MEMORANDUM FOR THE SECRETARY:

Sales of Defense Bonds in January reached a record-breaking total of $1,060,547,000, on the basis of actual cash deposits at the Treasury. This is more than twice as great as the December total, and is almost four times as great as the average of the seven months preceding Pearl Harbor.

The buyers of Defense Bonds have thus met almost half the entire cost of the nation's war effort in January. A breakdown of the January sales, by series, follows:

<table>
<thead>
<tr>
<th>Series</th>
<th>Series F</th>
<th>Series G</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$667,411,000</td>
<td>$77,559,000</td>
<td>$315,577,000</td>
<td>$1,060,547,000</td>
</tr>
</tbody>
</table>

It is only fair to point out, however, that a large part of the January total was made up of limit-buying by investors who were able to buy their legal limit of $5,000 in "E" bonds and $50,000 of "F" or "G" Bonds for the new calendar year.

We still have a long way to go. Total sales of Defense Bonds and Stamps since they first went on sale in May amount to $3,587,757,000. This may seem large until we compare it to the budget figures announced by the President last month. If we set these $32 billion against the prospective expenditure of $40 billion in 1942, it is apparent that we have to do much, much more.

We estimate that about 7 million individuals have bought Defense Bonds up to the present. That, again, will show how much ground we have to cover. There are more than 40 million men and women in regular employment and we cannot call this Defense Bond program a real success until it has reached all those who are earning regular income. We are making a good start with our payroll savings plans, but the numbers of employees participating in them, and the extent of their participation, are not yet nearly what they should be. In this field above all others, we intend to work hard in the coming weeks until every employed person is putting something aside every payday.
# UNITED STATES SAVINGS BONDS

Sales Since May 1, 1941, by Months
On Basis of Issue Price

(In thousands of dollars)

<table>
<thead>
<tr>
<th>Month</th>
<th>Series A</th>
<th></th>
<th>Series F</th>
<th></th>
<th>Series G</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Post</td>
<td></td>
<td>Offices</td>
<td></td>
<td>Banks</td>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1941</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>$42,836</td>
<td></td>
<td>$57,745</td>
<td></td>
<td>$100,581</td>
<td></td>
<td>$37,817</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>$40,788</td>
<td></td>
<td>$61,729</td>
<td></td>
<td>$102,517</td>
<td></td>
<td>$28,876</td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>$50,558</td>
<td></td>
<td>$94,717</td>
<td></td>
<td>$145,274</td>
<td></td>
<td>$27,359</td>
<td></td>
</tr>
<tr>
<td>August</td>
<td>$40,725</td>
<td></td>
<td>$76,878</td>
<td></td>
<td>$117,603</td>
<td></td>
<td>$20,318</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>$38,117</td>
<td></td>
<td>$67,123</td>
<td></td>
<td>$105,241</td>
<td></td>
<td>$18,099</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>$41,634</td>
<td></td>
<td>$81,250</td>
<td></td>
<td>$122,884</td>
<td></td>
<td>$22,963</td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>$37,997</td>
<td></td>
<td>$71,478</td>
<td></td>
<td>$109,475</td>
<td></td>
<td>$16,978</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>$103,154</td>
<td></td>
<td>$237,930</td>
<td></td>
<td>$341,085</td>
<td></td>
<td>$33,272</td>
<td></td>
</tr>
<tr>
<td>1942</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>$158,469</td>
<td></td>
<td>$508,942</td>
<td></td>
<td>$667,411</td>
<td></td>
<td>$77,559</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$554,280</td>
<td></td>
<td>$1,257,792</td>
<td></td>
<td>$1,612,072</td>
<td></td>
<td>$285,211</td>
<td></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.

February 2, 1942.
UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During November and December 1941 and January 1942
On Basis of Issue Price

(Amounts in thousands of dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>January 1942</th>
<th>December 1941</th>
<th>November 1941</th>
<th>January over</th>
<th>December over</th>
<th>January over</th>
<th>December over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series E - Post Offices</td>
<td>$158,469</td>
<td>$103,154</td>
<td>$37,997</td>
<td>$55,315</td>
<td>$65,157</td>
<td>53.6%</td>
<td>171.5%</td>
</tr>
<tr>
<td>Series E - Banks</td>
<td>$508,942</td>
<td>$237,950</td>
<td>$71,478</td>
<td>$271,012</td>
<td>$166,452</td>
<td>113.9%</td>
<td>232.2%</td>
</tr>
<tr>
<td>Series F - Total</td>
<td>$667,411</td>
<td>$341,085</td>
<td>$109,475</td>
<td>$326,326</td>
<td>$231,610</td>
<td>95.7%</td>
<td>211.6%</td>
</tr>
<tr>
<td>Series F - Banks</td>
<td>$77,559</td>
<td>$33,272</td>
<td>$16,978</td>
<td>$44,287</td>
<td>$14,294</td>
<td>133.1%</td>
<td>75.3%</td>
</tr>
<tr>
<td></td>
<td>$315,576</td>
<td>$154,242</td>
<td>$105,035</td>
<td>$161,334</td>
<td>$49,207</td>
<td>104.6%</td>
<td>46.8%</td>
</tr>
<tr>
<td>Total</td>
<td>$1,060,546</td>
<td>$528,599</td>
<td>$233,487</td>
<td>$531,947</td>
<td>$235,112</td>
<td>100.6%</td>
<td>126.4%</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics. February 2, 1942.

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

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

Regraded Unclassified
<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>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Series E</td>
<td>Series E</td>
<td>Series F</td>
<td>Series G</td>
</tr>
<tr>
<td>January 1942</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>$3,982</td>
<td>$10,229</td>
<td>$1,964</td>
<td>$7,605</td>
</tr>
<tr>
<td>2</td>
<td>$4,302</td>
<td>$10,736</td>
<td>$2,056</td>
<td>$7,779</td>
</tr>
<tr>
<td>3</td>
<td>$4,457</td>
<td>$9,557</td>
<td>$1,278</td>
<td>$5,453</td>
</tr>
<tr>
<td>5</td>
<td>$9,684</td>
<td>$26,724</td>
<td>$3,240</td>
<td>$13,704</td>
</tr>
<tr>
<td>6</td>
<td>$6,711</td>
<td>$7,659</td>
<td>$1,341</td>
<td>$6,778</td>
</tr>
<tr>
<td>7</td>
<td>$6,748</td>
<td>$21,267</td>
<td>$3,692</td>
<td>$18,832</td>
</tr>
<tr>
<td>8</td>
<td>$7,509</td>
<td>$21,297</td>
<td>$3,821</td>
<td>$18,871</td>
</tr>
<tr>
<td>9</td>
<td>$5,746</td>
<td>$12,359</td>
<td>$1,798</td>
<td>$4,765</td>
</tr>
<tr>
<td>10</td>
<td>$4,396</td>
<td>$16,031</td>
<td>$1,858</td>
<td>$6,355</td>
</tr>
<tr>
<td>12</td>
<td>$10,187</td>
<td>$37,483</td>
<td>$3,830</td>
<td>$14,353</td>
</tr>
<tr>
<td>13</td>
<td>$7,902</td>
<td>$15,069</td>
<td>$2,507</td>
<td>$11,944</td>
</tr>
<tr>
<td>14</td>
<td>$4,706</td>
<td>$19,939</td>
<td>$3,701</td>
<td>$14,293</td>
</tr>
<tr>
<td>15</td>
<td>$6,444</td>
<td>$16,597</td>
<td>$2,243</td>
<td>$13,283</td>
</tr>
<tr>
<td>16</td>
<td>$5,721</td>
<td>$26,239</td>
<td>$4,319</td>
<td>$14,078</td>
</tr>
<tr>
<td>17</td>
<td>$4,830</td>
<td>$6,933</td>
<td>$759</td>
<td>$10,700</td>
</tr>
<tr>
<td>19</td>
<td>$8,635</td>
<td>$39,000</td>
<td>$3,946</td>
<td>$16,599</td>
</tr>
<tr>
<td>20</td>
<td>$5,155</td>
<td>$10,549</td>
<td>$2,285</td>
<td>$10,551</td>
</tr>
<tr>
<td>21</td>
<td>$4,886</td>
<td>$19,375</td>
<td>$3,538</td>
<td>$15,566</td>
</tr>
<tr>
<td>22</td>
<td>$5,161</td>
<td>$22,257</td>
<td>$3,973</td>
<td>$9,850</td>
</tr>
<tr>
<td>23</td>
<td>$5,908</td>
<td>$23,392</td>
<td>$2,652</td>
<td>$8,004</td>
</tr>
<tr>
<td>24</td>
<td>$4,655</td>
<td>$15,820</td>
<td>$2,239</td>
<td>$5,344</td>
</tr>
<tr>
<td>26</td>
<td>$7,095</td>
<td>$39,997</td>
<td>$5,022</td>
<td>$17,516</td>
</tr>
<tr>
<td>27</td>
<td>$4,967</td>
<td>$11,504</td>
<td>$3,569</td>
<td>$23,125</td>
</tr>
<tr>
<td>28</td>
<td>$5,318</td>
<td>$18,394</td>
<td>$2,656</td>
<td>$18,635</td>
</tr>
<tr>
<td>29</td>
<td>$4,826</td>
<td>$20,123</td>
<td>$3,223</td>
<td>$12,422</td>
</tr>
<tr>
<td>30</td>
<td>$5,730</td>
<td>$21,594</td>
<td>$3,845</td>
<td>$14,332</td>
</tr>
<tr>
<td>31</td>
<td>$2,904</td>
<td>$8,570</td>
<td>$2,201</td>
<td>$8,350</td>
</tr>
<tr>
<td>Total</td>
<td>$185,469</td>
<td>$508,942</td>
<td>$77,559</td>
<td>$315,576</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.

Figures have been rounded to nearest thousand and will not necessarily add to totals.
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>Jan.</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>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>
</tr>
<tr>
<td>21</td>
<td>86</td>
<td>411</td>
<td>800</td>
<td>59</td>
<td>1,546</td>
<td>875</td>
</tr>
<tr>
<td>22</td>
<td>59</td>
<td>697</td>
<td>800</td>
<td>86</td>
<td>1,676</td>
<td>1,000</td>
</tr>
<tr>
<td>23</td>
<td>86</td>
<td>569</td>
<td>800</td>
<td>50</td>
<td>1,871</td>
<td>1,000</td>
</tr>
<tr>
<td>24</td>
<td>50</td>
<td>727</td>
<td>800</td>
<td>28</td>
<td>1,922</td>
<td>1,000</td>
</tr>
<tr>
<td>25</td>
<td>28</td>
<td>none-no mail</td>
<td>none-closed</td>
<td>28</td>
<td>1,922</td>
<td>-</td>
</tr>
<tr>
<td>26</td>
<td>28</td>
<td>490</td>
<td>1,000 1/</td>
<td>7</td>
<td>2,011</td>
<td>2,000</td>
</tr>
<tr>
<td>27</td>
<td>7</td>
<td>434</td>
<td>1,000 1/</td>
<td>7</td>
<td>2,177</td>
<td>-</td>
</tr>
<tr>
<td>28</td>
<td>7</td>
<td>474</td>
<td>1,000 2/</td>
<td>6</td>
<td>2,102</td>
<td>2,000</td>
</tr>
<tr>
<td>29</td>
<td>6</td>
<td>407</td>
<td>1,000 2/</td>
<td>8</td>
<td>2,097</td>
<td>-</td>
</tr>
<tr>
<td>30</td>
<td>8</td>
<td>426</td>
<td>800 2/</td>
<td>6</td>
<td>1,869</td>
<td>2,000</td>
</tr>
<tr>
<td>31</td>
<td>6</td>
<td>404</td>
<td>800 1/</td>
<td>9</td>
<td>1,868</td>
<td>-</td>
</tr>
</tbody>
</table>

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

* 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.

February 2, 1942
Stock of Series E Savings Bonds on Hand 1/
January 15, 1942 to date

(In thousands of pieces)

<table>
<thead>
<tr>
<th>Date</th>
<th>Stock on hand beginning of day</th>
<th>Sales this day</th>
<th>Bonds manufactured this day</th>
<th>Stock on hand close of day</th>
<th>IBM delivers this day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td></td>
<td></td>
<td></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>
</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>
</tr>
<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>875</td>
</tr>
<tr>
<td>21</td>
<td>8,683</td>
<td>337</td>
<td>800</td>
<td>9,146</td>
<td>1,000</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>11,052</td>
<td>-</td>
</tr>
<tr>
<td>28</td>
<td>11,052</td>
<td>251</td>
<td>1,000</td>
<td>12,061</td>
<td>2,000</td>
</tr>
<tr>
<td>29</td>
<td>12,061</td>
<td>265</td>
<td>1,000</td>
<td>13,336</td>
<td>-</td>
</tr>
<tr>
<td>30</td>
<td>13,336</td>
<td>283</td>
<td>800</td>
<td>13,653</td>
<td>2,000</td>
</tr>
<tr>
<td>31</td>
<td>13,653</td>
<td>139</td>
<td>800</td>
<td>14,514</td>
<td>-</td>
</tr>
</tbody>
</table>

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

February 2, 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.
Summary

(1) Speculative buying and holding of commodities, in addition to the heavy demands of defense industries for materials, is playing a part in forcing commodity prices upward. The higher level of consumer incomes has facilitated public stocking up of many items, while futures trading in farm products has recently been increasing.

(2) Statements on farm prices by the President and by Secretary Wickard last week had a bearish effect on commodity markets, and brought to a temporary halt the rise in basic commodity prices. In the previous week the BLS all-commodity wholesale price index receded fractionally to 95.5, which is 27 percent above the pre-war level of August 1939.

(3) Prices received by farmers as of January 15 averaged 4.2 percent higher than a month earlier and nearly 70 percent higher than in August 1939. At the same time, the index of prices paid by farmers as of January 15 was only 1.4 percent above the month-earlier level. As a result, prices of farm products averaged 102 percent of parity, as compared with 99 percent in the previous month.

(4) Retail trade continues to run substantially above year-earlier levels, partly due to the tendency of consumers to stock up on articles feared to be in short supply. However, the rate of gain in department store sales over 1941 levels narrowed to 34 percent in the week ended January 24 from 45 percent in the previous week.

(5) Featured by large contracts for military construction, heavy engineering construction awards have moved up to the highest levels since last August, despite a sharp drop in private construction contracts. Lettings of construction steel have also moved up sharply to a new peak.

---

Regraded Unclassified
The price situation

An increasing amount of spendable funds in the hands of consumers, at a time when outlets for spending these funds are being restricted by the war effort, continues to be a major influence forcing commodity prices higher. A contributing factor, of course, is the efforts of producers of both civilian and defense goods to acquire materials and supplies, many of which are in short supply. In addition to these "legitimate" price influences, it is becoming increasingly apparent that speculative buying and holding of commodities is playing an important part in forcing prices upward. The higher levels of consumer incomes obviously facilitate speculative buying, and are responsible in part for the heavy wave of buying in retail stores discussed later in this memorandum.

The net result of these influences has been an advance of 3.6 percent in the BLS all-commodity index since our entry into the war, averaging 0.5 percent a week. Speculative activity in that period has been centered largely in farm products, which has affected prices of foods and textiles. This is indicated by the following table, which shows the relative percentage advances in the 10 major groups of the BLS all-commodity index since the week ended December 6:

BLS Wholesale Price Indexes (1926=100)

<table>
<thead>
<tr>
<th>Commodity Groups</th>
<th>Week ended</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dec. 6, 1941</td>
<td>Jan. 24, 1942</td>
</tr>
<tr>
<td>Farm products</td>
<td>90.8</td>
<td>100.3</td>
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<tr>
<td>Chemical products</td>
<td>89.7</td>
<td>96.5</td>
</tr>
<tr>
<td>Foods</td>
<td>88.7</td>
<td>93.6</td>
</tr>
<tr>
<td>Textiles</td>
<td>90.7</td>
<td>92.7</td>
</tr>
<tr>
<td>Building materials</td>
<td>107.4</td>
<td>109.5</td>
</tr>
<tr>
<td>Miscellaneous 1/</td>
<td>87.2</td>
<td>88.1</td>
</tr>
<tr>
<td>Housefurnishings</td>
<td>101.9</td>
<td>102.7</td>
</tr>
<tr>
<td>Metal products</td>
<td>103.3</td>
<td>103.6</td>
</tr>
<tr>
<td>Hides &amp; leather</td>
<td>115.4</td>
<td>115.7</td>
</tr>
<tr>
<td>Fuel &amp; lighting</td>
<td>79.2</td>
<td>78.9</td>
</tr>
<tr>
<td>Combined index</td>
<td>92.2</td>
<td>95.5</td>
</tr>
</tbody>
</table>

1/ Includes auto tires, cattle feed, paper and other products.

Speculation in farm products is facilitated, of course, by the conveniences afforded by the futures markets. The volume of futures trading in farm products has been increasing in recent weeks, though it has not yet reached the
high levels of last fall. The trend of futures trading in grains, cotton, and other commodities is shown in Chart 1, in comparison with the trend of the Dow-Jones index of futures prices. Since the futures markets for most non-agricultural materials (included in the "all other" group on the chart) are now closed or operating under price restrictions, the agricultural markets offer practically the only outlets for speculation in commodity futures.

The Bureau of Agricultural Economics, in a current report, lists "potential speculative buying and withholding of commodities" as one of the strong forces tending currently to push prices upward, and Secretary Wickard warned last week that speculation in corn threatened to jeopardize the Food for Freedom campaign. The Bureau expects that prices received by farmers in 1942 will average about 25 percent above the 1941 average, and that they will continue to hold at about parity. The expected average would be about 5 percent above current January prices.

Speculators upset by Wickard statement

Prices of speculative commodities broke sharply Wednesday on the statement by Secretary Wickard that recent advances in corn prices were unjustified, and that positive steps would be taken to assure livestock and poultry growers an abundance of feed grains at reasonable prices.

Secretary Wickard's statement indicated that corn recently sold by the Government was being held for speculative profits rather than being used for feeding and processing, a move apparently encouraged by the lack of any effective price ceiling on corn in the price control bill. Since a wide margin between feed costs and prices of livestock, dairy, and poultry products is essential for attainment of the Departments' production goals, it is apparent that speculation in corn and other grains might severely upset the production program.

The Department has therefore (1) modified its corn program to make the entire Ever-normal Granary reserves of corn available for feed and processing uses, (2) stated that, if necessary, it will call loans on 170 million bushels of 1938, 1939, and 1940 corn for the same purposes, and (3) stated that pooled and loan wheat held by the Commodity Credit Corporation (which now totals 500 million bushels) will be released, if necessary, in order to meet feed requirements.
The Secretary mentioned that this program would not be to the detriment of the corn farmer, since the present 85 percent loans or present cash prices, plus AAA payments, will assure him parity returns. It was this indication that the Department might adopt parity as a price objective, defined to include benefit payments, rather than aiming toward the ceiling limits recently voted by Congress, which severely shocked speculative sentiment in other commodity markets.

President requests release of Government commodity stocks

Also of bearish implication last week was the President's statement that he was requesting certain Government departments (primarily the Commodity Credit Corporation) to transfer stocks of commodities to other departments for use in the war effort. This was designed principally to allow CCC cotton to be released for war uses in excess of the amount now available for sale. The Commodity Credit Corporation is working on various procedures by which the transfers might be effected. The President's request will include grain and other commodities, in addition to cotton, and the Commodity Credit Corporation understands that transfers may be made to the War Department, to Lend-Lease, and to other agencies requiring commodities.

In a statement accompanying his approval of the price control bill, the President reiterated earlier Administration pronouncements that farm prices should not rise much above parity, saying: "The farm program which has been developed since 1933 has set parity prices and income as a goal ....... I feel that most farmers realize that when farm prices go much above parity, danger is ahead."

Basic commodity prices slightly higher

The result of last week's price influences was a flattening-out of basic commodity prices at a slightly higher level. (See Chart 2.) Price advances occurred in a number of domestic commodities, chiefly hogs, steers, flaxseed, and rosin. Wheat, corn and cotton prices declined.

The BLS all-commodity index in the previous week (ended January 24) receded 0.1 point to 95.5. This was 27.3 percent above the August 1939 pre-war level.

Speculative activity in rye

Rye prices have had a speculative rise of more than 20 cents per bushel in the past two months, despite supplies in the current crop year larger than any since 1935. This activity was induced in part by a favorable price margin
between rye prices and prices for other grains, coupled with a substantial industrial demand and the possibility of shipments to Russia. Reports of a purchase of 200,000 bushels of Argentine rye for importation into the United States at favorable prices, even after payment of duty, unsettled prices to some extent last week.

**Agricultural prices up: parity prices at new high**

Prices received by farmers as of January 15 increased 4.2 percent from the levels of December 15, and stood nearly 70 percent above the levels of August 1939, according to the Department of Agriculture's weighted index.

Prices paid by farmers, on the other hand, averaged only 1.4 percent higher than on December 15, and were only 17 percent above the average paid (including interest and taxes) in August 1939. As a result, prices of farm products averaged 102 percent of parity, which was 3 percent more than a month earlier.

The price movements for all farm products and for some individual commodities for 1940, 1941, and the first month of 1942, are shown in Chart 3. As a whole, the sharp rise begun in December continued into January, with noticeable price improvement in most of the important farm products.

**Elimination of Government crop reports rumored**

Possible discontinuance of Government crop reports for the duration of the war has been reported recently in the press. Discussion of such a move apparently originated from interpretation of the statement of policy issued January 17 for the Interdepartmental Committee on War Information, requesting discontinuance of published reports on production and supplies that might be of use to the enemy.

If a ban on the publication of agricultural reports is under consideration, serious thought should be given to its probable effect on commodity prices. It is well known in the commodity markets that speculation thrives on rumors, particularly during the "crop scare" period previous to harvest, when there is no appreciable volume of hedge sales to offset speculative buying. Official reports on the progress of the crop are needed to keep prices in line with actual market conditions. During the coming season, when an expansion in crop production is planned, the crop reports are likely to be somewhat bearish on prices.
Hoarding boosts retail sales

Retail trade continues to show substantial gains over year-earlier levels. In addition to buying by consumers in anticipation of further price rises, heavy stocking up of goods expected to be in short supply is reported. A recent survey conducted by representatives of the Wall Street Journal in 14 cities disclosed abnormally heavy buying in more than 50 items, including clothing, rubber and paper goods, household articles, sugar and canned goods, as well as various other foodstuffs and miscellaneous items. In connection with this situation, storekeepers throughout the country reiterated that heavy public buying has been started by Washington announcements of prospective shortages.

