series E sales for the first twenty-three days of December were $302,350,000.

PAYROLL SAVINGS PLAN

The estimated number of employees now exposed to Payroll Savings Plans totals 12,148,735. These are the employees of 14,722 firms from which reports have been received through state administrators.
Four thousand forty-three firms employing 500 or more workers report 10,844,061 employees exposed.

Five thousand nine hundred thirty-three firms employing between 100 and 500 workers report 1,136,464 employees exposed.

Four thousand seven hundred fifty-six firms employing less than 100 workers report 168,210 workers exposed.

SPECIAL

Life Magazine’s current issue, on newsstands today, devotes a double spread of ten pictures and text to the promotional efforts undertaken for Defense Bonds. (Copy attached.)

VICTORY HOUSES

Standard Oil Company of California has informed the Treasury that it will continue the Victory House in Los Angeles "for the duration," and that a similar House to promote the sale of Defense Bonds and Stamps will be opened in San Francisco in February.
NEWSPAPER CARRIERS

Returns through January 24 show that the newspaper carriers of 604 newspapers have sold 66,673,928 ten cent Defense Savings Stamps, or the cash equivalent in Bonds or stamps of larger denominations. This is an increase of 26 per cent over the returns reported as of January 19. The dollar increase since the January 19 report amounts to $13,841,901. (Statistical chart showing carrier boy sales by states is attached.)

EDUCATION

Copies of the new Education Committees handbook are being distributed to all education representatives on local and state committees this week by State Administrators. (Copy attached.)

The Education Division has completed arrangements to set up a Defense Savings Stamp booth at the Civic auditorium in San Francisco during the national convention of the American Association of School Administrators from February 21 through February 26. The Education Director is booked to give three talks at both general and committee meetings of this convention.

Plans were outlined at the National Executive Board meeting of the Parents Teachers Association in Chicago by the Education Division, calling for expansion of the Defense Savings Program both by PTA members and in Schools. At this meeting, the National PTA body invested $25,000 in Defense Bonds.
In response to numerous requests from school officials, two small pamphlets are in preparation, designed to explain the meaning of Bonds and Stamps to school pupils. One of these booklets is being prepared expressly for students of high school age; the other for elementary school pupils. (Copy of Defense Savings article in "School Life" attached.)

RETAIL STORE ACTIVITY

Governor Stevenson of Texas, has advised the Treasury’s Retail Advisory Committee, that he will issue a proclamation on February 16, making every pay day Defense Bond Day throughout the entire state. Arrangements are being completed to have volunteer workers man Defense Savings booths in department stores, hotels and theatres.

Friday, January 30 is Defense Savings Day in Altoona, Pennsylvania. Clerks in all stores have been assigned $10 worth of Defense Savings Stamps to sell to customers. A large parade is scheduled and all schools will be closed in observance of the day.

Retailers of the State of Pennsylvania have set themselves an $80,000,000 goal in their Defense Savings Drive; while chain stores of Pennsylvania have advised that their goal is $25,000,000.

Since January 2 through January 23, Schulte Cigar Stores in New York City area report that they have sold $106,000 worth of Defense Savings Stamps.
WOMEN'S ORGANIZATIONS

Replies from 250 questionnaires to women's organizations throughout the country are being analyzed by the Women's Division. The questionnaires were drawn up to determine what individual organizations have done and plan to do for the Defense Savings Program, and also to learn in what way the Defense Savings Staff might best aid them. Publications of these organizations are also being studied to determine the type of Defense Savings articles best suited for them.

The Women's Division in cooperation with the General Federation of Women's Clubs is working out details of a nationwide pledge-signing contest through local and state member clubs.

Arrangements were completed for members of the American Woman's Voluntary Service to sell Defense Savings Stamps in cooperation with local and state committees.

ENTERTAINMENT

Sabu, the "elephant boy" movie star, began his nationwide tour of newspaper carrier meetings this week, making appearances in Washington, D. C., Baltimore, Philadelphia and Pittsburgh.

The Defense Bond Doll Tour of Miss Audrey Kargere, stylist and sculptress, opens on February 2 at the Jordan Marsh Department store in Boston, Massachusetts.
Miss Lucy Monroe, concert and radio star, begins her extended songfest tour in February. (Copies of Press Releases on the Kargere and Monroe tours are attached.)

SPECIAL CAMPAIGNS

"Buy a Bomber," through the purchase of Defense bond campaigns are being started Sunday, February 1, by the New York Journal American and the Los Angeles Examiner. Similar campaigns are scheduled to start on Wednesday, February 4 by the Washington Post and Radio Station WJSV in Washington, D. C.; the Chicago Herald-American and the San Francisco Examiner.

NEWSREELS

The Defense Savings Staff now has a library of newsreel film, picturing citizens from all walks of life, from the states of Minnesota, Wisconsin, Michigan, New York, Massachusetts, Rhode Island, Connecticut, Pennsylvania, Maryland, Virginia, North Carolina, South Carolina and Georgia.

Two newsreel crews are now working, and this week will cover the states of Louisiana, Texas, Oklahoma, Ohio, West Virginia and Kentucky.

Release of these films to theaters in these regions will begin on a continuing basis through the five newsreel companies on March 5.
MOTION PICTURES

The Motion Picture Theaters Section of the War Activities Committee of the Motion Picture Industry has passed a resolution that they will make every effort to place Stamps on sale at special booths or at the box offices or candy counters as soon as possible in every one of the 13,000 theatres which they represent.

Special "Bugs Bunny" animated cartoon produced by Leon Schlesinger to promote Defense Savings, is being distributed to theatres throughout the country.

BUSINESS PUBLICATIONS

Replies have been received from 250 business publications advising that they will run the second advertisement on Payroll Savings in their February or March issues.

In addition to publishing the first Payroll Savings Advertisement, numerous publications are carrying special cover illustrations featuring Defense Bonds and Stamps. A typical example is illustrated in attached tear sheets from American Agency Bulletin.

Coupon requests from the first Payroll Savings advertisement now total 2,855.

Newsweek Magazine publishes Payroll Savings advertisement in current issue. (Copy attached)
HOUSE MAGAZINES

House magazines publishing the first one column feature release "Defense Bonds Buy Tanks," now total 700.

RADIO

Total of 2,581 Minute Men already have broadcast, in English and eleven foreign languages, over 814 radio stations throughout the country. (Copy of Treasury Department citation given to Minute Men is attached.)

Twenty-seven of the ninety-six United States Senators have already made recordings in the interest of the Defense Savings Program. Others are making their records daily. These transcriptions will be distributed to all radio stations in the senators' home states. Senators who have completed their records are:

Robert M. LaFollette, Jr., of Wisconsin; Alexander Wiley of Wisconsin; Henry Cabot Lodge, Jr., of Massachusetts; Scott W. Lucas of Illinois; Harry S. Truman of Missouri; Joseph H. Ball of Minnesota; George W. Norris of Nebraska; Arthur H. Vandenberg of Michigan; Wall Doxey of Mississippi; Theodore G. Bilbo of Mississippi; Millard E. Tydings of Maryland; Hugh A. Butler of Nebraska; Raymond E. Willis of Indiana; James E. Murray of Montana; James E. Mead of New York; George D. Aiken of Vermont; John Thomas of Idaho; James M. Tunnell of Delaware; D. Worth Clark of Idaho; Arthur Capper of Kansas; Albert B. Chandler of Kentucky;
Charles W. Tobey of New Hampshire; William J. Bulow of South Dakota; Eugene Millikin of Colorado; Joseph Rosier of West Virginia; Edwin C. Johnson of Colorado; and C. Wayland Brooks of Illinois.

Foreign language radio stations and program directors are announcing daily the amount of Bonds bought by foreign language organizations, in addition to scheduling Minute Man speakers. (Typical foreign language Minute Man address attached.)

Farm program directors are scheduling Minute Men daily on 214 stations. New Minute Man announcements have been sent to 870 radio stations for daily use, (samples attached) along with regular announcement for use five times daily. (Samples attached.)

Employees of Standard Oil refineries of New Jersey have pledged $600,000 out of 1942 wages for purchase of Bonds.

Broadcasting Magazine story of January 19 on radio stations participation in Defense Payroll Savings is attached.

PRESS

Editors of fourteen movie and radio fan magazines met with Defense Savings Staff representatives in New York this week to develop plans for further promotion of Defense
Bonds and Stamps. Each editor present pledged his magazine to all possible support of the program and each promised to develop individual means of supporting Defense Savings.

Miss Dagmar Nordfild, representing the publishers of All-American Comics, Inc., met with staff representatives in Washington to present a plan for organizing the more than 40 publishers of comic magazines in support of Defense Savings. A further meeting with a committee of publishers is being arranged for next week, when a plan for reaching children through these comics will be outlined in detail.

The Press Section contacted leading representatives of religious publications of all faiths to discuss means of furthering the Defense Savings Program through this valuable medium. A meeting with a group of various Protestant denominational leaders is scheduled for next week to advance these aims, with representatives of all faiths expressing a desire to help in all ways possible.

Mat releases this week including mailing of the third set of comics -- Abbie 'n Slats, Silly Milly, Winnie Winkle and Rube Goldberg -- to all daily newspapers, along with the February set of four editorial cartoons.

Payroll Savings clip sheet (copy attached) was mailed to all newspapers.

Copies of newspaper pages with photographs promoting sale of Defense Bonds and Stamps are attached.
LABOR PRESS

Members of the Labor Division and Labor Press Section met this week with American Federation of Labor representatives to outline cooperative plans of publicity in connection with the AFL campaign for $1,000,000,000 Defense Bond goal.

The CIO News carried a special article, prepared by Labor Press Section, on Secretary Morgenthau's Detroit visit.

Publication of Aluminum Workers of America, CIO, publicized with picture of a submarine, their goal to raise $6,000,000 in Defense Bonds. (Copy attached)

DIRECT MAIL

Total Sales of Defense Bonds through the medium of Direct Mail, as of January 28, were $18,045,620. The Second Customer Mailing, to a roster of 894,000 newly available names, has produced $1,527,926 in 43 days of pulling.
In connection with the debate in the House of Commons on mistakes and inefficiency in the conduct of the war, it might be of interest to note that there has been considerable criticism along these lines from British military circles themselves. This attack is not directed against Churchill. There was a great deal of criticism in the war of 1914-18 of Churchill's policy as being too rash, too adventurous and too much in disregard of official military and naval advice. This attack did result in Churchill's losing his post as First Lord of the Admiralty. Churchill appears, after the war, to have agreed with this earlier criticism himself. He says in his book, "The World Crisis", published in 1923: "Looking back with after-knowledge and increasing years, I seem to have been too ready to undertake tasks which were hazardous or even forlorn." (Volume I, p. 348)

In this war, the criticism runs in the opposite direction; that the conduct of the war is too much governed by the slow-moving, conservative and inefficient military hierarchy. According to a British officer, who worked in the Admiralty in the first year of this war, almost directly in contact with Churchill as First Lord of the Admiralty, he said that, in his experience, Churchill allowed himself to be lulled by his naval subordinates into a policy of inaction. This British officer, incidentally, agrees with the criticism of Churchill's conduct in the last war.
Admiral Sir Roger Keyes told the House of Commons last November, on leaving his post as the head of the Commandos, that this force, created primarily for daring offensive, had been hobbled by the War Office. He stated flatly:

"After fifteen months of directing the Commandos and having been frustrated in every worth-while offensive action I tried to undertake, I most fully endorse the Prime Minister's contention of the strength of the negative power which controls the war-making machine in Whitehall.

"Today we have a fighting Prime Minister, but unfortunately he is handicapped not only by the same kind of machine in Whitehall as existed in the last war, but with an even greater force apparently with constitutional power."

Admiral Sir Herbert Richmond makes a similar criticism:

"At the beginning of the War the pernicious catchword was 'Time is on our side'. That delusion was swept away when France capitulated, but now a new and not less mistaken catchword is taking its place, 'the allied resources outweigh those of the enemy'. The importance of resources is unquestioned, but he wins who uses them with foresight, intelligence and vigour. So far there has been little of these in the direction of the war. Opportunities have been missed - Trondheim, Dakar, Crete and, if Admiral Keyes is right, in the refusal to make any use of the picked and well equipped Commando forces. The bravery of the fighting men at sea, on land and in the air can do nothing if the hands which direct lack the qualities needed."

("The Fortnightly", January, 1942)
With the compliments of British Air Commission, who enclose Statement No. 18 - Aircraft Despatched - for week ended January 27, 1942 - dated January 29, 1942.

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

January 30, 1942.
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British Air Commission
January 29, 1942.
Dear Mr. Dietrich,

I enclose a copy of a secret memorandum which I have received from London on the subject of postage stamps. I am afraid this has taken a long time to reach me owing to a delay in the mail, and it is probably now rather out of date particularly in view of the action which you have taken under the Freezing Order. However, I am sending it in case it contains any new information which is of interest to you.

Some of the information in the memorandum comes from secret sources and it should therefore be treated with rather more than ordinary care.

Yours sincerely,

(Sgd) W. Ritchie.

Mr. Frank Dietrich,
Room 279, U.S. Treasury Department,
Washington, D.C.
MR: TMI
SECRET

ENTRY EXPENSES OF POSTAGE STAMPS.

1. The German authorities have for years controlled the external and internal traffic in postage stamps with almost greater severity than the movement of notes, securities, bills of exchange, cheques and coins. The reason for this very close attention is that rare stamps afford an easy opportunity for hoarding and transferring capital without attracting public notice.

2. Purchases of stamps in Germany by foreigners or for foreign account officially have been permissible only when such transactions were paid for in foreign currencies or "free" marks. The use of registered marks or other mark categories has been strictly prohibited. In addition, there has been a system of export licensing.

3. Direct purchases and sales - normal business between dealers - has been permitted but, apart from this, recognised dealers have often been permitted to exchange single stamps, lots or collections with dealers in other countries. Such traffic has been subjected to very close and expert supervision to ensure that no illicit transfer of capital takes place.

THE HoRT MARKET.

4. There is evidence that many German citizens are buying stamps as a protection against inflation. In this they are merely following the practice adopted during and after the last war, when it was found that the possession of postage stamps was a convenient and inconspicuous way of investing capital with an international value. A recent visitor to Germany confirmed that foreign stamps were commanding a much higher price in Germany than in other countries.
5. There is a report from Geneva that Swiss stamp-dealers are doing a roaring trade with German buyers, and prices have risen 50 per cent in the last few months. (It is not clear how this is achieved under existing arrangements but paragraph 15 may provide the answer). The Germans show a particular interest in complete sets of British Colonial issues because these have a good international value.

6. It is significant that on October 4th the Reichswirtschaftsminister issued a decree forbidding trade in used or unused stamps of enemy countries. The order prohibits the exhibition, offer and sale of such stamps either singly, in lots or collections.

7. Special mention was made in the order of issues of Great Britain and all her Colonies, Dependencies, Protectorates and Mandates; Australia; India; Indian States; Canada; New Zealand; South Africa (including South West Africa); Sudan; Egypt; Iraq; and the Soviet Union.

8. The effect of this order has been to immobilise much of the German dealers' capital.

9. German military victories have resulted in intense interest in German issues. The philatelist is an inveterate "headline hunter" and will pay high prices for any stamps which have a "news value".

10. A report from Stockholm shows that there is a special interest in provisional issues, i.e. the normal peace-time issues of overrun countries which have been surcharged to show that these countries are under military occupation.

11. The key point is the extent to which the German Government are interested in the export of enemy issues to the outside world, and particularly to the Americas. Other and more scrupulous Governments have shown so much interest in postage stamps as a means of obtaining revenue and foreign exchange that it seems unlikely that the Nazis have overlooked this road to easy money.
12. If peace-time activities are a guide to war-time tactics, then the German Government are involved up to the hilt. Between 1935 and 1939 they issued nearly 100 special issues over and above those required for ordinary postal needs and these were mainly for the foreign collectors. The German postal authorities maintained a special department to supply collectors with all current German stamps — or issued under German auspices — at face value. This is an old dodge in the philatelic game, and in considering it one must remember that almost the entire proceeds are profits. As no services have to be given in return for the sale of the stamps, the only expenses to offset against receipts are the costs of printing and material.

13. There has also been a suggestion that the Germans are deliberately issuing stamps which have certain deformities, counting upon the fact that collectors will pay higher prices for these "deformities". This is very likely, but there is no information to confirm it.

14. It is interesting to note that the issue of enemy-occupied territories can be obtained in unused condition in Germany at less than face value. There is also evidence that the Germans have been buying up copies of a 50 franc French stamp, recently issued, which bears the imprint of Compagnie (the French air ace of the last war).

STAMPS OF EXPORT.

15. It seems to be generally agreed by those who have investigated the stamp traffic that the most prevalent method of exporting to the Americas is by the L.A.M.I. service. Large quantities can be exported without taking up much space. There is also a suggestion that the diplomatic bag is used for the purpose.

16. There is information from a reliable source that the Commercial Secretariat of the German Legation in Berne are sending stamps to the Americas by L.A.M.I. on a large scale. British Colonial stamps (see paragraph 5) are their special interest. It may seem odd that the Germans should purchase stamps for the sake of re-selling them, but there is a simple explanation of this. A complete set of a certain issue will raise a higher price than if the stamps were sold individually. Thus, German dealers may have incomplete sets which can be increased considerably in saleable value if the missing stamp...
can be purchased. Furthermore, stamps bought in Switzerland are paid for in Swiss francs, whereas they can be sold for American currencies.

17. There is also the suggestion that Germany may have despatched dies to South America and are having German issues produced locally for collector purposes. There is no information to support this, but it is a possibility which cannot be excluded.

THE USE OF NEUTRALS.

18. Certain neutral dealers are assisting the Germans by exporting their stamps. This has been proved by intercep-
tions and seizures at Bermuda and Trinidad. Whether they are acting for the Germans or dealing independently for per-
sonal profit is immaterial. Each stamp which is sold outside Germany represents additional revenue, usually paid in foreign exchange.

19. The principal dealers are in Switzerland and Liechten-
stein - Staiger of Zurich, Babassf of Geneva and Stauffenagger of Vaduz are three of the more prominent. There are also one or two dealers in Portugal and, in a small way, in Sweden.

SMUGGLING.

20. It is believed that, apart from L.A.T.I., the chief method of export is to have them smuggled by a member of a ship's crew. Because they are such small articles - several hundred can be packed into a medium-sized envelope - it is exceedingly difficult to find them. Even if a ship were combed from top to bottom, it is probable that a hoard would not be discovered. It is a battle of wits between the smuggler and the searcher, with the cards stacked in favour of the former.

21. There is reason to believe that many of the Portuguese ships sailing to New York have "collections" on board, and that Spanish ships sailing to the Americas are similarly used.

22. The only clear evidence is that the crews of the American Export Line ships are working with gangs of smugglers operating in Lisbon, and that their activities are on a grand scale.

23. There are two gangs at work. One is organised by a Swiss named Kubli, assisted by a Belgian journalist L'Ohhr and
The second gang is organised by Silmanis, a dealer in Lisbon who is known to be in constant communication with Germany. They work with members of the crew of the Unalibar, of whom Frank Horning is the leader.

According to one report, these two gangs are dispatching unused German stamps, which can be sold at a profit of 500 per cent in the United States.

**American Buyers**

The principal buyers are said to be refugees from Europe, operating in New York.

J. & R. Stolor are probably the most prominent offenders. Many consignments to this firm have been seized at Bermuda and they are known to be using the L.A.T.I. service. They are also receiving many of the stamps smuggled in the American Export Line ships.

Other buyers are:

- Agruba, New York.
- Schoenbach's Stamp Exchange, New York.
- Bolaffi, New York.
- Stamp Export & Import Corp. (President Bala Sekula), New York.
- Tankel, New York.
- Fanullah, New York

**Conclusions**

It seems clear that there is an extensive traffic in enemy stamps and that this is operated with the assistance or the approval of the German Government.
a Portuguese, A. Roselino Lyra (known as Eoni) of the International Trading Corporation, Rossio 93, Lisbon. They work with three members of the Exeter crew, John Ewing, liner-keeper, who is believed to be brains of the trip; Harold Schler (known as "Long Harry"), a deck steward aged 39, who recently carried a parcel valued at 1,500 dollars and brought back the money in notes on the return voyage; and an Irish-American who has not yet been identified.

24. The second gang is organised by Salmanis, a dealer in Lisbon who is known to be in constant communication with Germany. They work with members of the crew of the Excalibur, of whom Frank Horning is the leader.

25. According to one report, these two gangs are despatching unused German stamps, which can be sold at a profit of 500 per cent in the United States.

AMERICAN BUYERS.

26. The principal buyers are said to be refugees from Europe, operating in New York.

27. J. & H. Stolow are probably the most prominent offenders. Many consignments to this firm have been seized at Bermuda and they are known to be using the L.A.T.L. service. They are also receiving many of the stamps smuggled in the American Export Line ships.

28. Other buyers are:

- Syclo, New York.
- Schoenbach's Stamp Exchange, New York.
- Bolaffi, New York.
- Stamp Export & Import Corp. (President Bels Semka), New York.
- Tankel, New York.
- Fatoullah, New York.

CONCLUSIONS.

29. It seems clear that there is an extensive traffic in enemy stamps and that this is operated with the assistance of the approval of the German Government.

Regarded Unclassified
The traffic can be divided into two categories:

(a) The export of new unused issues in enemy and occupied territories which are in demand in neutral territories. This trade can be carried on without any interference with internal trade because the supply of stamps is always equal to the demand, although this does not necessarily mean that sufficient can be exported to meet the demand.

(b) The export of stamps which have an international value. In this category can be included used and unused stamps of all countries which are rarities or are in special demand. The British Colonial issues mentioned in paragraph five are an example. The export of such stamps would be made from stocks or from purchases within the European area.

31. It is possible that as regards (b) there is a tug of war between private and official interests inside Germany. As shown in paragraph four there is a tendency to hoard stamps as a protection against inflation, whereas it is in the official interests to prevent money being invested in postage stamps which might otherwise be lent to the State. It is also in German interests to sell these stamps overseas and so to convert them into foreign exchange.

32. These facts give added significance to the recent decree forbidding trade in British stamps. The effects of this are fairly clear. There will be a certain number of "black market" dealings, but, in general, dealers will find that a large part of their capital has been frozen. Probably the next step will be an official offer to purchase these stamps and they will then be sold overseas.

33. The extent of the existing traffic cannot be estimated reliably. It has been suggested that it amounts to about £5,000,000 per year, and it would be unsafe to assume that this is an over-estimate. The stamp trade is always a flourishing one, and if skillfully exploited it can yield substantial results.

34. The fact must be faced that so far the Germans have been very successful. Control at Bermuda over packages sent through the mails is probably effective, but most of the trade does not pass through Bermuda. It is also reasonable to assume that the Germans will expand this trade if possible, and the recent decree regarding British stamps foreshadows a drive in a new direction. If this is to be defeated, it is essential that prompt action is taken.
35. As regards the smuggling, there are two ways of trying to check this. The first is to have a careful search at Bermuda. The second is for action by the United States authorities. There can be no doubt that the latter would be the more effective, partly because more time would be available and partly because there would be greater opportunities for examining the crews as they tried to go ashore with their hauls.

GENERAL SECTION,
Neutral Trade Dept. I.
M.E.W.
SECRETARY OF STATE,
Washington.

442, thirtieth

FOR THE SECRETARY OF THE TREASURY FROM G.:SADAY.