Present voluntary rationing schemes for retail sugar sales are expected to be supplanted in the near future by an OPA consumer rationing plan. Full power to ration all products sold at retail in the United States was conferred on the OPA last week by the War Production Board. The exercise of this rationing power should enable OPA to achieve a greatly increased measure of control over retail prices. Thus far its price control efforts have been largely confined to wholesale prices.

Department store sales brisk

Although department store sales in the week ended January 24 slowed up somewhat, they were still 34 percent above the corresponding week of 1941. (See Chart 4.) In the previous week sales ran 45 percent above year-earlier levels, and in the four weeks ended January 24 the sales gain averaged 34 percent. On this basis, this showing, the seasonally-adjusted index of department store sales for January will probably rise to around the peak levels attained last August.

Rising payrolls contribute to sales gains

In addition to anticipatory buying prompted by fears of shortages and higher prices, retail sales also have been stimulated by the rise in public purchasing power. An outstanding factor in this rise has been the almost uninterrupted gains in factory payrolls since the defense program got under way. Reference to Chart 5 will disclose that factory payrolls in December rose 2.8 percent to a new record high, although factory employment showed a slight decline. Furthermore, estimated average weekly earnings of
factory workers rose substantially last month to a new high 21 percent above year-earlier levels. (Refer to Chart 5.)

Still further gains in factory workers' weekly earnings seem likely in the months ahead as a result of increased overtime work. Moreover, despite the wage increases that have already been granted, the CIO Executive Board recently advised its affiliated unions to demand substantial further wage increases. Currently the CIO is reportedly asking some of the large steel companies for a wage increase of $1 per day.

Pressure put on auto wreckers in scrap campaign

As part of a program to speed up the flow of steel scrap to mills, the Bureau of Industrial Conservation of the WPB has announced its intention of combing the country for auto graveyards and requesting owners to cut up and sell existing scrap immediately. A procedure is said to have been worked out whereby a requisition order for the scrap can be issued within 24 hours in cases where owners are recalcitrant. Nevertheless, steel mill executives still complain of the tight supply of scrap, and the steel operating rate has held practically stationary for four weeks.

With passenger car output virtually terminated, the automobile producers are reported to have on hand heavy stocks of materials, particularly steel. Although these inventories of steel sheets, bars and strip have been manufactured to special specifications, a leading trade source claims that some slight changes in specifications for arms requirements would make these large supplies of steel available for arms production.

Heavy construction awards gain

Heavy construction contract awards as reported by the Engineering News Record have risen substantially in recent weeks, after declining during the latter months of 1941. Awards in the week ended January 29 ran 124 percent above year-earlier levels, and reached the highest point since the early part of last August. (See Chart 5, upper section.) Likewise, orders for construction steel have expanded sharply since the beginning of the year, and have recently attained new peak levels. (Refer to Chart 6, lower section.)

The huge volume of heavy construction contract awards in the week ended January 29 of course reflects expansion in
construction activities connected with the war effort. Private construction awards during the period were actually 54 percent below the corresponding week of 1941. Among the larger public construction contracts included in the week’s awards were a cantonment at Blackstone, Virginia, to cost $26,000,000 and an anti-aircraft training camp at Ozark, Alabama, to cost $25,000,000.
MOVEMENT OF BASIC COMMODITY PRICES
AUGUST 1939 - 100

Weekly Average

I2 Foodstuffs
16 Raw Industrial Materials

Daily

I2 Foodstuffs
16 Raw Industrial Materials

Percentage Change for Individual Commodities, August 1940 Low to January 23, and to January 30, 1942

16 Raw Industrial Materials

Shellac 124.1%
Resin 114.6%
Cotton 105.6%
Print Cloth 85.1%
Burlap 65.8%
Flaxseed 60.0%
Hides 59.0%
Wood 50.0%
Lead 36.8%
Zinc 30.0%
Silk 21.0%
Rubber 16.9%
Copper 11.8%
Steel Scrap iron 8.7%
Alum 3.0%
Steel Scrap exp. 2.7%

12 Foodstuffs

Cocoa 125.7%
Lard 119.8%
Barley 101.2%
Coffee 98.2%
Hogs 86.8%
Wheat 82.3%
Sugar 43.3%
Butter 33.0%
Corn 29.3%
Steer 26.3%
FACTORY EMPLOYMENT, PAYROLLS AND WAGES
First 6 Months of 1939 = 100, Unadjusted

[Graph showing employment, payrolls, and average weekly earnings of factory workers from 1939 to 1942.]

Source: B.L.S.

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

C - 414
CONSTRUCTION CONTRACTS AND STRUCTURAL STEEL ORDERS

Heavy Engineering Contracts

1940
1941
1942

JAN. FEB. MAR. APR. MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC.

TONS THOUSANDS

Structural Steel Orders

JAN. FEB. MAR. APR. MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC.

"Four-week moving average placed on fourth week"
CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended January 21, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.
SECRETARY MORGENTHAU

Mr. Kamerock

Subject: Shipment of planes to British Forces

1. In the week ending January 27, a total of 143 planes of all types (130 combat planes) were shipped to British forces.

2. The total of 130 combat planes shipped includes 100 pursuit planes. This is the largest movement of pursuit planes in one week that I have any record of, i.e., since January 1, 1941. The shipment of 42 North American Mustang fighters to England included in the figures, represents the first export of these planes in any large number.
<table>
<thead>
<tr>
<th>Table A - Shipments by Area</th>
<th>Week Ending Jan. 27, 1942</th>
<th>Total Shipped in 1942 to date</th>
<th>Total Shipped since Jan. 1, 1941</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td><strong>To the United Kingdom</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>0</td>
<td>1</td>
<td>1,125</td>
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<td>Heavy bombers</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Naval patrol bombers</td>
<td>0</td>
<td>0</td>
<td>102</td>
</tr>
<tr>
<td>Pursuit</td>
<td>47</td>
<td>60</td>
<td>371</td>
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<tr>
<td>Army Cooperation</td>
<td>5</td>
<td>9</td>
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<tr>
<td>Trainers</td>
<td>0</td>
<td>0</td>
<td>24</td>
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<td><strong>Total to the United Kingdom</strong></td>
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<td>70</td>
<td>1,766</td>
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<tr>
<td><strong>To the Middle East</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Light and medium bombers</td>
<td>24</td>
<td>53</td>
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<tr>
<td>Heavy bombers</td>
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<td>5</td>
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<td>Pursuit</td>
<td>39</td>
<td>123</td>
<td>971</td>
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<tr>
<td>Army Cooperation</td>
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<td>0</td>
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<tr>
<td>Trainers</td>
<td>0</td>
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<td>150</td>
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<tr>
<td><strong>Total to the Middle East</strong></td>
<td>63</td>
<td>184</td>
<td>1,509</td>
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<tr>
<td><strong>To the British Pacific Forces</strong></td>
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<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>0</td>
<td>0</td>
<td>95</td>
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<tr>
<td>Naval patrol bombers</td>
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<td>Pursuit</td>
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<td>Trainers</td>
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<td><strong>Total to Pacific Forces</strong></td>
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<td><strong>To the Forces in Russia</strong></td>
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<tr>
<td>Light and medium bombers</td>
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<tr>
<td>Pursuit</td>
<td>0</td>
<td>0</td>
<td>44</td>
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<tr>
<td><strong>Total to Russian Forces</strong></td>
<td>0</td>
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<tr>
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<tr>
<td><strong>To the Canadian Forces</strong></td>
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<tr>
<td>Light and medium bombers</td>
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<tr>
<td>Naval patrol bombers</td>
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<td>Pursuit</td>
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<td>19</td>
<td>61</td>
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<td>Trainers</td>
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<td><strong>Total to Canadian Forces</strong></td>
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<td>144</td>
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<td><strong>Totals</strong></td>
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<td>Heavy bombers</td>
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<td>0</td>
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<td>Naval patrol bombers</td>
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<td>145</td>
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<tr>
<td>Pursuit</td>
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<td>Trainers</td>
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<td><strong>Total</strong></td>
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<td>Model</td>
<td>Week Ending Jan. 29, 1942</td>
<td>Total Shipped in 1942 to date</td>
<td>Total Shipped since Jan. 1, 1941</td>
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<td>------------------------------</td>
<td>---------------------------</td>
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<tr>
<td>Bell Airacobra</td>
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<td>Boeing B-17</td>
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<td>Boston III</td>
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<td>Brewster Buffalo</td>
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<td>Cessna T-50</td>
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<td>Consolidated Catalina</td>
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<td>L.B. 30 (B-24)</td>
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<td>Liberator II (B-24B)</td>
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<td>Curtiss Kittyhawk</td>
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<td>Boston III</td>
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<td>Fairchild 24 R-9</td>
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<tr>
<td>Maryland</td>
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<td>150</td>
</tr>
<tr>
<td>Grumman Martlet II</td>
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<td>5</td>
<td>46</td>
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<tr>
<td>Lockheed Hudson I</td>
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<tr>
<td>Hudson III</td>
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<td>Hudson IV</td>
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<td>Hudson V</td>
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<td>935</td>
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<td>Mustang</td>
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<td>135</td>
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<tr>
<td>Pitcairn Autogiro</td>
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<td>5</td>
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<tr>
<td>Vought Sikorsky Chesapeake</td>
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<td>50</td>
</tr>
<tr>
<td>Vultee Stinson-049</td>
<td>4</td>
<td>4</td>
<td>8</td>
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<tr>
<td>Grand Total - All Types</td>
<td>143</td>
<td>402</td>
<td>5,189</td>
</tr>
</tbody>
</table>
### Table C - Plane Shipments to the British by Weeks

<table>
<thead>
<tr>
<th>Week Ended</th>
<th>Light and medium bombers</th>
<th>Heavy bombers</th>
<th>Naval patrol bombers</th>
<th>Pursuit</th>
<th>Army Cooperation</th>
<th>Trainers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Weekly average of shipments in 1941</td>
<td>32</td>
<td>2</td>
<td>3</td>
<td>27</td>
<td>1</td>
<td>28</td>
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<tr>
<td>January 6, 1942</td>
<td>24</td>
<td>0</td>
<td>5</td>
<td>30</td>
<td>4</td>
<td>9</td>
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<tr>
<td>January 13, 1942</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>58</td>
<td>0</td>
<td>42</td>
<td>105</td>
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<tr>
<td>January 20, 1942</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>0</td>
<td>60</td>
<td>82</td>
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<tr>
<td>January 27, 1942</td>
<td>24</td>
<td>0</td>
<td>100</td>
<td>5</td>
<td>13</td>
<td>143</td>
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<tr>
<td>Total shipments since January 1, 1941 to date</td>
<td>1,706</td>
<td>109</td>
<td>145</td>
<td>1,620</td>
<td>40</td>
<td>1,569</td>
<td>5,189</td>
</tr>
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</table>
With the compliments of British Air Commission who enclose weekly Statement No. 37, covering aircraft flight delivery as at February 2, 1942.

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

February 3, 1942.
U.S. SECRET - BRITISH MOST SECRET

LOCATIONS OF OCEANIC Flight Delivery Aircraft - Weekly Report No. 37

1. LIBERATOR II off Contract F-677
   35 in U.K.
   5 in N.E. (including 1 crashed in Africa, Nov. 23)
   4 at Montreal
   *75 taken over by U.S.A.A.C., including 1 crashed near Tucson, Ariz., Dec. 23, and 1 crashed near San Diego, Jan. 2.
   139 *

2. HEAVY V (LONG RANGE) off Contract A-1740
   173 in U.K.
   28 at Debart
   1 at Montreal
   1 en route Debart
   6 under repair
   219 **

3. Liberator III (LONG RANGE), off Contract A-65
   211 in U.K.
   1 at Dartmouth
   2 at Montreal
   9 for U.S.A.A.C. Familiarisation Program
   1 under repair
   295 ***

   82 in U.K.
   9 at Singapore
   18 in Australia
   9 at Dartmouth
   1 in Bermuda
   1 at Elizabeth City, N.C.
   6 at Pensacola, Fla. (Diverted to U.S. Navy)
   133

   (L. 3-53)
   1 arrived Miami for British
   3 taken by U.S.A.A.C.
   7

   (L. 5-60)
   2 arrived Miami for British
   1 in transit
   3

   59 at Debart
   4 at Montreal
   11 at Montreal en route Debart
   7 in transit for British (from those 359 world leaders)
   49 in transit for British (Following 37 others 1943)
   1 under repair
   22 for China
   20 diverted to U.S. Navy
   133 taken by U.S.A.A.C.
   330 ****

* No indication that last one has left factory.
** Excluding six which crashed - two in the United States, four after leaving.
*** Excluding two which crashed - one in the United States, three in Canada,
    and six on route U.S.
**** Excluding four which crashed while still in the United States.

Regraded Unclassified
U. S. SECRET - BRITISH MOST SECRET

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 37

<table>
<thead>
<tr>
<th>LOCATIONS</th>
<th>LIB.II</th>
<th>HUD.V</th>
<th>HUD.III</th>
<th>CATAL.</th>
<th>LODESTAR</th>
<th>HUD.III-A</th>
<th>TOTAL</th>
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<td>UNITED KINGDOM</td>
<td>55</td>
<td>173</td>
<td>211</td>
<td>88</td>
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<td>527</td>
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<td>MIDDLE EAST</td>
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<td></td>
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<tr>
<td>AUSTRALIA</td>
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<td>18</td>
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<tr>
<td>SINGAPORE</td>
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<td>9</td>
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<td>Dartmouth</td>
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<tr>
<td>Montreal</td>
<td>4</td>
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<td>3</td>
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<td>Debert</td>
<td>38</td>
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<td>En route Debert</td>
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<td>Montreal en route Debert</td>
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<td></td>
<td></td>
<td></td>
<td>11</td>
<td></td>
<td>11</td>
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<tr>
<td>Bermuda</td>
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<td>6</td>
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<td></td>
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<td>Miami</td>
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<td>Elizabeth City, N.C.</td>
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<td>Under repair</td>
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<tr>
<td>For China</td>
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<td></td>
<td></td>
<td></td>
<td>20</td>
<td></td>
<td>26</td>
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<tr>
<td>Diverted to U.S. Navy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>19</td>
<td></td>
<td>19</td>
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<tr>
<td>USAAC Familiarization Pro.</td>
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<td></td>
<td></td>
<td>153</td>
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<td>231</td>
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<tr>
<td>Taken by U.S.A.A.C.</td>
<td>75</td>
<td></td>
<td></td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>139</td>
<td>219</td>
<td>235</td>
<td>153</td>
<td>10</td>
<td>330</td>
<td>1086</td>
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</table>
TO MR. WHITE

FROM H. J. Hoflich

SUBJECT: Recent British Financial Developments.

DATE February 2, 1942.

The following are some of the more significant items in recent reports on British financial developments, sent to us from London by Casaday, covering the five-week period, December 8, 1941, to January 11, 1942.

1. Inflation. The Chancellor of the Exchequer, opening the debate on the fourth £1,000 million vote of credit for 1941-42, discussed the necessity for increased savings if inflation is to be avoided. Even with the elaborate system of controls and rationing, he said, inflation cannot be avoided if purchasing power is not restricted.

2. Wages. On December 14, the National Arbitration Tribunal awarded to two million workers in engineering and shipbuilding industries an increase of 5s (81.00) a week, entailing an estimated rise of £26 million in the annual national wage bill.

This and other wage increases have evoked questionings in Parliament as to the success of the Government's efforts to stabilize wages by subsidising the prices of essentials in order to stabilize the cost of living. The reply of the Chancellor of the Exchequer indicates that the Government is unwilling to commit itself on the subject.

3. Note circulation continued to increase through December. In the first week of January there was a small contraction, for the first time since August. This may be only a temporary break in the upward trend.

In the House of Commons, a member intimated that the circulation increase was due to "Black Market" operations, and also being used as a means of avoiding taxation. The Chancellor of the Exchequer agreed that the assertion might be correct.

4. Remittances to the U.S.A. A modification of the Government's strict policy of allowing no remittances for English evacuees in the United States and Canada was announced by the Chancellor of the Exchequer on January 8. It is now permissible to remit sums not exceeding £3 (8112) a month for any child under 16 at the time of his departure from England. Adults who left the United Kingdom in charge of children may receive a maximum of £10 (840) per month provided they are still responsible for the children.

These steps generally were welcomed by the press, but there was some critical comment on the inadequacy of the amounts allowed. The Daily Telegraph stated, "It is to be hoped that the Chancellor will think again on lines more commensurate with the gratitude due to the spontaneous kindness of our friends across the water."
TO: Secretary Morgenthau
FROM: Mr. Dietrich

STABILIZATION AGREEMENTS

On July 14, 1937, we made an agreement with the Central Bank of China to purchase yuan up to a total value of $50,000,000. The agreement has been renewed each six months and now expires June 30, 1942. At present, we hold about 65,000,000 yuan, with a book dollar value of $19,112,500, and this is collateralized by $13,373,016 in gold held at the New York Federal Reserve Bank.

On April 1, 1941, we made an agreement with the National Government of the Republic of China and the Central Bank of China wherein we agreed to purchase yuan up to the equivalent of $50,000,000, no collateral being required. So far, we have made no yuan purchases under this agreement, which expires June 30, 1942. The Chinese-American-British Stabilization Board began to operate in mid-August, and the Chinese Government banks have furnished their contribution of $20,000,000 to the Joint Stabilization Fund. At the end of January, there was a balance of about $6,750,200 in the Chinese Stabilization Fund account at the New York Federal Reserve Bank.

Brazil: On July 15, 1937, we made an agreement with the United States of Brazil, which expires on July 15, 1942. We agreed to purchase milreis up to a total value of $60,000,000, to be collateralized by gold. At present, we hold 60,000,000 milreis, with a book dollar value of $3,000,000 and collateralized by $3,072,500 in gold. The agreement also provides for the sale to Brazil of up to 60,000,000 in gold by the United States, such gold to be earmarked for Brazil’s account at the New York Federal Reserve Bank; by a modification of September 2, 1938, Brazil was permitted to ship gold here and place it in the earmarked account. By the end of January, we had sold Brazil $29,465,771 in gold, and Brazil had invested $11,512,765 in gold to New York; except for the amount set aside as collateral, all of this gold is under earmark for Brazil at the Federal.

Argentina: During January, no change took place under the January 1, 1941 agreement with the Banco Central de la Republica Argentina and the Government of Argentina, under which we agree to purchase Argentine pesos up to a total value of $50,000,000, for which no collateral is required. Since this agreement has not yet been ratified by the Argentine Legislature, it is imperative at present.

Mexico: As of November 1, 1941, the Treasury entered into an agreement with the Government of the Republic of Mexico and the Banco de Mexico, under which we agree to purchase Mexican pesos up to a total value of $40,000,000, no collateral being required. This agreement, which expires on June 30, 1943, stipulates that Mexico shall have 180 days’ notice and then an additional 180 days in which to purchase. We have not yet received official notification that the action of the
Mexican Government and Bank in entering the agreement has been ratified; such ratification is necessary for the agreement to become operative.

**Colombia:** A Stabilization agreement has been discussed with Colombia, under which we would buy Colombian pesos up to the equivalent of $3,000,000, no collateral being required.

**Ecuador:** A Stabilization agreement with Ecuador has been discussed. In early conversations, $5,000,000 was considered as the limit to such an agreement, but from an October 24 meeting with the Ecuadorian Ambassador, it was gathered that the maximum amount may be reduced to $3,000,000, of which $1,000,000 would be provided by Ecuador.

**Bolivia:** In an October 24 discussion with Treasury officials regarding a Stabilization agreement, the Bolivian Minister stated that he thought his country would need between $5,000,000 and $8,000,000 to stabilize its currency.

**Iceland:** Discussion for a $2,000,000 Stabilization agreement with Iceland began about the end of September. Iceland's approval of the agreement as drafted has not yet been received.

**Cuba:** In the initial report of the American Technical Mission to Cuba, one of the alternative recommendations was that Cuba might issue pesos against gold obtained on credit from the U. S. Stabilization Fund.

**GOLD PURCHASE AGREEMENT**

**Russia:** On October 10, 1941, we agreed to purchase from the Russian Government approximately $31,605,000 in gold for delivery within 180 days, and gave Russia an advance of $30,000,000 on October 11. By the end of January, there remained $11,860,875 in gold still to be delivered by Russia, and the advance had been reduced to $9,803,423.

On January 3, 1942, we agreed to purchase from the Russian Government approximately $21,070,000 in gold for delivery within 180 days, and gave Russia an advance of $20,000,000 on January 5.
Miss Chauncey

I don't think it is necessary to show these to the Secretary. However, I have called the attention of Mr. Bell to these cables.

H.D.W.

Cables in question dated 12/27/41, 1/21/42 & 2/2/42

Original of this memo is attached to 12/27 cable
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Secretary of State,
Washington,

48L, February 2, 3 p.m.

Department's no. 5603 December 10; no. 6041 December 31; and no. 250 January 21.

A memorandum on the British personal injuries compensation scheme together with certain of the relevant documents is being forwarded January 31 by air pouch to the State Department, to Secretary Morgenthau to Secretary Jones and to Arthur Altmeyer. Other documents pertaining to personal injuries will be forwarded as soon as available.

A full report on compensation and insurance for material war damage as requested by Secretary Jones and Morgenthau, likewise accompanied by available relevant documents will be forwarded next week.

The limited stenographic service at the Embassy and shortage of Government facilities in printing and cover necessarily limit copies of both reports and available printed matter. Present air service mail facilities also present a problem.

We are working as rapidly as present personnel permits.

TINANT

Copy: bj:2-2-42
February 2, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram No. 25, dated February 2, 1942, from the American Commissioner, New Delhi, India, concerning the disposition of American dollar currency brought into India.

The Secretary of State would appreciate the advice of the Secretary of the Treasury as to the reply to be made to the telegram under reference.