In addition to the daily and weekly press summaries prepared by the British Ministry of Information and which, at the Ambassador's request, are being forwarded regularly by air to Washington with one copy marked for Treasury, attention is now called to a telegraphic press digest prepared by the Embassy representative of the Coordinator of Information and forwarded daily to the New York office of the Coordinator of Information and thence by teletype to its Washington office. The Ambassador suggests that this service likewise may be of interest to the Secretary of the Treasury as well as to some officials of the State Department.

WILLIAM J. N. TAYLOR

DD
January 30, 1942

Mr. Livesey

Mr. D. V. Bell

Will you please send the attached cable from the Secretary of the Treasury to High Commissioner Sayre, Manila (Fort Hill).
For Sayre from Secretary of the Treasury.

Reference your No. 30 January 26th. Account of Philippine Treasury credited with $23,000,000 during the period November 27th through December 24th, including last credit of $10,500,000 based on radio No. 10, December 23, from Quezon. Apparently Treasury has reimbursed Philippine Treasury for substantial amount of checks now in your custody. Please furnish separately total amount of payments, receipts and deposits for restoration of balance shown in the account Treasurer of United States with Philippine Treasury subsequent to transcript of account of November 25th, the last received by Treasury. Upon receipt of such information consideration will be given to further credits to account of Philippine Treasury if it can be determined that it is entitled to further credit. Can it be ascertained from information available to you whether checks in your custody are included in total payments in account of Treasurer of United States referred to above.
January 30, 1942

April 30, 1942

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

UNITED STATES HIGH COMMISSIONER,
MANILA (FORT MILLS, PHILIPPINE ISLANDS)

For Sayre from Secretary of the Treasury.

Your 30 January 26, 10 a.m. Account of Philippine Treasury credited with $23,000,000 during the period November 27th through December 24th, including last credit of $10,500,000 based on radio no. 10 December 23, from Quezon. Apparently Treasury has reimbursed Philippine Treasury for substantial amount of checks now in your custody. Please furnish separately total amount of payments, receipts and deposits for restoration of balance shown in the account Treasurer of United States with Philippine Treasury subsequent to transcript of account of November 25th, the last received by Treasury. Upon receipt of such information consideration will be given to further credits to account of Philippine Treasury if it can be determined that it is entitled to further credit. Can it be ascertained from information available to you whether checks in your custody are included
-2- #18, January 30, 4 p.m., to Manila.

are included in total payments in account of Treasurer of United States referred to above?

HULL
(FL)

FD:FL:BMoB
To: Miss Chauncey

For your files.

MR. WHITE
Branch 2058 - Room 214½
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (br)

Secretary of State,
Washington.

182, January 30, 6 p.m.

Referring to the 110 million dollar loan credit for Argentina arranged with the Treasury Department and the Export-Import Bank in December 1940 official statistics published here yesterday indicate that Argentina in 1941 had an aggregate positive trade balance of 187 million pesos as compared with a negative balance of 71 million pesos in 1940 and had a positive balance with the United States (allowing for estimated differences between "tariff values" and "real values") of roughly 175 million pesos as contrasted with a substantial negative balance for 1941 anticipated at the time of the financial conversations in 1940. As the official export figures are underestimated the true trade balance with the United States was probably at least 250 million pesos.

It is believed the above may be of interest to Warren.
-2- #182, January 30, 6 p.m. from Buenos Aires.

to Warren Pierson in view of talks I had with him at Rio de Janeiro. He and the Secretary of the Treasury may also wish to consider what would be their position in the event that Congress when it meets should approve the loan credit.

ARMOUR

KLP
In connection with our Stabilization Agreement with Argentina—as yet unratified—you may be interested in the attached cable.

Ambassador Armour reports in the cable that Argentina's total trade balance in 1941 showed an excess of exports of 167,000,000 pesos compared with an excess of imports of 71,000,000 pesos in 1940. The excess of exports with United States will probably be officially reported at 175,000,000 pesos in 1941 (actually possibly as much as 250,000,000 pesos) contrasted with Argentine predictions of excess of imports during the negotiations in 1940.

Ambassador Armour suggests that these data may be interesting should the Argentine Congress approve our Stabilization Agreement at its forthcoming session.
CABLE

From: Lisbon
Dated: January 30, 1942
Rec'd: January 31, 1942

Federal Reserve Bank of New York,
New York.

$5

In order strengthen our gold reserve request you obtain license and convert $10,000,000 into gold to be held by you earmarked our account. You will receive Bank Manhattan New York $7,000,000. Please cable execution.

(Signed) Banco de Portugal.

(Received by telephone from Federal Reserve Bank, New York, 11:00 a.m., 1-31-42)
Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £39,000
Purchased from commercial concerns £12,000

Open market sterling remained at 4.03-3/4, with no reported transactions.

For account of the Central Bank of China, the Federal Reserve Bank of New York purchased £200,000 from the Bank of England at 4.03-1/2.

The Canadian dollar discount narrowed to 11-5/8% at the close, compared with 11-7/8% yesterday.

The Cuban peso, which had been quoted at par until January 28 and at a premium of 1/16% thereafter, advanced to 1/4% premium today.

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

<table>
<thead>
<tr>
<th>Currency</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentine peso (free)</td>
<td>.2360</td>
</tr>
<tr>
<td>Brazilian milreis (free)</td>
<td>.0516</td>
</tr>
<tr>
<td>Colombian peso</td>
<td>.5775</td>
</tr>
<tr>
<td>Mexican peso</td>
<td>.2065</td>
</tr>
<tr>
<td>Uruguayan peso (free)</td>
<td>.5250</td>
</tr>
<tr>
<td>Venezuelan bolivar</td>
<td>.2720</td>
</tr>
</tbody>
</table>

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, spot and forward silver remained at 23-1/2d and 23-9/16d respectively, equivalent to 42.67¢ and 42.78¢.

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.
SITUATION REPORT

I. Pacific Theater.

Philippines: There was light fighting all along our lines yesterday, with enemy air activity negligible. Activity in Mindanao is limited to patrolling. In the Visayas there is no change. Hawaii: No further reports of hostile activity. Malaya: Official communiques report Japanese advances on the east coast and in the center. No change on the west. Air action continues over Singapore. Burma: Preparations for an attack on Moulmein continue. Air action over Rangoon is reported on a reduced scale. Australasia: No further reports have been received on the progress of the Japanese convoy in the Moluccas Straits. It is believed, however, that that force is still being subjected to heavy Dutch and American air and sea bombardment. Aerial activity by both sides continues, but there is no important change in the general situation throughout this area. West Coast: No further reports of enemy activity.

II. Eastern Theater.

Ground: Both sides report continuous fighting in spite of deep snow and severe cold. The Germans report defensive fighting in the Donets area. The Russians claim to have captured Barvenkova and Lotovaya (75 miles south of Kharkov).

III. Western Theater.

No activity of importance has been reported.

IV. Middle Eastern Theater.

Ground: British Middle East Headquarters announced the capture of Bengazi by Axis forces January 30. Press reports indicate the British forces south of Bengazi were forced to retire from the city. The main Axis effort was northward along the coastal plain coordinated with a flanking attack northwest out of Zt. Haun. This flank attack succeeded in cutting the road north of Bengazi and the status of British forces in this area is somewhat obscure. An Axis screening force is in operation east and northeast of Zt. Haun. Minor actions are reported from this area.

Air: Malta is still under Axis air bombardment. Present aerial activity in North Africa is largely confined to attacks on rear areas and supply lines.
January 31, 1942
9:07 a.m.

HMJr: Yes, Bill.

Colonel Donovan: I've followed all that through. Now I'll give you something in writing, or I'll give you my reaction right off.

HMJr: I'd rather have your reaction.

D: My reaction is that while weaknesses - the important weaknesses can be cured by help.

HMJr: I see. Financial?

D: Of any kind.

HMJr: Of any kind. I see.

D: And even though it's so important - you see, they're containing a greater force up there than are being used below.

HMJr: I see.

D: And even if it weren't for this, it's got to be taken, that's my judgment.

HMJr: Yeah. And you think it's.....

D: And I think that would - it's particularly important because Burma will probably be lost.

HMJr: Or closed.

D: Yes.

HMJr: To Rangoon.

D: That's right.

HMJr: Right. Well, that's all -- I don't need any more.

D: All right.

HMJr: Very much obliged.

D: All right, Henry.
MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Mr. White's Office
January 31, 1942
9:30 A.M.

Present: Mr. White
Dr. Soong

Dr. Soong called on Mr. White at Dr. Soong's request.

Dr. Soong said that he would like to have Mr. White inform the Secretary of his conversation with the President on Friday, January 30.

The Ambassador and Dr. Soong had arranged through the State Department for a conference with the President. Dr. Soong said he had wished to take up two points with the President, as follows:

1. To make a plea for greater participation by the Chinese Government in the Committee (presumably British and the United States) now deciding the distribution of war materials as among the various countries. He said that he appreciated the fact that they could not have an important say in this distribution, but that they would like to have their relationship to the problem formalized so that China's point of view could be assured of an adequate hearing. Soong did not indicate what the President's reply to his request was.

2. The second point he took up with the President was that of providing means of transportation by air line between India and China. He said if they could get 100 planes like the Douglas transport planes (but without the seats and other unnecessary equipment) they would be able to transport 12,000 tons of freight each month between Kunming and Sodiya, after allowing for enough gasoline to carry planes both ways. They had been promised 35 such planes during 1942. Soong was pressing for 100 such planes quickly, inasmuch as they feared that the Burma Road would be interrupted. He said that Rangoon was now closed by enemy submarines, for how long he did not know.

The President seemed favorable to the idea and told Soong to take it up with Hopkins and some others. The President thought some planes could be taken off the present commercial lines for the purpose.
Dr. Soong said that he had not intended to speak to the President of the loan because his understanding with Secretary Morgenthau was that they were to await Mr. Fox. However, while he was talking with the President, Secretary Hull telephoned to the President about something relating to space in the Japanese Embassy and according to Dr. Soong, the President asked Hull about the Chinese loan. Soong gathered from the President's subsequent remarks that Hull said they were going to take the matter up with him at the cabinet meeting and that it might be done through legislation. Dr. Soong remarked to the President that it might take too long to have the loan arranged if it were to be done by a Congressional Act and thought it might be done more quickly through Lend-Lease arrangements. The President said they would see.

Mr. White asked Mr. Soong whether he still thought that consideration of the loan could wait for Fox's return. Mr. Soong said, "No, in view of the delay in Fox's arrival, and at the rate things are going in Malaya, Singapore might fall soon and it would be unfortunate if it fell before monetary arrangements were completed." He thought it would be a great help if both the monetary arrangements and the Planes they were asking for could be announced soon and simultaneously.
January 31, 1942
10:04 a.m.

HM, Jr: Harry.

Mr. Harry Hopkins: How are you?

HM, Jr: I missed you last night.

H: Well, I am sorry, but, by God, along about 5 o'clock I kicked up a devil of a fever...

HM, Jr: So I only heard...

H: But this morning I feel fine again.

HM, Jr: You do?

H: Yeah. I took some medicine and went to sleep. My fever is all gone.

HM, Jr: Good for you.

H: I think I got a little cold.

HM, Jr: Oh, that's too bad!

H: Hen....

HM, Jr: Yes, sir.

H: There's organized in town here...

HM, Jr: Yeah.

H: ... you know, when Churchill was here, the Joint staffs....

HM, Jr: Yeah.

H: .... and they are going to have three or four very important sub-committees.

HM, Jr: Yeah.

H: And the work of those things is going to be extremely important during the war.
BM, Jr.: Yes.
H: Now, they ought to have a place to work where they've got real security.....
BM, Jr.: Yeah.
H: .....and where nobody can get in the building and nobody else is there.
BM, Jr.: Yeah.
H: Now, I, of course, as usual, have some bright ideas. And the War Department - Marshall called me up about it, and I thought of the Federal Reserve Building.
BM, Jr.: Yeah.
H: And I called up Marriner.
BM, Jr.: Yeah.
H: And Marriner gave me, of course, a long song and dance about what he was doing for the Army and for you, all of which I know nothing about.
BM, Jr.: Yeah.
H: And it may be perfectly true.
BM, Jr.: Yeah.
H: But I wonder if you could give me any hint as to whether you think that should be followed up or not, or should we let it drop. He promptly came back and offered us a couple of rooms and twenty office rooms, but that won't do the trick.
BM, Jr.: Well, the President, at Cabinet yesterday, told them that he had turned over to them the Public Health Building.
H: He did?
BM, Jr.: Yeah.
H: Well, that's just as good, of course.
HM, Jr: He told Paul McNutt then and there that they could move in at once.

H: Uh huh.

HM, Jr: To Public Health.

H: You mean this joint staff?

HM, Jr: Yeah.

H: He had the two buildings in mind.

HM, Jr: Well, he said the joint staff could have the Public Health Building here, and that they could move out temporarily to Bethesda.

H: Uh huh.

HM, Jr: So Paul McNutt said, "How?" He said, "Well, see McIntyre."

H: (Laughs)

HM, Jr: So McNutt, who's smart, says, "But Mr. President, you've already spoken to McIntyre."

H: Yeah.

HM, Jr: But the President told him that he would have to vacate at once.

H: Good.

HM, Jr: So I think that takes care of you.

H: Yeah. What do you think.....

HM, Jr: What?

H: What do you think about the Federal Reserve. Do you think they'll last here? Throughout the war?

HM, Jr: Is it going to last?

W: Well, I mean do you think they can hold onto that building with the.....
HM, Jr: I don't know.
H: .....with the pressures that will be around here.
HM, Jr: I don't know. They——I'd like to turn that over in my mind.
H: All right.
HM, Jr: Because.....
H: There's no hurry about it at all, because what I wanted was a building for this.
HM, Jr: Well, I.....
H: And I thought about those two buildings.
HM, Jr: Well, as of yesterday, you have those buildings.
H: Wonderful, because that Public Health Service is a damn nice building.
HM, Jr: Yes, it is.
H: Yeah.
HM, Jr: And you can protect it.
H: Yeah. All right, old boy.
HM, Jr: Okay. Now, take care of yourself.
H: I'm going to.
HM, Jr: Thank you.
H: Good-bye, Henry.
January 31, 1942.

CONFIDENTIAL FOR THE SECRETARY'S FILES

Conference in Secretary Morgenthau's Office
January 31, 1942
10:30 A.M.

Present: Secretary Morgenthau
Secretary Jones
Dr. Viner
Mr. White
(Mr. Foley was later called in.)

Mr. Jones said that he would like to know about the Chinese proposal now being considered. The Secretary asked him what he would like to know about it and Jones replied that all he knew of it was what he heard at the Cabinet meeting on January 30. Secretary Morgenthau then stated the State Department and Treasury Department had been working for more than a month on the proposal and recounted very briefly the developments during the past month up to the time of the Cabinet meeting. The Secretary gave Jones a copy of the letter which he had sent to Secretary Hull on Thursday and which he said would give the gist of the points to be discussed. Jones read the letter carefully and asked whether there was agreement that aid should be given. Secretary Morgenthau told him that he had talked with Stimson and Marshall and they felt it was important to give China financial aid, as did the President and Secretary Hull. The Secretary then showed Mr. Jones a draft of the suggested joint resolution and said the Treasury thought that might be adequate along with a brief letter from the President. He also gave Secretary Jones a copy of the draft of a message which the State Department had prepared.

The Secretary commented that the draft was probably too long. Secretary Jones agreed and felt that the joint resolution accompanied by a brief letter would be adequate.

Secretary Jones said he had but one suggestion to make in the draft of the resolution and that was to substitute "Secretary of Treasury with the approval of the President is hereby authorized" for the phrase "the President is authorized." He said it would give more protection to the President and "take the heat off him." The change would make it necessary for the Chinese to come to the Secretary of the Treasury rather than to the President for terms, funds, etc. Secretary Morgenthau acquiesced. Secretary Morgenthau stated that it should be clear that the request for financial assistance by China of this amount was justified only on political and military grounds.
The Secretary asked Jones what he thought the next step should be and Jones said that they should get Hull to agree to the resolution and then submit it to the President. Jones thought that there wouldn't be any trouble in Congress in securing passage of the Bill.

Secretary Hull was telephoned and Mr. Jones explained to him over the phone that he (Jones) agreed with Secretary Morgenthau's conclusion that the loan had best be asked of Congress and in the form indicated in the resolution. He also explained to Secretary Hull the change he (Jones) would like to make in the wording, substituting "Secretary of the Treasury with the approval of the President" for "the President". Secretary Hull agreed with the change and with the resolution. In the conversation it was agreed that they would try to see the President as soon as possible to obtain his approval.

It was decided that in the meantime Mr. Jones would get a letter from Secretary Hull to the President, setting forth his (Hull's) reasons why he feels financial aid should be given at this time; while Secretary Morgenthau was to draft letters from Secretary Knox and Secretary Stimson to the President setting forth their reasons why they favored financial aid to China now, and also prepare a draft of a letter from the President to the Speaker of the House and of the Senate which would accompany the resolution.

An hour or so later the Secretary and Secretary Jones saw the President. The Secretary had with him a preliminary draft of a letter which was to accompany the resolution. The President approved the resolution and changed a few words in the letter and approved the letter.

Drafts of letters for Secretary Stimson and Secretary Knox were also prepared and sent to each of them (Stimson was in New York and Knox was in North Carolina) to obtain their signatures. They signed the letters and they were returned by Monday morning.
This is a photostat of
JR given to Secretary yesterday
with handwritten notations and
changes by J.H. Jones.
This is your copy. Does it
take care of what you had in mind?

FM

MR. FOLEY
To authorize the President of the United States to render financial aid to China, and for other purposes.

Whereas it is expedient and necessary in the national interest and for the protection of the financial and economic position of the United States, and for the purpose of maintaining the defense of the United States: Therefore be it

Resolved by the Senate and House of Representatives

United States in Congress assembled, That the President

is hereby authorized, on behalf of the United States, to loan

and credit or give other financial aid to China in an

amount not to exceed in the aggregate $500,000,000 at such

times and upon such terms and conditions as the

Treasury, with the approval of the

President, shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in

addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money

in the Treasury not otherwise appropriated, such sum or sums

to exceed $500,000,000 as may be necessary to carry out

provisions of this Joint Resolution.

Passed 1/7/42; SS 35 mp 1/30/42
Responsible officials, both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function effectively in our common effort.

I urge, therefore, the passage by Congress of appropriate legislation to this effect and attach therewith suggested draft of a joint resolution which would accomplish this purpose.
JOINT RESOLUTION

To authorize the President of the United States to render financial aid to China, and for other purposes.

WHEREAS China has for more than four years valiantly resisted the forces of Japanese aggression; and

WHEREAS financial and economic aid to China will increase her ability to oppose the forces of aggression; and

WHEREAS the defense of China is vital to the defense of the United States: Therefore be it

Resolved by the Senate and House of Representatives of the United States in Congress assembled, That the Secretary of the Treasury with the approval of the President is hereby authorized, on behalf of the United States, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate $500,000,000 at such time or times and upon such terms and conditions as the Secretary of the Treasury with the approval of the President shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed $500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.
Letters prepared but not submitted to the President for signature.
My dear Mr. Speaker:

Responsible officials, both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would substantially strengthen China's position as regards both her internal economy and her capacity in general to function effectively as an ally with us in our common effort.

I urge most strongly, therefore, the immediate consideration by Congress of appropriate legislation to this effect and attach hereto a suggested draft of a joint resolution which would accomplish this purpose.

Yours sincerely,

The Honorable,
The Speaker of the House of Representatives.
Responsible officials, both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function effectively as an ally with us in our common effort.

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Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed $500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.
Copies to Secy Hull and Secretary Jones were delivered by messenger. Copies to Secretary Stimson and Secretary Knox were handed to Dr. White who will see Asst. Secy Patterson this afternoon and will enclose Secretary Knox' copy in a letter which is being transmitted to Secy Knox today.
January 31, 1942

FROM:  THE SECRETARY OF THE TREASURY

TO:    THE SECRETARY OF NAVY

For his information.
January 31, 1942

FROM: THE SECRETARY OF THE TREASURY
TO: THE SECRETARY OF WAR

For his information.
January 31, 1942

FROM: The Secretary of the Treasury

TO: The Secretary of State

For his information.
January 31, 1942

FROM: THE SECRETARY OF THE TREASURY
TO: SECRETARY JONES

For his information.
January 31, 1942

My dear Mr. Vice President:

Responsible officials both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China’s position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort.

I urge, therefore, the passage by Congress of appropriate legislation to this effect and attach hereto a suggested draft of a joint resolution which would accomplish this purpose.

Sincerely yours,

The Honorable,

The Vice President of the United States.
January 31, 1942

My dear Mr. Speaker:

Responsible officials both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort.

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Sincerely yours,

The Honorable,

The Speaker of the House of Representatives.
JOINT RESOLUTION

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Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed $500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.
Dear Mr. President:

I refer to Generalissimo Chiang Kai-Shek's request for an immediate credit to China of $500,000,000 to assist him in China's prosecution of the war.

China is now in her fifth year of war against aggression and has had to draw very heavily upon her own resources. Certain loans have been made to China through the Federal Loan Agency, mostly in connection with the purchase of strategic materials. These loans have been used to buy supplies in this country, but China now needs cash to be used within, or from within, its own borders, and I strongly recommend that you ask Congress to authorize loans, or credits, or both, to China up to $500,000,000. The brilliant resistance to aggression which the Chinese have made and are making, and their contribution to the common cause, deserve the fullest support we can give.

Sincerely yours,

The President,
The White House.
My dear Mr. President:

I refer to the urgent request which this Government has received from Generalissimo Chiang Kai-shek to help him, by financial assistance, to maintain more effectively the morale of the Chinese people. Recent military developments in the Pacific and difficult economic and financial conditions in China have made necessary remedial action of a substantial character.

The military operations which the armies of China under the Generalissimo are carrying on and are planning to carry on are of extreme importance to us. It would be very unfortunate if we were to overlook any possibility of checking the impairment of China's morale resulting from the growing internal difficulties in China. I am convinced that the financial assistance which the Generalissimo has requested would make an effective contribution to the maintenance of China's morale and military strength.

I strongly recommend, therefore, that we should grant the Generalissimo's request without delay.

Faithfully,

[Signature]

The President,

The White House.
January 31, 1942

My dear Mr. President:

I refer to the urgent request which this Government has received from Generalissimo Chiang Kai-shek to help him, by financial assistance, to maintain more effectively the morale of the Chinese people. Recent military developments in the Pacific and difficult economic and financial conditions in China have made necessary remedial action of a substantial character.

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I strongly recommend, therefore, that we should grant the Generalissimo's request without delay.

Faithfully,

[Signature]

The President,
The White House.

[Stamp] 1/31/42
January 31st, 1942.

My Dear Mr. President:

The confidential information which has been coming to me during the past few weeks indicates that the difficult economic and financial situation within China is impairing her military effort.

Our information indicates further that substantial financial aid must be given to China quickly if we are to have assurance that recent and prospective military developments will not too seriously weaken the morale of the Chinese people.

Any substantial financial help that can be given to China at this time can not but help strengthen her striking power.

I therefore urge for your consideration that the financial assistance which I am informed the Generalissimo is requesting be granted expeditiously.

Faithfully,

[Signature]

The President,

The White House.
January 31st, 1942.

My dear Mr. President:

The confidential information which has been coming to me during the past few weeks indicates that the difficult economic and financial situation within China is impairing her military effort.