Enclosure:

From Commissioner, New Delhi, No. 25, February 2, 1942.

Copy: sec: 2-3-42
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (ER)

Secretary of State,
Washington.

HUSH

25, February 2, 2 p.m.

According to Finance Department of the Government of India, demand for American dollar currency notes in India is much less than the supply now being brought in by American seamen and others. Banks are consequently buying currency at the rate of about 308 rupees to one dollars, the spread between this rate and the current rate covering heavy expenses incurred in shipping surplus notes to the United States.

In view of this situation and the probable increase in this supply during the war, the Reserve Bank of India, through Finance Department of the Government of India, suggests that steps should be taken to maintain the full value of such notes. Offering full account cooperation it suggests the following alternatives:

One. Arrangement similar to that existing with the Bank of England whereby the Reserve Bank of India purchases surplus of notes from banks at agreed rate and destroys them against telegraphic credit to account in country of origin. The Reserve Bank of India offers to act in this manner for the Treasury Department against dollar credit in New York, or if preferred by Treasury Department, will supervise and certify to destruction of notes by any bank such as National City Bank of New York which might be appointed agent for this purpose.

Two. If this is not acceptable, any designated American official in India might be empowered to purchase American currency from local banks cabled stipulated rate against cabled credits in New York and after meeting needs of Indian banks and American vessels, ship the balance to the United States by the safest means available.

To prevent dumping in India of illegally acquired American currency the Government of India is now drafting regulations providing for written declaration by incoming travelers who will be able to dispose of currency here only upon producing declaration form duly certified by Indian customs authorities.

WILSON

RPD
Copy:ec:bj:2-3-42

New Delhi
Dated February 2, 1942
Rec'd 12:48 p.m.
Mr. Raffle
Customs Enforcement

(Above notations were on copy
rec'd - F.D.)

San Jose, Costa Rica
February 2, 1942
Rec'd: 2:25 p.m.

Secretary of State,
Washington.

52, second

Please advise Customs authorities New York that H. Reimers
Tremo, 92 Mercado Central, San Jose, is not included on Pro-
claimed List and has no connection with F. Reimers and Company.

LNE

HPD

NOTE: Copy sent to Mr. F. E. Russell of
Customs Division of Enforcement,
who has replaced Mr. Raffel.

F.D.

eh: copy 2-5-42
CABLE

From: Ankara
Dated: January 31, 1942
Rec'd: February 2, 1942

Federal Reserve Bank of New York,

New York.

$3

Please buy for our account 142,500 ounces of fine gold to be held with you earmarked for the purpose of increasing our reserve.

Debit our dollar account with the equivalent and cable results.

(Signed) Banque Centrale de la Republique de Turquie

(Received by telephone from Federal Reserve Bank, New York, 11:40 a.m., 2-2-42)

Note: At $35 an ounce, value of 142,500 ounces is $4,987,500.

cc
CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £75,000
Purchased from commercial concerns £49,000

Open market sterling was quoted at 4.03-1/2, with no reported transactions.

The Cuban peso advanced further to an offered rate of 1/2% premium. Up to a week ago, the peso was approximately at par with the dollar.

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 .2065
- Uruguayan peso (free) .5250
- Venezuelan bolivar .2720

We sold approximately $7,000,000 in gold to the Bank of Portugal, and $5,000,000 in gold to the Central Bank of Turkey. These amounts were earmarked at the Federal Reserve Bank of New York for account of the banks named.

The Federal Reserve Bank of New York reported that the Bank of Mexico shipped $2,303,000 in gold from Mexico to the Federal, to be earmarked for its account.

In London, spot and forward silver remained at 23-1/2d and 23-9/16d respectively, equivalent to 42.67¢ and 42.76¢.

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.
PERSONAL AND SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

(For the Ambassador)

R. J. Campbell

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.
Information received up to 7 A.M., 30th January, 1942.

An important convoy arrived at SINGAPORE at 5 A.M., on the 29th.

2. MILITARY

LIBYA. Strong enemy columns converging on BEDHAZI from the South. And First have taken REGOBAI. Axis claims to have captured BEDHAZI on the morning of the 29th have not been confirmed but our troops have probably withdrawn to avoid being cut off. On the 28th there were two engagements in the area North of ESBU but results are unknown and our forces have taken up new dispositions. There are several small enemy columns of all arms in the area Northeast of USBU.

BAYA. By 4:30 P.M., on the 28th the enemy were approximately 4 miles from XONAB BAHEX on all three points. In the central sector, on this day, a Company of the 27th Australian Brigade, in a brisk counter attack, caused enemy casualties estimated at 200 without loss. On 29th afternoon an enemy attack, strongly supported by aircraft, was beaten off by the 22nd Brigade. Wild tear gas was used by the retreating enemy on both of these occasions.

NETHERLANDS EAST INDIES.

DENGKIR. enemy forces have landed in DUTCH WEST BORNEO near the SIBERAN frontier and our troops have been forced to withdraw.

OSTERS. Dutch forces are still resisting at KENDARI in the South East.

NET GUINEA. A Japanese from a destroyer have landed on ROSSEL BAND off south East NET GUINEA.

RUSSIA. The Russian advance north west of RASHIV has turned in the general direction of WOSSIK. In the DONET area Russian advance is maintained and some progress has been made.

3. AIR OPERATIONS

WESTERN FRONT. 29th, 4 Spitfires attacked an alcohol distiller in NORTHERN FRANCE starting fires and destroying one of the cisterns.

29th/30th, 16 heavy bombers were sent to attack the TIRPITZ at TRONDHERM but failed to locate her.

LIBYA. 27th/28th, Wellingtons dropped 25 tons of bombs on TRJERMA and AMILA and damaged a number of vehicles.

28th, Blenheims bombed a.7, west of BUSER and fighters destroyed more than 30 vehicles, including an ammunition lorry and 5 petrol lorries. About 40 more were damaged and several troops killed.
BURMA. 29th. 40 enemy fighters were intercepted in the RANGOON area by Tomahawks of the American Volunteer Group who are reported to have destroyed 12, probably destroyed 8 and damaged 9 without loss to themselves.

HAIYAVA. 27th/28th. Our aircraft bombed KUANTAN aerodrome.

27th. Our troops in the forward areas were bombed and machine gunned by enemy aircraft. One enemy fighter was destroyed and another damaged by our fighters. SINGAPORE ISLAND was attacked on the 28th and 28th/29th. Damage was slight.
Information received up to 7 A.M., 31st January, 1942.

1. **NAVAL**

One of H.M. Trawlers was sunk in the Humber yesterday by a Junkers 88 which was later shot down. Another is overdue at Gibraltar and must be considered lost and a third was torpedoed off Barbaco on 29th. A small Dutch ship was sunk by bombs at Belawan (Sumatra) on 22nd.

2. **MILITARY**

**LIBYA.** During the 29th enemy mobile columns were operating towards Tripoli and an enemy mobile force was in contact with our troops between Sars and Char-Ruba, but withdrew. Our patrols were active west and southeast of Malti and Tengeder but there was no major engagement during the day.

**MALAYA.** 4.30 P.M., 30th. Little to report. In the western sector ambushes laid by one of the Indian infantry brigades inflicted satisfactory enemy casualties.

**BURMA.** 30th. Fighting has again broken out two miles east of Souleimain on the Atmar River. The enemy in the Souleimain area has been reinforced both on the east and north.

**CELEBES.** Enemy has landed at Buton.

**RUSSIA.** The Russians have made further progress north of Smolensk towards Vitebsk and also in the Donetz sector towards Donestropetrovsk.

3. **AIR OPERATIONS**

**Western Front.** 29th/30th. No aircraft attacked the TIRPITZ owing to thick cloud and severe icing. One Halifax came down in the sea, crew rescued.

30th/31st. A Hudson hit a 9,00 ton enemy ship off Cuxhaven.

**LIBYA.** 29th. Sandstorms restricted operations.

29th/30th. Eight Malta Wellingtons attacked mechanical transport and other military objectives between Tripoli (L) and Buerat el Ham.

Mediterranean. 29th/30th. Naval aircraft torpedoed a 5,000 ton ship probably a tanker going towards Tripoli (L) and set her on fire.

**MALAYA.** 29th. Two enemy attacks on Seletar aerodrome, Singapore Island, rendered it unserviceable. The first attack was intercepted and twenty-seven bombers jettisoned their bombs. Two of them were destroyed and a third probably destroyed. Considerable damage was caused by incendiaries at Kulai seventeen miles northwest of Johore Bahru.
Netherlands East Indies. 28th.

BORNED. Enemy aircraft destroyed ten Dutch fighters on the ground at Samarinda and also attacked the aerodrome at Pontianak. Other air attacks were reported on Amboins and Sumban aerodromes.

NE BRITAIN. 28th/29th. Five Australian Catalinas attacked Abouel. At least twelve vessels were seen in the Harbour and two of them were probably hit.

Aircraft casualties in operations over and from the British Isles.

German - one destroyed, one damaged.

British - one bomber.
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. J. Campbell

The Honourable

Henry Morgenthau, Jr.

United States Treasury,

Washington, D.C.
Information received up to 7 A.M., 1st February, 1942.

1. NAVAL

Photographic reconnaissance on the 31st located the battleship TIRPITZ and a tanker at TRONDHEIM, and another photographic reconnaissance of the battleship located the SCHARNHORST and GNEISENAU at the torpedo-boat station and PRINZ EZIEN at the coaling wharf. A German ship, probably the SREBERMAL (5,000 tons), reported on 31st in English and German that she had been torpedoed 400 miles North of AZORES and was on fire and sinking and had British prisoners on board. Corvette have been sent. An ex-United States coastguard cutter has been torpedoed and sunk in the Atlantic while escorting a homeward-bound convoy. An 8,000 ton tanker was torpedoed and abandoned on the 15th East of NEWFOUNDLAND, and survivors from a small Greek ship have been landed at ST. JOHN'S. A medium sized British merchant vessel was sunk by submarine gunfire on the 30th 50 miles East of NAZARAS. An 8,000 ton British ship, independently routed from BUENOS AIRES to the UNITED KINGDOM, was torpedoed this morning 300 miles South-East of NEW YORK.

2. MILITARY

LIBYA. On the 31st, there was no forward movement of enemy main bodies, which were in the area BERNINA-ISHIS. Their patrols were, however, active as far as HARANA. Our forces were approximately on a line EL GATIB-SCHARWARA-TENGEBER with patrols pushed well forward. Part of the 7th Indian Infantry Brigade, which had been cut off in the BENGHAZI area, has broken through and is reorganizing.

MALAYA. During the night 30th/31st, Our forces effected their withdrawal to SINGAPORE ISLAND in spite of continued enemy pressure. The causeway has been breached. Part of an Indian Brigade which was cut off two days previously has not yet rejoined during five nights beginning 26th/27th, the Royal Navy evacuated nearly 2,000 all ranks, British and Indian, who had been cut off on the West Coast of JOHORE.

BURMA. On the 30th, MYAMIN was heavily attacked, and fighting continued throughout the night. During the 31st, our troops were withdrawn to the West bank of the SALween RIVER.

RUSSIA. South-East of VYAZMA, the Russians have made further progress towards the town. In the DOMIE Sector Russian attacks are continuing.
3. AIR OPERATIONS

WESTERN FRONT. 31st. A Hudson bombed a 3,500 ton freighter in convoy off HOLLAND. Two hits were followed by smoke from amidships. 31st January/1st February. 131 aircraft were sent out - BREST 72, ST. NAZAIRE 31, HAVRE 14, leaflets 13. Five bombers are missing. Results were mainly unobserved owing to heavy cloud. 12 R.C.A.F. aircraft participated without casualties.

LIBYA. 29th/30th. Tellingtons and Liberators bombed enemy supply columns in the AGHIDHA-JEDABYA Area. Aircraft attacked military objectives at KISURATA and mechanical transport parks south of TRIPOLI (L). They also hit an 8,000 ton merchant vessel north of TRIPOLI and a 4,000 ton ship off CAPE BON. Both vessels were left stationary and listing.

MALTA. On the 30th and 31st. Enemy aircraft caused slight damage at HAL FAR aerodrome which, with TAKALI water-logged, remains unserviceable. Dockyard property was also damaged.

MALAYSIA. 30th. Enemy aircraft bombed the docks area at SINGAPORE, and on 31st SELETAR aerodrome was attacked by 27 heavy bombers. Some buildings were destroyed and the aerodrome is still unserviceable. Our fighters destroyed four enemy aircraft, probably destroyed one and damaged one. Two of our fighters are missing.
Subject: Broadcasts of "The Voice of the Chief" Station

1. Attached are the verbatim reports of the recent broadcasts of the "Voice of the Chief" station, monitored by the Foreign Broadcast Monitoring Service of the Federal Communications Commission. This material is extracted from the complete reports made by the Commission on European broadcasts, which run to around 60 typewritten pages daily.

2. The Commission has no objection to your providing this information to Princess Martha.

3. In the "Voice of the Chief's" latest reported broadcast, the account of von Reicheneau's death is elaborated further. According to this, the object of the meetings between von Reicheneau and the Gestapo S.S. officials was the succession of von Reicheneau to the supreme command of the army in place of Von Brauchitsch. Himmler made the appointment of von Reicheneau, subject to conditions which would give the S.S. considerable control over the army, such as allowing the S.S. to take over the army security service.

   Von Reicheneau at first agreed and then declined on January 11. On January 15, three commissaries of Himmler came to see him and "Their deadly attack caught him during the discussion."

   The highlights of the other recent broadcasts are as follows:

   **January 16**

   An attack was made on the cowardice of the Hungarian soldiers in Russia. In the storming of one hill, their cowardice caused heavy losses to the Romanians who, therefore, began shooting at the "lice-covered gangsters".
Experiments made with stimulating drugs on German workers are condemned: “Such experiments can be made with foreign workmen because they are not worth anything, but under no condition with the good German workmen.”

January 17

A complaint is made that typhus is attacking the army in France. The Nazi Party did not adopt protective measures in time.

The Gestapo is failing to curb the “murder and espionage gangs” of the Norwegians. The only thing the Gestapo does is to shoot a few Norwegians taken at random. Although this may not do much harm, it can help very little.

January 18

The death of von Reichenau is described (already reported).

January 21

A graphic description is given of an incident on the Russian front. A battalion was destroyed by the Russians with the help of typhus, in spite of the heroic leadership of one officer. He received no reinforcements or air protection: “All the fuel had given out because, the motors, to be kept from freezing, had to be warmed up every hour, thus consuming precious gasoline.”

January 24

Some cases of typhus have reached the Reich. “Now we are definitely over the secrecy and hush-hush silence with which the party idiots were fighting the danger. If they do not immediately take measures to fight the spread of spotted typhus and give it all publicity, then, Good Night. It will then soon be just as bad at home as with the troops behind the Eastern front, where typhus barracks cannot be built as fast as they are filled.”

January 26

The Nazis sent to Morocco are “the lowest scum” who are undermining German prestige by their depravity.
TO GERMAN ARMY

This station, apparently maintained by a faction in the German Army, constantly attacks corruption among Nazi Party functionaries, but never the Hitler Regime.

HUNGARIANS CALLED WORST SOLDIERS

"The Voice of the Chief," in a lengthy attack on the cowardice and corruption rife among the Hungarian auxiliary corps in Russia, reports that during the storming of certain heights, Germans held the center while Romanians were on the right flank, with the Hungarians on the left. The latter immediately fled and caused such heavy losses among the Romanians that these began shooting on the "Bardossy lice-covered gangsters."

ANTI-FATIGUE DRUGS USED ON NAZIS

"The Voice of the Chief" hits experiments by Dr. Bockhacker, leading Nazi pathologist, with "Emphydrine." It says, "This stuff is given with bread, without anybody noticing it. It peps you up but when you take it constantly it can be very dangerous, even mortal. 'Emphydrine' is a hormone preparation, which if used daily, strains the glands. First, you are subject to headaches, then you feel faint; you are sleepy, yet you cannot sleep; it excites you and at the same time puts you in a depressive mood. If you don't give it up at once you become insane. Such experiments can be made with foreign workmen because they are not worth anything, but under no condition with the good German workmen."

Worker's Fatigue--"And when such a workman after a shift of 11 hours returns home, sits on a kitchen stool, and his soup becomes cold because he has no desire to eat, he is sleepy and deadly tired. He wants to sleep and isn't able to sleep, so he returns to the factory, goes to his machine, stamps and stamps, and suddenly he throws his tools away because he is unable to work anymore. Another day and the same thing happens."

Health Poisoned--"It can no longer go on in such a manner. We do not need pulverized medical corpses, but healthy workmen and, thank God, among the German men there are plenty of them. Production can, and must be increased without any 'Emphydrine.' It is not to be tolerated that healthy workmen should be systematically poisoned."

(Source: Federal Communications Commission, Foreign Broadcast Monitoring Service, January 16, 1942.)
This station, apparently maintained by a faction in The German Army, constantly attacks corruption among Nazi Party functionaries, but never the Hitler regime.

TYPhUS ATTACKS NAZIS IN FRANCE

"The Voice of the Chief" complains bitterly about the spreading typhus epidemic which now has attacked the German occupation forces housed in the "terrible casemates" of the French forts. The Nazi Party is hit scathingly for failing to adopt in time protective measures against typhus.

GESTAPO FAILS TO STEM NORSE TERROR

Complaining about ever increasing sabotage on the part of the Norwegians, the Voice of the Chief points out: "In every city, hick town, and lousy Fjord the Norwegians have their sabotage clubs, their Vendetta societies; by nightfall they are the masters of the land and not even once were the stinking Gestapos able to locate any one of these murder and espionage gangs. They possess guns, machine guns, ammunition and hand grenades. They have everything, these dogs. They are financed by the enemy and they are organized so well that the shock-troops are always late in coming to the scene of action."

Nazis Kidnapped--"The traceless disappearance of soldiers has taken on such proportions that the secret military police are at a loss to know whether the case in hand is a murder or the missing person just went 'south' across the border to Sweden. The only thing which this misfit Redes can undertake is to select a few Norwegians wildly at random and to shoot them down, which although it may not do much harm, can help very little. For the actual perpetrators, the man behind the scene, the whole mess, reeking with opposition, crime and betrayal is not affected by it all."

(Source: Federal Communications Commission, Foreign Broadcast Monitoring Service, January 17, 1942)
"The Voice of the Chief," speaking as "Gustav Siegfried Heinz," dwelling upon the mysterious death of Field Marshal General Walter von Reichenau, states (Jan. 18, 2:53-3:00 p.m. EST): "What actually did occur during the night of the January 16 to the 17 is briefly as follows:

Nightly Visitors—"On the 16th at 8 p.m., three gentlemen appeared at Reichenau's headquarters. They were from the staff of the S.S. Obergruppenfuhrer, Wolz, namely: The S.S. Storm Detachment Leaders Leiner and Radundsky, and the S.S. Chief Storm Leader Earl Pilke, and had come for an interview with the Field Marshal General. This interview lasted for a few hours. Shortly after 11 p.m. von Reichenau's adjutant was called in. He found von Reichenau sunk down in his chair with the symptoms of a serious apoplectic stroke. Radundsky informed the adjutant that the interview had taken place on the best of terms and that von Reichenau was suddenly stricken without any previous evidence of illness. The gentlemen of the S.S. expressed extraordinary regret, since Obergruppenfuhrer Wolz and his Chief, Himmler, had been looking forward to so much from the interview.

Mystery Death—"Von Reichenau was taken to Kolmark at once, from where a special hospital train was to take him back home. He passed away, however, during the trip without regaining consciousness. Just how the apoplectic stroke of Reichenau came about, only the three emissaries of Obergruppenfuhrer Wolz could tell. A post-mortem of the body was asked for, but was denied by the security authorities.

Reichenau's Intrigues—"The fact is that Reichenau played a risky game, not only as a strategist, but also as a politician. I have not penetrated into the secrets of his politics. But we did know all about the various secret meetings which took place between Reichenau and Herr Himmler, the Reich Leader of the S.S. prior to the dismissal of Field Marshall General von Brauchitsch. It may be that the filthy dog, Himmler who already felt like a victor, had made himself at home in the Fuehrer's headquarters and gave the army orders, instead of paying attention to his own filthy organization. It may be that Reichenau promised Himmler more than he could get the army to do.
Reichenau's Merits--"It may be that he made demands on Field Marshall General von Reichenau which were even too crazy for this diplomat. Whatever one may think of the political conduct of Field Marshal General von Reichenau, in him we are losing a first class specialist in modern warfare, a loss which is doubly serious in view of the difficult strategic and tactical tasks which confront our army leadership. Bad enough that special measures must be taken at such a moment for the security of officers of the General Staff: Fahren and Fechtersheim."

(Source: Federal Communications Commission, Foreign Broadcast Monitoring Service, January 19, 1942)
FAULTY STAFF WORK BALES WERRMACHT

The "Voice of the Chief," speaking as Gustav Siegfried Heinz, graphically describes how faulty staff work resulting in the failure of supply lines, caused the annihilation of German units on the Eastern Front.

Typhus Epidemic—"On January 9, lst Lieut. Karl Meyer received the command over his battalion," the "Chief" relates. His major and his captain had been seriously wounded during the preceding night. Other officers were confined to the typhus barracks or hospitals. On the afternoon of January 9, Lieut. Meyer's battalion received orders to proceed southward.

Attack Halted—"Lieut. Meyer, himself, led half his company in the attack supported by the few tanks which could be spared. The attack came to a halt. For two days and two nights Lieut. Meyer and his men held their sector of the front. There was no access to food. The only road open was under constant fire. The sector of the third company was lost almost without battle. The Bolsheviks were inside before a shot was fired. A single soldier with his machine gun defended that position, firing until his last shell gave out. He did not notice the hot gun barrel singeing the flesh off his bones. The cold made him insensitive.

Meyer's Plight—"Despite a wound in the upper arm, Meyer was always on his feet, constantly encouraging his men. He stuck his last cigarette into a comrade's mouth dying from a head wound. The seriously injured men could not be moved because all who were still on their feet, had to keep on firing. Typhus was so bad among the men that several died without being hit.

No Relief—"Eight times, Lieut. Meyer asked for reinforcements and air-protection. No reinforcements came. All machines had been sent back to the base. Besides, all the fuel had given out because, the motors, to be kept from freezing, had to be warmed up every hour, thus consuming precious gasoline.