Our information indicates further that substantial financial aid must be given to China quickly if we are to have assurance that recent and prospective military developments will not too seriously weaken the morale of the Chinese people.

Any substantial financial help that can be given to China at this time can not but help strengthen her striking power.

I therefore urge for your consideration that the financial assistance which I am informed the Generalissimo is requesting be granted expeditiously.

Faithfully,

(Signed) Henry L. Stimson

The President,

The White House.
Suggested Draft.

My dear Mr. President:

The confidential information which has been coming to me during the past few weeks indicates that the difficult economic and financial situation within China is impairing her military effort.

Our information indicates further that substantial financial aid must be given to China quickly if we are to have assurance that recent and prospective military developments will not too seriously weaken the morale of the Chinese people.

Any substantial financial help that can be given to China at this time can not but help strengthen her striking power.

I therefore urge for your consideration that the financial assistance which I am informed the Generalissimo is requesting be granted expeditiously.

Faithfully,

[Signature]

The President,

The White House.
JOINT RESOLUTION

To authorize the President of the United States to render financial aid to China, and for other purposes.

WHEREAS China has for more than four years valiantly resisted the forces of Japanese aggression; and
WHEREAS financial and economic aid to China will increase her ability to oppose the forces of aggression; and
WHEREAS the defense of China is vital to the defense of the United States: Therefore be it

Resolved by the Senate and House of Representatives of the United States in Congress assembled, That the Secretary of the Treasury with the approval of the President is hereby authorized, on behalf of the United States, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate $500,000,000 at such time or times and upon such terms and conditions as the Secretary of the Treasury with the approval of the President shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed $500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.
January 31, 1942

My dear Mr. Vice President:

Responsible officials both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort.

I urge, therefore, the passage by Congress of appropriate legislation to this effect and attach hereto a suggested draft of a joint resolution which would accomplish this purpose.

Sincerely yours,

The Honorable,

The Vice President of the United States.
My dear Mr. Speaker:

Responsible officials both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort.

I urge, therefore, the passage by Congress of appropriate legislation to this effect and attach hereto a suggested draft of a joint resolution which would accomplish this purpose.

Sincerely yours,

The Honorable, The Speaker of the House of Representatives.
Secretary Jones' suggested revision
(first line of third WHEREAS)
JOINT RESOLUTION

To authorize the President of the United States to render financial aid to China, and for other purposes.

Whereas China has for more than four years valiantly resisted the forces of Japanese aggression; and
Whereas financial and economic aid to China will increase her ability to oppose the forces of aggression; and
Whereas the defense of China is of vital importance:

Therefore be it

Resolved by the Senate and House of Representatives of the United States in Congress assembled, That the Secretary of the Treasury with the approval of the President is hereby authorized, on behalf of the United States, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate $500,000,000 at such time or times and upon such terms and conditions as the Secretary of the Treasury with the approval of the President shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed $500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.

Regraded Unclassified
JOINT RESOLUTION

To authorize the President of the United States to render financial aid to China, and for other purposes.

WHEREAS China has for more than four years valiantly resisted the forces of Japanese aggression; and

WHEREAS financial and economic aid to China will increase her ability to oppose the forces of aggression; and

WHEREAS the defense of China is of the greatest possible importance: Therefore be it

Resolved by the Senate and House of Representatives of the United States in Congress assembled, That the Secretary of the Treasury with the approval of the President is hereby authorized, on behalf of the United States, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate $500,000,000 at such time or times and upon such terms and conditions as the Secretary of the Treasury with the approval of the President shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed $500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.
JOINT RESOLUTION

To authorize the President of the United States to render financial aid to China, and for other purposes.

WHEREAS China has for more than four years valiantly resisted the forces of Japanese aggression; and

WHEREAS financial and economic aid to China will increase her ability to oppose the forces of aggression; and

WHEREAS the defense of China is vital to the defense of the United States: Therefore be it

Resolved by the Senate and House of Representatives of the United States in Congress assembled, That the Secretary of the Treasury with the approval of the President is hereby authorized, on behalf of the United States, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate $500,000,000 at such time or times and upon such terms and conditions as the Secretary of the Treasury with the approval of the President shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed $500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.
Attached is a copy of the Joint Resolution as approved by the President.

Secretary Jones suggests the following:

"WHEREAS the defense of China is of the greatest possible importance"

in lieu of the third "Whereas" clause which reads:

"WHEREAS the defense of China is vital to the defense of the United States."

Our language in this respect follows the language of the Lease Lend Bill. Secretary Jones' point is that the Generalissimo can come back and ask for another loan if Congress in a special bill says that the defense of China is vital to the defense of the United States.
JOINT RESOLUTION

To authorize the President of the United States to render financial aid to China, and for other purposes.

WHEREAS China has for more than four years valiantly resisted the forces of Japanese aggression; and

WHEREAS financial and economic aid to China will increase her ability to oppose the forces of aggression; and

WHEREAS the defense of China is vital to the defense of the United States: Therefore be it

Resolved by the Senate and House of Representatives of the United States in Congress assembled, That the Secretary of the Treasury with the approval of the President is hereby authorized, on behalf of the United States, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate $500,000,000 at such time or times and upon such terms and conditions as the Secretary of the Treasury with the approval of the President shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed $500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.
I asked T. V. Soong to come and see me at quarter of seven Saturday night, and I read to him the joint resolution and told him how I had started last Thursday to work on this thing and told him what we'd done and how we were going up Monday on the Hill, and he should let the Generalissimo know, but impress upon him not to give out any publicity until the publicity came out of Washington. Any leaks would be very harmful. Soong said this would be very pleasing to the Generalissimo to learn that this was going to go through. He asked me how long it would take, and I said I thought from one to two weeks. He said he hoped it would pass before the fall of Singapore. I asked him if he thought it would fall, and he said, "Yes." He said that if for no other reason, the water question. He said there was a great shortage of water, and that they got most of their water from Johore. Then he went on to say that weren't things terrible in Bengal, and he said that until Americans got into this thing he didn't think the thing would go well. The Americans have demonstrated that they know how to fight.

He told me that when he was with the President Friday morning, that the President called up Hull about some question of taking over the German and Japanese Embassies, and incidentally mentioned the question of a loan. Then Hull told the President that Hull and I were going to talk to the President at Cabinet, and that we were recommending to do it through Congressional action. He said the President seemed a little bit surprised and also showed by his remarks that he had heard nothing about it. So I said that we had only worked it out that morning, and that when I brought it to the President today, it only took him a few seconds to read the resolution and to approve it. And I told him we appreciated how much the Chinese had done during the last four years, and they of all people should receive help at this time.
JAN 31 1942

My dear Mr. President:

Attached for your information is a copy of a press release relative to the suspension by the Treasury Department of personnel in Schering Corporation who have been closely associated with the Schering Company in Germany.

Treasury representatives have been supervising American Schering since the United States entered the war, and the action referred to in the press release resulted from our investigation.

Faithfully yours,

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

The President,
The White House.

Enclosure
JAN 31 1942

My dear Mr. Secretary:

Attached for your information is a copy of a press release relative to the suspension by the Treasury Department of personnel in Schering Corporation who have been closely associated with the Schering Company in Germany.

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Very truly yours,

(Signed) E. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of the Navy.

Enclosure.

DJS:BB:1hh/mp 1-30-42

Regarded Unclassified
JAN 31 1942

My dear Mr. Secretary:

Attached for your information is a copy of a press release relative to the suspension by the Treasury Department of personnel in Schering Corporation who have been closely associated with the Schering Company in Germany.

Treasury representatives have been supervising American Schering since the United States entered the war, and the action referred to in the press release resulted from our investigation.

Very truly yours,

(Signed) H. Morgenthau

Secretary of the Treasury

The Honorable

The Secretary of War

Enclosure

DJS:BB:1hh/s 1-31-42

By Messenger

copies to Thompson

N.M.C.
JAN 31 1942

My dear Dr. Bush:

Attached for your information is a copy of a press release relative to the suspension by the Treasury Department of personnel in Schering Corporation who have been closely associated with the Schering Company in Germany.

Treasury representatives have been supervising American Schering since the United States entered the war, and the action referred to in the press release resulted from our investigation.

Very truly yours,

(Signed) A. Morganthau, Jr.

Secretary of the Treasury

Dr. Vannevar Bush,
Office of Scientific Research and Development,
Washington, D.C.

Enclosure

DJS:BB:1hh 1-30-42
JAN 31 1942

My dear Mr. McMillan:

Attached for your information is a copy of a press release relative to the suspension by the Treasury Department of personnel in Schering Corporation who have been closely associated with the Schering Company in Germany.

Treasury representatives have been supervising American Schering since the United States entered the war, and the action referred to in the press release resulted from our investigation.

Very truly yours,

(Signed) E. Morganthau, Jr.

Secretary of the Treasury.

Hon. Paul V. McNutt,
Administrator,
Federal Security Agency,
Washington, D. C.

Enclosure

DJS: BB: 1hh 1-30-42

Regraded Unclassified
JAN 31 1942

My dear Dr. Jewett:

Attached for your information is a copy of a press release relative to the suspension by the Treasury Department of personnel in Schering Corporation who have been closely associated with the Schering Company in Germany.

Treasury representatives have been supervising American Schering since the United States entered the war, and the action referred to in the press release resulted from our investigation.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. F. E. Jewett,
President,
National Academy of Sciences,
Washington, D. C.

Enclosure

DJS:BB:1hh 1-30-42

Regraded Unclassified
TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, January 29, 1942.

Press Service
No. 30-3

The Treasury Department today suspended Dr. Julius Weltzien, $60,000-a-year president of Schering Corporation, Bloomfield, N. J., manufacturers of anti-shock vaccines, hormones, sulfa compounds and other pharmaceutical products essential to the war effort.

Seven others were also suspended from further activity as members of Schering's staff. Three of the seven were:

Ernst Hammer, promotion manager, salary $22,000, formerly in the South American department of Schering A. G., Berlin, and at one time its representative in South America.

Hans Erdmann, director of engineering and maintenance departments, salary $10,000, formerly a designer of chemical equipment for Schering A. G., Berlin.

Martin Bernhardt, head of the Schering legal department and comptroller of the corporation, salary $9,400, a former vice-chairman of Schering A. G., Berlin.

The suspension bars the eight individuals from the Schering premises, blocks their personal accounts, and all employees are forbidden to communicate with them without Treasury consent.

The Treasury Department believes that today's action smashes completely a long-range German scheme to control an important segment of the pharmaceutical market in the western hemisphere, and enables the United States to take full advantage of the vital research now under way in the Schering laboratories at Bloomfield.

Dr. Weltzien as late as 1939 held one of the most important positions in German industry as president of Schering A. G., Berlin, the second largest pharmaceutical corporation in Germany and the control board of Schering's subsidiaries concentrated in South America and other parts of the world.

As early as 1933, Schering A. G., Berlin, undertook a long-range scheme to maintain its world-wide economic position. The Treasury charged that, as a part of this scheme, Hermann Goering in 1937 ordered the sale of Schering's subsidiaries in the western hemisphere to Swiss interests.

Dr. Weltzien, who personally directed the expansion of the German Schering interests in South America and other parts of the world, transferred his offices from Berlin to this country in 1935 when he assumed the presidency of the Bloomfield plant.
The Treasury Department today suspended Dr. Julius Weltzien, $60,000-a-year president of Schering Corporation, Bloomfield, N. J., manufacturers of anti-shock vaccines, hormones, sulfa compounds and other pharmaceutical products essential to the war effort.

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Dr. Weltzien, who personally directed the expansion of the German Schering interests in South America and other parts of the world, transferred his offices from Berlin to this country in 1938 when he assumed the presidency of the Bloomfield plant.
Prior to Dr. Weltzien's entry into the United States, other key personnel from the Schering staff in Berlin had been sent into this country and assigned to important tasks in the Bloomfield Schering Corporation. Hammer, Bernhardt and Erdmann were brought here as a part of this plan, Treasury officials said.

At the outbreak of the European war the network of western hemisphere Schering corporations, then headed by the Schering Corporation at Bloomfield, drew closer together in the effort to hold markets for Schering A. G., of Berlin, until the end of the war. In addition the entire network was used as a tool to raise foreign exchange for the Nazi regime.

The Nazi scheme showed promise of succeeding until the Treasury Department blocked all German nationals under the President's freezing order in June of 1941.

The Treasury blocked Schering funds on June 14, 1941, and installed supervisory representatives in the plant shortly after the attack on Pearl Harbor. Production of Schering's vital pharmaceutical products has continued since June under Treasury control.

Heretofore the United States government has been unwilling to exchange pharmaceutical secrets with Schering Corporation in order to further development of vital drugs because it felt that important scientific discoveries might be made known to German agents and benefit the Axis. With the German elements removed, cooperative experiments will be made possible and the full benefit of Schering's important pharmaceutical research will be made available to the United Nations.
THE SECRETARY OF THE NAVY
WASHINGTON
February 3, 1942

My dear Henry:

Thank you for that letter of January 31 including the statement concerning the offices of the Schering Corporation. I was glad to have this information.

Yours sincerely,

[Signature]

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau

FROM: E. H. Foley, Jr.

DATE: JAN 31 1942

Re: Werner von Clemm
Pioneer Import Corp.

A Federal grand jury in New York on Thursday indicted Werner von Clemm and certain of his associates for conspiracy to violate the freezing regulations and customs laws. The basis for the indictment is that Werner von Clemm, operating through the Pioneer Import Corporation, conspired with other persons, including his brother in Europe, and certain German officials who were acting in cooperation with the German army, to bring diamonds confiscated by the Nazis in Belgium or Holland into the United States for sale.

The conspiracy contemplated that the diamonds would be marked as originating in Germany and thus brought into the country without obtaining a license from Foreign Funds Control, because at the date of the transactions German assets were not yet frozen, although both Belgian and Dutch were. Werner von Clemm is a cousin of von Ribbentrop's wife.
Foreign Funds Control and investigators of the Customs Bureau have been working with the United States Attorney's office on this case for over a year. It is contemplated that the trial will begin within approximately a month.

9-26-76.
My dear Mr. Secretary:

I have received your letter of January 27, 1942 (En 811.34544/1610), in which you state that the Secretary of the Navy has requested that the question of the admission into the United States under bond of articles for use in or aboard British ships being refitted in the United States be taken up with the Treasury Department.

In connection with this matter, your attention is invited to the communication addressed to the Treasury Department by the Department of State under date of April 7, 1941 (pr), requesting, in view of a note from the British Ambassador, that the collectors of customs at all seaports be authorized to admit free of duty, as an act of international courtesy, all articles consigned to the British Advisory Repair Mission, in care of the Commandant of any United States Navy Yard.

In response to this request, the Treasury Department, in a letter of April 21, 1941 (515.32), to all headquarter customs seaports, directed that free entry be accorded to all articles, the property of the British Government, when consigned to the British Advisory Repair Mission, in care of the Commandant of any United States Navy Yard in this country, and intended for the repair or refitting of British ships of war in the United States. A copy of this authorization was forwarded to the Department of State with the Treasury Department's letter of April 21, 1941 (515.32). In a letter
of November 6, 1941 (515.32), the same collectors of customs were directed in a blanket authorization to accord articles of the character referred to free entry, as an act of international courtesy, when imported by air, as well as when imported in vessels of war or in merchant ships. This blanket authorization was in response to the request contained in a letter received from the Department of State dated October 27, 1941 (PR), and a copy of the authorization was transmitted to the Department of State with the Treasury Department's letter of November 6, 1941 (515.32).

It is now and has been the practice, since May 22, 1941, to accord free entry, as an act of international courtesy, under the conditions laid down in this Department's letter to your office of May 22, 1941 (515.32), to articles intended for the repair and maintenance of vessels of the British Mercantile Marine, upon the receipt, in each instance, of a request for free entry on that basis from the British Ministry of War Transport (formerly the British Ministry of Shipping).

As it is now the established practice, under the procedure outlined above, to accord free entry unconditionally, as an act of international courtesy, to the articles referred to by the Secretary of the Navy, this Department would appreciate advice as to anything further it might do to accomplish the proposal of the Secretary of the Navy.

Copies of the Department's authorizations referred to above are again transmitted for your ready reference and possible transmission to the Secretary of the Navy.

Very truly yours,

(Signed) E. Morganhan, Jr.,
Secretary of the Treasury.

The Honorable

The Secretary of State.

Enclosures.
My dear Mr. Secretary:

The Secretary of the Navy has asked me to take up with you the question of having dutiable articles, consigned for use in or aboard British ships being refitted in United States yards, admitted into the United States in bond. I am glad to endorse the Secretary of the Navy's proposal and should be grateful if you can give effect to it.

Sincerely yours,

[Signature]

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.
CONFIDENTIAL

November 6, 1941

The Collector of Customs,

Portland, Me., and to all other headquarter seaports and Honolulu, T. H.

Sir:

Reference is made to the Department's letter of April 21, 1941 (515.32), authorizing the admission free of duty and import tax as an act of international courtesy of all imported articles consigned to the British Advisory Repair Mission, in care of the Commandant of any United States Navy Yard in this country.

The Department is now in receipt of a request from the Department of State that blanket authority be issued to collectors of customs for the admission free of duty of articles of this character when imported by air as well as on board vessels of war and merchant ships. In compliance with the request received from the Department of State, the Department's letter of April 21, 1941 (515.32), is hereby extended to cover articles imported by air consigned to the British Advisory Repair Mission, in care of the Commandant of any United States Navy Yard in this country.

This letter shall be blanket authority, and specific authorizations in each instance shall not be required.

Very truly yours,

(Signed) Herbert E. Gaston

HERBERT E. GASTON,
Assistant Secretary of the Treasury.
COPY

MAY 22 1941

My dear Mr. Secretary:

Reference is made to your letter of May 17, 1941 (PR 841, 85/480), enclosing a copy of a note dated May 10, 1941 from the British Ambassador concerning the question of free entry into the United States of certain repair parts, supplies and so forth, which may be required for the repair and maintenance of vessels of the British mercantile marine.

The British Ambassador requests that consideration be given to the free entry of this material under the following conditions:

(1) The materials must be the property of the British Government or of a department thereof.

(2) The materials must be destined for the maintenance and/or repair of vessels of the British mercantile marine or of vessels coming under the control of the British Government.

(3) A request for free entry should in the case of each ship be addressed to, and filed in advance of arrival with, the Commissioner of Customs at Washington, D. C. by the Ministry of Shipping.

(4) This request should in each case give assurances on the points raised in (1) and (2) above and should include the name of the consignee, the port at which entry will be made, the name of the conveying vessel, a broad general description of the materials together with the marks and numbers on the cases, and the number of packages of which each shipment is composed.

The Department can see no objection to the admission free of duty of repair and maintenance material under the conditions outlined by the British Ambassador provided that there is no waiver of any license or permit required by law in connection with such importations. Further, in view of the statement made in the second paragraph of your letter, no objection is perceived to the adoption
the practice of according free entry to such material on
receipt of requests for free entry which are addressed
officially to the Commissioner of Customs by the British Ministry
of Shipping.

By direction of the Secretary:

Very truly yours,

(Signed) Herbert E. Gaston

HERBERT E. GASTON,
Assistant Secretary of the Treasury.

To the Honorable,

The Secretary of State.
CONFIDENTIAL

The Collector of Customs,

Portland, Me., and to all other headquarter seaports and Honolulu.

Sir:

You are hereby authorized to admit free of duty and import tax, as an act of international courtesy, all imported articles consigned to the British Advisory Repair Mission, in care of the Commandant of any United States Navy Yard in this country.

Such articles will in each case be the property of the British Government and will be used in connection with the repair or refitting of British ships of war in the United States. Some shipments will arrive on board vessels of war and some in merchant ships.

The shipments will be composed of "articles, the immediate delivery of which is necessary" within the meaning of section 448(b) of the Tariff Act of 1930, and may be released prior to entry in accordance with the procedure outlined in article 354 of the Customs Regulations of 1937. In view of the nature of the transactions the requirements of article 354 with respect to the giving of bonds are hereby waived and it is requested that you expedite in all possible ways the release of the shipments.

In cases where it is desired to invoke the provisions of article 770 of the Customs Regulations of 1937, as amended, the requirements of that article with respect to the giving of bonds or stipulations are hereby waived and all possible facilities should be extended.

This letter shall be blanket authority for the treatment of all importations of the character herein described, and specific authorizations in each instance shall not be required.

Very truly yours,

(Signed) Herbert E. Gaston

HERBERT E. GASTON,
Assistant Secretary of the Treasury.

615.32

April 21, 1941

CO PY

CH-mc 4-16-41
WRJ-ecb 4-17-41
You are right, Secretary Knox; the Navy has once more set an example and offered a challenge to the rest of the country. On behalf of the Treasury Department I am happy and proud to receive this magnificent investment in America.

It is doubly welcome to me because it comes from the shore establishments of one of our fighting services. It shows that the men and women who work in the navy yards and other shore stations are doing a double job for their country. They are working day and night to supply our fighting men with fighting weapons. At the same time they are saving systematically, week after week, to supply our fighting men with fighting dollars.

It will be grand news to those who serve at sea to hear that the men and women on shore are giving them this.
kind of active and continuous support. After all, the
men of the Navy must have new ships, planes, guns and
shells in a steady stream if they are to do their part
in winning the war. The workers in the shore establishments
and millions of others in war industries throughout the
country are making it possible, by their savings, to
provide those weapons that will smash our enemies.

I wish that I could thank every one of the thousands
who have contributed to the check that you have just handed
to me. Since that is impossible, I am going to thank them
through you, Secretary Knox. (The people who work in the
Navy's shore establishments have shown by their wonderful
response that they are all-out for victory just as much as
the men who serve on the ships of war.) Let the Nazis and
the Japanese look at that response, and look at it well.
It is just another example of the spirit that is going to win the war for freedom.
January 31, 1942

My dear Mr. Luhrsen:

Immediately after the railroad wage settlement your Association, through you and through the presidents of many of your member brotherhoods and unions, informed me that Railroad Labor was giving the word "Full Steam Ahead!" to its members for participation in the Defense Savings Program. This prompt and wholehearted support from yourself and these other leaders was very good news for the United States Government in facing the heavy burdens of financing the war.

In these circumstances I am somewhat troubled to learn from members of the Defense Savings Staff that reports so far received on Payroll Savings Plans set up at our request by the transportation companies show that in general only a minor percentage of railroad employees are taking part. These reports show that, in the case of 72 railroads with a total of 907,657 employees, only 34,962 of that number have filed Payroll Allotment Authorizations. I am attaching to this letter a list of those railroads, showing the number of their employees, the number of Payroll Authorizations filed and the percentage of participation.

Since the date on which your organization gave me these assurances, the war effort of the United States has been intensified and all our national needs have increased tremendously. It is vitally important that your members recognize this situation clearly; and having before them the facts here presented, set themselves without delay to make good on their undertaking of all-out
cooperation with the Government in this essential part of its war program.

We are counting on you to pass this word on to your associates.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Mr. Julius G. Luhrs,  
Executive Secretary-Treasurer,  
Railway Labor Executives’ Association,  
10 Independence Avenue,  
Washington, D. C.

Attachment.
<table>
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<tr>
<th>Railroads</th>
<th>Number of Employees</th>
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<td>Wab.</td>
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<td>Erie</td>
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<td>Virginian</td>
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<td>M. K. &amp; T.</td>
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<td>Frisco</td>
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<td>D. &amp; R. G.</td>
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<td>Lehigh &amp; N. E.</td>
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<td>100</td>
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<td>Chicago Tunnel</td>
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<td>B. &amp; O. Ry.</td>
<td>54380</td>
<td>5729</td>
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<tr>
<td>Southern Pacific</td>
<td>53700</td>
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<tr>
<td>C. M. &amp; St. F.</td>
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<td>3000</td>
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<tr>
<td>W. M.</td>
<td>4400</td>
<td>432</td>
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<td>O. L. &amp; N.</td>
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<td>Toledo Terminal</td>
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<td>B. &amp; A.</td>
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<td>C. R. I. &amp; F.</td>
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<td>1779</td>
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<td>Railroads</td>
<td>Number of Employees</td>
<td>Participants</td>
<td>Per Cent</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>---------------------</td>
<td>--------------</td>
<td>----------</td>
</tr>
<tr>
<td>K. C. S.</td>
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<td>406</td>
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<td>Cambria &amp; Ind.</td>
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<td>P. R. R.</td>
<td>14731.3</td>
<td>11174</td>
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<td>G. N.</td>
<td>5000</td>
<td>1100</td>
<td>7.3</td>
</tr>
<tr>
<td>C. N. J.</td>
<td>12150</td>
<td>821</td>
<td>6.8</td>
</tr>
<tr>
<td>L. V</td>
<td>11159</td>
<td>756</td>
<td>6.8</td>
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<tr>
<td>C &amp; O, N. K. P., F. M.</td>
<td>52000</td>
<td>3541</td>
<td>6.8</td>
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<tr>
<td>G. T. W.</td>
<td>8014</td>
<td>531</td>
<td>6.6</td>
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<tr>
<td>B. &amp; M.</td>
<td>15200</td>
<td>935</td>
<td>6.2</td>
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<tr>
<td>Reading</td>
<td>19000</td>
<td>1158</td>
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</tr>
<tr>
<td>K. C. Term.</td>
<td>1625</td>
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<td>C. &amp; E. I.</td>
<td>4500</td>
<td>270</td>
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<td>N. C. &amp; St. L.</td>
<td>5699</td>
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<td>T. R. R. A.</td>
<td>3636</td>
<td>207</td>
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<tr>
<td>C. V.</td>
<td>1500</td>
<td>82</td>
<td>5.5</td>
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<tr>
<td>Sou Ry.</td>
<td>42229</td>
<td>2125</td>
<td>5.0</td>
</tr>
<tr>
<td>N. &amp; N.</td>
<td>21000</td>
<td>1000</td>
<td>4.8</td>
</tr>
<tr>
<td>L. C.</td>
<td>36500</td>
<td>1700</td>
<td>4.7</td>
</tr>
<tr>
<td>S. A. L.</td>
<td>15500</td>
<td>721</td>
<td>4.6</td>
</tr>
<tr>
<td>N. Y. C.</td>
<td>121000</td>
<td>4000</td>
<td>3.3</td>
</tr>
<tr>
<td>A. C. L.</td>
<td>17000</td>
<td>495</td>
<td>2.9</td>
</tr>
<tr>
<td>F. E. C.</td>
<td>2500</td>
<td>99</td>
<td>2.4</td>
</tr>
<tr>
<td>Jax Term.</td>
<td>700</td>
<td>15</td>
<td>2.1</td>
</tr>
</tbody>
</table>
TREASURY DEPARTMENT
WASHINGTON

January 31, 1942.

MEMORANDUM FOR THE SECRETARY:

I attach the report you asked for about the companies which have been warned the Navy "E" flag.
Existence of Payroll Savings Plans in Industrial Plants Receiving the Navy "E" Flag

Number of companies listed as receiving the Navy "E" Flag........................................2

Number of the listed companies reported to have established a payroll savings plan by the State Administrator (see attached list)..................................4

Number of companies reported to have established a payroll savings plan from which progress reports have been received by the Treasury.....................................9

Of the 9 companies reporting to the Treasury, 3 had plans operating in December and the percentage of participation among their employees was as follows:

Consolidated Machine Tool Corporation, Rochester, N. Y..................... 684 employees..... 73%
Westinghouse Electric Elevator Co., Jersey City, N. J....................... 1,281 employees..... 66%
E. I. DuPont de Nemours & Company, Wilmington, Del.......................... 52,000 employees..... 13%

The other 6 companies reported their plans were not in operation in December but would start on the following dates:

Carrier Corporation, Syracuse, N. Y...................................... Jan. 1
Pollock Manufacturing Co., Arlington, N. J............................. Jan. 1
Mooney Co., Pittsburgh, Pa........................................... Jan. 10
J. A. Roeblin's Sons Co., Trenton, N. J................................ Jan. 27
Bridgeport Brass Co., Bridgeport, Conn.............................. Feb. 1
Control Instrument Co., New York, N. Y.............................. Feb. 15
### Existence of Payroll Savings Plans in Industrial Plants Receiving the Navy "E" Flag

<table>
<thead>
<tr>
<th>Name of company</th>
<th>City and State</th>
<th>Administrators' January 24 report on existence of payroll savings plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continental Gin Co.</td>
<td>Birmingham, Ala.</td>
<td>Yes</td>
</tr>
<tr>
<td>orris Stamping &amp; Mfg. Co.</td>
<td>Los Angeles, Cal.</td>
<td>Yes</td>
</tr>
<tr>
<td>ridgeport Brass Co.</td>
<td>Bridgeport, Conn.</td>
<td>Yes</td>
</tr>
<tr>
<td>ase Brass &amp; Copper Co., Inc.</td>
<td>Waterbury, Conn.</td>
<td>Yes</td>
</tr>
<tr>
<td>DuPont de Nemours &amp; Co., Inc.</td>
<td>Wilmington, Del.</td>
<td>Yes</td>
</tr>
<tr>
<td>dale Printing Press Co.</td>
<td>Chicago, Ill.</td>
<td>Yes</td>
</tr>
<tr>
<td>agersoll Milling Machine Co.</td>
<td>Rockford, Ill.</td>
<td>Yes</td>
</tr>
<tr>
<td>merican Steel Foundries</td>
<td>Granite City, Ill.</td>
<td>No</td>
</tr>
<tr>
<td>ropp Forge Co.</td>
<td>Chicago, Ill.</td>
<td>Yes</td>
</tr>
<tr>
<td>antam Bearings Corp.</td>
<td>South Bend, Ind.</td>
<td>Yes</td>
</tr>
<tr>
<td>merican Steel Foundries</td>
<td>Indiana Harbor, Ind.</td>
<td>No</td>
</tr>
<tr>
<td>R. Mallory &amp; Co., Inc.</td>
<td>Indianapolis, Ind.</td>
<td>No</td>
</tr>
<tr>
<td>e Magnavox Co.</td>
<td>Fort Wayne, Ind.</td>
<td>No</td>
</tr>
<tr>
<td>outh Bend Lathe Works</td>
<td>South Bend, Ind.</td>
<td>Yes</td>
</tr>
<tr>
<td>esser Lamp &amp; Stamp Corp.</td>
<td>Evansville, Ind.</td>
<td>Yes</td>
</tr>
<tr>
<td>triumph Explosives, Inc.</td>
<td>Elkton, Md.</td>
<td>No</td>
</tr>
<tr>
<td>heen Manufacturing Co.</td>
<td>Baltimore, Md.</td>
<td>Yes</td>
</tr>
<tr>
<td>ational Fireworks, Inc.</td>
<td>West Hanover, Mass.</td>
<td>No</td>
</tr>
<tr>
<td>olaroid Corp.</td>
<td>Cambridge, Mass.</td>
<td>Yes</td>
</tr>
<tr>
<td>emeral Motors Corp., Fisher Body Div.</td>
<td>Detroit, Mich.</td>
<td>Yes</td>
</tr>
<tr>
<td>ickers, Inc.</td>
<td>Detroit, Mich.</td>
<td>Yes</td>
</tr>
<tr>
<td>ederal Screw Works</td>
<td>Detroit, Mich.</td>
<td>Yes</td>
</tr>
<tr>
<td>eller Brass Co.</td>
<td>Fort Huron, Mich.</td>
<td>No</td>
</tr>
<tr>
<td>thern Pump Co.</td>
<td>Minneapolis, Minn.</td>
<td>Yes</td>
</tr>
<tr>
<td>our City Ornamental Iron Co.</td>
<td>Minneapolis, Minn.</td>
<td>Yes</td>
</tr>
<tr>
<td>onsanto Chemical Co.</td>
<td>St. Louis, Mo.</td>
<td>Yes</td>
</tr>
<tr>
<td>atrise Steel Tank Mfg. Co.</td>
<td>Beatrice, Nebr.</td>
<td>No</td>
</tr>
<tr>
<td>eurfel &amp; Esser Co.</td>
<td>Hoboken, N. J.</td>
<td>Yes</td>
</tr>
<tr>
<td>olklock Mfg. Co.</td>
<td>Arlington, N. J.</td>
<td>Yes</td>
</tr>
<tr>
<td>estinghouse Electric Elevator Co.</td>
<td>Jersey City, N. J.</td>
<td>Yes</td>
</tr>
<tr>
<td>rudible Steel Co. of America</td>
<td>Harrison, N. J.</td>
<td>Yes</td>
</tr>
<tr>
<td>ohn A. Roebling Sons Co.</td>
<td>Trenton, N. J.</td>
<td>No</td>
</tr>
<tr>
<td>arma Corp.</td>
<td>Brooklyn, N. Y.</td>
<td>No</td>
</tr>
<tr>
<td>ausch &amp; Lomb Optical Co.</td>
<td>Rochester, N. Y.</td>
<td>No</td>
</tr>
</tbody>
</table>

(continued)
Existence of Payroll Savings Plans in Industrial Plants Receiving the Navy "E" Flag

<table>
<thead>
<tr>
<th>Name of company</th>
<th>City and State</th>
<th>Administrators' January 24 report on existence of a payroll savings plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nichol Instrument Co.</td>
<td>Long Island City, N.Y.</td>
<td>Yes</td>
</tr>
<tr>
<td>Tool Machine Tool Corp.</td>
<td>Rochester, N.Y.</td>
<td>Yes</td>
</tr>
<tr>
<td>Amer Machine, Div. of Bendix Avia Corp.</td>
<td>Elmira, N.Y.</td>
<td>No</td>
</tr>
<tr>
<td>Carrier Corp.</td>
<td>Syracuse, N.Y.</td>
<td>Yes</td>
</tr>
<tr>
<td>American Locomotive Co.</td>
<td>Scheneectady, N.Y.</td>
<td>Yes</td>
</tr>
<tr>
<td>Natrol Instrument Co., Inc.</td>
<td>Brooklyn, N.Y.</td>
<td>Yes</td>
</tr>
<tr>
<td>Natrol Corp.</td>
<td>Brooklyn, N.Y.</td>
<td>No</td>
</tr>
<tr>
<td>North Bross Corp.</td>
<td>Long Island City, N.Y.</td>
<td>No</td>
</tr>
<tr>
<td>New York Airframe Co.</td>
<td>New York City, N.Y.</td>
<td>No</td>
</tr>
<tr>
<td>Ward L. White Co.</td>
<td>New York City, N.Y.</td>
<td>Yes</td>
</tr>
<tr>
<td>International Nickel Co.</td>
<td>Sidney, Ohio</td>
<td>Yes</td>
</tr>
<tr>
<td>March Machine Tool Co.</td>
<td>Sandusky, Ohio</td>
<td>No</td>
</tr>
<tr>
<td>S. Favor &amp; Machine Co.</td>
<td>Cleveland, Ohio</td>
<td>Yes</td>
</tr>
<tr>
<td>Machining &amp; Machine Co.</td>
<td>Cleveland, Ohio</td>
<td>Yes</td>
</tr>
<tr>
<td>Cincinnati Cash Register Co.</td>
<td>Dayton, Ohio</td>
<td>Yes</td>
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<tr>
<td>Steel Improvement &amp; Forge Co.</td>
<td>Cleveland, Ohio</td>
<td>Yes</td>
</tr>
<tr>
<td>W. Vomrner &amp; Swasey Co.</td>
<td>Cleveland, Ohio</td>
<td>Yes</td>
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<tr>
<td>Cleveland Co.</td>
<td>Middletown, (Phila.), Pa.</td>
<td>Yes</td>
</tr>
<tr>
<td>Wadsworth Machine Works</td>
<td>Reading, Pa.</td>
<td>No</td>
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<tr>
<td>Ice Forge Co.</td>
<td>Erie, Pa.</td>
<td>Yes</td>
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<tr>
<td>Pennsylvania Steel &amp; Iron Co.</td>
<td>Morton, Pa.</td>
<td>No</td>
</tr>
<tr>
<td>Walker Machine Company</td>
<td>Pittsburgh, Pa.</td>
<td>No</td>
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<tr>
<td>Landis Steel Mfg., Div. of Baldwin Locomotive</td>
<td>Scranton, Pa.</td>
<td>Yes</td>
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<tr>
<td>Alco Steel Co.</td>
<td>Homestead, Pa.</td>
<td>No</td>
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<tr>
<td>Carnegie-Illinois Steel Co.</td>
<td>Pittsburgh, Pa.</td>
<td>No</td>
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<tr>
<td>United Steel Co.</td>
<td>Irvine, Pa.</td>
<td>Yes</td>
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<tr>
<td>National Forge &amp; Ordnance Co.</td>
<td>Philadelphia, Pa.</td>
<td>No</td>
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<tr>
<td>M. F. Bell Bearing Co.</td>
<td>Midland, Pa.</td>
<td>No</td>
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<tr>
<td>Crucible Steel Corp.</td>
<td>Pottstown, Pa.</td>
<td>No</td>
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<tr>
<td>Beallier Die Casting Co.</td>
<td>Pottstown, Pa.</td>
<td>No</td>
</tr>
<tr>
<td>New England Auto Products Corp.</td>
<td>Pittsburgh, Pa.</td>
<td>Yes</td>
</tr>
<tr>
<td>E. H. &amp; Co.</td>
<td>Pittsburgh, Pa.</td>
<td>No</td>
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<tr>
<td>Wycoff Drawn Steel Company</td>
<td>Bethlehem, Pa.</td>
<td>Yes</td>
</tr>
<tr>
<td>Bethlehem Foundry &amp; Machine Co.</td>
<td>(continued)</td>
<td></td>
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</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics.
Existence of Payroll Savings Plans in Industrial Plants Receiving the Navy "E" Flag

(continued - 3)

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>City and State</th>
<th>Administrators' January 24 report on existence of a payroll savings plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handwell Engineering Company</td>
<td>Easton, Pa.</td>
<td>No</td>
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<tr>
<td>Pennsylvania Electric Steel Casting Co.</td>
<td>Hamburg, Pa.</td>
<td>No</td>
</tr>
<tr>
<td>American Pulley Co.</td>
<td>Nicetown, (Phila.), Pa.</td>
<td>Yes</td>
</tr>
<tr>
<td>Ting Engineers Inc.</td>
<td>Philadelphia, Pa.</td>
<td>Yes</td>
</tr>
<tr>
<td>Stone &amp; Sharp Mfg. Co.</td>
<td>Providence, R. I.</td>
<td>Yes</td>
</tr>
<tr>
<td>Fulton Sylphon Co.</td>
<td>Knoxville, Tenn.</td>
<td>No</td>
</tr>
<tr>
<td>Cameron Iron Works</td>
<td>Houston, Texas</td>
<td>No</td>
</tr>
<tr>
<td>Peddar Co.</td>
<td>Richmond, Va.</td>
<td>Yes</td>
</tr>
<tr>
<td>Beside Bridge &amp; Steel Co.</td>
<td>Milwaukee, Wisc.</td>
<td>No</td>
</tr>
<tr>
<td>Louis Allis Co.</td>
<td>Milwaukee, Wisc.</td>
<td>No</td>
</tr>
</tbody>
</table>

Engineers Engineering Company Easton, Pa.
Stone & Sharp Mfg. Co. Providence, R. I.
Fulton Sylphon Co. Knoxville, Tenn.
Cameron Iron Works Houston, Texas
Peddar Co. Richmond, Va.
Beside Bridge & Steel Co. Milwaukee, Wisc.
Louis Allis Co. Milwaukee, Wisc.
Subject: Operation of Payroll Savings Plans in Large Companies during December 1941

1. Attached to this memorandum is a table showing some preliminary information on the operation of payroll savings plans in 86 large companies during the month of December 1941. The data shown in the table were obtained from the companies listed therein through the direct mail reporting system which we established two weeks ago. They represent actual results for December in the companies listed.

2. The 86 companies shown in the table employed 506,000 persons in December. Of this number 93,850 or approximately 18-1/2 percent had pledged themselves to purchase Savings Bonds under payroll savings plans. The average deduction from pay under the plans amounted to approximately 1 percent of the aggregate payroll of the various companies.

3. The companies listed in the table represent a random sample of large companies operating payroll savings plans in December. (The companies selected were those whose reports were included in the first week's replies received to our questionnaire.) A random sample such as this should be more or less representative of the operation of the plan throughout the country during that month.

4. Employee participation in payroll savings plans is undoubtedly higher at the present time than it was in December because the companies have had more time to canvas their employees. We shall have preliminary data on the extent of this participation in about three weeks when the replies to our February 10 questionnaire begin to come in.
### Payroll Savings Plans in a Selected Group of Large Companies During December 1941

<table>
<thead>
<tr>
<th>Name and address of company</th>
<th>Number of persons employed</th>
<th>Number of employees in payroll saving plans</th>
<th>Percentage of employees participating in payroll savings plan</th>
<th>Percent of company's payroll deducted for payroll saving plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. E. Lee Co., Montgomery, Conn.</td>
<td>1,200</td>
<td>950</td>
<td>96</td>
<td>1</td>
</tr>
<tr>
<td>Associated Machine Tool Corp., Rochester, N.Y.</td>
<td>824</td>
<td>766</td>
<td>93</td>
<td>3</td>
</tr>
<tr>
<td>Bell Aircraft &amp; Foundry Co., Cleveland, Ohio.</td>
<td>1,944</td>
<td>973</td>
<td>93</td>
<td>3</td>
</tr>
<tr>
<td>Blaine &amp; Down Co., St. Paul, Minn.</td>
<td>1,147</td>
<td>1,001</td>
<td>87</td>
<td>1</td>
</tr>
<tr>
<td>Buhl Tool Co., Allentown, Wis.</td>
<td>3,850</td>
<td>1,974</td>
<td>50</td>
<td>2</td>
</tr>
<tr>
<td>C.A. Manufacturing Co., Inc., Jersey, N.J.</td>
<td>12,464</td>
<td>8,715</td>
<td>70</td>
<td>2</td>
</tr>
<tr>
<td>J. Morey Mills, Lima, N.Y.</td>
<td>2,900</td>
<td>1,950</td>
<td>67</td>
<td>2</td>
</tr>
<tr>
<td>Olin Engine Co., Jamestown, N.Y.</td>
<td>1,600</td>
<td>1,060</td>
<td>65</td>
<td>2</td>
</tr>
<tr>
<td>Morris Elevator Co., Jersey City, N.J.</td>
<td>1,281</td>
<td>842</td>
<td>66</td>
<td>2</td>
</tr>
<tr>
<td>Rust Electric Co., Fitchburg, Conn.</td>
<td>1,562</td>
<td>992</td>
<td>64</td>
<td>2</td>
</tr>
<tr>
<td>Cleveland Twist Drill Co., Cleveland, Ohio.</td>
<td>2,242</td>
<td>1,439</td>
<td>64</td>
<td>4</td>
</tr>
<tr>
<td>Milwaukee Electric Railway &amp; Transport Co., Milwaukee, Wis.</td>
<td>2,494</td>
<td>1,420</td>
<td>53</td>
<td>1</td>
</tr>
<tr>
<td>Simms Aviation, Detroit, Mich.</td>
<td>1,087</td>
<td>553</td>
<td>51</td>
<td>2</td>
</tr>
<tr>
<td>S. Scott, The, New York, N.Y.</td>
<td>1,200</td>
<td>550</td>
<td>50</td>
<td>2</td>
</tr>
<tr>
<td>S. E. Meade Knitting Co., Winston-Salem, N.C.</td>
<td>3,150</td>
<td>1,537</td>
<td>48</td>
<td>1</td>
</tr>
<tr>
<td>S. &amp; Son Cotton Mills, New Bedford, Mass.</td>
<td>1,819</td>
<td>877</td>
<td>48</td>
<td>3</td>
</tr>
<tr>
<td>Central of Georgia Railway, Savannah, Ga.</td>
<td>6,500</td>
<td>2,530</td>
<td>40</td>
<td>1</td>
</tr>
<tr>
<td>H. J. Reynolds Tobacco Co., Winston-Salem, N.C.</td>
<td>11,000</td>
<td>4,625</td>
<td>42</td>
<td>1</td>
</tr>
<tr>
<td>Wisconsin Electric Power Co., Milwaukee, Wis.</td>
<td>2,388</td>
<td>880</td>
<td>37</td>
<td>2</td>
</tr>
</tbody>
</table>

(continued)

### Notes:
- Companies selected are those with the largest number of employees among the first 5,000 replies received to the Treasury's December questionnaire on payroll savings plans.
- Less than 1/2 of 1 percent.