Ambulances, Food—"At last, a fieldkitchen got through, as well as an ambulance. But there were over 200 either seriously wounded or in the grip of typhus. On the way back the ambulance got stuck and froze in. The 15 who survived were too weak to run. They managed to stagger along, the snow making them plainly visible to the Bolsheviks."
Meyer's Death—"With two men and a machine gun, Meyer attempted to cover the retreat. As he, being the last one, jumped, he was hit in the head. Thus, Karl Meyer laid down his life for his country and the few remaining friends in his battalion."

(Source: Federal Communications Commission, Foreign Broadcast Monitoring Service, January 21, 1942)
TYPHUS, OTHER EPIDEMICS STRIKE REICH

The "Voice of the Chief," broadcasting as "Gustav Siegfried Heins," warns that due to corruption on the part of high Nazi Party functionaries, typhus and other epidemics have begun to hit the German hinterland.

Typhus in Reich—"The following new information has reached the German Department of Health," the "Chief" states. "In Koenigsberg, spotted typhus broke out again due to the presence of Russian war prisoners from the camp at Thorn. So far 74 new cases have been reported. In Leipzig the curve of typhus is increasing very much. 200 employees of the Leipzig tramway system have been isolated because of suspected typhus. The barrack camp of Junkers near Ascheraleben is under observation. The closing of parts of the plant is being considered. The last typhus figures from Nuremberg are 69 sick, 7 dead.

Typhus in Paris—"In the West, typhus has already advanced to Paris. There, among other places, the military cinema in the Avenue La Roche Fouquet had to be closed, because out of a total of 40 employees 11 are stricken with spotted typhus. These are the last reports from the German Department of Health, which I have been able to obtain. And that is but a small part of the epidemic cases reported there.

Secrecy futile—"Now we are definitely over the secrecy and hush-hush silence with which the party idiots were fighting the danger. If they do not immediately take measures to fight the spread of spotted typhus and give it all publicity, then, Good Night. It will then soon be just as bad at home as with the troops behind the Eastern front, where typhus barracks cannot be built as fast as they are filled.

Necessary Measures—"Professor Dr. Ricke of the Medizinische Institute in Hamburg, one of our first typhus specialists who has recently been sent to fight typhus in Africa, was asked before his departure for his opinion on the fighting of typhus at home. He stressed three things: Soap, fats, coal. Professor Dr. Ricke said: 'To keep spotted typhus successfully under control and fight it, there must be cleanliness, above all, and warmth, warmth from within and from without.' Ricke suggested to the Public Health Service under Director Dr. Fritsch an immediate special allotment of soap, fats, and coal to the entire population. Quarantine measures, Dr. Ricke asserts, are
insufficient, as they cannot be successfully and practically enforced. The body of each German, Rice says, must be transformed into a dam against the Eastern plagues. Only then, the population as a whole can muster sufficient resistance. The people would voluntarily do with a little less in summer, if they could get the necessary resistance materials now when the plagues of winter knock on each door. That the supplies for a special distribution of coal, fats and soap are available, is known. But, what is not available, is a little pioneer courage, to break down the door to the warm Commune stable of these oxen.

Other Epidemics— "Not only spotted typhus attacks the homeland, but also Paratyphus, diarrhea, and the many intestinal and stomach diseases which people contact by bad food varieties, canned food, low grade meats and in air raid shelters. The grippe is again raging and there are frightfully numerous cases of pneumonia occurring this winter. There are numerous cases of German measles affecting especially the troops and producing a terrible itch which is traced by several doctors to the use of low type dyes: A sort of skin poisoning, which if not treated at once, penetrates into the throat tissues and disables the people for service.

Losses are Losses— "The Health of the fighting front as well as that of the home front is of decisive importance. Losses are losses, irrespective whether they originate from cranks, from tanks, or from carriers of disease. And against such there is but one secure armoring: coal, fats, soap."

(Source: Federal Communications Commission, Foreign Broadcast Monitoring Service, January 24, 1942)
VOICE OF THE CHIEF

The "Voice of the Chief," elaborates on a previous account of Field Marshal von Reichenau's death by asserting the latter died suddenly after balking demands made by Gestapo Chief Himmler.

Reichenaus ascension—"In my first report about the happenings, which preceded the death of Field Marshal von Reichenau, I mentioned the secret meetings between von Reichenau and the Reichsfuehrer of the S.S., Himmler," the "Chief" declares. "I can be more explicit today. After the dismissal of Field Marshal von Brauchitsch, two other secret meetings took place between Reichenau and Himmler. The first on December 23, in Voltau, the second on January 11. Object of these meetings, as well as of several others held prior to the dismissal of von Brauchitsch, was the succession of von Reichenau to the supreme command of the army.

Himmler’s Demands—The Reichsfuehrer of the S.S. made the appointment of von Reichenau subject to the following conditions: 1. Allotment of a greater number of leading positions in the supreme command of the army to officers of the army's S.S. units. 2. Control of the news service of the Wehrmacht by the Gestapo and the security service under the leadership of General Karl Scholz of the S.S. regiments. 3. Subordination of the whole reserve army under the S.S.; Colonel General Roth to be relieved by the Chief of the headquarter division of the S.S., Groupleader Justler. 4. The Army S.S. regiments to be augmented by men from other formations of the army in any strength desired.

The Showdown—"Von Reichenau expressed the hope that he would be able to fulfill these demands. On January 11 he declined abruptly. On January 15 there appeared in his General Headquarters three plenipotentiaries: S.S. Storm troop Leader Welde, S.S. Storm troop Leader Radunsky and S.S. Chief Storm troop leader Peltke, who had a long discussion with the Field Marshal himself. These were the last that saw Field Marshal von Reichenau alive. Their deadly attack caught him during the discussion.

S.S. Condolence—"About all these happenings the S.S. Chief Group Leader Fritscheimann is fully informed. In spite of all this he had the audacity to press the hand of the widow of Walther von Reichenau during the state funeral."

(Source: Federal Communications Commission: Foreign Broadcast Monitoring Service, January 20, 1942)
NAZI OFFICIALS IN MOROCCO ARE BAD LOT

The "Voice of the Chief," speaking as Gustav Siegfried Heinz," complains that officials on the various Nazi commissions in Morocco are almost exclusively of a character to undermine Germany's prestige. "The representatives of Germanism in Casablanca and other Moroccan cities are not simple soldiers on the way to the ordeal of the front," the "Chief" points out. Instead, they are the gang of the Party bureaucracy in uniform. Economic Commission, Armistice Commission, and Lord knows how many more commissions!

Dr. Auer's Recall--"And these cadets...manage to make even the Arabs...blush. I do not happen to know whether a brainstorm happened to grip the Foreign Office.... A certain Dr. Theodor Auer from Cologne serves simultaneously as German consul general as well as King of the 'Darlings' in Casablanca. In October, 1941, still serving as a specialist on the Economic Commission, Auer was suddenly recalled....Auer flew straight to Wiesbaden and Berlin and there swung his influential friends of the 'Commune' into action. Four weeks later he was back in Casablanca--as consul general.

Germans in Ridicule--"The consul general is spending the greater part of his day with 'work' in the Bodega Bar where he is surrounded by...Commander Voll, Captain Hardy, the passionate boypainter Strecker from Paris, and similar rabbles. Or they lie on the beach with their Arabian, French and Mosaic (friends) behaving without restraint, so that the French secretly laugh themselves to death over the gentlemen from Germany.

Germany's Disgrace--"It is a shame and a disgrace. The German Nation works and sweats and bleeds to death. Millions bring untold sacrifices and live in propriety and discipline. And out there where we must build up German prestige, win new land and show the world what we are able to achieve--there the lowest scum is sent: lust lizards, sybarites and depraved characters chartered by the Party 'Commune' for the purpose of debauchery and crime."

(Source: Federal Communications Commission; Foreign Broadcast Monitoring Service, January 26, 1942)
TREATMENT OF VETERANS FROM EAST HIT

The "Voice of the Chief," broadcasting as "Gustav Siegfried Heinz," or "Eins," recommends more discipline for the Nazi occupation forces in Belgium, but deprecates the treatment meted out to veterans sent there from the East on furlough.

Sloppy Nazis—"By God, there is no reason to raise objections against the idea of getting more discipline into our troops in Belgium, who have lost all discipline thanks to the war profiteer system and general sloppiness of the occupational troop administration," the "Chief" says. If these people, as now happens, are ferried out of their cozy Belgian private quarters and are given a little whiff of discipline in special drill camps, this is a perfectly sound measure and wholly to be approved. And if some one objects: "These people are all oldsters, above 40, of little use even in anti-aircraft batteries; this does not excuse them for forgetting that they are soldiers to the point that they sell illegally gasoline to the civilian population and wallow in the gutter with the Belgian women. It will be a good thing to give them a little discipline, and we approve heartily. Nevertheless, we don't approve to see them guarded in the drill camps by S.S. troops, surrounded by a double barbed wire fence, with a sentinel with a machine gun at distances of every 400 meters, as I have seen.

Veterans' Treatment—"But it is a dirty shame to put in these same camps comrades who have returned from a campaign of six months in the East, men whose nerves have been shattered, who still feel the ice in their bones. They are now dumped into these Belgian drill camps. In such an atmosphere their army spirit is to be polished up under the tender care of the S.S. Their discipline and fighting spirit are to be improved there. For you must know that the Chief Group Leader Raeder is of the opinion that the fighting spirit of our front fighters leaves very much to be desired.

Nazi Chief's Policy—"Herr Raeder, chief of the military administration, in his neat bureau at Brussels does not think that these men, after having lain in the dirt for six months, are in need of clean white beds, that after six months of hunger and privations they need a little food, that after six months of complete isolation they are not satisfied with old Belgian brothel automatons, but are anxious to see again their wives and children at home in Germany! But how is the chief of the military administration, Herr Raeder, to know these things. How is he to know the needs of men
who have fought on the Eastern front.

Short Rations—"For him they are simply used-up material which, as he puts it, must be put through the mill and reformed. These men, of whom every one has shown his bravery a hundred times, these men are now put behind a barbed wire fence and under the control of an S.S. chief, they are deprived of their leave, and they are put on short rations just because they are not in active service, and they are put together with old garrison fogies, to be repolished by non-commissioned officers of the garrison type until they no longer can see straight. Well, this is a crazy idea of the type that can occur only to the brazen brains of the nincompoops of the S.S. commune.

S.S. Privileges—"One can understand very well that many a front soldier asks: 'Why don't they at least send to the front the lazy S.S. rustics, and those who keep cautiously in the background and the rest of that outfit? It is high time that they take over the shift.' But Herr Raeder, Chief Cheat of the Military Administration, has not yet succeeded in driving such questions out of their brains. Nor will he succeed in doing so by putting these soldiers behind a barbed wire fence, while his own dirty outfit of S.S. men are given private quarters with clean beds."

Source: Federal Communications Commission; Foreign Broadcast Monitoring Service, February 2, 1942"
I. Pacific Theater.

Philippines: On January 30-31, mutually coordinated frontal attacks were launched by the Japanese 16th and 63rd Divisions against the east and west sectors of our lines. Picket units made a desperate thrust against what they mistakenly thought was our left flank and rear and were forced back to the coast by our infantry, supported by artillery and mortar fire. Those of the enemy who attempted flight by sea were drowned; the rest were destroyed or captured. In the east, the Japanese 65th Division attempted a frontal attack in the Pilar area with the 14th Infantry, and at the same time an envelopment by the 141st and 122d Infantry. The frontal attack hardly moved before it was stopped, and the envelopment failed with heavy enemy losses. Hawaii: No further reports of hostile activity. Malay: No important change in the situation. The British have announced the arrival of reinforcements at Singapore, Burma: Apparently the British are still in a position behind the Salween River. The press reports that the enemy is attempting to bridge the river north of Moulmein. Australasia: The Japanese drive toward Australia continues, with Japanese aircraft carrying out widespread raids on the northeast coast of New Guinea, on Ambon, Keceng (Dutch Timor), and Banke Island, east of Sumatra. The R.A.A.F. this morning bombed Japanese shipping in the occupied port of Rabaul. Ground fighting is obscure. West Coast: No further reports.

II. Eastern Theater.

Both sides admit hard fighting, especially on the southern front. The Russians, in unofficial reports, claim deep penetrations in the Ukraine. (No situation map will be issued this date.)

III. Western Theater.

The Germans claim that the German Air Force attacked three merchant ships off the east coast of England yesterday, sinking one.

IV. Middle Eastern Theater.

Ground: The Axis appears to be consolidating its hold upon Benghazi. There have been no further Axis penetrations eastward in the desert sector south of the Gebel Achdar mountains. Press reports indicate an eastward Axis movement in the coastal sector north of the mountains, with advance elements between Barco and Marasa.

Air: Axis aircraft are continuing to harass British motor transport behind the British North African lines and have increased attacks on Malta. The R.A.F. is directing its principal efforts against Axis supply lines.
The Secretary of the Treasury announced last evening that the tenders for $150,000,000, or thereabouts, of 91-day Treasury bills, to be dated February 4 and to mature May 6, 1942, which were offered on January 30, were opened at the Federal Reserve Banks on February 2.

The details of this issue are as follows:

- **Total applied for**: $410,057,000
- **Total accepted**: $150,092,000

**Range of accepted bids:**
- High: 100.00
- Low: 99.937

Equivalent rate approximately 0.249 percent
- Average price: 99.944
- (89 percent of the amount bid for at the low price was accepted)
February 3, 1942
9:10 a.m.

AID TO CHINA

Present: Mr. Viner
         Mr. Southard
         Mr. Bell
         Mr. Foley
         Mr. Bernstein
         Mr. Kuhn
         Mr. White
         Miss Chauncey

MR. KUHN: How late?
H.M.JR: Not too late.

(Discussion off the record)

MR. BELL: There is some question about the time you are going on the Hill. Do you know?

MR. FOLEY: Ten o'clock.
H.M.JR: You manage that for me.

MR. FOLEY: Well, I understood it was ten o'clock, but I haven't done anything more than to hear what Sol Bloom said to you over the phone.

H.M.JR: Who is raising it?

MR. BELL: They asked me outside, and I said I thought it was ten o'clock, and I believe they checked up with Sol Bloom's office and they didn't know.

H.M.JR: Harry, have you got my time-table up to date?
MR. WHITE: I am trying to think whether I have.

H.M.JR: I sent it back to you, all except that last page. Would you mind stepping out and getting it, telling them to get it for me?

Southard?

MR. SOUTHARD: I can get it for you, Harry.

H.M.JR: We are going to do that page seven over, but I want to take that up with me. I sent it back two or three days ago.

MR. WHITE: Yes, but we didn't--

H.M.JR: You had a half page to do. You just had a half page to do. You just had a half page to do over.

MR. WHITE: Well, we don't bring it up to date every day. We have got the material.

H.M.JR: I thought we had agreed that you would, on this thing. Well, anyway, it doesn't matter.

MR. WHITE: When you get to page eight there is one important new paragraph.

H.M.JR: What are the total loans we have made to China and how many were there, Export-Import?

MR. WHITE: There is fifty million, a twenty-five million, and a twenty-five million. That is a hundred million. The first twenty-five million is mostly repaid. I have got a table of outstanding. I think there is something like seventy-seven million outstanding.

H.M.JR: Have they got--

MR. WHITE: I have it in a table ready to bring up in case they mention it.

H.M.JR: I would like to have those in my own hands. Have you got that?
MR. WHITE: All right, sir.

H.M.JR: Have you got the Lend-Lease one?

MR. WHITE: I didn't get any additional information on that, and Mr. Currie, when we spoke last night about it, thought that that information was so confidential that you wouldn't want to give it to them unless you got permission from the Lend-Lease people. It is not generally known how much is allocated, and the amount that has been spent is so small that he thought it might look pretty bad.

H.M.JR: Well, I will call Stettinius, but I want the things now, Harry. I want the number of loans. Where is it? I have got to have this stuff now. I can't wait until I get on the Hill and have a lot of people shuffling papers. Well, I won't change it now.

MR. FOLEY: Go ahead and change it, sure.

H.M.JR: Is this my reading copy?

MR. FOLEY: That is the original, yes.

H.M.JR: They have no reading copy in my type for me? Who handled this last night anyway?

MR. BELL: That is your reading copy.

H.M.JR: Yes, but it isn't the biggest type. When did they get through with this last night?

MR. BERNSTEIN: The last draft was given to the typist at around six o'clock, and I think she finished around seven.

MR. KUHN: What time are you due up there?

H.M.JR: Ten. It is too late. Is this my reading copy?

MR. BERNSTEIN: I didn't know that they had typed
any others. I didn't have the copies. I just got one carbon.

H.M.JR: "The Chinese contribution will be a cushion for the U. S. contribution." That doesn't read so good.

MR. VINER: I just noticed the word "cushion."

H.M.JR: I don't like that.

MR. VINER: I would take out "The Chinese contribution to be a cushion for the U. S. contribution."

MR. BERNSTEIN: It will read all right if you just strike it out.

H.M.JR: Leaving out what, just that last sentence?

MR. VINER: No, not the sentence.

MR. BERNSTEIN: Leave out just, "The Chinese contribution will be a cushion for the U. S. contribution."

H.M.JR: Leave that out?

MR. VINER: Yes.

H.M.JR: It doesn't read good.

MR. BERNSTEIN: Then it goes on to say that they have called on us for our participation.

H.M.JR: Now, I had hoped to do - on this Stabilization Board, who are our members?

MR. BERNSTEIN: Fox.

H.M.JR: Yes.

MR. BERNSTEIN: And the alternate is Taylor.

H.M.JR: Who is chairman.

(Miss Chauncey entered the conference.)
MR. BERNSTEIN: K. P. Chen.

H.M.JR: And who is the English Government?

MR. BERNSTEIN: Hall-Patch.

H.M.JR: How many members are there?

MR. BERNSTEIN: One American, one British, and three Chinese.

H.M.JR: Harry, if you haven't got this stuff, you will just have to sit here with me anyway.

MR. WHITE: I don't need it. They have it.

H.M.JR: Is this my reading copy?

MR. WHITE: Yes, that is the ribbon copy.

H.M.JR: They didn't make me a reading copy?

MR. WHITE: Well, they usually make it in the large type. That can be easily made--

H.M.JR: Who is they?

MR. WHITE: Miss Chauncey's office makes the reading copy. Well, we can make it between now and then unless you are making some changes.

H.M.JR: They can't give me a fresh copy. I would rather not have one than be worried about the mistakes. I have always had a reading copy. What time did you get through with this last night?

MR. WHITE: About six-thirty. We could easily have made a reading copy. We just didn't think of it. Does a reading copy just consist of caps or is it special type?

H.M.JR: It is a different type. I can't read this stuff.
MR. WHITE: Well, we will have one made.

H.M.JR: I wouldn't trust it, Harry. Please sit down. I might ask a lot of questions, so if you will just sit down. I can't understand what is the matter this morning.

Southard, since this thing has started, since this Stabilization Board has started, what has happened to the yuan? From where to where has it gone?

MR. SOUTHARD: Well, of course the Board held the yuan at five cents, five and a fraction cents, and the black market rate was steadied somewhat under that, that is, somewhat weaker than that, but as long as the Board operated, it held the official rate at that point.

H.M.JR: At five cents?

MR. SOUTHARD: Approximately five cents.

H.M.JR: Wasn't it down to around two or three?

MR. SOUTHARD: No, it had never been to two in the Shanghai market.

MR. WHITE: That is the black market.

MR. SOUTHARD: The black market had been around four in Shanghai. Some of the provincial markets had been lower than that.

H.M.JR: Since they have had this fund, would you say it had helped?

MR. SOUTHARD: Yes, because what the Board was doing was maintaining an official rate, and then trying by licenses, permits, to force all transactions into the official market so that while there was some black trading, they were trying to get a larger and larger proportion of the transactions into the official market at this stable rate.
H.M.JR: Well,--

MR. SOUTHARD: Now, of course, since the war with Japan, we have had very little information about Chinese exchange rates.

H.M.JR: What has happened to domestic prices?

MR. SOUTHARD: In China?

H.M.JR: Yes.

MR. WHITE: They have risen eleven hundred times.

H.M.JR: But since the Board?

MR. WHITE: Since the Board?

MR. SOUTHARD: It has had no measurable effect on the internal prices.

H.M.JR: Have you got any examples of prices?

MR. WHITE: I have some.

MR. SOUTHARD: We have a cable that gives them. I can run that down for you. It gives many price examples.

H.M.JR: I can't understand. I don't know how you happened to have it.

MR. WHITE: We have it ready in case they ask. You are not supposed to know index numbers.

H.M.JR: You have always had it here for me. You have always had the stuff. Nothing is here this morning. I don't know what is the matter.

MR. WHITE: We can get it for you in a moment.

H.M.JR: You have got fifteen minutes. Usually--
MR. WHITE: We were going to bring it up with us, Mr. Secretary. That is technical information which the Secretary of the Treasury certainly isn’t supposed to have at his finger tips.

H. M. JR: I am asking for it. I don’t know where your papers are this morning.

MR. WHITE: I will get them.

H. M. JR: You had better sit here and run through this thing. I am trying to get a little information. Now which is the new paragraph?

MR. WHITE: Bottom of page, page seven.

H. M. JR: "As you know, this Government is giving very substantial Lend-Lease aid to China." That isn’t true. We can change it, "has made commitments."

MR. WHITE: Yes.

H. M. JR: "This Government has made--"

MR. VINER: "Has promised."

MR. WHITE: "Allocated."

MR. BERNSTEIN: I think you could say, "This Government is committed to give very substantial aid."

H. M. JR: "This Government is committed to give." That is all right. "Very substantial Lend-Lease aid to China." That is all right.

MR. BELL: Have we got available the variety of ways China says she can use this financial and economic--

H. M. JR: Where are you?

MR. BELL: I am back on five. I am just raising the question, they are going to ask you what are these
variety of ways.

MR. WHITE: I can give you five ways.

H.M. JR: I have those right in my hand. It is the only thing I have received. I have got it right here.

MR. BELL: All right.

(The Secretary held a telephone conversation with Secretary Stimson as follows:)
February 3, 1942
9:32 a.m.

Secy.
Stimson: That was a good statement I think you made.

HWJr: Thank you.

S: And I'm coming up at eleven o'clock just to give
the military side of it.

HWJr: Good. Good. Well, we moved even faster than I
hoped for after I saw you.

S: Yes.

HWJr: But - so I - Seeing you and General Marshall was
very helpful. Is there any reason why on cross
examination I can't say I saw you and General
Marshall?

S: Yes; oh, certainly.

HWJr: Is that all right?

S: That's all right.

HWJr: Thank you.

S: All right.

HWJr: Goodbye.
MR. FOLEY: Is he going?

H.M.JR: Yes. Well, this says forty-six million. Your other statement said twenty-five million.

MR. WHITE: Well, there is a difference between what was shipped, what was included. There are three different classifications and that is as we got it--

H.M.JR: And this is the biggest one?

MR. WHITE: Yes.

H.M.JR: Is that an honest figure?

MR. WHITE: I don't know. Our exports show eleven million, but there were services and other things that are not included in the actual export figures. Those are the figures I have used, because I got them from the Lend-Lease people.

H.M.JR: What was the twenty-five million figure you had yesterday?

MR. SOUTHARD: Dr. Soong yesterday said he thought twenty-five was low.

MR. WHITE: Twenty-five is the exports including the service charge. Forty-nine is what they have actually spent, and I think waiting to be shipped or something of that character.

H.M.JR: He said the total shipments and services amounted to twenty-five million.

MR. WHITE: Shipments and services, yes, and the forty-nine million is, I think, expenditures.

H.M.JR: I don't get the difference.

MR. WHITE: They have spent money that hasn't yet been - on stuff that hasn't been shipped yet.
H.M. JR: It says here the difference between the figure and the total exports is accounted for by such things as freight, shipping charges, pilot training, Burma Road. The material figure is twenty-five million and the other is for services.

MR. WHITE: Including transportation. Our export figures show less than that.

H.M. JR: What do our own export figures show?

MR. WHITE: Eleven million dollars, exclusive of several ship loads which we haven't got the figures of, which may amount to possibly five or eight million dollars, I don't know.

MR. SOUTHWARD: Mr. Secretary, on page seven there is a word that you could change.

H.M. JR: Now, this statement at the top of page 8, "These arrangements are proving in practice to have been well-designed for their specific purposes and to be to the mutual advantage of both countries."

MR. WHITE: That has reference to the tung oil, the antimony and tin, the Stabilization Fund.

H.M. JR: That is all right.

MR. WHITE: There is a word needs to be said about that paragraph because it is important. I wanted to be sure I spoke to you about it.

H.M. JR: Which paragraph?

MR. WHITE: The new paragraph on page eight which is included, a few sentences. The reason for that is to give you protection in the event that the terms and conditions which you will want to set or will be able to set are such as to be similar in character to those set in the Lend-Lease arrangements and this is the record in
which you have said this loan is like - is a financial counterpart of the Lend-Lease arrangement. It gives you a much broader range of possibility of setting terms so that in case you do never get it back, it will be clear that you have told them so to begin with. It is different from the other loans which you have made in form and character.

H.M.JR: Just a second, gentlemen. It is a very good statement, excellent so far.

MR. WHITE: Currie wrote that.

H.M.JR: Well, now, "every weapon in its arsenal," why not "every weapon at our disposal"? The dollar isn't necessarily in the arsenal.

MR. WHITE: That is all right.

H.M.JR: Ferdie, "every weapon at our disposal"?

MR. KUHN: I am not sure whether even that is broad enough. After all, we don't only help with weapons. We are sending men to Ireland, we are sending men all over the place.

H.M.Jr; Weapon is--

MR. VINER: Well, weapon would include that.

MR. FOLEY: It is using that in its broadest sense.

MR. VINER: I think it is all right.

(The Secretary held a telephone conversation with Congressman Bloom as follows:)
Hello.

Good morning, Henry, how are you?

Good morning, I'm all set. The reason I'm calling is I'm going to take the liberty of making a suggestion.....

Certainly.

Which you've most likely thought of.

Yes.

But I think it would be very helpful if Cordell Hull spoke first - and set the stage.

Well - ah - I'll tell you - Jesse Jones said that he had to be at another meeting that is scheduled.....

Yeah.

By half past ten.

Yeah.

So he wanted to go on first. Now, of course, if Cordell comes up, I'll - I'll do as you suggest. You see, I don't know, I - of course, if he doesn't come up he'll ask someone else.

Uh-huh.

Ah - he told me that he wasn't feeling so very well. I told him he could - he could get well or sick up here just as well as any other place, you know.

Well......

Well, whatever it is, if he comes I certainly will - then I'm going to have Knox. He wanted to come at a quarter past eleven, so I didn't want to have too many to come at the same time so as to sit around. But if he comes, Henry, I'll - I'll surely.....

I think it would set the stage.

I agree with you, and I thank you for the suggestion. If he comes up here I certainly will put him on right away.
Jr: Right.
B: I think so. Thank you very much for the suggestion.
    I.....
Jr: Thank you; thank you.
B: Goodbye.
H.M.JR: That is very nice. Jesse wants to get on first.

MR. WHITE: Well, that gives you time to retype this.

H.M.JR: No, I am afraid that it won't be correct. It would only make me more nervous than I am now. I am making it read, "every weapon at our disposal."

MR. WHITE: Or "every implement at our disposal."

H.M.JR: I don't like, Ferdie, "in the light of the foregoing." Can you give me something else?

MR. KUHN: "In the light of what I have said."

H.M.JR: Do you like the word "light"?

MR. FOLEY: You can say, "I hope, therefore, that you will see fit."

MR. WHITE: That is right.

H.M.JR: I think that is plenty. "I hope, therefore."

MR. FOLEY: "That you will see fit."

H.M.JR: "I hope, therefore, that you will--"

MR. FOLEY: "That you will give this Joint Resolution your prompt and full-hearted support."

H.M.JR: What did you say?

MR. FOLEY: "Give." Strike out, "see fit to." "You will give this Joint Resolution your prompt and whole-hearted support."

MR. SOUTHARD: There is a little change to be made on page seven. May I give it to Miss Chauncey?

H.M.JR: Would you, please?
Now let me ask you some questions. Can somebody give me, any one person, a short statement, the history of that Stabilization Board, because I never followed that. I never sat in on that.

MR. BELL: Bernie can.

MR. FOLEY: Bernie is the best one.

H. M. JR: Well, Bernie, give me a short statement on this.

MR. BERNSTEIN: After both we and the British signed the agreements with the Chinese for the setting up of the Dollar Stabilization Fund and the Sterling Stabilization Fund, you recommended Fox's appointment as the American member of the Board. K. P. Chen and two other Chinese were designated as the Chinese members.

Fox was appointed as the American member. There was a difference of view as to who the British member should be. The British recommended Rogers, but the Generalissimo wouldn't accept him. Finally, they recommended Hall-Ratch, and Hall-Patch was accepted. The Board began its meetings in the early fall, in August, and began to function beginning at that time, establishing their principal office at Hongkong but also having contacts with Shanghai and with Chungking. They set up a system whereby they fixed a rate for the Chinese yuan in terms of dollars, which is, as Southard mentioned, was around five and a quarter cents, roughly, at which they would buy or sell for certain permissible transactions.

At the beginning there was a little bit of confusion as to just what transactions they were prepared to cover on the exchange. That resulted in a considerable amount of black market transactions. We, however, very quickly came to their aid through the freezing control, and we regulated import and export and financial transactions with China in such a way as not to permit transactions except to those in effect approved by the Board.

Now, that had the effect of greatly strengthening
the Stabilization Board's powers over China's foreign exchange position and her trade position, something that China never had before, because of its inability to deal with the International Settlement in the Hongkong area, but unfortunately very soon after that was done, the invasion of Shanghai began and the functions of the Board were greatly diminished. Of course, now there is very little problem of foreign exchange and the trade is largely a matter of Lend-Lease aid through the Burma Road.

H.M.JR: I am just throwing this out. Supposing they press me. Would it be a mistake to say, "We are trying to get this Board to administer this loan"?

MR. VINER: A mistake?

MR. WHITE: Yes. They are not going to administer it. We will seek their cooperation in working out - in seeing that the terms which are arranged are carried through, but certainly they wouldn't be - they wouldn't administer the loan.

H.M.JR: You see, I thought you fellows would have a lot of questions for me. Are you going to have any - are you going to charge any interest? Are you going to charge interest?

MR. VINER: You don't know.

MR. WHITE: Well, Lend-Lease doesn't, and certainly they don't expect any.

H.M.JR: Is the answer, "We carry it out - whatever final agreement is made by Lend-Lease, the same will apply to this loan"?

MR. WHITE: Certainly you will be guided in some respects by it. I think much will depend upon the conditions of use and when they use it. In other words, suppose they use it - supposing they don't use much now and they use it during the reconstruction period. I think an entirely different set of conditions can prevail. I should think the appropriate and real answer to
that would be that the conditions of each portion, possibly the total of the loan, will be made as we go along, as we see what they use it for.

MR. VINER: I think your best answer there is that you have as yet made no commitments to China and that all commitments will be negotiated with them on the best terms that--

MR. FOLEY: The Lend-Lease agreement hasn't been worked out yet.

H.M.JR: Do the people know that?

MR. FOLEY: The over-all agreement? I think this committee can be told that in executive session. And you are going to try to make these terms at least as generous as the Lend-Lease terms and the terms and conditions upon which any Government gets help under the Lend-Lease Act are those which the President deems satisfactory, either direct or indirect benefits to the United States.

MR. WHITE: There is one important difference.

(The Secretary held a telephone conversation with Mr. Stettinius as follows:)

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Regarded Unclassified
Edward R. Stettinius: Hello, Mr. Secretary.

HM Jr: Hello, Ed. How are you?

S: Good. How are you?

HM Jr: I'm all right. Ed, I'm going up on the Hill to testify on this Chinese.

S: Yeah.

HM Jr: Now one of the questions they're going to ask me, "Well, why isn't it enough from Lend-Lease?" Have I your permission - for instance, I have the figures of six hundred and twenty million that you've allocated to China.

S: Yes.

HM Jr: This is an executive session before Foreign Affairs in the House.

S: Yes.

HM Jr: Would you have any objection if I tell them that if they press me for a figure?

S: No, it's perfectly - but it ought to be - as long as they understand it, it's confidential.

HM Jr: Oh, yes. Well, the whole - all these statements up there will be confidential.

S: That's perfectly - that's entirely satisfactory, Henry.

HM Jr: Now, your boys also gave us some figures - they've got a figure, a total expenditure on account of China of forty-six million.

S: Well, of course, that expenditure - that's just the - that's the money paid out.

HM Jr: Yeah, I know. I mean, would you - if they
wanted to know - should I, on that, say, "Well, you'd better get that from Lend-Lease."

S: Well, that's such a misleading figure, because there's so much stuff, you see, in the works, that's almost ready to go.

HMJr: Well, I won't use any - I'll simply say, "Mr. Stettinius has told me that he's allocated six hundred and twenty million dollars. He's told me that in confidence."

S: That's right.

HMJr: "He said I could give that to the committee."

S: That's right.

HMJr: And that if you want any details, you'll have to ask Mr. Stettinius.

S: That's fine, Henry.

HMJr: Is that all right?

S: That's fine.

HMJr: Thank you.

S: Right, old boy.
H.M.JR: All right, I will be ready in two or three minutes.

MR. WHITE: Mr. Secretary, there is just one point I think is important. The difference between this and Lend-Lease is that Lend-Lease materials they get now and they use, that the terms probably under which this credit will be given and the situation is such they may not be able to use much of it before the end of the war, and, therefore, the same conditions need not apply at all. They may use four hundred million during the reconstruction period.
The passage of the Joint Resolution authorizing the president to render financial aid to China, will be an outstanding contribution to the common war effort. It will be a demonstration to our friends and a warning to our enemies that the United States stands ready with every weapon in its arsenal to assist all who are joined with us in this fight for freedom.

Therefore, I hope that in the light of the foregoing, you will give such fit-to-give this Joint Resolution your prompt and whole-hearted support.
The purpose of my appearance before this committee is to recommend favorable consideration of the Joint Resolution to authorize the extension of financial assistance to China up to the amount of $500 million.

This proposal is a war measure. The effective continuance of the Chinese military effort -- so invaluable in our fight against the Axis powers -- depends largely upon the strength of the economic structure of Free China. The financing of the war effort is a major war task of the Chinese Government and the efficient performance of this task requires that the Chinese financial and monetary system should be made as strong as possible.

In the United Nations Declaration to which China and the United States are signatories, each of the United Nations solemnly pledged itself to use its full resources in the
common war. We have large financial resources. China's financial resources are very limited in relation to the tasks which it has undertaken. If any part of our financial resources can be of assistance to China in the war against our common enemy, I am sure that our people will want those resources put to that use.

The Chinese have been fighting against the Japanese for four and one-half years. They have not spared their lives, their homes, their farms, their factories, or their financial resources in this struggle. They have remained free because they were willing to make these sacrifices.

The people of China are carrying on unceasing war against the Japanese in front of and behind the Japanese lines. The Chinese Armies are not only holding their lines, but on widely separated fronts they are gathering their men and supplies to intensify their offensive. The Chinese people have demonstrated to the whole world that a people who will not be conquered cannot be conquered.

D-2
In waging this war China has performed economic and military miracles. At the beginning of the war the Chinese people were engaged in creating a modern economic, financial and currency system. The Japanese occupation stripped the National Government of the sources which had accounted for 80 percent of her revenues. To make matters worse the apparatus of the financial and money markets in the coastal cities fell into the hands of the Japanese. Since December 7, the fall of Hong Kong and the complete loss of the International Settlement have still further impaired the financial structure of the Free Government of China.

In these circumstances the Chinese Government had to bear a double financial burden. It had not only to expand its expenditures, but it also had to create a new financial and banking system in the unoccupied area. It is not easy even in peace-time to carry out such changes. Considering
the terrific obstacles with which the Chinese Government
has been and still is confronted, it has succeeded amazingly
well in continuing its resistance to the enemy.

We must face the fact, however, that the Chinese fin-
ancial and monetary system has been severely strained in
the process. The budget is desperately unbalanced. Prices
are rising rapidly and at an accelerated rate. The accom-
panying economic and social dislocations are serious threats
to the Chinese war effort. It would be unwise for the
United States to ignore these weaknesses or to withhold
any aid within its power.

On several occasions in the past the United States
Government has rendered financial assistance to China. In
general that assistance was designed to finance the import
of goods and to help stabilize the exchange position of
China's currency. In these financial arrangements China
has made payments on schedule and even ahead of schedule.

D-2
And, under the most difficult circumstances, they have
maintained the export to the United States of commodities
vital to our war effort. Indeed, the Government of China
has carried out to the letter every obligation to us
which it has assumed.

The Chinese Government has now urgently requested that
we come to their financial support so as to enable them
more effectively to carry on their war effort. We have
been constantly informed as to the financial and economic
situation within China. That information makes clear that
the granting of the financial assistance now being requested
would make a substantial contribution toward strengthening
the domestic economy of China.

The Chinese Government has informed us that the finan-
cial aid which the proposed Joint Resolution would make
available could be used by it in a variety of ways to strengthen
the financial and economic situation within China. Without
attempting at this time to specify the particular arrangements which would be entered into with China and which would most effectively carry out the common objectives of China and ourselves, we are fully satisfied that arrangements can be worked out which will be of great financial and economic help to the internal economy of China and will enable China more effectively to carry on its war effort.

I think that you will be particularly interested in the splendid record that the Government of China has maintained in the repayments of the loans we have already made, notwithstanding the extremely difficult circumstances under which she has been operating. Mr. Jesse Jones, no doubt, can describe to you the gratifying way in which China has handled the loan which the Export-Import Bank has made to China.

You will recall that in December 1940, with the approval of the Congressional committee, I made a $50 million
stabilisation arrangement with China. A similar arrangement was made to China by the British. Under these arrangements, the Chinese governmental banks put up $20 million, the British government put up $5 million, and the U. S. Treasury $50 million, thus making China's contribution to be a cushion.

So far, the Chinese Stabilisation Board has not called on the United States for any portion of the United States participation and has used its own share for the management of its foreign exchange.

I may say here, too, that the joint management of that Fund gives us every hope that future sums made available to them will be used judiciously and effectively.

As you know, this Government is giving very substantial Lend-Lease aid to China. Of course, because of the tremendous transportation difficulties, as well as the many-fold demands on American war production, it will take time before the bulk of this Lend-Lease commitment can be delivered to China.
These arrangements are proving in practice to have been well-designed for their specific purposes and to be to the mutual advantage of both countries. They are designed, however, to meet the specific problems involved in the flow of goods to and from China, the stabilizing of the foreign exchange value of the yuan, and the supplying of war material.

The additional assistance now proposed is much more comprehensive in scope and is designed especially to make possible a strengthening of the internal economic and financial structure of China. Furthermore, this financial aid is of a different character from the stabilization loans and Export-Import Bank loans referred to. The proposed aid contemplated here should be regarded as the financial counterpart of lend-lease and war materials. It is designed to the same end -- namely, the successful prosecution of the war, and should be evaluated in the same terms.
The passage of the Joint Resolution authorizing the President to render financial aid to China, will be an outstanding contribution to the common war effort. It will be a demonstration to our friends and a warning to our enemies that the United States stands ready with every weapon in its arsenal to assist all who are joined with us in this fight for freedom.

I hope that in the light of the foregoing, you will see fit to give this Joint Resolution your prompt and wholehearted support.
MEMORANDUM FOR THE SECRETARY'S FILES:

Subject: Meeting with Committee on Foreign Affairs of the House of Representatives on China Loan (In Executive Session) — 10 o'clock, February 3, 1942, office of Representative Bloom

Treasury Staff Present: D. W. Bell, E. H. Foley, H. L. White, Bernard Bernstein, F. A. Southard, I. S. Friedman, Jacob Viner and F. Kuhn

At the beginning of the meeting Chairman Bloom assured the Secretary and the others present that this was an executive meeting and that everything said therein would be in strictest confidence. He then introduced Secretary Morgenthau to the members of the Committee.

The Secretary read his statement to the Committee, following which the Chairman asked if any member wished to question the Secretary. The Secretary was asked what the difference was between this proposed loan and the stabilization loan which he had explained to the Committee in 1940. The Secretary replied that he was recommending the current proposal on the insistence of the Secretaries of State and War and of General Marshall, as a political and military loan and that it was therefore evident that the proposed loan was quite different from the Stabilization Agreement of 1941.

Secretary of Commerce Jones then asked if he might make his brief statement since he had to appear before another Committee. Secretary Morgenthau said that he would be glad to yield to Secretary Jones. Secretary Jones endorsed the statement of the Secretary of the Treasury and then summarized the experience of the Export-Import Bank in making loans to China. He concluded this summary by stating that in all his dealings with the Chinese, extending back to 1932 or 1933, he had come to have a very high opinion of the integrity of the Chinese. He was then asked why the current request for Chinese aid could not have been handled by the Export-Import Bank. He replied that this was not a business loan and that in any event the RFC did not have funds enough to handle it and it was just as easy to ask Congress to appropriate the money to the Treasury.

Representative Eaton (New Jersey) remarked that the loan would probably make a better impression if it was by direct Congressional appropriation. He also voiced his hearty approval of Secretary Morgenthau's statement.

Secretary Jones was then asked what the terms of the loan to China would be. He replied that the Resolution as drafted left these terms up to the Secretary of the Treasury, on consultation with the President, but he supposed the terms would be generous and similar to those of Lend-Lease. He was then asked what he regarded as the urgency of the matter and he said he thought it should be dealt with as soon as possible.

Prepared by F. Southard and I. Friedman.
The Committee then returned to its questioning of Secretary Morgenthau. He was asked what terms he had in mind for the loan. The Secretary said he would like to read to the Committee the provisions of the Land-Lease Act inasmuch as it was enacted by Congress. He read language of Section 3b of the Land-Lease Act.

At this point Vice Chairman Johnson remarked that he favored an outright gift to China. Someone also asked why the Land-Lease wording should not be used in the present Resolution but there were several objections to this suggestion.

Questions were raised as to how the loan would be given to China and to what uses the Chinese could put it. At this point Chairman Bloom read letters from Secretaries Hull, Knox and Stimson to the President supporting the loan proposal and stated that in his opinion these letters indicated the reasons for the loan and its uses.

The previous questioner was still unsatisfied as to the way in which the loan was to be given to the Chinese. Secretary Morgenthau therefore said that the Treasury would open a credit on its books to the amount of $500 million. The question of the uses of the loan would then be discussed with the Chinese, particularly with Dr. Soong who is Foreign Minister and happens to be in the United States. In the final analysis, uses of the loan and the time when the moneys were to be made available to the Chinese would be decided by the President and the Secretary of the Treasury and the Secretary of the Treasury would keep in touch with the other Cabinet members. He did not anticipate that the Chinese, on the day after the granting of the aid, would draw a check for $500 million on it. From his previous experience with the Chinese, he had reason to believe they would not act in this manner. Since this was an executive session he felt he could stress the importance of the loan as helping China's morals and as strengthening the hand of the Generalissimo. He went on to say that the State, War and Navy Departments had said that the loan was necessary and that as for himself he wished to make it taste as good as possible to the Chinese. He did not wish to drive a hard bargain and suggested that the loan was for the same purpose as Land-Lease — that is to keep the Chinese fighting. He spoke of the overtures which the Japanese had made to the Chinese to quit fighting as members of the yellow race and, as evidence of what the loan could accomplish, he read a United Press despatch to the effect that China in its darkest hour felt confident now of the friendship of the United States.

Representative Voris (Ohio), who had raised the question of how the loan was to be carried out, indicated that he was not completely satisfied. He asked whether, for example, we would actually ship gold or silver to China and said that was what he had in mind when he asked his question as to how the loan would be given to the Chinese. The Secretary replied that nothing had been settled as yet regarding this aspect of the matter but that it might be used as backing for
Chinese currency or there might be actually some shipments of silver bullion to China; or there might be some shipments of United States currency. The loan might be used as backing for Chinese bonds or the Chinese might sell yuan to the United States. He pointed out that Foreign Minister Soong had said to him yesterday afternoon that because the situation was moving so rapidly he was not prepared to say how the loan would be used and was awaiting further instructions from his Government.