Office of the Secretary of the Treasury,
Division of Research and Statistics.
### Operation of Payroll Savings Plans in a Selected Group of Large Companies During December 1941

**Continued - 2**

<table>
<thead>
<tr>
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<th>Percent of company's payroll deducted for payroll savings plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wyer Drop Forging Co., Springfield, Mass.</td>
<td>1,400</td>
<td>451</td>
<td>32</td>
<td>2</td>
</tr>
<tr>
<td>Wyer Pen Co., Janesville, Wis.</td>
<td>1,442</td>
<td>450</td>
<td>31</td>
<td>2</td>
</tr>
<tr>
<td>Wyer Thread Co., Newark, N. J.</td>
<td>1,940</td>
<td>560</td>
<td>29</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Works, American Tube &amp; Stamping Plant, Bridgeport, Conn.</td>
<td>1,122</td>
<td>298</td>
<td>27</td>
<td>1</td>
</tr>
<tr>
<td>Wyer-Loeett Co., Jacksonville, Fla.</td>
<td>1,000</td>
<td>250</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>Wyer New York Life Insurance Co., New York, N. Y.</td>
<td>4,287</td>
<td>1,055</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Eith &amp; Eason, Springfield, Mass.</td>
<td>1,258</td>
<td>300</td>
<td>24</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Siley Carburetor Co., Detroit, Mich.</td>
<td>1,476</td>
<td>350</td>
<td>24</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Cleveland Railway Co., Cleveland, Ohio</td>
<td>4,200</td>
<td>920</td>
<td>23</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Tri-State Telephone &amp; Telegraph Co., Omaha, Neb.</td>
<td>1,730</td>
<td>366</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Wyer &amp; M. Keragheusian, Inc., Freehold, N. J.</td>
<td>1,707</td>
<td>359</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Wyer New York Telephone Co., New York, N. Y.</td>
<td>40,454</td>
<td>8,514</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Manufacturers Trust Co., New York, N. Y.</td>
<td>3,365</td>
<td>723</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Weatherhead Co., Cleveland, Ohio</td>
<td>2,100</td>
<td>445</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td>Wyer Cincinnati Street Railway Co., Cincinnati, Ohio</td>
<td>1,992</td>
<td>421</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Northrup Aircraft Manufacturing Co., Los Angeles, Calif.</td>
<td>4,320</td>
<td>875</td>
<td>20</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Edmund Engineering Co., Inc., New York, N. Y.</td>
<td>1,010</td>
<td>202</td>
<td>20</td>
<td>1</td>
</tr>
<tr>
<td>Wyer U. Corporation, New York, N. Y.</td>
<td>1,400</td>
<td>260</td>
<td>19</td>
<td>1</td>
</tr>
<tr>
<td>Wyer White Motor Company, Cleveland, Ohio</td>
<td>4,990</td>
<td>970</td>
<td>19</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Chicago, Indianapolis &amp; Louisville R. T., Chicago, Ill.</td>
<td>2,200</td>
<td>339</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Wyer Nevada Consolidated Copper Corp., McGill, Nev.</td>
<td>1,677</td>
<td>297</td>
<td>16</td>
<td>2</td>
</tr>
</tbody>
</table>

(continued)

**Office of the Secretary of the Treasury,**

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(Continued - 3)

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</tr>
</thead>
<tbody>
<tr>
<td>Rochester Transit Corp., Rochester, N. Y.</td>
<td>1,032</td>
<td>188</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>Hartford Machine Screw Co., Hartford, Conn.</td>
<td>1,600</td>
<td>265</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Hanna-Mills Corp., High Point, N. C.</td>
<td>2,712</td>
<td>452</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Ann-Bush Shoe Co., Milwaukee, Wis.</td>
<td>1,239</td>
<td>210</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Louisville &amp; Nashville Railroad Co., Louisville, Ky.</td>
<td>30,600</td>
<td>4,800</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Chesapeake &amp; Potomac Telephone Co., Baltimore, Md.</td>
<td>5,493</td>
<td>866</td>
<td>16</td>
<td>•</td>
</tr>
<tr>
<td>American Writing Paper Corp., Holyoke, Mass.</td>
<td>1,330</td>
<td>200</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>Greston Cotton Mills, Inc., Gastonia, N. C.</td>
<td>2,063</td>
<td>300</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>Jones &amp; Lamson Machine Co., Springfield, Vt.</td>
<td>2,045</td>
<td>300</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>Lein, Joliet &amp; Eastern Railway Co., Chicago, Ill.</td>
<td>5,975</td>
<td>845</td>
<td>14</td>
<td>•</td>
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<tr>
<td>Warke-Davis &amp; Co., Detroit, Mich.</td>
<td>4,141</td>
<td>589</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>I. I. DuPont de Nemours &amp; Co., Wilmington, Del.</td>
<td>62,000</td>
<td>8,070</td>
<td>13</td>
<td>•</td>
</tr>
<tr>
<td>Sun Company Publications, Inc., Greenwich, Conn.</td>
<td>1,238</td>
<td>161</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Chrysler Corporation, Detroit, Mich.</td>
<td>66,194</td>
<td>8,327</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Central Hanover Bank &amp; Trust Co., New York, N. Y.</td>
<td>2,393</td>
<td>306</td>
<td>13</td>
<td>•</td>
</tr>
<tr>
<td>Cleveland Trust Co., Cleveland, Ohio</td>
<td>1,983</td>
<td>252</td>
<td>13</td>
<td>•</td>
</tr>
<tr>
<td>Lincoln Railroad Co., Erwin, Tenn.</td>
<td>1,397</td>
<td>186</td>
<td>13</td>
<td>•</td>
</tr>
<tr>
<td>Mountain States Telephone &amp; Telegraph Co., Denver, Colo.</td>
<td>8,267</td>
<td>992</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Northwestern Bell Telephone Co., Omaha, Neb.</td>
<td>10,986</td>
<td>1,286</td>
<td>12</td>
<td>1</td>
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<tr>
<td>Bell Telephone Co., of Pa., Philadelphia, Pa.</td>
<td>19,536</td>
<td>2,423</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Chesapeake &amp; Potomac Telephone Co., Washington, D. C.</td>
<td>5,249</td>
<td>553</td>
<td>11</td>
<td>1</td>
</tr>
</tbody>
</table>

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Office of the Secretary of the Treasury,
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</tr>
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<tbody>
<tr>
<td>National Bank of Detroit, Detroit, Mich.</td>
<td>1,222</td>
<td>131</td>
<td>11</td>
</tr>
<tr>
<td>American Telephone &amp; Telegraph Co., New York, N.Y.</td>
<td>16,176</td>
<td>1,531</td>
<td>11</td>
</tr>
<tr>
<td>Cities Service Oil Company, Bartlesville, Okla.</td>
<td>5,000</td>
<td>550</td>
<td>11</td>
</tr>
<tr>
<td>Narragansett Electric Co., Providence, R.I.</td>
<td>1,529</td>
<td>172</td>
<td>11</td>
</tr>
<tr>
<td>Noda, Incorporated, Atlanta, Ga.</td>
<td>1,700</td>
<td>170</td>
<td>10</td>
</tr>
<tr>
<td>Consolidated Copper Mines Corp., Kimberly, Nev.</td>
<td>1,022</td>
<td>104</td>
<td>10</td>
</tr>
<tr>
<td>United Electric Railways Co., Providence, R.I.</td>
<td>1,120</td>
<td>96</td>
<td>9</td>
</tr>
<tr>
<td>Northwestern Mutual Life Ins. Co., Milwaukee, Wis.</td>
<td>1,577</td>
<td>138</td>
<td>9</td>
</tr>
<tr>
<td>Ohio Bell Telephone Co., Cleveland, Ohio.</td>
<td>11,420</td>
<td>940</td>
<td>8</td>
</tr>
<tr>
<td>Southern Bell Telephone &amp; Telegraph Co., Atlanta, Ga.</td>
<td>26,316</td>
<td>1,970</td>
<td>7</td>
</tr>
<tr>
<td>Western Maryland Railroad Co., Baltimore, Md.</td>
<td>4,441</td>
<td>318</td>
<td>7</td>
</tr>
<tr>
<td>S. Metals Refining Co., Carteret, N.J.</td>
<td>2,108</td>
<td>143</td>
<td>7</td>
</tr>
<tr>
<td>Atomics Electric Power Co., Washington, D.C.</td>
<td>2,264</td>
<td>131</td>
<td>6</td>
</tr>
<tr>
<td>Boston and Maine Railroad, Boston, Mass.</td>
<td>15,200</td>
<td>935</td>
<td>6</td>
</tr>
<tr>
<td>City Bank Farmers Trust Co., New York, N.Y.</td>
<td>1,041</td>
<td>62</td>
<td>6</td>
</tr>
<tr>
<td>Cities Oil Co., Tulsa, Okla.</td>
<td>1,266</td>
<td>111</td>
<td>6</td>
</tr>
<tr>
<td>Virginian Railway Co., Norfolk, Va.</td>
<td>3,300</td>
<td>190</td>
<td>6</td>
</tr>
<tr>
<td>Hamilton Manufacturing Co., Two Rivers, Wis.</td>
<td>1,280</td>
<td>75</td>
<td>6</td>
</tr>
<tr>
<td>Hoyle-Blabon Corp., Trenton, N.J.</td>
<td>1,040</td>
<td>52</td>
<td>5</td>
</tr>
<tr>
<td>Carlton Interests, Colorado Springs, Colo.</td>
<td>1,000</td>
<td>35</td>
<td>4</td>
</tr>
<tr>
<td>Terminal Railroad Association of St. Louis, St. Louis, Mo.</td>
<td>4,101</td>
<td>147</td>
<td>4</td>
</tr>
<tr>
<td>National City Bank of New York, New York, N.Y.</td>
<td>5,500</td>
<td>211</td>
<td>4</td>
</tr>
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</thead>
<tbody>
<tr>
<td>Midland Steel Products Co., Cleveland, Ohio</td>
<td>1,737</td>
<td>67</td>
<td>4</td>
</tr>
<tr>
<td>American Airlines, Inc., New York, N. Y.</td>
<td>4,611</td>
<td>132</td>
<td>3</td>
</tr>
<tr>
<td>West Point Manufacturing Co., West Point, Ga.</td>
<td>7,765</td>
<td>166</td>
<td>2</td>
</tr>
</tbody>
</table>

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MEMORANDUM FOR THE SECRETARY:

Your request that we have a "Gallup" poll about the pay-roll allotment plan has been handled by Messrs. Kuhn, Odegard, and Powell.

Mr. Odegard reports that he expects the tabulation of the results will be completed the middle of next week.

GRAVES.
The second poster in the Defense Savings Staff's new war series. This poster, designed for display by concerns and organizations that have adopted Pay Roll Savings, will soon be available. Also adapted to newspaper use, it is illustrated in mat form as Campaign No. 5 - Ad No. 2, in the Portfolio of Newspaper Advertisements (DSI-195) recently released to State Administrators and the press.
MUSICAL DOLLS TO BOOST SALES OF DEFENSE STAMPS

A notable collection of dolls — beautifully costumed and authentic replicas of American women of history, wives of the presidents, great ladies of all history — will soon be seen in prominent department stores throughout the country in connection with special efforts of those stores to sell Defense Stamps and focus attention upon other phases of National Defense.

The "Defense Doll Tour" opens in Boston's Jordan Marsh store February 2. Miss Audrey Kargere, owner of the collection, will be in attendance and will explain the many interesting features of the exhibit. State Administrators will be advised of the date of Miss Kargere's arrival in their community.

When the dolls reach Joliet, Illinois, on March 16, where they will be shown by the M. A. Feldman Company, their arrival will, it is confidently predicted, be celebrated by announcement that the 201 employees of this store have purchased $40,000 worth of Defense Bonds. This is the goal of the campaign now under way, according to Personnel Manager Marjorie Buckley, who points out that the nearby Kankakee and Elwood Ordnance Plants have made citizens of Joliet "national defense" conscious.

A NEW DEFENSE STAMP BALL

An unusual Defense Stamp Ball was held in the cities of Rock Island and Moline, Illinois, and Davenport, Iowa, on January 25. Sponsored by the Alpha Chapter of Phi Mu Epsilon fraternity, the ball took place simultaneously in three different hotels in the metropolitan area, now an important center of armament production.

Admission to the dance was $1 per couple but two twenty-five cent Defense Stamps in an album were given upon presentation of admission tickets at the door. The hotels and orchestras donated their services, and the receipts of the check-rooms were given to the Red Cross.

How about promoting such an affair in your community?
South Dakota's state organization, which was only brought together following the Chicago meeting in December, is progressing by leaps and bounds. Already the state boasts a News Letter — first issue January 24 — which includes the following highlights:

100 Rapid City firms enrolled in pay roll savings the first ten days of a drive by a committee in charge of Marty Beckers.

More than 100 Sioux Falls firms similarly enrolled since January 10 by the Minnehaha County Committee assisted by 80 Sioux Falls insurance men.

Bond and Stamp sales sky-rocketing in Bennett County, O. E. Hodson, chairman, where more than a dozen snappy rallies have been held.

Sully County, Luther Nelson, chairman, has recorded every man, woman and child a bond or stamp owner, including Harvey, 36-hour old son of Mr. and Mrs. Arthur Haub of Onida.

John Morrell and Company, Sioux Falls, has given a stamp album with a ten-cent stamp to each Sioux Falls school child — 9,000 of them.

(Left) T. Henry Foster, President of John Morrell & Company, exchanging smiles with one of the 30,000 children in Sioux Falls, S. D., Topeka, Kan., and Ottumwa, Iowa, to whom the company is furnishing an album and a stamp. "We are going to start the ball rolling in this way," said Mr. Foster, "and expect that the boys and girls will then help carry on the war against the aggressor nations... and also start themselves on the path of patriotism and thrift."

Chairman Andrew Hedman of Day County is an effective committee man in his own right, while his son, Duke, is credited with downing five Jap planes on Christmas Day.

"We are most happy," say Administrator Christopherson and State Chairman Walter Burke, "when we hear that your banks and post offices cannot keep enough bonds and stamps on hand. That's what we want to do — sell them faster than they can be had."
News Letter

FIELD ORGANIZATION NEWS

Clermont, Florida, records the purchase of $63,315 worth of Defense Bonds and Stamps, an average of $37 for each of its 1,660 people.

WATCH OUT HITLER! When Republicans and Democrats in America join hands, they mean business.

In the picture are (left), Mrs. Pearl Waters, Republican National Committeewoman, and Mrs. Leonard Thomas, Democratic National Committeewoman, getting together for Defense Bonds at the meeting of the Women's Division of the Defense Savings Committee for Alabama, held January 14.

Ted Jones, Chairman of the state theatres sub-committee for New Mexico, brought out last August a 20-page manual offering local theatre owners and managers a great variety of suggestions on how to make their audiences Defense Bond conscious. Recently Chairman Jones circularized his associates with a 7-page supplement bringing his earlier program up to war tempo.

"A country worth fighting over is a country worth fighting for" — Clarence Coleman (seated, left), Democratic State Chairman for Washington, and Thomas Oakshott (seated, right), Republican State Chairman, signing joint statement in presence of Joel E. Ferrie (standing, left), Chairman Washington State Advisory Committee, and Saul Haas (standing, right), State Administrator.

The 7,000 party workers of the two political organizations were put at the disposal of the Defense Savings Staff.

"ENLIST WITH THE DEFENDERS — BUY DEFENSE BONDS!"
A special meeting of the Oklahoma State Defense Savings Committee was held in Oklahoma City on January 6. The meeting was an all-day session and was featured by the announcement of Honorary Chairman, Governor Leon C. Phillips, that 15,000 State employees under his supervision would immediately sign up for the regular purchase of Defense Bonds and Stamps.

Pictured here from left to right, Governor Phillips, State Chairman L. E. Wertz, and Administrator H. C. Jones conferring on the State employees participation in the Defense Savings Program. A large portion of the all-day meeting was turned over to promotion of the Pay Roll Savings Plan in Oklahoma.

At the University of Oklahoma, students recently conducted a whirlwind campaign which resulted in the starting of more than 3,000 twenty-five cent stamp books on the campus. Defense Savings Stamps are now on sale regularly in every fraternity and sorority house, and every campus shop.

New State Leaders for Delaware

Secretary Morgenthau announced January 27 the appointment of Henry T. Bush, Wilmington banker, to the chairmanship of the Delaware State Committee, and the appointment of Donald F. Ross, also of Wilmington, as State Administrator. Mr. Bush is a former president of the Wilmington Chamber of Commerce, and president of the Wilmington Music School. Mr. Ross for many years has been active in banking and business circles in Delaware.

University of Oklahoma students receive stamp albums for distribution.

In Sheboygan, Wisconsin, Mr. O. L. Hall, President of the Bank of Sheboygan, delivered an enlightening address on Defense Bonds to the local Woman's Club. In the course of his talk he made the following remarks, which should be taken to heart by everyone.

"We Americans will have to make up our minds to buy Defense Bonds in ever increasing amounts or we are going to find that instead of the personal privilege we now have of saving and investing a part of our earnings to provide the purchasing power for the adjustment period which is sure to come, it will be taken away from us by taxation in one form or another. Let there be no question in our minds about that."

Hear what Goebrin did to Hitler! Only it wasn't the Goering of the German air force— it was L. P. Godbein of Flaxville in northeastern Montana, who announced recently that his town had raised $66,976 in Defense Savings sales since last May, which is an average of $244.26 for each inhabitant. The Flaxville per capita sales of Series E Bonds for December was $62.50. Has any community exceeded this figure?

Picture at right shows some of the more than 1800 employees of Frederick & Nelson Department store in Seattle, Washington, filing up to stage to turn in payroll savings authorization cards at the conclusion of talk by Deputy Administrator Earl M. Richards.

Pledge Campaign Launched in Oregon

To test procedures to be used in other states in conducting the pledge campaign which will get under way throughout the country in February, Oregon is now engaged in its pledge undertaking. A kick-off broadcast was held the night of January 30, and the first official pledge cards began coming in about twenty-four hours later. High mountain roads and trails in the northeast corner of the state were covered with snow and ice, necessitating many deliveries on horseback. A full report on this very important experiment will be soon forthcoming.

"JOIN IN THE CAUSE—BUY DEFENSE STAMPS!"
LABOR AND INDUSTRY

Last week's News Letter, page 12, carried the story of the A. F. of L. billion-dollar goal for 1942. On January 23, the United Mine Workers of America (CIO) issued a circular letter to officers and members of all local unions, urging co-operation with the Defense Savings Program.

"At the meeting of the International Executive Board, held in the city of Washington last week, consideration was given to the purchase of Defense Bonds by the various branches of our organization and by our members." The International organization in 1941 purchased $50,000 worth of Defense Bonds, which is the maximum allowed any one organization under the regulations of the Treasury Department.

"On January 1 of this year, the International Union again made a similar limit purchase. If rules and regulations of the Treasury Department later permit, we will be glad to make larger purchases of these bonds..."

"The International Executive Board endorses and urges vigorous support of the purchase of Defense Bonds by our members. We approve the Treasury Department's pay roll allotment plan applied to the Defense Savings Program. We urge upon our Districts and Local Unions, and their members, that this plan be utilized so that part of the earnings in stated pay periods may be utilized and set aside for the purchase of Defense Bonds..."

"This was the procedure followed generally in the mining industry in the last World War for the purchase of Liberty Bonds..."

"This is also a practical way for our members to back the armed forces of our nation, thousands of whom are from the ranks of the United Mine Workers of America; many of whom have already given their lives in defense of our nation and its Institutions.

"The International Executive Board, therefore, calls upon all branches of our organization and our members to lend their fullest assistance in this all-out drive to total victory. We urge the officers of the various branches of the organization to co-operate fully with our members in the Local Unions, with the respective coal operators' associations and with the governments in working out the necessary details so as to meet local and individual needs and requirements in order to insure the success of this great program."

Signed "Yours for Victory," by John L. Lewis, President, Philip Murray, Vice-President, and Thomas Kennedy, Secretary-Treasurer.

P. J. Pagan, President of District No. 5, United Mine Workers of America, has sent a similar letter to the Local Unions in the Pittsburgh, Pa. district. President Pagan's message asks local members to maintain the proud and enviable record set by the United Mine Workers during the First World War. "We are hopeful," he concluded, "that you will continue to do your part in the battle of freedom by buying Defense Bonds, and more Defense Bonds..."
On January 28, the Pocatello (Idaho) Central Labor Union adopted a war resolution pledging its members to "co-operate fully with all local, state, and Federal agencies for the civilian and national defense," and to purchase all the Defense Savings Stamps and Bonds that we are financially able to buy.

The Walter Field Company, Chicago mail order house, plans to distribute to its customers this coming year some 800,000 circulars inviting you to "Join the 'Loyal Order of Americans' by buying us many Defense Savings Bonds as you can." The reverse of the circular gives an order form for purchase of Series E Bonds direct from the Treasurer of the United States. Many business firms carrying on an extensive mail order business or conducting a large volume of correspondence are distributing similar forms.

Pictured at the left is the Stamp booth in Grand Central Terminal, New York City, which was recently opened "for the duration." Postmaster Albert Goldman and Deputy Administrator John Whitney Richmond are selling stamps to children as they break their banks. Sales have averaged nearly $1,000 a day since this booth was installed.

FRATERNAL

The Lions International organization has offered to assist the Defense Savings Program in any way possible. State Administrators are now being sent cards giving the names and addresses of individual Lions who have been designated as contact men with local Defense Savings Committees. These men, and the organization they represent, can be of much assistance in the forthcoming pledge campaign. But the co-operation of the Lion Club is not limited to the pledge plan — it is a long-range offer to help the Defense Bond Program at every point.

"SUPPORT THOSE WHO ARE SERVING — BUY DEFENSE BONDS!"

President Herbert L. Hopkins of Civitan International has suggested that each Civitan Club begin immediately a Buy-A-Bond-A-Day campaign. To stimulate club rivalry, the bond sales will be scored for purposes of national publicity — a $25 bond to count 10 points, $50 bond 10 points, $100 bond 20 points, and so on. President Hopkins has pointed out that Civitan was founded during World War I to help solve civic problems created by the crisis. "Civitan is now in a position to work effectively on a national scale," he added, urging the continuance of Buy-A-Bond-A-Day campaigns for as long as the need lasts.

Harrell Lynch, Pierce, Fanner and Zenas, one of the country's largest stock exchange firms, has launched a plan for merchandising Defense Bonds in its 93 offices in cities throughout the United States. The plan, sanctioned by the Treasury Department, emphasizes Defense Bonds primarily as an investment. "On the theory that a greater investor appeal can be made on this basis than by patriotic argument alone," said Leon O. Griffith, Pittsburgh Manager of the firm. The small poster illustrated at the right is attractively printed in red, white, and two shades of blue.

The January issue of Life Insurance News carries full information on the activities of the National Association of Life Underwriters in co-operation with the Defense Savings Program.

"Selling Bonds is no longer a hobby," said Mr. William H. Andrews, Jr., National Chairman of the Life Underwriters' Committee for Defense Savings. "... the original peace-time idea of one day a month is out. Everyone in the country is working overtime .... insurers must do that too. Approximately 10,000 life underwriters are actively at work in the country as volunteers selling bonds. They have made contacts with about 2,000 firms, large and small, and have made preliminary contacts with more than 3,000,000 employees, of which more than 1,000,000 have now been enrolled in the Pay Roll Savings Plan.

Impressive as this figure seems, after little more than two months of work, the Underwriters realize that it is less than three per cent of the amount of Liberty Bonds sold by their organization during 1917 and 1918. The Association is asking its members to redouble their efforts.
Banks

Left, lobby desk of the First National Bank of Lincoln, Neb., where customers may conveniently purchase Defense Savings Bonds. Defense Stamps are not sold at this desk, but are available at all of the cashiers' cages. Howard Freeman, cashier of the First National, has arranged special lobby displays on Defense bonds at the bank since last summer.

The American Institute of Banking launched January 14 its national program on behalf of Defense Savings Bonds and Stamps. Although banks have cooperated with the Treasury since the beginning of the Defense Savings Program, stated President George T. Newell in his letter to the Institute's members, this initial work can be supplemented in many ways. All bank employees, whether immediately engaged in the sale of defense securities or not, are to be educated on the major aspects of the Defense Bond Program so that they can pass on this information to the general public outside of business hours as well as during the working day. To get this program under way, President Newell's letter was accompanied by a statement of seven objectives in the defense-financing program, and a list of ten suggestions for the educational forums which are to be held by Institute's committees on public relations.

"The war has a job for you, too!" Defense Bond Advertisement of the Rhode Island Hospital National Bank, Providence, Pawtucket, and Woonsocket, R. I. "Tackle this job earnestly. . . . Buy Defense Bonds Now!" and make continued purchases a regular part of your budget.

Evening Bulletin, Providence, Rhode Island.

Temporary Shortage of Stamp Album

Not only has the public demand for Defense Savings Bonds run ahead of the supply since Pearl Harbor, but the demand for Stamp Albums has practically exhausted post office stocks of this item.

An order for 60,000,000 Stamp Albums, in 10, 20, and 50-cent denominations is now in production. Delivery of 2,000,000 albums to two distributing centers - the Fourth Assistant Postmaster General in Washington and the Postmaster for New York City - is scheduled before the end of January. Re-distribution to post offices throughout the country will be made immediately thereafter.

Film Stars

Recent issues of the News Letter have contained stories on the Defense Savings activities of Dorothy Lamour and the late Carole Lombard. Sabu, the "Elephant Boy," is now a Movie Star for the Treasury Department. The young Indian star and his pigmy elephant will tour the country as guest of the newspaper carrier boys to aid them in their campaign to sell Defense Stamps and Bonds. The services of Sabu have been placed at the disposal of the Treasury by Alexander Korda, producer of Rudyard Kipling's "Jungle Book," starring Sabu. United Artists will furnish Bernie Ember, of the Publicity Department, to be in charge of the tour. Sabu visited Washington briefly on January 20; his itinerary will take him to 24 other cities in the country.