The point was then made by one of the members of the Committee that of course the Secretary would see to it that the credits would be held in such a way that in case of a future collapse of the Chinese the loan would not result in benefits to the Japanese. The Secretary replied that it was his intention to try to make the aid last as long as possible and used the analogy that he would "try to keep the carrot before the donkey's nose as long as possible". The point was then made that the present situation was unprecedented. The Secretary replied that the situation was unprecedented, and spoke of the willingness of the Japanese and other Axis powers to use silver bullets, saying that in his opinion we ought to stop fighting the war like gentlemen.

The question was then raised that according to the newspaper story of the loan, it was intended to curb inflation. The Secretary replied that the Chinese might use the loan for this purpose but that the real purpose of the loan was to keep the Chinese interested in our cause.

Discussion then arose as to whether this was a gift and whether it should be called such. The Secretary replied that it might turn out to be a gift but that he would much prefer that the matter be left unsettled and that his hands not be tied. The concept of a gift was generally supported by those present and, as one Congressman put it this aid to China was "damned late in coming". Representative Eaton added that if a gift of this amount would shorten the war by five days it would be a very worthwhile investment. The Secretary said again that he urged that the President's and his hands not be tied since the aid to China might turn out to be a gift, although on the basis of past experience he didn't believe that China would draw on the loan on the next day. He wished to make the Chinese as happy about the loan as possible and therefore he requested that the wording of the Resolution be left as it was. There was no dissenting voice around the table as to the desirability of extending to China terms so generous as to amount to a gift. Vice Chairman Johnson said that it must be kept in mind that the real purpose of the loan was to be kept in strict confidence since it would defeat the whole purpose of the loan if it were known.

It was then asked whether, in view of the Chinese sensibilities, an outright gift might not affront them. The Chairman therefore asked Mr. Hamilton, of the State Department, to give some indication of probable Chinese reaction to financial aid. Mr. Hamilton said that he thoroughly indorsed the statement made by Secretary Morgenthau. As he
saw it, the purpose of the loan was to indicate confidence in a great man, General Chiang Kai-shek, except that he would rather put it in a more affirmative sense; that we were not losing China to fight but rather that we were proud to be on the same side as the Chinese in a common fight against a common enemy, and so on.

Representative Shanley (Connecticut) said that he now favored the Joint Resolution although he would have been opposed to it before December 7. He favored it even though it had many political implications and many possibilities of executive agreements.

Representative Vorys said that in taking the floor in defense of this proposal the members of the Committee should keep in mind that although they had been fully informed as to the real purpose of the Joint Resolution they should refuse to answer any questions which would indicate its real purpose. He said that the Congress should feel satisfied that its Committee had been informed fully as to the meaning and that therefore the Committee members were justified in not answering such questions.

A question was then raised as to the meaning of the word "give" in the Joint Resolution. The point was made that a bank making a loan might use this expression. The Secretary replied by reading from the Lend-Lease Act and said it would act as a chart for him to follow. Moreover, he stated that this wasn't a banking proposition and if it was it would have been in Jones' shop. He didn't think that any banker would use the word "give" in a formal contract.

The Secretary was asked what effect the closing of the Burma Road might have. He replied that he thought this was a question for Secretary Stimson to answer since it related to the military situation. The question was then raised as to what could be said on the floor in answer to questions regarding the meaning of "give other financial aid". Vice Chairman Johnson replied that he was prepared to say that this might mean a gift. Secretary Morgenthau said that the whole purpose of the financial aid was a vote of confidence in Chiang Kai-shek. He wished it to be as generous as Lend-Lease and if the word "loan" instead of "aid" had been used it would not look as good. Secretary Morgenthau said the language "give other financial aid" was intended to be as broad as possible and meant that the $500,000,000 could be given away as a gift. Many Congressmen urged strongly leaving "give" in the Resolution since it might be necessary to make an outright gift to China. One Congressman said that the Resolution wouldn't lose a single vote in the House even if the House thought the $500,000,000 was a gift.

Secretary of War Stimson was then introduced to the Committee. He read a prepared statement which made the following main points: The United States more than anything else needs time in which to prepare against an enemy that was ready to fight last December 7. The United States, as a great democracy, was not prepared since it is impossible to prepare for modern war unless preparations are begun five or six years before the beginning of hostilities. China provides the best possible jumping off place to get at the heart of Japan. Moreover, the Chinese are the only people now fighting the Japanese on even
terms — as evidenced by their recent victory at Changsha — despite the fact that they lack airplanes and artillery. The Chinese troops, in the opinion of the Secretary’s advisors, are among the finest in the world. For all these reasons it is to our advantage to do everything possible to maintain the Chinese in the field. Moreover, the Secretary of War said, our traditional and unique relations with China are added reason for giving generous support to China. In the strictest confidence the Secretary of War informed the Committee that even before December 7 we were getting in closer military touch with the Chinese and have now completed steps for the sending over of a new and larger mission to Chungking. It is now even probable that Chiang Kai-shek’s Chief of Staff will be an American officer. The Secretary of War concluded by stating that our best bet in the Far East was to support China and that he didn’t believe any easier proposition had been put before Congress in connection with the war or that any would pay a larger return for the outlay. He said finally that if America turned this proposal down we didn’t deserve to win the war.

The Secretary of the Navy, Mr. Knox, was then introduced to the Committee. He made an oral statement in which he began by paying tribute to the fine statement just delivered by his colleague, the Secretary of War. Secretary Knox pointed out that one way to view the current situation was that there was one country in Europe with man power sufficient to oppose the Germans, namely Russia; and one country in Asia with man power sufficient to oppose the Japanese, namely China. He said that if we would give China planes and guns, China would continue to be a strong ally. Moreover, he pointed out that there are air bases actually available in China which will be essential to soften up the Japanese for the final assault. He concluded that the proposed loan is as much a military loan as if it were for the direct production of weapons of war to be sent to the Far East.

The Chairman of the Committee explained that the Secretary of State was warned by his doctor that he could not appear before the Committee and he had therefore sent Assistant Secretary Breckenridge Long to read his statement. This statement, of which a copy has been given to us, runs along more or less parallel lines to that of Secretary Morgenthau, possibly placing more emphasis on the loan as an economic aid to China.

Mr. Long was asked whether the State Department approved the draft Resolution which the questioner said he assumed had been drafted in the State Department. Mr. Long said he was not sure where it had been drafted but that the State Department had been in touch with it at every stage and had approved it as it now stood. He said that the State Department viewed the proposal for a loan as not simply a military and political loan, but as a composite proposal with military, naval, political and economic connotations, and that it was regarded as a matter of national necessity. He concluded that extending the loan at this time would enormously strengthen the Chinese military effort.
Representative Rogers (Massachusetts) said that she supposed this was a small sum out of the whole amount which we were expending on the war. Mr. Long explained that it was not a matter of how much was involved in the loan but a matter of whether we won the war.
There have been brought to the attention of this Government, by responsible officials both of this Government and of the Government of China, reports on the subject of China's war effort and the situation in China which point to the existence of a practical need for an extension to China of economic assistance financial in character.

From the beginning of the vicious onslaught in 1937 by the Japanese armed forces upon China, the Chinese Government, the Chinese people and the Chinese armed forces have heroically and with great sacrifice resisted a ruthless invasion. The areas which Japan has succeeded in occupying have not been yielded until after the Chinese people have with unbelievable sacrifice and fortitude stripped them of materials that might be of value to the enemy. China, cut off from communication with the outside world except by long and difficult routes, deprived of its great industrial, shipping and commercial centers, and denied the greater part of its normal sources of revenue, is continuing after almost five years a valiant fight against aggression. As a result of the "scorched earth" policy and of the loss of vast sources of normal revenues, China has in its effort to wage war and to feed and clothe its people faced tremendous financial problems.

The Chinese have fully realized that their continuance as an independent nation depends upon their defeating the invader, and they have struck and are striking back at Japan constantly and with growing success. The tenacity of
In the declaration of January 1, 1942 by the United Nations, the United States declared war on all nations which have been attacked by the aggressor nations, as well as by the United States and China, which have long regarded as potentially menacing the country and the world order. It is therefore in accordance with the principles of the United Nations and the United States that this country supports the United Nations, and its allies, and its allies in conducting the war against Japan, and the United States in support of the United Nations in conducting the war against Japan, the United States in support of the United Nations in conducting the war against Japan.

The Chinese in this battle for their national existence has won the unqualified praise of free people everywhere. The United States has during the years of China's resistance continued to pay business with China, and has afforded assistance by extending to the Chinese Government substantial benefit to China in armament and materials. The assistance thus afforded, although not large in aggregate amounts, has been of obviously valuable assistance to the preponderant interest of the world.
United States and China and their associates took a common pledge to cooperate fully to the end that the war against Japan and its partners should be successfully carried on to victory.

This Government, endeavoring to cooperate with its associates in various ways, is at this moment in position to render great immediate service by extending to China assistance in the financial field which will strengthen that country as regards her internal economy and as regards her capacity in general to function effectively as a co-belligerent.

It is desired and proposed that the Congress appropriate a sum of $500,000,000 and authorize granting therefrom of loans or credits or both to China under agreements to be entered into by the Treasury Department with the approval of the President.

Among the purposes envisaged for the use of this sum are: to safeguard the position of the Government of China in relation to China's public finance; to enable the Chinese Government to encourage domestic production of important commodities, especially those essential to war effort; to facilitate making by the Chinese Government of purchases both in the domestic and in foreign markets; to assist in stabilization and effective control in China of Chinese currency; and in general to facilitate cooperation between China and the United States in the common war effort to which
which both countries along with others are committed.

With this aid, the Chinese Government, in its most
courageous and effective resistance to aggression, may be
assisted in maintaining the economic activities essential
to the continued effective prosecution of the war. It may
be helped to finance its military effort in China without
so enlarging its issues of paper currency as to create
extreme price increases and price disorder: this is essen-
tial to maintain production, to sustain the necessary
exchange of goods needed for living among the Chinese people,
and to assure adequate supplies for the armed forces. This
aid will make it easier for the Chinese Government to effect
necessary revenue measures, and to regulate the flow of
supplies and prices thereof.

In short, this measure of financial assistance is
intended to contribute toward the same strengthening within
China of the structure of economic, financial and production
measures that is being found necessary within the United
States for the pursuit and winning of the war.

Adoption and implementation of this measure will be a
concrete manifestation of the unity of purpose, the tenacity,
the faith and the determination of the free nations that
are united in defense of freedom.
Secretary's reading copy of testimony before House Foreign Affairs Committee, in Executive Session, February 3, 1942.
STATEMENT FOR SECRETARY OF THE TREASURY ON THE
JOINT RESOLUTION TO AUTHORIZE THE SECRETARY OF THE
TREASURY WITH THE APPROVAL OF THE PRESIDENT OF THE
UNITED STATES TO RENDER FINANCIAL AID TO CHINA AND
FOR OTHER PURPOSES

The purpose of my appearance before this committee
is to recommend favorable consideration of the Joint
Resolution to authorize the extension of financial assist-
ance to China up to the amount of $500 million.

This proposal is a war measure. The effective contin-
uance of the Chinese military effort -- so invaluable in
our fight against the Axis powers -- depends largely upon
the strength of the economic structure of Free China. The
financing of the war effort is a major war task of the
Chinese Government and the efficient performance of this
task requires that the Chinese financial and monetary system
should be made as strong as possible.

In the United Nations Declaration to which China and
the United States are signatories, each of the United Nations
solemnly pledged itself to use its full resources in the

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common war. We have large financial resources. China's financial resources are very limited in relation to the tasks which it has undertaken. If any part of our financial resources can be of assistance to China in the war against our common enemy, I am sure that our people will want those resources put to that use.

The Chinese have been fighting against the Japanese for four and one-half years. They have not spared their lives, their homes, their farms, their factories, or their financial resources in this struggle. They have remained free because they were willing to make these sacrifices. The people of China are carrying on unceasing war against the Japanese in front of and behind the Japanese lines. The Chinese Armies are not only holding their lines, but on widely separated fronts they are gathering their men and supplies to intensify their offensive. The Chinese people have demonstrated to the whole world that a people who will not be conquered cannot be conquered.

D-2
In waging this war China has performed economic and military miracles. At the beginning of the war the Chinese people were engaged in creating a modern economic, financial and currency system. The Japanese occupation stripped the National Government of the sources which had accounted for 80 percent of her revenues. To make matters worse the apparatus of the financial and money markets in the coastal cities fell into the hands of the Japanese. Since December 7, the fall of Hong Kong and the complete loss of the International Settlement have still further impaired the financial structure of the Free Government of China.

In these circumstances the Chinese Government had to bear a double financial burden. It had not only to expand its expenditures, but it also had to create a new financial and banking system in the unoccupied area. It is not easy even in peace-time to carry out such changes. Considering
the terrific obstacles with which the Chinese Government
has been and still is confronted, it has succeeded amazingly
well in continuing its resistance to the enemy.

We must face the fact, however, that the Chinese fin-
ancial and monetary system has been severely strained in
the process. The budget is desperately unbalanced. Prices
are rising rapidly and at an accelerated rate. The accom-
panying economic and social dislocations are serious threats
to the Chinese war effort. It would be unwise for the
United States to ignore these weaknesses or to withhold
any aid within its power.

On several occasions in the past the United States
Government has rendered financial assistance to China. In
general, that assistance was designed to finance the import
of goods and to help stabilize the exchange position of
China's currency. In these financial arrangements China
has made payments on schedule and even ahead of schedule.
And, under the most difficult circumstances, they have maintained the export to the United States of commodities vital to our war effort. Indeed, the Government of China has carried out to the letter every obligation to us which it has assumed.

The Chinese Government has now urgently requested that we come to their financial support so as to enable them more effectively to carry on their war effort. We have been constantly informed as to the financial and economic situation within China. That information makes clear that the granting of the financial assistance now being requested would make a substantial contribution toward strengthening the domestic economy of China.

The Chinese Government has informed us that the financial aid which the proposed Joint Resolution would make available could be used by it in a variety of ways to strengthen the financial and economic situation within China. Without
attempting at this time to specify the particular arrangements which would be entered into with China and which would most effectively carry out the common objectives of China and ourselves, we are fully satisfied that arrangements can be worked out which will be of great financial and economic help to the internal economy of China and will enable China more effectively to carry on its war effort.

I think that you will be particularly interested in the splendid record that the Government of China has maintained in the repayments of the loans we have already made, notwithstanding the extremely difficult circumstances under which she has been operating. Mr. Jesse Jones, no doubt, can describe to you the gratifying way in which China has handled the loans which the Export-Import Bank has made to China.

You will recall that in December 1940, with the approval of the Congressional committees, $50 million was made available.
stabilization arrangement with China. A similar arrangement was made to China by the British. Under these arrangements, the Chinese governmental banks put up $20 million, the British government put up $5 million, and the U. S. Treasury $50 million (the Chinese contribution to be a cushion for the U. S. contribution). So far, the Chinese Stabilization Board has not called on the United States for any portion of the United States participation and has used its own share for the management of its foreign exchange. I may say here, too, that the joint management of that Fund gives us every hope that future sums made available to them will be used judiciously and effectively.

As you know, this Government is giving very substantial Lend-Lease aid to China. Of course, because of the tremendous transportation difficulties, as well as the many-fold demands on American war production, it will take time before the bulk of this Lend-Lease commitment can be delivered to China.
These arrangements are proving in practice to have been well-designed for their specific purposes and to be to the mutual advantage of both countries. They are designed, however, to meet the specific problems involved in the flow of goods to and from China, the stabilizing of the foreign exchange value of the yuan, and the supplying of war material.

The additional assistance now proposed is much more comprehensive in scope and is designed especially to make possible a strengthening of the internal economic and financial structure of China. Furthermore, this financial aid is of a different character from the stabilization loans and Export-Import Bank loans referred to. The proposed aid contemplated here should be regarded as the financial counterpart of lend-leasing war materials. It is designed to the same end -- namely, the successful prosecution of the war, and should be evaluated in the same terms.
The passage of the Joint Resolution authorizing the president to render financial aid to China, will be an outstanding contribution to the common war effort. It will be a demonstration to our friends and a warning to our enemies that the United States stands ready with every weapon at our disposal to assist all who are joined with us in this fight for freedom.

I hope, therefore, that you will give this Joint Resolution your prompt and wholehearted support.
PAPERS WHICH HM JR TOOK WITH HIM WHEN HE APPEARED BEFORE CONGRESSIONAL COMMITTEES IN CONNECTION WITH CHINESE LOAN
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,

[Signature]

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,

[Signature]

The Honorable,

The Speaker of the House of Representatives.
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, her own borders, and I strongly recommend that you ask the two 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.
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.

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]

Frank Knox

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,

The President,

The White House.
Further to promote the defense of the United States, and for other purposes:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as “An Act to Promote the Defense of the United States”.

Sec. 2. As used in this Act—
(a) The term “defense article” means—
(1) Any weapon, munition, aircraft, vessel, or boat;
(2) Any machinery, facility, tool, material, or supply necessary for the manufacture, production, processing, repair, servicing, or operation of any article described in this subsection;
(3) Any component material or part of or equipment for any article described in this subsection;
(4) Any agricultural, industrial or other commodity or article for defense.

Such term “defense article” includes any article described in this subsection: Manufactured or procured pursuant to section 3, or to which the United States or any foreign government has or hereafter acquires title, possession, or control.

(b) The term “defense information” means any plan, specification, design, prototype, or information pertaining to any defense article.

Sec. 3. (a) Notwithstanding the provisions of any other law, the President may, from time to time, when he deems it in the interest of national defense, authorize the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government—

(1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for the government of any country whose defense the President deems vital to the defense of the United States.

(2) To sell, transfer title to, exchange, lease, lend, or otherwise dispose of, to any such government any defense article, but no defense article not manufactured or procured under paragraph (1) shall in any way be disposed of under this paragraph, except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both. The value of defense articles disposed of in any way under authority of this paragraph, and procured from funds heretofore appropriated, shall not exceed $1,300,000,000. The value of such defense articles
shall be determined by the head of the department or agency concerned or such other department, agency or officer as shall be designated in the manner provided in the rules and regulations issued hereunder. Defense articles procured from funds hereafter appropriated to any department or agency of the Government, other than from funds authorized to be appropriated under this Act, shall not be disposed of in any way under authority of this paragraph except to the extent hereafter authorized by the Congress in the Acts appropriating such funds or otherwise.

(3) To test, inspect, prove, repair, outfit, recondition, or otherwise to place in good working order, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for any such government, or to procure any or all such services by private contract.

(4) To communicate to any such government any defense information, pertaining to any defense article furnished to such government under paragraph (2) of this subsection.

(5) To release for export any defense article disposed of in any way under this subsection to any such government.

(b) The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory.

(c) After June 30, 1943, or after the passage of a concurrent resolution by the two Houses before June 30, 1943, which declares that the powers conferred by or pursuant to subsection (a) are no longer necessary to promote the defense of the United States, neither the President nor the head of any department or agency shall exercise any of the powers conferred by or pursuant to subsection (a), except that until July 1, 1946, any of such powers may be exercised to the extent necessary to carry out a contract or agreement with such a foreign government made before July 1, 1943, or before the passage of such concurrent resolution, whichever is the earlier.

(d) Nothing in this Act shall be construed to authorize or to permit the authorization of conveying vessels by naval vessels of the United States.

(e) Nothing in this Act shall be construed to authorize or to permit the authorization of the entry of any American vessel into a combat area in violation of section 3 of the Neutrality Act of 1939.

Sec. 4. All contracts or agreements made for the disposition of any defense article or defense information pursuant to section 3 shall contain a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense article or defense information by gift, sale, or otherwise, or permit its use by anyone not an officer, employee, or agent of such foreign government.

Sec. 5. (a) The Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government involved shall, when any such defense article or defense information is exported, immediately inform the department or agency designated...
by the President to administer section 6 of the Act of July 2, 1940 (54 Stat. 714), of the quantities, character, value, terms of disposition, and destination of the article and information so exported.

(b) The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose. Reports provided for under this subsection shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

Sec. 6. (a) There is hereby authorized to be appropriated from time to time, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions and accomplish the purposes of this Act.

(b) All money and all property which is converted into money received under section 3 from any government shall, with the approval of the Director of the Budget, revert to the respective appropriation or appropriations out of which funds were expended with respect to the defense article or defense information for which such consideration is received, and shall be available for expenditure for the purpose for which such expended funds were appropriated by law, during the fiscal year in which such funds are received and the ensuing fiscal year; but in no event shall any funds so received be available for expenditure after June 30, 1946.

Sec. 7. The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall in all contracts or agreements for the disposition of any defense article or defense information fully protect the rights of all citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owners and holders of such patents.

Sec. 8. The Secretaries of War and of the Navy are hereby authorized to purchase or otherwise acquire arms, ammunition, and implements of war produced within the jurisdiction of any country to which section 3 is applicable, whenever the President deems such purchase or acquisition to be necessary in the interests of the defense of the United States.

Sec. 9. The President may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred on him by this Act through such department, agency, or office as he shall direct.

Sec. 10. Nothing in this Act shall be construed to change existing law relating to the use of the land and naval forces of the United States, except insofar as such use relates to the manufacture, procurement, and repair of defense articles, the communication of information and other noncombatant purposes enumerated in this Act.

Sec. 11. If any provision of this Act or the application of such provision to any circumstance shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances shall not be affected thereby.

Approved, March 11, 1941.
MEMORANDUM TO THE SECRETARY

SUBJECT: China Loan

1. The proposed loan to China is being dictated by political and military considerations. The criteria and conditions of normal economic loans are not applicable. However, it is essential that the proceeds of the loan be used in the most effective manner possible to improve the economic and financial situation in China.

2. The following procedures seem to present possibilities in utilizing the loan to the greatest mutual advantage:

   (a) It could sell dollar bonds to the Chinese public (not banks) keeping the dollars on deposit where allocated for repayment.