Judy Canova, famous Republic Pictures singing star, visited Charlotte, N. C., on January 19, as an honor guest at the thirteenth annual convention of the Theatre Owners of North and South Carolina. Miss Canova participated in a public sale of Defense Bonds by the Mecklenburg Defense Bond Committee, along with James J. Walker, former Mayor of New York City.
Another Cartoonist Recruit

J. R. Williams, creator of the famous "Cut Our Way" characters, has drawn the cartoons (left) for the exclusive use of the American Labor Press on behalf of the Defense Savings Program for Victory.

NEW YORK STORES PUSHER SALES OF STAMPS AND BONDS

A detailed plan for the promotion and sale of Defense Savings Stamps and Bonds by New York stores has been prepared by the Retail Publicity Committees of the Greater New York Defense Savings Staff. The plan is presented in a nineteen page mimeographed brochure which the chairman of retail divisions of large city Defense Savings Committees can secure from William Howard of R. H. Macy & Company.

Some of the suggestions in this retailer's manual:

*Wherever possible a permanent window should be assigned to the promotion of Defense Savings Stamps.*

*Telephone order board transactions should be concluded with some such reference as:*

"And how many Defense Stamps can I charge to your account today, Mrs. Jones?" or,

"Mrs. Jones, I thought you might be interested to know that Blanke has made arrangements to sell Defense Stamps. We have a special booth on the Street Floor and I hope you will buy some the next time you are in the store."

*Each store should establish its own sales goal for a specified period of time. . . One method would be to take 5% of the store's annual volume as a goal to be reached in two months.*

Courtesy copies of this manual, and of the Dallas, Texas, retail stores plan will soon be sent to State Administrators.

Parent-Teachers Invest in Defense Savings

The National Congress of Parents and Teachers, Inc., invested $25,000 of its endowment funds in Defense Savings Bonds last month when its Executive Committee met in Chicago. Mrs. James E. Lytle, of Los Angeles, as national treasurer, made the purchase. She said it was done to encourage state P. T. A. congresses, districts, councils, the 26,000 local units, and the 5,000,000 members of the association to invest their own money in similar fashion.

Shortly before the Executive Committee sessions opened, James Clarke of the Education Division, Defense Savings Staff, conferred with Mrs. Lytle, Mrs. William Klister, president, and other national P. T. As' officials about ways in which the organization could expand its Defense Savings activities among its members and in cooperation with the schools.

General endorsement of the Defense Savings Program has been part of the National Congress' official program for a good many months.

Mr. James E. Lytle, national P. T. A. treasurer, and James Clarke, Defense Savings Staff, Washington, D.C.

Handbook for Education Committees

Pictured at right is the cover of the new Handbook for Education Committees, prepared by the Education Division of the Defense Savings Staff after consultation with many Defense Savings workers in the field. The Handbook is intended to help Education representatives on State and Local Committees, or sub-committees, with problems of procedure connected with the promotion of Defense Savings among pupils and teachers. It will also help Education representatives co-ordinate their work with other local Defense Savings activities.

Copies of this Handbook for every Defense Savings Committees member representing Education may be obtained through State Administrators, who were recently notified of its publication in Field Memorandum No. 179.
General Federation Women's Club President Wins First Prize in the East

At the annual session of the General Federation of Women's Clubs held in Washington last week, Mrs. Sara Whitehurst, President, signed the first of the new Defense Savings pledges in the East. Setting an example to the members of her vast organization, Mrs. Whitehurst promised to invest $100 in Defense Bonds every month.

The General Federation offered to cooperate with the State Defense Savings Committees in the pledge campaign scheduled for this Spring. "Our State Federations will help in any way that they can," Mrs. Whitehurst said. "Perhaps we can most effectively aid by educating our members to the need of systematically purchasing Defense Bonds and Stamps. They must understand that it is only by putting money regularly into Defense Savings that they will ward off inflation."

Mrs. John D. Robinson, Chairman of Bonds and Stamps for the General Federation, announced a contest to be held among the States, with prizes to be offered the three State Federations having the highest percentage of members (or their husbands) signing pledges. Mrs. Robinson said, "This does not mean that our members must canvas for pledges, although we will be happy to do that if it helps the local Defense Savings Committees. But it does mean that we will check our clubs to find out how many members have signed the new pledges." The first prize for the contest will be a $100 Series E Bond, contributed by Mr. William F. Withrow, who was a speaker at the General Federation's Defense session.

Women of the General Federation listened intently to Harold M. Graves and Leon Henderson, who talked about methods of controlling inflation. Mr. Graves spoke on the regular purchase of Defense Bonds; Henderson on the need for effective price control legislation. Afterwards the audience participated in a lively discussion on the subject of inflation, and kept the two speakers busy answering questions. (See picture at right.)

American Women's Voluntary Services, Inc., Helps to Sell Defense Bonds and Stamps

Attractively uniformed, Mrs. Treherne-Thomas, who is Secretary of the American Women's Voluntary Services, Inc., and Mrs. Alexander Hamilton of the New York Branch, came to Washington to offer the services of their organization to retailers throughout the country who might wish to set up booths to sell Defense Stamps and Bonds and distribute literature. Major Benjamin Ham, who heads the retailer's advisory committee on Defense Savings, introduced them to retailer's representatives who had come to Washington to discuss the promotion of Defense Savings in their stores.

A week after this visit the National Women's Division of the Defense Savings Staff called upon Miss Anita Phillips, Chairman of the Washington Unit of the American Women's Voluntary Services, to supply volunteers for the Defense Savings booth at the General Federation of Women's Club annual board meeting at the Mayflower Hotel.

AVWS Pledge Conferences

The American Women's Voluntary Service workers answered questions put to them by the delegates to the General Federation of Women's Club Board Meeting about the forthcoming pledge campaign. They also managed to secure quite a number of signatures from women attending the convention, who promised to buy Defense Bonds and Stamps regularly and in specified amounts.

Other Units of the AVWS are active throughout the country, and can be of help to Defense Savings projects.
Almost every mail brings to the Defense Savings Staff ideas for slogans and posters. Some of the sketches submitted are indifferent; many of them very good; and all have been submitted in a spirit of helpfulness and patriotism.

The painting illustrated at the right was submitted by Mr. William B. Ingraham of Springfield, Illinois. The full effect of this striking painting cannot be appreciated without the colors, but Uncle Sam's determination to wipe the blot of the Japanese Islands off the flag of the United States is very evident.

$48,000 Salary Increases in Defense Bonds:

In voting the appropriation ordinance for 1943, the Mayor and Council of Nacogdoches, Texas, granted a 10% increase in the salaries of all City employees making less than $175 per month, the entire increase, amounting to about $48,000, to be paid in Defense Bonds or Stamps.

"I wish it were possible," wrote Mayor Charles L. Bowden to State Administrator Allen, "for every firm who grants an increase to make it on the same basis as we have done. The time is here when it shall be a privilege to give back to the Government a part of the things they gave to us — for our Government needs us and our support now, and we need our Government and its protection always."

The "Invest in Victory" sketch (left) was designed by Full von Paul and Associates, who have been doing splendid work for the King County Defense Savings Committee in the State of Washington. This concern also handles poster work for the Boeing Aircraft Company.

Radio Programs for the Coming Week:

Monday, February 7, "FOR AMERICA WE SING," Dr. Frank Black's Orchestra and Chorus - Guest Stars: Felix Knight, Tenor, and Mary Eastman, Soprano, 9:30-10:00 PM (EST), NBC Blue Network.

Monday, February 7, "FOR AMERICA WE SING," Dr. Frank Black's Orchestra and Chorus - Guest Stars: Arthur Scribner - Metropolitan Opera and Lydia Summara - Soprano, The New Opera Company, 9:30-10:00 PM (EST), NBC Blue Network.

A total of 159 radio stations have informed the Radio Section of the Defense Savings Staff that their employees have signed up 100 per cent for the Pay Roll Savings Plan. Sixty-six other radio stations have installed such plans and have signed up a large number of their employees.

Participation in Full by the employees of KAKE, KGHI, KLSA; of Little Rock, Arkansas, and KFJS, KOKC, and WAP at Fort Worth, Texas, makes these two cities the first 100 per cent cities in towns of three or more radio stations. Other 100 per cent cities are Amarillo, Indiana, Springfield, Missouri, and Albany, New York, each having two radio stations.

Eight out of seventeen stations in Kansas are signed up 100 per cent, making the best record by proportion of any State in the Union, although Texas has largest number of 100 per cent stations, eleven — followed by California with ten and New York with nine.

The third in the weekly series of one-half hour radio shows sponsored jointly by Boston's Hotel Statler and Radio Station WGBH took place on Saturday night, January 28. Featuring the music of Leighton Noble and his orchestra, guest appearances and announcements on behalf of Defense Bonds and Stamps were made by Mayor Maurice T. Tobin of Boston, Lynn U. Stanbridge, national commander of the American Legion; Harry Rose Marie and Pat O'Brien, motion picture stars.

The total pledges from this one program amounted to $26,000 — which runs the total of the three broadcasts to date to $42,000. Public response in giving and the sponsors of the program have definitely decided to continue it through several weeks to come.

The Williamson Candy Company of Chicago, Ill., was recently congratulated by the Treasury Department on their joint program, "Famous Jury Trials," for the splendid job the company and its employees have done on their Pay Roll Defense Savings Plan.
Eugene C. Pulliam, president of Central Newspapers, Inc., and executive chairman of the Indiana Defense Savings Staff, had been so busy urging all firms in the State to co-operate in the Pay Roll Savings Plan that he had forgotten his own plants until the managers of his two radio stations and three newspapers presented him with signed applications from 209 employees. The five plants are enrolled 100%. Shown in above, (left to right), are Howard Zinn of the Huntington Herald-Press; Jess Batterton of the Lebanon Reporter; Victor Lund of Station WAOV, Vincennes; Howard Greenlee of the Vincennes Sun-Commercial; Gerald Albright, treasurer of Station WIRE, Indianapolis; and (seated), executive chairman Pulliam.

RAYMOND IS NO SISY!

Eleven-year-old Raymond Bowman of Atlanta, Ga., who is too young to fight, but plenty big to launder the dishes, has contracted with his mother to wash 'em up after every meal -- at so much per washing -- to earn money to buy Defense Stamps. Besides this, he is scouring the neighborhood daily for old papers and boxes.
# Stock of Series E Savings Bonds on Hand 1/

January 15, 1942 to date

(IN thousands of pieces)

<table>
<thead>
<tr>
<th>Jan.</th>
<th>Stock on hand</th>
<th>Sales</th>
<th>Bonds manufactured</th>
<th>Stock on hand close of day</th>
<th>IBM deliveries this day</th>
</tr>
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<tbody>
<tr>
<td>of day</td>
<td>beginning</td>
<td>this day</td>
<td>this day</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>6,569</td>
<td>320</td>
<td>750</td>
<td>6,999</td>
<td>1,000</td>
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<tr>
<td>16</td>
<td>6,999</td>
<td>445</td>
<td>775</td>
<td>7,329</td>
<td>1,000</td>
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<td>17</td>
<td>7,329</td>
<td>163</td>
<td>800</td>
<td>7,966</td>
<td>1,000</td>
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<tr>
<td>18</td>
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<td>none-closed</td>
<td>none-closed</td>
<td>7,966</td>
<td>1,000</td>
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<td>19</td>
<td>7,966</td>
<td>665</td>
<td>800</td>
<td>8,101</td>
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<td>8,101</td>
<td>218</td>
<td>800</td>
<td>8,683</td>
<td>1,000</td>
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<td>8,683</td>
<td>337</td>
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<td>9,146</td>
<td>1,000</td>
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<td>22</td>
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<td>381</td>
<td>800</td>
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<td>377</td>
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<td>9,988</td>
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<td>263</td>
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<td>none-closed</td>
<td>10,525</td>
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<tr>
<td>26</td>
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<td>487</td>
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<td>5,000</td>
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<td>28</td>
<td>11,852</td>
<td>251</td>
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<td>12,601</td>
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<tr>
<td>29</td>
<td>12,601</td>
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<td>13,336</td>
<td>283</td>
<td>800</td>
<td>13,853</td>
<td>10,000</td>
</tr>
</tbody>
</table>

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

January 31, 1942

1/ Includes stock in hands of (1) Federal Reserve Banks and branches, (2) Post offices, (3) Federal Reserve Bank issuing agents, and (4) Treasury vaults in Washington.
Unfilled Orders for Savings Bonds at the Federal Reserve Banks and the Post Office Department
January 15 to date
(In thousands of pieces)

<table>
<thead>
<tr>
<th>Date</th>
<th>Unfilled orders at opening of business</th>
<th>New orders received today</th>
<th>Bonds manufactured today</th>
<th>Unfilled orders at close of business</th>
<th>Stock of bonds on hand*</th>
<th>IBM delivers this day</th>
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<tbody>
<tr>
<td>Jan. 15</td>
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<td>660</td>
<td>750</td>
<td>455</td>
<td>231</td>
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<td>16</td>
<td>455</td>
<td>773</td>
<td>775</td>
<td>426</td>
<td>204</td>
<td>750</td>
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<tr>
<td>17</td>
<td>426</td>
<td>672</td>
<td>800</td>
<td>298</td>
<td>204</td>
<td>1,000</td>
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<tr>
<td>18</td>
<td>298</td>
<td>none-no mail</td>
<td>none-closed</td>
<td>298</td>
<td>204</td>
<td>800</td>
</tr>
<tr>
<td>19</td>
<td>298</td>
<td>204</td>
<td>800</td>
<td>202</td>
<td>704</td>
<td>225</td>
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<td>204</td>
<td>800</td>
<td>86</td>
<td>1,184</td>
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<td>21</td>
<td>86</td>
<td>411</td>
<td>800</td>
<td>59</td>
<td>1,546</td>
<td>875</td>
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<td>59</td>
<td>687</td>
<td>800</td>
<td>86</td>
<td>1,676</td>
<td>1,000</td>
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<td>23</td>
<td>86</td>
<td>569</td>
<td>800</td>
<td>50</td>
<td>1,871</td>
<td>1,000</td>
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<td>50</td>
<td>727</td>
<td>800</td>
<td>28</td>
<td>1,922</td>
<td>1,000</td>
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<td>28</td>
<td>1,922</td>
<td>-</td>
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<td>28</td>
<td>490</td>
<td>1,000 1/</td>
<td>7</td>
<td>2,011</td>
<td>2,000</td>
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<tr>
<td>27</td>
<td>7</td>
<td>434</td>
<td>1,000 1/</td>
<td>7</td>
<td>2,177</td>
<td>-</td>
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<td>28</td>
<td>7</td>
<td>474</td>
<td>1,000 2/</td>
<td>6</td>
<td>2,102</td>
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<td>29</td>
<td>6</td>
<td>407</td>
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<td>30</td>
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<td>426</td>
<td>800 2/</td>
<td>6</td>
<td>1,869</td>
<td>2,000</td>
</tr>
</tbody>
</table>

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

January 31, 1942

* Bonds in Washington vaults only.

1/ Includes 400 thousand pieces manufactured for inventory in the field.

2/ Includes 600 thousand pieces manufactured for inventory in the field.
UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
Last Twenty-three Business Days of January 1942 and December and November 1941
(November 1-29, December 4-31, January 5-30)
On Basis of Issue Price

(Amounts in thousands of dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th align="right">Sales January 1942</th>
<th align="right">Sales December 1941</th>
<th align="right">Sales November 1941</th>
<th align="right">Amount of Increase January over December</th>
<th align="right">Percentage of Increase</th>
<th align="right">Amount of Increase November over December</th>
<th align="right">Percentage of Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series E - Post Offices</td>
<td align="right">$142,323</td>
<td align="right">$97,439</td>
<td align="right">$37,997</td>
<td align="right">$44,884</td>
<td align="right">46.1%</td>
<td align="right">$59,442</td>
<td align="right">156.4%</td>
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<tr>
<td>Series E - Banks</td>
<td align="right">$69,591</td>
<td align="right">$229,701</td>
<td align="right">$71,478</td>
<td align="right">$240,890</td>
<td align="right">105.3%</td>
<td align="right">$157,223</td>
<td align="right">220.0%</td>
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<tr>
<td>Series E - Total</td>
<td align="right">$611,914</td>
<td align="right">$326,140</td>
<td align="right">$109,475</td>
<td align="right">$256,574</td>
<td align="right">87.6%</td>
<td align="right">$216,665</td>
<td align="right">197.9%</td>
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<tr>
<td>Series F - Banks</td>
<td align="right">$70,059</td>
<td align="right">$30,446</td>
<td align="right">$18,978</td>
<td align="right">$41,463</td>
<td align="right">130.1%</td>
<td align="right">$11,468</td>
<td align="right">60.4%</td>
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<tr>
<td>Series G - Banks</td>
<td align="right">$286,310</td>
<td align="right">$135,983</td>
<td align="right">$105,935</td>
<td align="right">$150,327</td>
<td align="right">110.5%</td>
<td align="right">$30,945</td>
<td align="right">28.5%</td>
</tr>
<tr>
<td>Total</td>
<td align="right">$966,282</td>
<td align="right">$492,568</td>
<td align="right">$233,457</td>
<td align="right">$475,714</td>
<td align="right">96.6%</td>
<td align="right">$259,081</td>
<td align="right">111.0%</td>
</tr>
</tbody>
</table>


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.
<table>
<thead>
<tr>
<th>Date</th>
<th>Post Office Bond Sales</th>
<th>Bank Bond Sales</th>
<th>All Bond Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Series E</td>
<td>Series E</td>
<td>Series E</td>
</tr>
<tr>
<td>January 1942</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>$ 3,962</td>
<td>$ 10,229</td>
<td>$ 1,964</td>
</tr>
<tr>
<td>2</td>
<td>$ 4,802</td>
<td>$ 10,736</td>
<td>$ 2,056</td>
</tr>
<tr>
<td>3</td>
<td>$ 4,147</td>
<td>$ 9,557</td>
<td>$ 1,278</td>
</tr>
<tr>
<td>4</td>
<td>$ 9,684</td>
<td>$ 26,724</td>
<td>$ 3,240</td>
</tr>
<tr>
<td>5</td>
<td>$ 6,711</td>
<td>$ 7,659</td>
<td>$ 1,341</td>
</tr>
<tr>
<td>6</td>
<td>$ 6,748</td>
<td>$ 21,267</td>
<td>$ 3,692</td>
</tr>
<tr>
<td>7</td>
<td>$ 7,509</td>
<td>$ 21,297</td>
<td>$ 3,821</td>
</tr>
<tr>
<td>8</td>
<td>$ 5,746</td>
<td>$ 12,359</td>
<td>$ 1,798</td>
</tr>
<tr>
<td>9</td>
<td>$ 4,358</td>
<td>$ 16,031</td>
<td>$ 1,956</td>
</tr>
<tr>
<td>10</td>
<td>$ 10,187</td>
<td>$ 37,483</td>
<td>$ 3,830</td>
</tr>
<tr>
<td>11</td>
<td>$ 7,902</td>
<td>$ 15,059</td>
<td>$ 2,507</td>
</tr>
<tr>
<td>12</td>
<td>$ 4,706</td>
<td>$ 19,939</td>
<td>$ 3,701</td>
</tr>
<tr>
<td>13</td>
<td>$ 6,441</td>
<td>$ 16,597</td>
<td>$ 2,403</td>
</tr>
<tr>
<td>14</td>
<td>$ 5,721</td>
<td>$ 26,239</td>
<td>$ 4,319</td>
</tr>
<tr>
<td>15</td>
<td>$ 4,830</td>
<td>$ 6,933</td>
<td>$ 759</td>
</tr>
<tr>
<td>16</td>
<td>$ 8,855</td>
<td>$ 39,000</td>
<td>$ 3,946</td>
</tr>
<tr>
<td>17</td>
<td>$ 5,155</td>
<td>$ 10,519</td>
<td>$ 2,285</td>
</tr>
<tr>
<td>18</td>
<td>$ 4,886</td>
<td>$ 19,375</td>
<td>$ 3,536</td>
</tr>
<tr>
<td>19</td>
<td>$ 5,161</td>
<td>$ 22,267</td>
<td>$ 3,973</td>
</tr>
<tr>
<td>20</td>
<td>$ 5,908</td>
<td>$ 23,392</td>
<td>$ 2,652</td>
</tr>
<tr>
<td>21</td>
<td>$ 4,655</td>
<td>$ 18,820</td>
<td>$ 2,239</td>
</tr>
<tr>
<td>22</td>
<td>$ 7,095</td>
<td>$ 39,997</td>
<td>$ 5,022</td>
</tr>
<tr>
<td>23</td>
<td>$ 4,967</td>
<td>$ 11,504</td>
<td>$ 3,569</td>
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<tr>
<td>24</td>
<td>$ 5,318</td>
<td>$ 18,394</td>
<td>$ 2,656</td>
</tr>
<tr>
<td>25</td>
<td>$ 4,826</td>
<td>$ 20,123</td>
<td>$ 3,223</td>
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<tr>
<td>26</td>
<td>$ 4,930</td>
<td>$ 21,594</td>
<td>$ 3,845</td>
</tr>
</tbody>
</table>

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

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

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

In answer to your inquiry, through Miss Chauncey: Mr. S. Albert Phillips, who is being appointed State Administrator for Kentucky was suggested by Senator Barkley, as was Mr. Ben Williamson, our State Chairman.

GRAVES.
Dear Eleanor:

I know you will be glad to hear that we have been able to find a place for Mrs. McAdoo with our Defense Savings Staff.

Her appointment was effective January 22, and she will be stationed at Los Angeles.

Affectionately,

[Signed] Henry

Mrs. Franklin D. Roosevelt,

The White House.
January 22, 1942.

Mrs. Eleanor Wilson MeAdoo,
Los Angeles, California.

Dear Mrs. MeAdoo:

You are hereby appointed a Senior Defense Securities Promotion Specialist, CAP-12, on the Defense Savings Staff of the Office of the Secretary, with compensation at the rate of $4,600 per annum, payable from the appropriation, "Expenses of Loans", Act of September 24, 1917, as Amended and Extended. This appointment is to be effective on date of entrance on duty and continue for the duration of the national defense program.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.
Dear Harold:

I want to tell you of my genuine appreciation for the excellent way in which you have handled your assignment in supervisory charge of the Procurement Division, the Bureau of Engraving and Printing, and the Bureau of the Mint. As you know, the only reason I am relieving you of this assignment is because you have taken over the arduous task of carrying on the operations of the Defense Savings organization. This in itself is more than a full-time job and its success is due in no small measure to the tireless and able manner in which you are directing this major activity of the Department.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. Harold N. Graves,
Assistant to the Secretary.

[Handwritten note: "Original handed to Mr. Graves by leg.

m.m."

[Signature: Thompson]
WAR DEPARTMENT  
WASHINGTON  

JAN 31 1942  

Honorable Henry Morgenthau, Jr.,  
The Secretary of the Treasury,  

Dear Henry:  

It was extremely good of you to take the time from your busy day to interest yourself in our office space problems. Because of your consideration of our needs by allowing the Public Buildings Administration to remain in your Procurement Building, the War Department will occupy temporarily Temporary Building "T". This will help relieve some of our congestion and will very materially help in the war effort.  