   (b) It could import silver bars and sell them to the public at a sufficiently high price so as to make each dollar go a long way in providing yuan for military expenditures through that device rather than through printing. The difficulty here lies entirely in getting the silver to China. However, it should be possible to get easily 1,000 tons a month to China provided the new planes are forthcoming for the route from Osayed to Kunming. It should be easily possible to provide enough silver to sell for 1 billion yuan a month in China. How much of this silver would be hoarded cannot be stated but if the sales were confined to individuals exclusive of banks, the net result should be an extensive diminution in the note issue to finance the war.

   (c) It can sell dollars obtained for yuan in the hands of individuals. The dollars so acquired would presumably be blocked and subject to the same regulations as are Chinese funds at present. Acquisition of blocked dollars may be sufficiently attractive at rates of exchange even much lower than the official prevailing rate to many Chinese holders of yuan to make possible a large yuan revenue to the Chinese Government.

February 2, 1942

[Signature]

Regraded Unclassified
(d) The Chinese Government could announce that they now have one-half billion dollars United States "backing" against outstanding Chinese currency. The effect of such an announcement would be wholly psychological. With the information we have, its efficacy would be uncertain.

(e) The newly-acquired dollar assets could provide the stimulus to the Chinese Government to make local currency loans to small producing units for the production of a wide variety of goods needed for the war effort. (They do not need these dollar assets to enable them to make such loans but they are withholding such loans on the grounds that they cannot afford the expenditure.)

(f) Finally, they may be able to issue an entirely new currency based upon some proportion of dollar or gold reserve. This is a more dangerous and dubious undertaking and we have by no means explored the pros and cons.
Treasury Department
Division of Monetary Research

Date: February 2, 1942

To: Mr. White
From: Mr. Hicks

Lend-Lease assistance to China,
March, 1941 through December, 1941:

1. Total China program in the first
   and second appropriations amounted
   to $619.7 million;

2. Total expenditures on account of
   China amounted to $46.1 million;

3. Total exports amounted to $11.7
   million;

4. Total shipments and services through
   January 15, 1942 amounted to $25.7
   million. The difference between this
   figure and total expenditures is ac-
   counted for by such items as freight,
   shipping charges, pilot training,
   Burma Road expenditures, etc.
**LEASE LAND EXPORTS BY COUNTRY AND BY CLASS**
March 1941 through November 1941
(millions of dollars)

<table>
<thead>
<tr>
<th>Ordnance and Ordnance Stores</th>
<th>Aircraft and Aeronautical Material</th>
<th>Tanks and Other Vehicles</th>
<th>Vessels and Other Watercraft</th>
<th>Misc. Military Equipment</th>
<th>Agricultural, Industrial and Other Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>25.5</td>
<td>10.6</td>
<td>16.6</td>
<td>.5</td>
<td>393.6</td>
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<tr>
<td>Belgian Congo</td>
<td>.3</td>
<td>4.3</td>
<td>.8</td>
<td>.1</td>
<td>4.4</td>
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<td>E. Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>India</td>
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<td></td>
<td>2.4</td>
<td>.1</td>
<td>.6</td>
</tr>
<tr>
<td>Ind. Malay</td>
<td>.1</td>
<td></td>
<td>1.2</td>
<td>.1</td>
<td>.9</td>
</tr>
<tr>
<td>New Africa</td>
<td></td>
<td></td>
<td>2.2</td>
<td>.4</td>
<td>5.9</td>
</tr>
<tr>
<td>Greece</td>
<td>2.5</td>
<td>1.9</td>
<td>3.4</td>
<td>.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Portugal</td>
<td>2.6</td>
<td>1.7</td>
<td>27.3</td>
<td>.5</td>
<td>13.4</td>
</tr>
<tr>
<td>Bolivia</td>
<td>.2</td>
<td>.2</td>
<td></td>
<td></td>
<td>.1</td>
</tr>
<tr>
<td>Iraq</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.1</td>
</tr>
<tr>
<td>New Zealand</td>
<td>.2</td>
<td>.2</td>
<td></td>
<td></td>
<td>.8</td>
</tr>
<tr>
<td>Of South Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.1</td>
</tr>
<tr>
<td>Real British Countries</td>
<td>61.2</td>
<td>18.9</td>
<td>60.7</td>
<td>6.0</td>
<td>1.5</td>
</tr>
<tr>
<td>China</td>
<td>.5</td>
<td>.6</td>
<td>4.3</td>
<td>.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Greece</td>
<td>3.9</td>
<td>.5</td>
<td>1.1</td>
<td>.6</td>
<td>.6</td>
</tr>
<tr>
<td>Iceland</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.2</td>
</tr>
<tr>
<td>Other, India</td>
<td>.1</td>
<td></td>
<td></td>
<td></td>
<td>.1</td>
</tr>
<tr>
<td>Poland</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.1</td>
</tr>
<tr>
<td>Total Others</td>
<td>4.5</td>
<td>1.1</td>
<td>4.7</td>
<td>.1</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Treasury Department, Division of Monetary Research
January 30, 1942

Regraded Unclassified
Wartime Credits from the United States:

First Universal Trade Loan, December, 1938
- U.S.$ 25,000,000
- Limited to non-military purchases. To be repaid by tung oil shipments.

Second Universal Trade Loan, March, 1939
- 20,000,000
- Limited to non-military purchases. To be repaid by Yunnan tea shipments.

First Central Bank of China Loan, September, 1940
- 25,000,000
- To be repaid by tungsten shipments.

Second Central Bank of China Loan, December, 1940
- 50,000,000
- To be repaid by shipments of tungsten, tin and antimony.

Stabilization Fund Loan, April, 1941
- 50,000,000
- For purpose of monetary protection between American and Chinese currencies.

Wartime Credits from Great Britain:

Railway Loan of 1938
- £ 144,000
- For monetary protection between pound sterling and Chinese currency.

Stabilization Fund Loan of March, 1939
- £ 5,000,000

Commercial credit of June, 1939
- £ 3,000,000

General Supplies Loan of December, 1940
- £ 5,000,000

Stabilization Fund Loan of December, 1940
- £ 5,000,000
Early Credits from Czechoslovakia:

General Supplies Loan of 1937  $10,000,000

Early Credits from France:

Stabilization Fund Loan of 1937  Fr. 400,000,000
Annam-Cheminakwan Railway Loan of 1938  * 150,000,000
Suido-Hosing Railway Loan of 1938  * 480,000,000
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount Authorized</th>
<th>Authorized</th>
<th>Repaid</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Universal Trade Loan, December, 1938</td>
<td>$25,000,000</td>
<td>$22,000,000</td>
<td>$18,500,000</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>2nd Universal Trade Loan, March, 1939</td>
<td>20,000,000</td>
<td>13,000,000</td>
<td>2,200,000</td>
<td>10,800,000</td>
</tr>
<tr>
<td>1st Central Bank of China Loan, September, 1940</td>
<td>25,000,000</td>
<td>25,000,000</td>
<td>2,836,904</td>
<td>22,163,000</td>
</tr>
<tr>
<td>2nd Central Bank of China Loan, December, 1940</td>
<td>50,000,000</td>
<td>32,084,952</td>
<td>3,300,000</td>
<td>28,754,000</td>
</tr>
<tr>
<td>Unpaid balance of consolidated loans of R.F.C. and Farm Credit</td>
<td>16,608,000</td>
<td>8,208,000</td>
<td>8,400,000</td>
<td></td>
</tr>
<tr>
<td>Notes of 1937 Railway Loan bought by Export-Import Bank</td>
<td>733,200</td>
<td>635,440</td>
<td>97,760</td>
<td></td>
</tr>
<tr>
<td>Kang Chang Trading Corporation Loan</td>
<td>85,000</td>
<td></td>
<td>75,000</td>
<td></td>
</tr>
</tbody>
</table>
Mr. Bloom introduced the following joint resolution; which was referred to the Committee on Foreign Affairs

**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;

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 authorized to be 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 of the greatest possible importance: Therefore be it

1 Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,
2 That the Secretary of the Treasury, with the approval of the President, is hereby authorized, on behalf of the United States,
3 to loan or extend credit or give other financial aid to China
1 in an amount not to exceed in the aggregate $500,000,000 at
2 such time or times and upon such terms and conditions as the
3 Secretary of the Treasury with the approval of the President
4 shall deem in the interest of the United States.
5 Sec. 2. The authority herein granted shall be in addition
6 to any other authority provided by law.
7 Sec. 3. There is hereby authorized to be appropriated,
8 out of any money in the Treasury not otherwise appropriated,
9 such sum or sums not to exceed $500,000,000 as may be
10 necessary to carry out the provisions of this joint resolution.
TO: Mr. White
FROM: Mr. Friedman

Subject: Chinese reaction to loan announcement and proposals as to uses.

The following is based on a New York Times report from Chungking dated February 3, 1942:

1. The report gives statement by Dr. Chiang, Chinese Government spokesman, regarding the projected American loan.

2. Dr. Chiang said that the new loan would be used partly for purchases abroad and partly in China as security for a domestic loan that might be called a "victory loan." He expressed the opinion that the loan would undoubtedly contribute to currency stabilization in China because it would absorb some of the notes in circulation which are held partly responsible for rising commodity prices. In addition, the loan would be used to push forward certain railway projects for which rails are already on hand. He also stated that China will start an enormous number of enterprises based on China's manpower and such simple machinery as can be produced in China.

3. Dr. Chiang replied negatively when asked if any strings were attached to the loan.

4. On China's general stand, Dr. Chiang said: "During the last few weeks many assurances regarding the strategy of the United Nations have been given to China in the fear that she might shift in her stand with her allies because of the initial reverses suffered by Britain and America in the South Pacific. I can unhesitatingly say that such assurances were entirely unnecessary."
MEMORANDUM ON THE TREASURY'S EXCHANGE STABILIZATION AGREEMENTS WITH CHINA

The Secretary of the Treasury, using the United States Stabilization Fund, has entered into two stabilization agreements with China.

The Agreement of 1937

This Agreement was concluded on July 14, 1937 with the Central Bank of China. Under this Agreement the Secretary undertakes to purchase Chinese yuan up to an amount equivalent to $50 million, with the proviso that all the yuan purchased are to be fully collateralized by gold. This Agreement has been renewed each six months and now has an expiration date of June 30, 1942.

At the peak of activity of this Agreement, in early 1938, the United States Stabilization Fund had purchased and was holding 165 million yuan which had cost somewhat more than $45 million. A year later the Central Bank of China made two large repurchases of yuan which reduced the amount of yuan held by the Stabilization Fund to 65 million, secured by slightly more than $19 million in gold on deposit with the Federal Reserve Bank of New York. This is the present status of the account set up under the Agreement.

The Agreement of 1941

The war with Japan has subjected the Chinese yuan to heavy pressure as more and more of the territory from which Chinese exports had originated came under Japanese occupation. This
pressure was reflected by depreciation in the dollar value of the yuan from about 30 cents in 1937 to about 6 cents in 1940. In an effort to halt this depreciation and to restore stability to the yuan, the Secretary of the Treasury, on April 1, 1941, entered into an Agreement with the National Government of China and the Central Bank of China to purchase yuan up to the equivalent of $50 million. This Agreement differs from that of 1937 in that the Chinese are not obligated to provide collateral against our holdings of yuan. In accordance with the provisions of this Agreement, a Chinese Stabilization Board was set up, to which the Secretary of the Treasury named an American member and the British Government named a British member. The Chinese Government banks carried out their part of the Agreement by contributing $20 million to the stabilization fund which the Agreement envisaged.

In mid-August the Chinese Stabilization Board began its operations in China along two lines: (1) It bought such dollar exchange as was offered and sold dollars for certain specified imports -- primarily of essential commodities. (2) The Board attempted to reduce the volume of transactions outside of its official exchange market by setting up an exchange permit system. In this official market the Board maintained a rate of about 5-1/4 cents per yuan.

The main aim of the Stabilization Board at this time was to restrict imports into Shanghai to a level dictated by the interests
of Free China and friendly nations, thereby reducing the drain on China's foreign exchange resources and cutting off Shanghai as a channel for imports beneficial to the Japanese. The Treasury Department utilized its Foreign Funds Control organization to assist the Chinese Stabilization Board to achieve control over the flow of goods and funds between the United States and China. By December 1941 the Stabilization Board, with the help of the United States Treasury, had succeeded in establishing in China, including the occupied area, an effective foreign exchange system. It is now carrying on these functions although the necessity for exchange control operations has been considerably lessened both by the Japanese complete occupation of Shanghai and by the increasing quantity of goods being supplied to Free China by Lend-Lease.

Both of these Agreements -- of 1937 and 1941 -- are intact and operating to the full extent required by the Chinese foreign exchange situation.
February 4, 1943

Mr. White

Mr. Friedman

Subject: China Loan

I am appending a list of tables regarding the economic and financial situation in China which may be of assistance in connection with the Senate Committee hearing on the China loan.

Appendix A - Retail prices in Chungking.

Appendix B - Cost of living - Cost of living in Chengtu, a principal city in Free China.

Appendix C - Currency - Volume of currency in circulation.

Appendix D - Expenditures and Receipts of China.

Appendix E - Income Tax Receipts.

Appendix F - War-time Military Expenditures of Government of China.

Appendix G - Exchange Position of the Chinese Yuan - before Stabilization Board went into effect.

Appendix H - Position of the Chinese Yuan, Shangai Black Market - after Stabilization Board began to operate.

Appendix I - Stabilization Fund - Drawings on Chinese contribution of $20 million.

Appendix J - China's International Balance of Payments.

Appendix K - Chinese Funds in the United States.

Appendix L - Foreign Loans.

Appendix M - Foreign Trade.
Division of Monetary Research

Appendix N = Illeg. Remarks to China since freezing of Chinese assets.
Appendix O = Remarks-Sarathi Bank Credit to China.
Appendix P = Coins in China.
Appendix Q = Banknotes in Free China.
Appendix R = Reserve for Local Treasury notes of the Four Government Banks.
Appendix S = Commodities Produced in Free China.
Appendix T = Factories Removed to Free China - by provinces.
Appendix U = Factories Removed to Free China.
## APPENDIX A

### Retail Prices in Chungking, Capital of Free China, 1937-1941

(July, 1937 = 100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Period</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>July-December</td>
<td>100</td>
</tr>
<tr>
<td>1938</td>
<td>January-December</td>
<td>105</td>
</tr>
<tr>
<td>1939</td>
<td>January-December</td>
<td>115</td>
</tr>
<tr>
<td>1940</td>
<td>January-June</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>July-December</td>
<td>775</td>
</tr>
<tr>
<td>1941</td>
<td>January-June</td>
<td>1,590</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>2,511</td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>2,456</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>2,500</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>2,524</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>2,940</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>2,739</td>
</tr>
</tbody>
</table>

### Retail Prices in Chungking by Weeks, October 1941 to December, 1941

<table>
<thead>
<tr>
<th>Week</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1</td>
<td>2,851</td>
</tr>
<tr>
<td>October 8</td>
<td>2,312</td>
</tr>
<tr>
<td>October 15</td>
<td>2,365</td>
</tr>
<tr>
<td>October 22</td>
<td>2,322</td>
</tr>
<tr>
<td>October 29</td>
<td>2,352</td>
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<td>November 5</td>
<td>2,874</td>
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<tr>
<td>November 12</td>
<td>2,986</td>
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<td>November 19</td>
<td>2,761</td>
</tr>
<tr>
<td>November 26</td>
<td>2,719</td>
</tr>
<tr>
<td>December 3</td>
<td>2,763</td>
</tr>
<tr>
<td>December 10</td>
<td>2,731</td>
</tr>
<tr>
<td>December 17</td>
<td>2,771</td>
</tr>
<tr>
<td>December 24</td>
<td>2,692</td>
</tr>
</tbody>
</table>
APPENDIX B

LIVING COST IN CHENQW, PRINCIPAL CITY IN Szechwan

(February–June 1937 Average = 100)

<table>
<thead>
<tr>
<th>Date</th>
<th>Food</th>
<th>Clothing</th>
<th>Rent</th>
<th>Fuel</th>
<th>Miscellaneous</th>
<th>Total</th>
<th>Purchasing Power of Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>97</td>
<td>104</td>
<td>100</td>
<td>97</td>
<td>99</td>
<td>98</td>
<td>100</td>
</tr>
<tr>
<td>1938</td>
<td>92</td>
<td>140</td>
<td>105</td>
<td>98</td>
<td>112</td>
<td>101</td>
<td>98</td>
</tr>
<tr>
<td>1939</td>
<td>121</td>
<td>260</td>
<td>108</td>
<td>166</td>
<td>182</td>
<td>146</td>
<td>68</td>
</tr>
<tr>
<td>1940</td>
<td>442</td>
<td>847</td>
<td>114</td>
<td>614</td>
<td>383</td>
<td>449</td>
<td>22</td>
</tr>
<tr>
<td>1941</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 7</td>
<td>1,313</td>
<td>1,738</td>
<td>96</td>
<td>1,334</td>
<td>826</td>
<td>1,101</td>
<td>9</td>
</tr>
<tr>
<td>May 5</td>
<td>1,497</td>
<td>1,619</td>
<td>96</td>
<td>1,387</td>
<td>811</td>
<td>1,291</td>
<td>6</td>
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<tr>
<td>June 9</td>
<td>2,017</td>
<td>1,496</td>
<td>135</td>
<td>1,603</td>
<td>1,053</td>
<td>1,549</td>
<td>6</td>
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<tr>
<td>July 7</td>
<td>2,459</td>
<td>1,554</td>
<td>135</td>
<td>1,721</td>
<td>1,123</td>
<td>1,812</td>
<td>5</td>
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<tr>
<td>July 28</td>
<td>2,399</td>
<td>1,603</td>
<td>150</td>
<td>1,727</td>
<td>1,124</td>
<td>1,704</td>
<td>5</td>
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</tbody>
</table>

IBF/SEF/efs
2/3/42

Regraded Unclassified
APPENDIX C

Volume of Chinese National yuan in circulation in China
1937 – 1941.

(In Chinese yuan, 1,000,000) 1/

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June, 1937</td>
<td>1,407</td>
</tr>
<tr>
<td>June, 1938</td>
<td>1,727</td>
</tr>
<tr>
<td>June, 1939</td>
<td>2,968</td>
</tr>
<tr>
<td>December, 1939</td>
<td>4,286</td>
</tr>
<tr>
<td>June, 1940</td>
<td>6,063</td>
</tr>
<tr>
<td>December, 1940</td>
<td>7,867</td>
</tr>
<tr>
<td>November, 1941</td>
<td>14,360</td>
</tr>
<tr>
<td>December, 1941</td>
<td>15,360</td>
</tr>
</tbody>
</table>

1/ These figures have been compiled from various official and confidential Chinese sources.
## APPENDIX D

Statement of Expenditures and Receipts of the Government of China since 1937
(in millions of Chinese dollars)

<table>
<thead>
<tr>
<th>Receipts</th>
<th>July, 1937, through December, 1940</th>
<th>1941 1/</th>
<th>1942 2/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation</td>
<td>1,406</td>
<td>1,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Loans 2/</td>
<td>9,393</td>
<td>8,000</td>
<td>13,500</td>
</tr>
<tr>
<td>Other Sources</td>
<td>3,011</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,810</td>
<td>10,000</td>
<td>16,500</td>
</tr>
</tbody>
</table>

| Expenditures   | 11,810                             | 10,000  | 16,500  |

1/ Estimated
2/ In effect, issuance of new currency
3/ Estimated budget
## APPENDIX E

### INCOME TAX RECEIPTS
OF THE
GOVERNMENT OF CHINA
1936 – 1941
(in millions of Chinese dollars)

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Budget Estimates</th>
<th>Actual Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1936 – June 1937</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>July 1937 – June 1938</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>July – December 1938</td>
<td>12.5</td>
<td>10</td>
</tr>
<tr>
<td>January – December 1939</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>January – December 1940</td>
<td>35</td>
<td>45</td>
</tr>
<tr>
<td>January – December 1941</td>
<td>39</td>
<td>–</td>
</tr>
</tbody>
</table>

ISP/afs
2/3/42
APPENDIX F

WAR-TIME MILITARY EXPENDITURES
OF GOVERNMENT OF CHINA
(in thousands of dollars)

July 1, 1937 to June 30, 1938
July 1 to December 31, 1938
January 1 to December 31, 1939
January 1 to December 31, 1940
January 1 to December 31, 1941

CH$1,439,875
773,904
2,239,862
2,869,033
8,000,000 1/

1/ Estimated military expenditure according to 1941
budget was CH$2,701,570,000.
### APPENDIX G

**Average Exchange Value of the Chinese Yuan, 1935-40.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>$US.34572</td>
</tr>
<tr>
<td>1936</td>
<td>.29751</td>
</tr>
<tr>
<td>1937</td>
<td>.29606</td>
</tr>
<tr>
<td>1938</td>
<td>.21360</td>
</tr>
<tr>
<td>1939</td>
<td>.11379</td>
</tr>
<tr>
<td>1940</td>
<td>.06000</td>
</tr>
</tbody>
</table>

**Average Exchange Value of the Chinese Yuan by Months, January 1940 to July 1941**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>.07012</td>
</tr>
<tr>
<td>Feb.</td>
<td>.06409</td>
</tr>
<tr>
<td>Mar.</td>
<td>.05992</td>
</tr>
<tr>
<td>Apr.</td>
<td>.05063</td>
</tr>
<tr>
<td>May</td>
<td>.05760</td>
</tr>
<tr>
<td>June</td>
<td>.06018</td>
</tr>
<tr>
<td>July</td>
<td>.05476</td>
</tr>
<tr>
<td>Aug.</td>
<td>.05206</td>
</tr>
<tr>
<td>Sept.</td>
<td>.05682</td>
</tr>
<tr>
<td>Oct.</td>
<td>.05415</td>
</tr>
<tr>
<td>Nov.</td>
<td>.05690</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1941</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>.05391</td>
</tr>
<tr>
<td>Feb.</td>
<td>.05421</td>
</tr>
<tr>
<td>Mar.</td>
<td>.05158</td>
</tr>
<tr>
<td>Apr.</td>
<td>.05190</td>
</tr>
<tr>
<td>May</td>
<td>.05255</td>
</tr>
<tr>
<td>June</td>
<td>.05336</td>
</tr>
<tr>
<td>July</td>
<td>.05243</td>
</tr>
<tr>
<td>Date</td>
<td>Directive</td>
</tr>
<tr>
<td>------------</td>
<td>-----------</td>
</tr>
</tbody>
</table>
# APPENDIX I