I take this opportunity to express to you my appreciation and that of the War Department.  

Sincerely yours,  

[Signature]  

Henry L. Stimson  
Secretary of War.
Dear Henry:

Thank you for your letter of January 5th. We have now received replies from all of the agencies represented on the Committee on War Information, agreeing to the poster coordination plan approved by the Committee on December 29.

I note that you have appointed Mr. Ferdinand Kuhn, Jr., as liaison between the Treasury Department and the Office of Facts and Figures. Our Graphics Division will communicate with Mr. Kuhn within the next few days with the view to working out with him specific plans for coordination.

I feel sure that this cooperative machinery we are setting up together will be an effective means of clearance and review, and will result in more effective use of war posters by the government.

Faithfully yours,

Archibald MacLeish
Director, Office of Facts and Figures

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D.C.
January 31, 1942

Dear Henry:

I received the record, Civilian Defense Series, of the re-interpretation of the Constitution, and my talk on Medical Progress on the other side. I want to thank you very much for sending it to me.

Affectionately,

[Signature]
JAN 31 1942

My dear Mr. Landis:

I have your letter of January 23 with reference to your Community Planning and Organization Program. The matters to which you refer will have our prompt attention and you will be further advised.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Hon. James M. Landis,
Executive Director,
Office of Civilian Defense,
Washington, D.C.
Mr. Henry Morgenthau, Jr.
Secretary of the Treasury
Department of the Treasury
Washington, D. C.

My dear Mr. Morgenthau:

The Civilian Participation Office of the Office of Civilian Defense is now organizing a Community Planning and Organization Program Division. Although the program is not yet fully under way I believe it would be helpful to the federal agencies to know something at this time of the contemplated plan of operation.

Carrying out the executive order which established the Office of Civilian Defense, the Division will serve as a center for coordinating federal civilian defense activities which involve relations between the Federal Government and state and local governments in other than the field of protection from air raids and similar emergencies.

It will keep informed of problems which arise from the impact of the industrial and military war effort upon local communities. It will take necessary steps to secure the cooperation of appropriate Federal departments and agencies in dealing with these problems and in meeting the emergency needs of local communities in other than the protective fields.

It will consider proposals, suggest plans, and promote activities designed to sustain the national morale and to provide opportunities for constructive civilian participation in the defense program. It will review and integrate civilian defense programs of Federal departments and agencies involving the use of volunteer services in order to assure unity and balance in the application of such programs. It will seek to assist state and local defense councils and other agencies in the organization of volunteer service units and in the development of their activities in other than the protective fields.

It will review existing or proposed measures relating to or affecting state and local defense activities, and recommend such additional measures as may be necessary or desirable to assure adequate civilian defense in terms of maintenance and strengthening of necessary community services.
January 23, 1942

We are now proceeding to set up our Clearing House of Information on state and local defense activities in our field of operation in cooperation with appropriate federal departments and agencies. It is our hope that we may count on the cooperation of your Agency, so essential if the purposes for which this office is being set up are to be fulfilled.

At this time we would appreciate it very much indeed if you will make available to us a list of your regular, periodic printed reports, locality and field surveys which contain information as to social and industrial problems arising in local communities in your field as a result of war activities, and which may be put at the disposal of the Clearing House of Information.

May we also have whatever material you can put at our disposal bearing on such problems, in your field of operation, associated with activities in (1) the Hampton Roads area; (2) Detroit and the surrounding automobile industry area; (3) Spokane; (4) Fort Worth.

We would be glad to have you indicate such information as should be considered confidential, and to return to you any material which cannot be permitted to leave your files for more than a short time.

Would you be good enough to let us know whether there is, in addition to the reports you are sending us, further information on these areas which would be of assistance to this office but which cannot be permitted to leave your files. If so, could you arrange to give a member of the staff of the Clearing House of Information access to these for study in your office?

It would be helpful if you would let me know to whom we should address future requests for material with regard to specific fields of your Agency's work in other geographical areas.

We shall be deeply grateful to you for your assistance.

Very sincerely yours,

James M. Landis
Executive Director

Regarded Unclassified
Follow-up
Feb. 79
She walked out to see
He kept going.
JAN 31 1942

Honorable Harold L. Ickes,
Secretary of the Interior.

My dear Mr. Secretary:

Further reference is made to your letter of December 10, 1941, requesting information on the use of solid fuels within the Treasury Department.

The information desired by you is now at hand and I take pleasure in transmitting the completed forms showing the solid fuel requirements within the Treasury Department.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Encl.
<table>
<thead>
<tr>
<th>State or territorial in which bituminous coal is consumed</th>
<th>Net tons</th>
<th>Percent delivered direct to burning equipment</th>
<th>Estimated consumption in calendar year 1942 (net tons)</th>
<th>Estimated stocks on hand Jan. 1, 1942 (net tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indiana</td>
<td>110</td>
<td>100</td>
<td>110</td>
<td>45</td>
</tr>
<tr>
<td>Kansas</td>
<td>22</td>
<td>100</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>Minnesota</td>
<td>230</td>
<td>100</td>
<td>210</td>
<td>7</td>
</tr>
<tr>
<td>Louisiana</td>
<td>135</td>
<td>100</td>
<td>200</td>
<td>50</td>
</tr>
<tr>
<td>Maryland</td>
<td>7</td>
<td>100</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>4</td>
<td>100</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Montana</td>
<td>13</td>
<td>100</td>
<td>15</td>
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<tr>
<td>North Dakota</td>
<td>250</td>
<td>100</td>
<td>250</td>
<td>100</td>
</tr>
<tr>
<td>South Dakota</td>
<td>101</td>
<td>100</td>
<td>104</td>
<td>9</td>
</tr>
</tbody>
</table>

(Continued on reverse side)
## ESTIMATED CONSUMPTION AND STOCKS OF SOLID FUELS BY THE UNITED STATES GOVERNMENT

### Anthracite coal

<table>
<thead>
<tr>
<th>State or territory in which coal is consumed</th>
<th>Estimated consumption in calendar year 1941</th>
<th>Percent delivered direct to burning equipment</th>
<th>Estimated consumption in calendar year 1942 (net tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net tons</td>
<td>In carload lots</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>In truck or wagon</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Estimated stocks on hand Jan. 1, 1942 (net tons)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oklahoma</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pennsylvania</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rhode Island</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Carolina</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Dakota</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tennessee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utah</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vermont</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virginia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washington</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Virginia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wisconsin</td>
<td></td>
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<td></td>
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<tr>
<td>Wyoming</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alaska</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canal Zone</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Island Poss. in: Atlantic Ocean</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pacific Ocean</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caribbean Sea</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Continued on reverse side)
My dear Mr. Secretary:

This is to request information on the use of solid fuels within your Department.

The President, in asking me to act as solid fuels coordinator for national defense, specified certain duties, among which is the one to obtain current data on fuel needs. In this regard, it is essential that I have information on fuel requirements of the United States Government which is a large user of coal. A similar request is being sent to the other Federal Agencies.

The information reported will be tabulated to show the fuel consumption of the Government by regions during the present calendar year, stocks on hand at the end of the year, and the estimated requirements for 1942. Enclosed are forms upon which the data may be listed. It is urged that the information be submitted as promptly as possible.

It may happen that the information to be listed above is not available in your central office and its assemblage will necessitate a canvass of field offices or local installations. For purposes of such a canvass, a special form, S.P.C. No. 4, has been prepared, copies of which will be furnished to your office upon request.

I earnestly recommend that all Agencies of the United States Government plan their fuel purchases to provide a comparatively large supply for storage purposes. Government activities must be protected from interruptions due to temporary fuel shortages caused by disturbances in mining and distribution.

Sincerely yours,

[Signature]

Secretary of the Interior.

Enclosure:

Hon. Henry Morgenthau, Jr.,

Secretary of the Treasury.
To: Miss Chauncey

I think the Secretary will be interested in glancing at this.

H.D.W.

MR. WHITE
Branch 2058 - Room 214
TO: Secretary Morgenthau
FROM: Mr. White

Subject: British Tax Reserve Certificates.

The Chancellor of the Exchequer announced recently the forthcoming issue by the British Treasury of a security which taxpayers may tender for tax payments, along the lines of our tax anticipation notes.

We have just received a despatch from the American Embassy in London, giving further information regarding these Tax Reserve Certificates, which were first offered to the public on December 31, 1941. This information can be summarized as follows:

1. Description of the issue:
   a. Issued in units of £25 ($100) and multiples thereof.
   b. Sold at face value, through banks.
   c. May be tendered in payment of national income, excess profits and land taxes, for taxes due from the certificate holder at any time not less than two months and not more than two years from the date of the certificate.
   d. If used in paying taxes, the certificates bear interest at one percent per annum. Otherwise only the principal is repaid.
   e. The interest is exempt from income taxes.

2. Advantages of the new security, as stated by the Chancellor of the Exchequer, are:
   a. Preventing bank deposits from being swollen by funds set aside to pay taxes.
   b. Helping to smooth out the flow of revenue into the Treasury.
   c. Certificates not used to pay taxes are in effect interest-free loans.

3. Press reactions were generally favorable, although it is considered to be of technical interest rather than of fundamental importance, since it will not affect inflation or the amount of saving.

   One editorial points out that the tax-exempt feature is regressive in principle.

4. Sales of tax reserve certificates between December 23 and 30 totalled £16.8 million ($67.2 million), which is considered a good response for the Christmas holiday season.

   (Embassy despatch No.2463, London, Dec. 29, 1941)
TO THE SECRETARY

I have submitted herewith the operating report of lend-lease purchases for the week ended January 31, 1942.

The entire amount authorized has been released upon the submission of requisitions under the lend-lease procedure. In the case of production items only, as a result, the total has been reduced from $18,840,000 to $5,500,000. Remaining of requisitions involving either substantial equipment that are still under consideration is the production items now for hire and four ships were and certain conserving naval requirements.

We present in this one are that the requisitions have been received and those that we have completed, we expect to have completed by February 11. It entirely completed and those surplus items would still have a balance of some $100,000,000 of the total and until these lend-lease are submitted purchased, which must be purchased or in the form of lend-lease will be purchased.

Sincerely yours,

[Signature]

[Stamp: For Defense]

[Stamp: Buy United States Savings Bonds]
OPERATING REPORT - LEND-LEASE PURCHASES
WEEK ENDED JANUARY 31, 1942

TOTAL ALLOCATIONS $825,722,879.00

PURCHASES PREVIOUSLY REPORTED $441,863,654.57
PURCHASES THIS WEEK 18,261,008.97

TOTAL PURCHASES $460,124,663.54

REQUISITIONS IN PROCESS OF PURCHASE 72,133,730.08
REQUISITIONS IN PROCESS OF CLEARANCE BY WAR PRODUCTION BOARD 88,660,412.00 620,918,865.57

UNOBLIGATED ALLOCATIONS $204,804,013.43

Regarded Unclassified
My dear Mr. President:

I am enclosing report on our exports to some selected countries during the week ending January 17, 1942.

Faithfully,

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

The President,
The White House.

Enclosure

[Signature]

Secret Service 12:30 p.m.

[Note: 1/21/42]

[Note: To: Service Office]
JAN 31 1942

My dear Mr. Perkins:

I am enclosing 5 copies of the report on our exports to some selected countries during the week ending January 17, 1942.

Sincerely yours,

(Signed) E. Morganhan, Jr.

Secretary of the Treasury

Mr. Nile Perkins,
Executive Director,
Board of Economic Warfare,
3561 One Street, N. W.,
Washington, D. C.

Enclosures

RDG:ush
1/20/42

Regraded Unclassified
My dear Mr. Secretary:

I am enclosing copy of report on our experts to some selected countries during the week ending January 17, 1942.

Sincerely yours,

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

The Honorable,

The Secretary of State,

Washington, D.C.

Enclosure
JAN 31 1942

My dear Colonel Donovan:

I am enclosing copy of report on our exports to some selected countries during the week ending January 17, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Colonel William J. Donovan,
Coordinator,
Office of Coordinator of Information,
Old National Institute of Health Building,
25th and H Streets, N. W.,
Washington, D. C.

Enclosure

[Remarks and signatures on back of page]
Exports to Russia, China, Burma, Hong Kong, Japan, France and other blocked countries, as reported to the Treasury Department during the week ending January 17, 1942.

1. **Exports to Russia**

Exports to Russia, as reported to the Treasury during the week ending January 17, 1942, amounted to about $5,800,000. The chief items were motor trucks and chassis and landplanes. (See Appendix C.)

2. **Exports to China, Burma and Hong Kong**

Exports to Free China amounted to about $1,700,000, of which printed matter and motor trucks and chassis accounted for nearly fifty percent. (See Appendix D.) Exports to Burma amounted to $447,000. (See Appendix E.)

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

3. **Exports to Japan**

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

4. **Exports to France**

No exports to France were reported during the week ending January 17, 1942.

5. **Exports to other blocked countries**

Exports to other blocked countries are given in Appendix A.
## SUMMARY OF UNITED STATES DOMESTIC EXPORTS TO SELECTED COUNTRIES AS REPORTED TO THE TREASURY DEPARTMENT FROM EXPORT DECLARATIONS RECEIVED DURING THE PERIOD INDICATED

### July 26, 1941 to January 17, 1942

(In thousands of dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>July 26 to Jan. 3</th>
<th>Week ended Jan. 10</th>
<th>Week ended Jan. 17</th>
<th>Total Domestic Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. E. R.</td>
<td>$60,546</td>
<td>$ 8,207</td>
<td>$ 8,274</td>
<td>$64,669</td>
</tr>
<tr>
<td>Free China</td>
<td>26,369</td>
<td>91</td>
<td>1,495</td>
<td>30,153</td>
</tr>
<tr>
<td>Burma</td>
<td>7,002</td>
<td>1,073</td>
<td>447</td>
<td>8,322</td>
</tr>
<tr>
<td>France</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Occupied France</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Unoccupied France</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Spain</td>
<td>2,939</td>
<td>-</td>
<td>5</td>
<td>2,934</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5,661</td>
<td>11</td>
<td>207</td>
<td>5,279</td>
</tr>
<tr>
<td>Sweden</td>
<td>11,525</td>
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<td>11,531</td>
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<tr>
<td>Portugal</td>
<td>4,468</td>
<td>155</td>
<td>824</td>
<td>5,447</td>
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</tbody>
</table>

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1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular week. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.

2/ From September 11, 1941 to date — it is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.

3/ Includes both Occupied and Unoccupied France through week ending October 4, 1941. Occupied and Unoccupied France separated thereafter.

4/ Less than $500.
### Exports from the U.S. to China, Burma, Hong Kong, Japan and U.S.S.R.

as reported to the Treasury Department, July 28, 1941 - January 17, 1942.

(Thousands of Dollars) 1/  

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<tr>
<td><strong>Exports to Japan</strong></td>
<td><strong>Total</strong></td>
<td><strong>To Japanese controlled ports</strong></td>
<td><strong>To Chinese controlled ports</strong></td>
<td><strong>Exports to Burma 3/</strong></td>
<td><strong>Exports to Hong Kong</strong></td>
<td><strong>Exports to Japan</strong></td>
<td><strong>Exports to U.S.S.R.</strong></td>
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<td>Aug. 11 - Aug. 18</td>
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<td>Sept. 2 - Sept. 6</td>
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<td>Sept. 15 - Sept. 20</td>
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<td>Sept. 22 - Sept. 27</td>
<td>1,682</td>
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<td>Sept. 29 - Oct. 4</td>
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<td>1,225</td>
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<td>Oct. 6 - Oct. 11</td>
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<td>Oct. 13 - Oct. 18</td>
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<td>Oct. 27 - Nov. 1</td>
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<td>Nov. 3 - Nov. 8</td>
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<td>Nov. 10 - Nov. 15</td>
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<td>Nov. 17 - Nov. 22</td>
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<td>Nov. 24 - Nov. 29</td>
<td>3,359</td>
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<td>3,239</td>
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<td>Dec. 1 - Dec. 6</td>
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<td>Dec. 8 - Dec. 13</td>
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<tr>
<td>Dec. 15 - Dec. 20</td>
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<td>Dec. 22 - Dec. 27</td>
<td>20</td>
<td>35</td>
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<td>Dec. 29 - Jan. 3</td>
<td>35</td>
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<td>Jan. 5 - Jan. 10</td>
<td>91</td>
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<td>91</td>
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<tr>
<td>Jan. 12 - Jan. 17</td>
<td>1,695</td>
<td>11,796</td>
<td>32,758</td>
<td>7,409</td>
<td>11,629</td>
<td>1,869</td>
<td>95,017</td>
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</table>

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

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

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

---

Treasury Department, Division of Monetary Research  January 23, 1942
APPENDIX C

Principal Exports from U.S. to U.S.S.R. as reported to the Treasury Department during the week ending January 17, 1942.

(Thousands of Dollars)

<table>
<thead>
<tr>
<th>Principal Items</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Motor trucks and chassis</td>
<td>1,101</td>
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<tr>
<td>Landplanes, powered</td>
<td>1,029</td>
</tr>
<tr>
<td>Molybdenum ore and concentrate</td>
<td>632</td>
</tr>
<tr>
<td>Military tanks</td>
<td>480</td>
</tr>
<tr>
<td>Refined copper</td>
<td>195</td>
</tr>
<tr>
<td>Men's boots and shoes</td>
<td>184</td>
</tr>
<tr>
<td>Ethyl fluid</td>
<td>158</td>
</tr>
<tr>
<td>Insulated copper wire</td>
<td>155</td>
</tr>
<tr>
<td>Aluminum plates, sheets, bars, strips and rods</td>
<td>148</td>
</tr>
<tr>
<td>Drilling machines</td>
<td>118</td>
</tr>
<tr>
<td>Aircraft engines</td>
<td>117</td>
</tr>
<tr>
<td>Brass and bronze plates and sheets</td>
<td>111</td>
</tr>
<tr>
<td>Relief supplies - clothing</td>
<td>110</td>
</tr>
<tr>
<td>Aircraft parts and accessories, n.e.s.</td>
<td>110</td>
</tr>
<tr>
<td>Engine lathes</td>
<td>96</td>
</tr>
<tr>
<td>Other lathes</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL EXPORTS $ 5,874

Treasury Department, Division of Monetary Research January 26, 1942
# APPENDIX D

Principal Exports from U.S. to Free China as reported to the Treasury Department during the week ending January 17, 1942.

(Thousands of Dollars)

<table>
<thead>
<tr>
<th>Principal Items</th>
<th>$ 1,695</th>
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</thead>
<tbody>
<tr>
<td>Printed matter</td>
<td>561</td>
</tr>
<tr>
<td>Motor trucks and chassis</td>
<td>243</td>
</tr>
<tr>
<td>Ink</td>
<td>50</td>
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<tr>
<td>Auto replacement parts</td>
<td>76</td>
</tr>
<tr>
<td>Relief supplies — hospital</td>
<td>74</td>
</tr>
<tr>
<td>Tires and tubes</td>
<td>60</td>
</tr>
<tr>
<td>Copper wire (bare)</td>
<td>55</td>
</tr>
<tr>
<td>Wheels</td>
<td>36</td>
</tr>
<tr>
<td>Aircraft instruments and parts of steel bars</td>
<td>55</td>
</tr>
<tr>
<td>Hand tools</td>
<td>27</td>
</tr>
</tbody>
</table>

Treasury Department, Division of Monetary Research January 23, 1942
APPENDIX E

Principal Exports from U.S. to Burma as reported to the Treasury Department during the week ending January 17, 1942.

(Thousands of Dollars)

<table>
<thead>
<tr>
<th>Principal Items</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor trucks and chassis</td>
<td>133</td>
</tr>
<tr>
<td>Automobiles</td>
<td>83</td>
</tr>
<tr>
<td>Proprietary medicinal preparations</td>
<td>48</td>
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<tr>
<td>Auto replacement parts</td>
<td>14</td>
</tr>
<tr>
<td>Iron and steel sheets</td>
<td>17</td>
</tr>
<tr>
<td>Evaporated milk</td>
<td>11</td>
</tr>
<tr>
<td>Petroleum and gas well-drilling apparatus and parts</td>
<td>9</td>
</tr>
<tr>
<td>Metal-grinding machines and parts</td>
<td>9</td>
</tr>
<tr>
<td>Typewriters and parts</td>
<td>8</td>
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<tr>
<td>Cotton piece goods</td>
<td>6</td>
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<tr>
<td>Industrial chemicals</td>
<td>5</td>
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<tr>
<td>Dried skimmed milk</td>
<td>5</td>
</tr>
<tr>
<td>Cotton canvas articles</td>
<td>5</td>
</tr>
</tbody>
</table>

Treasury Department, Division of Monetary Research January 26, 1942

ISF/efs
1/26/42
Mr. Livesey
Mr. Dietrich

January 31, 1942

Will you please send the attached cable to the American Commissioner at Delhi, India for transmission to Consul at Karachi, for Fox from the Secretary of the Treasury.
January 31, 1942

American Commissioner,
Delhi, India.

For transmission to Consul at Karachi.

FOR FOX FROM THE SECRETARY OF THE TREASURY:

Regret very much that you are delayed and we are
trying to expedite your journey. Because of the urgency
of the matter we feel we must proceed with the negoti-
ations and therefore would appreciate very much if you
would cable us as much as you feel can be cabled of the
Generalissimo's views and opinions.

KSF/ef
1/31/42
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

AMERICAN COMMISSIONER,
NEW DELHI (INDIA).

21

For transmission to Consul at Karachi.

FOR FOX FROM THE SECRETARY OF THE TREASURY.

Regret very much that you are delayed and we are trying to expedite your journey. Because of the urgency of the matter we feel we must proceed with the negotiations and therefore would appreciate very much if you would cable us as much as you feel can be cabled of the Generalissimo's views and opinions.

HULL (FL)

FD:FL:F/PdP
January 31, 1942
7 p.m.

HRL
This telegram must be
perphrased before being
communicated to anyone
other than a Governmental
agency. (BH)

AMERICAN CONSUL,
CALCUTTA (INDIA).

26

TO CONSUL GENERAL FROM SECRETARY OF THE TREASURY.

QUOTE. Hewlett, Secretary to Mr. Fox, American
member of the Chinese Stabilization Board, has recently
arrived in Calcutta from Chungking for medical treatment.
Please transmit following message to him and confirm
to us that Hewlett has received it:

INNER QUOTE. Hewlett from the Secretary of the
Treasury:

All possible steps being taken here to arrange
for your passage home by clipper. It is advisable that
you stay in Calcutta until the necessary arrangements
have been made for your return home. END INNER QUOTE.
END QUOTE.

(FL)

FD: Fl: EMcB

Copy: bj: 2-2-42

Copy dmh - 2-7-42.
My dear Mr. Secretary:

Mr. A. M. Fox, the American member of the Stabilisation Board of China, has informed me by cable that his secretary, Mr. Herbert Newlett, is ill and should return to the United States for treatment. Will you be good enough to make the necessary arrangements for his transportation back to the United States.

I understand that Mr. Newlett is visiting Calcutta January 29 for a supply of medicine unobtainable in China, and for a thorough examination. If the State Department advises us that it is desirable for Mr. Newlett to remain in Calcutta until return transportation is arranged, we will cable him to this effect.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The Secretary of State

By Messenger Slagle 5:30

cc: MNC

At the Secretary's office

Regarded Unclassified
January 31, 1943

Mr. Livesey
Mr. Dietrich

Will you please send the attached cable to the United States General
General, Calcutta, India.
January 31, 1942

U. S. Consul General,
Calcutta, India.

TO CONSUL GENERAL FROM SECRETARY OF THE TREASURY:

Hewlett, Secretary to Mr. Fox, American member of the Chinese Stabilization Board, has recently arrived in Calcutta from Chungking for medical treatment. Please transmit following message to him and confirm to us that Hewlett has received it:

"Hewlett from the Secretary of the Treasury:

All possible steps being taken here to arrange for your passage home by clipper. It is advisable that you stay in Calcutta until the necessary arrangements have been made for your return home."

ISF:GP
1/31/42

Regraded Unclassified
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

AMERICAN CONSUL,
CALCUTTA (INDIA).

TO CONSUL GENERAL FROM SECRETARY OF THE TREASURY.

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INNER QUOTE. Hewlett from the Secretary of the Treasury:

All possible steps being taken here to arrange for your passage home by clipper. It is advisable that you stay in Calcutta until the necessary arrangements have been made for your return home. END INNER QUOTE.

END QUOTE.

HULL
(FL)

FD:FL:EMoB
With reference to my letter W.T. 1029/AA/2/42 of 19th January about freezing measures in the countries of the West Coast of South America, I am now able to give you a few further items of information which we have received from the same source.

**Colombia**

The German compensation funds which were "technically" but not physically blocked some time ago are said to have amounted to some 8 to 9 million pesos. The Banco de la Republica had a list of all German credits in compensation account but did not collect them and hold them under their jurisdiction. In the meantime, German agents approached the Colombian importers who held these credits and offered them exceptional and favourable terms under which they could pay their debts to Germany, at the same time giving them proofs that the German Government at the end of the war would make no further claims against them. It is not known to what extent funds were actually paid to the Germans, but it is naturally hoped that effective measures will be taken to see that whatever funds are still in German hands are blocked in the real sense in the Banco de la Republica.

As regards the Banco Alemán Antioqueño, certain Colombians have for a considerable time been studying the possibility of opening a new Colombian bank in Medellin.

The Banco Frances e Italiano is said to be losing ground very rapidly in Colombia and evidence that it is worried about its deposits is shown by the fact that credit terms at special rates are being offered. In this connection I have just heard that the position of the Banco Frances e Italiano in Santiago is believed to be even more acute than that of the branch in Bogota, due to the withdrawal of deposits and the impossibility of contacts abroad. There are rumours that the bank is about to close its doors and will probably be finally liquidated somewhere around September.
The Vichy Government is understood to be endeavouring to procure payment of French debts to their Minister in Colombia, as we have heard that they are also doing in Venezuela and Ecuador.

**Ecuador**

No measures with regard to German and Italian funds have been taken as yet. German compensation funds at the beginning of the war amounted to 11 million sucrees which were held by "La Provisora" Banco Nacional de Credito, the biggest bank in Ecuador. I take this opportunity of sending a copy of a memorandum regarding this bank which I have already sent to Mr. Fehle and Mr. Hiss.

Italian funds are at a low ebb and it is said that the Italian Legation were unable to pay their servants for one month until the Banco Italiano-Lima came to the rescue with a loan. The Italian Consul at Quito has weekly meetings with his nationals in order to raise loans.

**Bolivia**

With regard to freezing measures in Bolivia, I would like to draw your special attention to our Memorandum JIN. 409/42 of 28th January.

Yours sincerely,

(rgd) R. V. Palin
"La Previsora" Banco Nacional de Credito is the official agent for the Deutsche Sudamerikane Bank of Hamburg and Berlin. It is the only bank in Ecuador which effects cable transfers of askimarks, and it should be noted that although the amount of this compensation exchange available has for some time been exhausted owing to the complete absence of exportation, La Previsora still continues to negotiate in askimarks in any quantity however large.

The pro-Nazi propaganda carried on by the directors of La Previsora is well known, and more especially that of its General Manager, Senor Victor Emilio Estrada who is often to be seen in the afternoons in conference with the German Consul, Mr. Bruckmann in the latter's office in the Malecon.

The travelling representative of the International Harvester Export Company of New York, Mr. Roland G. Kaiser stated in Guayaquil that the principal motive for withdrawing the agency which his company had entrusted to Sr. Enrique Gallardo, son-in-law of Sr. Estrada, was that all the concerns in the control of Sr. Estrada and of the Previsora were Nazi in complexion. At a sumptuous dinner which Sr. Estrada gave to Mr. Kaiser, the former expressed the wish that the agency should be transferred to one of the many concerns of which he is principal shareholder on the score of Previsora investments. Mr. Kaiser, however, flatly refused and gave the representation to Mr. Augusto Dillon, Manager of the Italian Bank of Guayaquil.

Many United States and United Kingdom companies are avoiding the services of La Previsora and are collecting through the Banco de Deacuento and the Bank of London and South America.

The following firms are under the control of Sr. Victor Estrada, General Manager of the Previsora, and he is the principal shareholder in each:

**Compania General de Comercio y Mandato S.A.**
Agencies and importers

**Compania General de Construcciones S.A.**
Building construction and importers of materials

**Distribuidora de Autos S.A.**
Agents for Ford, Mercury, Lincoln and Packard cars

**The Guayaquil Bottling Company S.A.**
Bottlers of Coca-Cola and importers of essences.

**J. E. Estrada & Co.**
General importers

**E. Gallardo**
Sr. Gallardo is Sr. Estrada's son-in-law and imports general merchandise.

**Compania Radiorubusta del Ecuador S.A.**
Established by Sr. Estrada who owns 80% of the shares.

0th Jan./42

RFP:283

Copy:bj:1ct:2-42
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- Agences and importers

**Compañía General de Construcciones S.A.**
- Building construction and importers of materials

**Distribuidora de Autos S.A.**
- Agents for Ford, Mercury, Lincoln and Packard cars

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- Bottlers of Coca-Cola and importers of essences

**J. R. Estrada & Co.**
- General importers

**E. Gallardo**
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**Compañía Radiotelegrafa del Ecuador S.A.**
- Established by Sr. Estrada who owns 80% of the shares.

9th Jan./42
XYP:022
Copy:bj:1s:2-2-42

Regarded Unclassified
Secretary of State,  
Washington.

311, January 31, 5 p.m.

I recommend inclusion in Proclaimed List of Centro de Mel, Porto Alegre, name under which Lang and Cia, a listed firm, also does business.

CAPPERY

LTS

Copy: cc: 2-3-42
DEPARTMENT OF STATE
WASHINGTON

January 31, 1942

In reply refer to
FW 840.51 Frozen Credits/5210

The Secretary of State presents his compliments to
the Honorable the Secretary of the Treasury and transmits
a copy of air mail despatch no. 882 of January 26, 1942
from the American Legation at Ciudad Trujillo, concerning
freezing control provisions instituted by the Dominican
Government since December 8, 1941.

Enclosure:

From Ciudad Trujillo,
no. 882, January 26,
1942.

Copy:ec:2-2-42
Subject: Freezing Control Provisions in the Dominican Republic.

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to refer to the Department's circular telegram of January 24 at 4 p.m. and the Legation's telegraphic reply no. 20 of January 26 concerning freezing control provisions instituted by the Dominican Government since December 3.

The measures reported in the Legation's despatches nos. 31 ½ of December 12 and 323 of December 13 continue in effect, and the three banks operating in the Dominican Republic are adhering closely to the regulations laid down by the Dominican Secretary of State for the Treasury.
Treasury on December 16, as reported in despatch no. 328. The Secretary of the Treasury has fixed a limit of $1000, up to which amount enemy aliens may make withdrawals from banks in the Dominican Republic at the discretion of the banks. Sums over that amount must receive the authorization of the Department of the Treasury.

All local banks have informed the Legation that they are giving particular attention to accounts held by enemy aliens and that they are prepared to deny the right of withdrawal of funds to any enemy alien at any time if not satisfied that the purpose for which the funds are to be used is legitimate.

The Dominican Department of State has authorized the Banco de Reservas and the Royal Bank of Canada to permit withdrawal of sums up to $5000 by the Compañía Exportadora of Puerto Plata, in which an Italian holds a large interest, to enable the company to continue its normal business. The Banco de Reservas, which is managed by American citizens, is continuing to watch these withdrawals carefully, as is the Royal Bank of Canada.

The public suspect list mentioned in the Executive Decree of December 16 has not yet been issued. In the meantime, in accordance with the policy adhered to prior
to the entry of the Dominican Republic into the war, the Banco de Reservas holds no accounts and does no business with firms and individuals on the American Proclaimed List. The other two banks in the country — the Royal Bank of Canada and the Bank of Nova Scotia — follow the same policy as concerns persons and firms on both the British Statutory List and the American Proclaimed List.

The banks are aware of the fact that this policy permits greater freedom of action to firms on the Proclaimed List than to enemy aliens not considered suspicious. They anticipate that the Committee whose appointment was reported in despatch no. 862 of January 13 will meet shortly after the return of the Foreign Minister from Rio de Janeiro with a view to considering what appropriate action might be taken on this matter. The Committee also expects Senor Despradel to bring back from Rio information on action taken by other American republics on this subject, and it may attempt to incorporate into the Dominican regulations measures taken by other countries which are applicable here.

Respectfully yours,

ROBERT M. SCOTTEN

851
\[\text{WM: vmm}\]

A true copy of the signed original.

WM

Copy: ec: 2-2-42
In reply refer to
FF 840.51 Frozen Credits/5211

January 31, 1942

The Secretary of State presents his compliments
to the Honorable the Secretary of the Treasury and
transmits herewith a copy of air mail despatch no. 3346
of January 27, 1942 from the American Embassy at Habana,
concerning freezing control measures which have been
instituted by the Cuban Government since December 8,
1941.

Enclosure:

From Habana, no. 3346,
January 27, 1942.
AIR MAIL

 Habana, January 27, 1942

Subject: (Department's circular telegram dated January 24, 1942, 4 p.m.)

The Honorable

The Secretary of State,

Washington, D.C.

Sir:

I have the honor to refer to the Department's circular telegram of January 24, 1942, 4 p.m., requesting the Embassy to submit by air mail a report on the freezing control measures which have been instituted by the Cuban Government and on the actual application of such measures at the present time, and to inform the Department by telegram of the numbers and dates of any despatches or telegrams submitted in the subject matter since December 8, 1941.

In reply, the Embassy telegraphed the Department today, listing despatches No. 3119 of December 16, 1941, No. 3143 of December 18, 1941, No. 3148 of December 18, 1941, and No. 3188 of December 27, 1941, which contain full data on all the important measures enacted by the Cuban Government since December 8, 1941, in respect of the freezing of the funds of enemy aliens.

With regard to the application of these measures in Cuba, no hard and fast rules and regulations have as yet been established, but Mr. Manuel Perez Benitoa, the Enemy Property Custodian, has assured the Embassy that it is his intention in respect thereof to follow as closely as possible the policies of our Government. Enemy aliens who have deposits in local banks or who own other property here, are being authorized to withdraw at periodic intervals sufficient funds for their living expenses. Banks receiving payments from abroad in favor of enemy aliens are authorized to accept such remittances provided the proceeds are deposited in blocked accounts in favor of the beneficiaries, who must then look to the Enemy Property Custodian for authorization to make withdrawals from such accounts.

With regard to properties owned or controlled by enemy aliens not residing in Cuba, as well as by enemy aliens who have been interned, or who for other reasons are unable to administer their properties, the Enemy Property Custodian is appointing supervisors who will administer such properties as long as the existing situation endures. A case in point is the "Aevoa" razor blade factory which is owned or controlled by Mr. Eugen Hoppe, a German national whose name is included in our Proclaimed List. Mr. Perez Benitoa has appointed a supervisor who will direct the operations of this factory, and he proposes to do likewise in the case of other business establishments or properties with respect to which a similar situation exists.
Mr. Perez Benitoa has informed the Embassy that he has been cooperating closely with the British Legation and the Canadian Trade Commissioner, and the Embassy and the Consulate General have likewise been rendering him every possible assistance. The Embassy hopes that Mr. Perez Benitoa will continue to cooperate with it and with the Consulate General, especially in view of his avowed intention, in applying the freezing control measures adopted by the Cuban Government, to follow as closely as possible the system adopted by our Government.

It is assumed that as soon as Mr. Perez Benitoa's office has been fully organized some definite system embodying all phases of Cuba's freezing control measures will be worked out, and the Embassy will keep the Department informed of further developments with regard thereto.

Respectfully yours,

For the Ambassador:

Ellis O. Briggs
First Secretary of Embassy

File No. 820

APF/cd

A true copy of
the signed orig-
inal. (1) cd

Copy: bj: 2-2-42
Istanbul
Dated January 31, 1942
Rec'd 8:12 a.m.

Secretary of State,
Washington.

24, thirty-first.

Sermet Djadjouli Albanian national independent Albania formerly Consul General in Yugoslavia resident in Turkey since July 1939 has requested assistance in obtaining Treasury authorization to withdraw for current expenses $3000 from his account with the Credit Suisse New York. Djadjouli is well known in independent Albanian circles and it is suggested that withdrawals when requested be given favorable consideration.

HONAKER

RR

Copy: bJ: 2-5-42

Regraded Unclassified
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Secretary of State,
Washington,

178, January 31, 9 p.m.

The press reports that the Council of Ministers has approved the draft of the 1942-1943 State Budget but thus far the explanatory note embodied in the draft is not available to the Legation. Revenues are estimated at Egyptian pounds 52,000,000 and expenditures Egyptian pounds 53,500,000, the deficit to be taken from the reserve fund which in April, 1941, amounted to Egyptian pounds 28,960,363 of which Egyptian pounds 16,533,292 was free (Reference my despatch no. 148, December 5, 1941).

KIRK

Copy:1c:2/3/42
The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and, referring to letter dated January 16, 1942 to the Secretary of State from Mr. J. W. Fehle, Assistant to the Secretary of the Treasury, transmits copies of telegram no. 5, dated January 23, 1942 to St. Pierre, concerning certain payments to be made by the Western Union Telegraph Company and the Marden Wild Corporation.

Enclosure:

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

January 23, 1942
6 p.m.

AMERICAN CONSUL,

ST. PIERRE-MIQUELON.

5.

Your January 3, 1942.

Department has discussed your telegram with the Treasury Department. Payments by Western Union Telegraph Company and Marden Wild Corporation should be made into the special free accounts of Banque Pierre Andrieux with Bank of Nova Scotia, New York, or with the French-American Banking Corporation, New York, or into the special free account of the Banque des Iles with the Guaranty Trust Company, New York.

HULL
(DA)

340.51 Frozen Credits/5069

FT:ASF:LM Bu A-A

eh:copy 2-2-42
Registered sterling transactions of the reporting banks were as follows:

- Sold to commercial concerns: $12,000
- Purchased from commercial concerns: $8,000

Open market sterling held steady at 4,03-1/2, and there were no reported transactions.

Continuing its improvement, the Cuban peso was offered at a premium of 8-16 against the dollar. Until January 27, the peso had been quoted approximately at par.

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

- Canadian dollar: 11-5/8% discount
- Argentine peso (free): .2360
- Brazilian milreis (free): .0516
- Colombian peso: .5775
- Mexican peso: .3065
- Uruguayan peso (free): .5250
- Venezuelan bolivar: .2720

We sold $3,000,000 in gold to the Bank of Portugal, which was added to its earmarked account. An additional $7,500,000 in gold will be sold to that bank on Monday.

No new gold engagements were reported.

As was the case in December 1941, we made no purchases of silver during the month of January.
31st January, 1942.

PERSONAL AND SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

(For the Ambassador)

R. I. Campbell

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.
Information received up to 7 A.M., 29th January, 1942.

1. NAVAL

23th/29th. Enemy coastal batteries ineffectively shelled a Channel convoy off DOVER.

22nd. A small merchant ship was sunk by gunfire from a U-boat 120 miles southwest of RAMOON.

24th. A medium sized Allied ship in supply convoy was mined and sunk 27 miles southwest of SINGAPORE, and a medium sized Portuguese steamer is reported to have sunk by mine off NIJAOUDIAND.

2. MILITARY

LIBYA. Enemy columns from the ISUS area are pushing east, north and northwest. South of EL HAIZI, our forces covering the town have been forced to withdraw by strong enemy attacks from the south. Northeast of ISUS, our armoured forces are advancing to attack the enemy.

LIBYA. East. On 27th, Australian forces were in contact near JEMIHANDU, inflicting about 250 casualties on the enemy and suffering 32. Our troops have now retired to UNEEDLY, some 30 miles south of JEMIHANDU.

Centre. There has been some infiltration by enemy south of SHIMAH

East. 15th Indian Infantry Brigade is still southeast of SING-GARAND, but about 1,000 of the troops isolated there managed to rejoin our forces on 28th.

BIRMA. Japanese forces, including cavalry, are reported to be approaching the HONGHEIN area from the east and south.

RUSSIA. The Russians are continuing their pressure to the west of KOREX and in the KHARKOV sector, but German resistance has increased north of the line OREL - BRYANSK and in the VURSH area.

3. AIR OPERATIONS

WESTERN FRONT. Six R.A.F. aircraft took part in operations 27th/29th without casualty. 28th/29th. 185 aircraft sent out - MÜNSTER, 24; KOELHOFE, 18; ROTTERDAM, 29; aerodromes in HOLLAND and WESTERN FRANCE, 20; and leaflets over PARIS. 2. Seven aircraft missing. There was thick cloud over MÜNSTER, but conditions at KOELHOFE and ROTTERDAM were good.
LIBYA. On night 26th/27th Wellingtons attacked mechanical transport on the EL ACHELHA - JEDABA road, and, on the 27th, until bad weather prevented further operations, our fighters attacked mechanical transport in the SIEBA area and on the road west of SIREQ. 13 vehicles were destroyed and at least 35 damaged. 27th/28th. Wellingtons attacked shipping in TRIPOLI (L) harbour, scoring hits on the Spanish Hole and Main Quay.

SICILIA. Night 27th/28th, and 28th. 53 enemy aircraft attacked the island at HAL FAR, aircraft on ground being slightly damaged.

BURMA. 27th/28th. Blenheims attacked BAOKOX area. 26th/27th. Eight enemy aircraft attacked HIMALADON aerodrome, destroying an ammunition store and one Hurricane. The attack was repeated by 30 aircraft on 27th/28th. These were intercepted by Tmankunks of the American Volunteer Group, which destroyed seven aircraft and probably destroyed a further six for the loss of one aircraft.

NETHERLANDS EAST INDIES. 26th. Attacks were made by enemy fighters on aerodromes at PARE PARE, YKASSOR, BIMA, KEPABNI, DILLI (PORTUGUESE TIMOR), AMBON and NAMIBA.

The results of the action against the enemy convoy in MACASSAR STRAITS, believed to have consisted of three cruisers, 12 destroyers and 30 transports, now appear to have been, at a conservative estimate, one large cruiser sunk by American submarine, one cruiser hit by Dutch submarine, all three cruisers hit by bomb, one destroyer sunk, one or two destroyers hit by bombs, ten transports sunk and several transports damaged.

4. AIRCRAFT CASUALTIES IN OPERATIONS OVER AND FROM THE BRITISH ISLES

Enemy - none reported. British - eight (one R.C.A.F. Spitfire)

5. IRON ORE

Total shipments of Swedish iron ore to GERMANY during 1941 were 9,554,734 tons (of which 738,255 tons via NARVIK) compared with a total of 9,172,807 tons (473,312 tons via NARVIK) during 1940. Exports in December totalled 569,000 tons, of which 244,000 were shipped via NARVIK. This is 409,000 tons less than shipments in December, 1940. The Germans are said to be pressing for increased deliveries to NARVIK.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau
FROM: Mr. Kamerck
SUBJECT: Summary of Military Reports

Far East

Up to January 25, only two Chinese divisions had been

given permission by the British to enter Burma. Of these

forces, only one regiment has, so far, arrived. This regi-

ment had to enter by a difficult and circuitous route. It

is now occupied in defending the northern route from Thai-

land into Burma. The British did not allow the Chinese

troops to use the Burma Road for entering Burma until Janu-

ary 25.

(O.C.I., "The War This Week", January 22-29)

The U.S. submarine which obtained a hit on a cruiser

or aircraft carrier in the Macassar Straits is the U.S.

Sturgeon. (The "Sturgeon" is a 1,500 ton submarine, i.e.,

a sea-going submarine, carrying 8 torpedo tubes. It was

launched in March, 1938 and has a crew of 55 men.) Ameri-

can and Australian anti-submarine units have sunk one large

and probably one small Japanese U-boat off Port Darwin,

Australia.

(U.K. Operations Report, January 28)

The British estimate that the Japanese are producing

250 planes a month. Our Military Intelligence estimates Ja-

panese plane production at 500 a month. (The Japanese air

strength is evidently going to be one of Japan's weakest

points, once the United Nations bring enough air strength

to bear in the Far East.)

(O.C.I., "The War This Week", January 22-29)

Russo-German War

According to reports reaching the Coordinator of Infor-

mation, the Germans are sending another division from France

to the Russian front. This makes a total of 9 divisions

transferred from France to Russia in the last few months.

(O.C.I., "The War This Week", January 22-29)

Regraded Unclassified
**Germany**

The Germans are probably turning out submarines at the rate of 18-20 per month. A total of 250 are under construction at any one time. Fifty more are building in Italy and five in France. (In this connection, it might be of interest to note a memorandum written by Churchill on the last war, in which he stated that the difficulties of providing suitable submarine personnel, rather than production of submarines "...impose an absolute limit." "There is no personnel that requires more careful training than the submarine personnel. All the experience of our officers shows that a submarine depends for its effectiveness mainly upon its captain.")

(O.C.I., "The War This Week", January 22-29)

**Oil to Italy**

The British report that in a further check-up of recent reports on oil shipments to Italy from Germany, it was found that during the last fortnight of December, 40 trains of 35 oil tank cars each passed daily through Basle, from Germany to Italy. This amounts to a shipment of no less than 300,000 tons of oil from Germany to Italy in two weeks. (This is to be compared to the Italian estimated minimum requirements of 100,000 tons of oil a month.)

(U.K. Operations Report, January 28)
SITUATION REPORT

I. Pacific Theater.

Philippines: Sporadic enemy attempts at infiltration were repulsed. Air activity was light yesterday. Hawaii: No further reports of hostile action. Malaya: The press reports that the British forces have successfully withdrawn to Singapore Island, after destroying the causeway connecting that island to the mainland. Burma: Light fighting continues in the area of Houma. There has been a slight decrease in air activity throughout this sector. Australia: According to the press, Japanese have made a landing on the Island of Ambon, east of the Celebes. Both sides continue active in the air throughout this theater. Ground fighting is obscure, with reports of enemy gains in western Borneo. West Coast: No further reports.

II. Eastern Theater.

Ground: Fighting continues along the general front. The German High Command claims successful counterattacks against a Russian break-through northeast of Kursk. (No situation map will be issued this date.)

Air: On the Moscow front, the Russians claim the destruction of five JU-88's on January 30.

III. Western Theater.

The press states that units of the German air force raided objectives in North Ireland yesterday.

IV. Middle Eastern Theater.

Ground: British Headquarters in the Middle East have stated that two brigades which were defending Benghazi have successfully rejoined the British main force. The press indicates that fighting is now sporadic, with both forces bringing up supporting troops.

Air: On the 30th, the R.A.F. carried out heavy attacks against Axis motorized columns, supply lines, and bases in western Cyrenaica. Axis air forces continue the desultory bombardment of Malta and the support of ground troops.