**China—U.S. Dollar-Chinese Yuan Stabilization Fund of China Special Account**

(In thousands of dollars)

<table>
<thead>
<tr>
<th>Date</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 10, 1941</td>
<td>20,000</td>
</tr>
<tr>
<td>September 17, 1941</td>
<td>20,000</td>
</tr>
<tr>
<td>September 24, 1941</td>
<td>20,000</td>
</tr>
<tr>
<td>October 1, 1941</td>
<td>20,000</td>
</tr>
<tr>
<td>October 8, 1941</td>
<td>18,950</td>
</tr>
<tr>
<td>October 15, 1941</td>
<td>12,965</td>
</tr>
<tr>
<td>October 22, 1941</td>
<td>10,355</td>
</tr>
<tr>
<td>October 29, 1941</td>
<td>10,254</td>
</tr>
<tr>
<td>November 5, 1941</td>
<td>9,501</td>
</tr>
<tr>
<td>November 12, 1941</td>
<td>8,564</td>
</tr>
<tr>
<td>November 19, 1941</td>
<td>7,934</td>
</tr>
<tr>
<td>November 26, 1941</td>
<td>7,074</td>
</tr>
<tr>
<td>December 3, 1941</td>
<td>6,720</td>
</tr>
<tr>
<td>December 10, 1941</td>
<td>6,720</td>
</tr>
<tr>
<td>December 17, 1941</td>
<td>6,720</td>
</tr>
<tr>
<td>December 24, 1941</td>
<td>6,720</td>
</tr>
<tr>
<td>December 31, 1941</td>
<td>6,750</td>
</tr>
<tr>
<td>January 7, 1942</td>
<td>6,750</td>
</tr>
<tr>
<td>January 14, 1942</td>
<td>6,750</td>
</tr>
<tr>
<td>January 21, 1942</td>
<td>6,750</td>
</tr>
<tr>
<td>January 28, 1942</td>
<td>6,750</td>
</tr>
</tbody>
</table>
APPENDIX J

CHINA’S INTERNATIONAL BALANCE OF PAYMENTS 1939 1/

<table>
<thead>
<tr>
<th>In Payments</th>
<th></th>
<th>CHN. $1,027,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td></td>
<td>600,000,000</td>
</tr>
<tr>
<td>exports,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>such as</td>
<td></td>
<td></td>
</tr>
<tr>
<td>smuggling,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export of</td>
<td></td>
<td>4,400,000</td>
</tr>
<tr>
<td>gold and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>silver</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td></td>
<td>5,000,000</td>
</tr>
<tr>
<td>exports,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>including</td>
<td></td>
<td></td>
</tr>
<tr>
<td>smuggling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of gold,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remittances</td>
<td></td>
<td>2,000,000,000</td>
</tr>
<tr>
<td>from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td>2,400,000,000</td>
</tr>
<tr>
<td>of foreign</td>
<td></td>
<td></td>
</tr>
<tr>
<td>nationals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in China</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incess of</td>
<td></td>
<td>45,000,000</td>
</tr>
<tr>
<td>Chinese</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from foreign</td>
<td></td>
<td></td>
</tr>
<tr>
<td>bonds and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>debentures,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>CHN. $6,061,400,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Out Payments</th>
<th></th>
<th>CHN. $3,494,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td></td>
<td>223,400,000</td>
</tr>
<tr>
<td>imports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Import of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>gold and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>silver</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>foreign loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td></td>
<td>52,000,000</td>
</tr>
<tr>
<td>consular</td>
<td></td>
<td></td>
</tr>
<tr>
<td>offices and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>tourists</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign</td>
<td></td>
<td>31,000,000</td>
</tr>
<tr>
<td>insurance,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wartime</td>
<td></td>
<td>500,000,000</td>
</tr>
<tr>
<td>international</td>
<td></td>
<td></td>
</tr>
<tr>
<td>payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(exclude</td>
<td></td>
<td></td>
</tr>
<tr>
<td>credit loans)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight of</td>
<td></td>
<td>1,731,000,000</td>
</tr>
<tr>
<td>capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>CHN. $6,081,400,000</td>
</tr>
</tbody>
</table>

1/ Unofficial statement. No later information available.

ISF/efs
2/3/42
## APPENDIX K

### Chinese Funds in the United States

(Thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>July 2, 1941</th>
<th>Jan. 28, 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold on earmark</td>
<td>4,657</td>
<td>6,047</td>
</tr>
<tr>
<td>Special Account - Chinese Stabilization Fund</td>
<td></td>
<td>6,750</td>
</tr>
<tr>
<td>Deposits — Central Bank of China in New York Federal Reserve Bank</td>
<td>11,036</td>
<td>4,489</td>
</tr>
<tr>
<td>Deposits — Central Bank of China in commercial banks</td>
<td>35,215</td>
<td>10,452 1/21</td>
</tr>
<tr>
<td>Private Funds in End Federal Reserve District</td>
<td>113,788</td>
<td>123,314 1/21</td>
</tr>
<tr>
<td>Private Funds in other Federal Reserve Districts</td>
<td>1,370</td>
<td>3,500 1/7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>169,068</td>
<td>135,216</td>
</tr>
</tbody>
</table>

Regraded Unclassified
### Wartime Credits from the United States:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Amount</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Universal Trade Loan, December, 1938</td>
<td>$25,000,000</td>
<td>Limited to non-military purchases. To be repaid by tung oil shipments.</td>
</tr>
<tr>
<td>Second Universal Trade Loan, March, 1939</td>
<td>$20,000,000</td>
<td>Limited to non-military purchases. To be repaid by Tuman tin shipments.</td>
</tr>
<tr>
<td>First Central Bank of China Loan, September, 1940</td>
<td>$25,000,000</td>
<td>To be repaid by Tungsten shipments.</td>
</tr>
<tr>
<td>Second Central Bank of China Loan, December, 1940</td>
<td>$50,000,000</td>
<td>To be repaid by shipments of tungsten, tin and antimony.</td>
</tr>
<tr>
<td>Stabilization Fund Loan, April, 1941</td>
<td>$50,000,000</td>
<td>For purpose of monetary protection between American and Chinese currencies.</td>
</tr>
</tbody>
</table>

### Wartime Credits from the U.S.S.R.:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Amount</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Supplies Loan of October, 1938</td>
<td>$50,000,000</td>
<td>To be liquidated by shipment of agricultural products. (ditto)</td>
</tr>
<tr>
<td>General Supplies Loan of February, 1939</td>
<td>$50,000,000</td>
<td>(ditto)</td>
</tr>
<tr>
<td>General Supplies Loan of August, 1939</td>
<td>$150,000,000</td>
<td>(ditto)</td>
</tr>
<tr>
<td>General Supplies Loan of December, 1940</td>
<td>$50,000,000</td>
<td>(ditto)</td>
</tr>
</tbody>
</table>

### Wartime Credits from Great Britain:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Amount</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway Loan of 1938</td>
<td>£144,000</td>
<td>For monetary protection between pound sterling and Chinese currency.</td>
</tr>
<tr>
<td>Stabilization Fund Loan of March, 1939</td>
<td>£5,000,000</td>
<td></td>
</tr>
<tr>
<td>Commercial credit of June, 1939</td>
<td>£3,000,000</td>
<td></td>
</tr>
<tr>
<td>General Supplies Loan of December, 1940</td>
<td>£5,000,000</td>
<td></td>
</tr>
<tr>
<td>Stabilization Fund Loan of December, 1940</td>
<td>£5,000,000</td>
<td></td>
</tr>
</tbody>
</table>
Martian Credits from Earth's Armies:

General Supplies Loan of 1937

Stabilization Fund Loan of 1937

Annex-Conaclavan Railway Loan of 1939

Saturn-Undiing Railway Loan of 1939

12,000,000,000

400,000,000

1,800,000,000

400,000,000
## APPENDIX H

**China Foreign Trade**

*Value of Foreign Exports and Exports for Free China*

**1938 – 1949**

### Exports by country of origin (In thousands of dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>1938</th>
<th>1939</th>
<th>1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>13,534</td>
<td>8,292</td>
<td>11,700</td>
</tr>
<tr>
<td>Great Britain</td>
<td>3,307</td>
<td>1,679</td>
<td>3,646</td>
</tr>
<tr>
<td>Germany</td>
<td>12,764</td>
<td>3,562</td>
<td>2,574</td>
</tr>
<tr>
<td>France</td>
<td>917</td>
<td>532</td>
<td>605</td>
</tr>
<tr>
<td>U. S. S. R.</td>
<td>1,616</td>
<td>7</td>
<td>63</td>
</tr>
<tr>
<td>Japan</td>
<td>30</td>
<td>77</td>
<td>5</td>
</tr>
</tbody>
</table>

**Total** | 32,188 | 14,199 | 18,993 |

**Total including all other countries** | 51,920 | 20,596 | 61,624 |

### Imports

<table>
<thead>
<tr>
<th>Country</th>
<th>1938</th>
<th>1939</th>
<th>1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>106</td>
<td>181</td>
<td>697</td>
</tr>
<tr>
<td>Great Britain</td>
<td>1,577</td>
<td>337</td>
<td>86</td>
</tr>
<tr>
<td>Germany</td>
<td>390</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>France</td>
<td>633</td>
<td>406</td>
<td>513</td>
</tr>
<tr>
<td>U. S. S. R.</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Japan</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

**Total** | 2,368 | 934   | 1,296 |

**Total including all other countries** | 24,095 | 16,180 | 14,065 |

**IIF/111/af0**

*2/2/43*
## APPENDIX N

**U.S. Domestic Exports to Free China by Principal Commodities Since the Freezing of Chinese Assets, July 28, 1941 to January 11, 1942**

*(in thousands of U.S. dollars)*

<table>
<thead>
<tr>
<th>Total Domestic Exports</th>
<th>$37,093</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Automobiles and Trucks</strong></td>
<td>10,173</td>
</tr>
<tr>
<td>Aircraft, parts and accessories</td>
<td>5,153</td>
</tr>
<tr>
<td>Machine and Ordnance Guns and Parts</td>
<td>2,674</td>
</tr>
<tr>
<td>Cotton Manufactures</td>
<td>2,085</td>
</tr>
<tr>
<td>Cartridges, shells, projectiles and bombs</td>
<td>1,536</td>
</tr>
<tr>
<td>Auto parts and accessories</td>
<td>1,522</td>
</tr>
<tr>
<td>Industrial machinery, iron and steel semi-manufactures</td>
<td>1,286</td>
</tr>
<tr>
<td>Tires and tubes</td>
<td>1,282</td>
</tr>
<tr>
<td>Explosives and fuses</td>
<td>719</td>
</tr>
<tr>
<td>Printed matter</td>
<td>2,027</td>
</tr>
<tr>
<td>Others</td>
<td>7,157</td>
</tr>
</tbody>
</table>
## APPENDIX D

### EXPORT-IMPORT BANK CREDITS TO CHINA

<table>
<thead>
<tr>
<th>Loan Description</th>
<th>Amount Authorized</th>
<th>Disbursed</th>
<th>Repaid</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Universal Trade Loan, December, 1938</td>
<td>$25,000,000</td>
<td>$22,000,000</td>
<td>$18,500,000</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>2nd Universal Trade Loan, March, 1939</td>
<td>20,000,000</td>
<td>13,000,000</td>
<td>2,200,000</td>
<td>10,800,000</td>
</tr>
<tr>
<td>1st Central Bank of China Loan, September, 1940</td>
<td>25,000,000</td>
<td>25,000,000</td>
<td>2,836,904</td>
<td>22,163,000</td>
</tr>
<tr>
<td>2nd Central Bank of China Loan, December, 1940</td>
<td>50,000,000</td>
<td>32,084,958</td>
<td>3,300,000</td>
<td>28,754,000</td>
</tr>
<tr>
<td>Unpaid balance of consolidated loans of R.F.C. and Farm Credit</td>
<td>16,608,000</td>
<td></td>
<td>8,208,000</td>
<td>8,400,000</td>
</tr>
<tr>
<td>Notes of 1937 Railway Loan bought by Export-Import Bank</td>
<td></td>
<td></td>
<td>635,440</td>
<td>97,760</td>
</tr>
<tr>
<td>Wang Chang Trading Corporation Loan</td>
<td>85,000</td>
<td></td>
<td>75,000</td>
<td></td>
</tr>
</tbody>
</table>
## APPENDIX P

AMOUNT OF COINS MINTED IN CHINA

(December, 1940)

<table>
<thead>
<tr>
<th>Kind of Coins</th>
<th>Number of Coins</th>
<th>Value in Chinese Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silver Dollars</td>
<td>1,954,357,766</td>
<td>1,954,357,766</td>
</tr>
<tr>
<td>Silver Subsidiary Coin</td>
<td>2,908,154,091</td>
<td>611,388,470.35</td>
</tr>
<tr>
<td>Copper Subsidiary Coin</td>
<td>27,635,528,138</td>
<td>287,642,588.61</td>
</tr>
<tr>
<td>Nickel Subsidiary Coin</td>
<td>999,644,082</td>
<td>72,739,999.10</td>
</tr>
<tr>
<td>Lead Subsidiary Coin</td>
<td>50,000,000</td>
<td>1,500,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,347,642,047</strong></td>
<td><strong>2,927,628,684.06</strong></td>
</tr>
</tbody>
</table>
## APPENDIX C

### BANKS AND BRANCHES OTHER THAN NATIVE BANKS IN FREE CHINA

1937 and 1941

<table>
<thead>
<tr>
<th>Location</th>
<th>1937</th>
<th>1941</th>
<th>1937</th>
<th>1941</th>
<th>1937</th>
<th>1941</th>
</tr>
</thead>
<tbody>
<tr>
<td>Szechuan</td>
<td>15</td>
<td>21</td>
<td>110</td>
<td>163</td>
<td>125</td>
<td>184</td>
</tr>
<tr>
<td>Kansu</td>
<td>-</td>
<td>1</td>
<td>5</td>
<td>10</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Sikang</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Shanxi</td>
<td>2</td>
<td>2</td>
<td>44</td>
<td>52</td>
<td>50</td>
<td>54</td>
</tr>
<tr>
<td>Kwangtung</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Tsinghai</td>
<td>-</td>
<td>-</td>
<td>6</td>
<td>47</td>
<td>7</td>
<td>90</td>
</tr>
<tr>
<td>Yunnan</td>
<td>1</td>
<td>3</td>
<td>70</td>
<td>73</td>
<td>74</td>
<td>82</td>
</tr>
<tr>
<td>Fukien</td>
<td>4</td>
<td>4</td>
<td>42</td>
<td>62</td>
<td>44</td>
<td>64</td>
</tr>
<tr>
<td>Kwangsi</td>
<td>2</td>
<td>2</td>
<td>52</td>
<td>59</td>
<td>59</td>
<td>66</td>
</tr>
<tr>
<td>Hsinking</td>
<td>2</td>
<td>2</td>
<td>10</td>
<td>9</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Chahar</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Ningsia</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

| Total    | 34   | 43   | 363  | 512  | 398  | 553  |

Regraded Unclassified
# APPENDIX B

## AMOUNT OF RESERVE FOR LEGAL TENDER NOTES OF THE FOUR GOVERNMENT BANKS

**December 26, 1940**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Central Bank of China</th>
<th>Bank of Communications</th>
<th>Bank of Communications</th>
<th>Bank of China</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Exchange</td>
<td>58,964,277.54</td>
<td>134,923,026.25</td>
<td>69,783,907.98</td>
<td>486,418.00</td>
<td>262,797,481.77</td>
</tr>
<tr>
<td>Gold</td>
<td>74,239,226.23</td>
<td>88,917,668.54</td>
<td>92,546,896.91</td>
<td>35,242,969.68</td>
<td>250,946,686.36</td>
</tr>
<tr>
<td>Silver</td>
<td>235,617,436.56</td>
<td>123,894,908.92</td>
<td>63,699,111.05</td>
<td>49,311,099.61</td>
<td>452,522,596.34</td>
</tr>
<tr>
<td>Short-term commercial papers, warehouse receipts, negotiable stocks</td>
<td>661,517,034.64</td>
<td>435,977,555.42</td>
<td>279,474,204.06</td>
<td>285,665,851.90</td>
<td>1,652,634,645.62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,028,997,924.97</td>
<td>783,733,984.93</td>
<td>465,540,022.00</td>
<td>370,705,399.99</td>
<td>2,648,861,380.99</td>
</tr>
<tr>
<td>Security Reserve</td>
<td>2,822,631,967.53</td>
<td>1,163,200,475.67</td>
<td>863,503,973.00</td>
<td>366,466,543.01</td>
<td>5,217,802,497.42</td>
</tr>
<tr>
<td>Grand Total</td>
<td>3,851,659,562.50</td>
<td>1,946,133,581.00</td>
<td>1,329,007,995.00</td>
<td>739,172,830.00</td>
<td>7,068,664,347.50</td>
</tr>
</tbody>
</table>

* This amount represents 33.6% of the total reserve, but, as a matter of fact, the Government, necessitated in meeting the high war expenditures, has been compelled to resort to its use which in not made known to the public in order not to jeopardise confidence.
APPENDIX B

COMMODITIES PRODUCED IN

FREE CHINA 2/

(in thousands)

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Units</th>
<th>1937</th>
<th>1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>tons</td>
<td>3,600</td>
<td>5,300</td>
</tr>
<tr>
<td>Iron</td>
<td>tons</td>
<td>31</td>
<td>100</td>
</tr>
<tr>
<td>Copper</td>
<td>tons</td>
<td>.4</td>
<td>1</td>
</tr>
<tr>
<td>Petroleum</td>
<td>gallons</td>
<td>34</td>
<td>440</td>
</tr>
<tr>
<td>Alcohol</td>
<td>gallons</td>
<td>1,800</td>
<td>4,500</td>
</tr>
<tr>
<td>Cotton yarn</td>
<td>bales</td>
<td>30</td>
<td>54</td>
</tr>
<tr>
<td>Flour</td>
<td>sacks</td>
<td>1,710</td>
<td>3,400</td>
</tr>
<tr>
<td>Soap</td>
<td>boxes</td>
<td>99</td>
<td>309</td>
</tr>
<tr>
<td>Matches</td>
<td>boxes</td>
<td>7</td>
<td>11.7</td>
</tr>
<tr>
<td>Paper</td>
<td>tons</td>
<td>.6</td>
<td>1.8</td>
</tr>
</tbody>
</table>

2/ Unofficial

157/afr
2/2/42
## APPENDIX T

**NUMBER OF FACTORIES AND MINES REMOVED TO AND RECONSTRUCTED IN FREE CHINA AS OF END OF DECEMBER, 1939**

(Classified according to provinces and kinds of industry)

<table>
<thead>
<tr>
<th>Kind of Industry</th>
<th>Total</th>
<th>Szechwan</th>
<th>Hunan</th>
<th>Kwangsi</th>
<th>Shensi</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron and Steel</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Machinery</td>
<td>168</td>
<td>96</td>
<td>50</td>
<td>11</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Electrical Instruments</td>
<td>28</td>
<td>18</td>
<td>6</td>
<td>3</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemical</td>
<td>54</td>
<td>34</td>
<td>9</td>
<td>1</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Textile and Dyse</td>
<td>92</td>
<td>20</td>
<td>52</td>
<td>3</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>22</td>
<td>12</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Educational Supplies</td>
<td>31</td>
<td>26</td>
<td>1</td>
<td>8</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Others</td>
<td>14</td>
<td>12</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Mining</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>418</td>
<td>223</td>
<td>122</td>
<td>23</td>
<td>27</td>
<td>23</td>
</tr>
</tbody>
</table>

Regraded Unclassified
APPENDIX U  
NUMBER OF FACTORIES AND MINES  
REMOVED TO AND RECONSTRUCTED IN FREE CHINA

<table>
<thead>
<tr>
<th></th>
<th>As of the end of Dec. 1938</th>
<th>As of the end of June 1939</th>
<th>As of the end of Dec. 1939</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Factories &amp; Mines Removed</td>
<td>304</td>
<td>386</td>
<td>418</td>
</tr>
<tr>
<td>Total Weight of Machinery (tons)</td>
<td>51,182.50</td>
<td>67,254.30</td>
<td>70,037.30</td>
</tr>
<tr>
<td>Number of Workers Removed</td>
<td>1,793</td>
<td>8,015</td>
<td>11,413</td>
</tr>
<tr>
<td>Number of Factories &amp; Mines Reconstructed</td>
<td>81</td>
<td>229</td>
<td>274</td>
</tr>
<tr>
<td>Value of Production</td>
<td>NC$5,512,541</td>
<td>NC$16,079,819</td>
<td>NC$34,269,223</td>
</tr>
<tr>
<td>Average Monthly Value of Production per Factory or Mine</td>
<td>NC$11,682</td>
<td>NC$14,749</td>
<td>NC$17,721</td>
</tr>
</tbody>
</table>
77th CONGRESS  |  HOUSE OF REPRESENTATIVES  |  REPORT No. ______

[REPORTED WITHOUT AMENDMENT]

AUTHORIZED FINANCIAL AID TO CHINA

—Ordered to be printed

Mr. Bloom, from the Committee on Foreign Affairs, submitted the following REPORT

[To accompany H.R. Res. 276 ______]

The Committee on Foreign Affairs, to which was referred the joint resolution (H.R. Res. 276)

To authorize the President of the United States to render financial aid to China, and for other purposes having considered the same, reports favorably and unanimously thereon without amendment and recommends that the joint resolution do pass.
The joint resolution would authorize the Secretary of the Treasury, with the approval of the President, to loan or extend credit or give other financial aid to China in an amount not to exceed $500,000,000, upon terms and conditions to be determined by the Secretary of the Treasury with the approval of the President. The joint resolution also provides for an authorization of an appropriation to carry out its purposes and contains a provision that the authority therein granted shall be in addition to any other authority provided by law.

The Committee on Foreign Affairs, in executive session on February 3, 1942, heard testimony from the Secretary of the Treasury, Henry Morgenthau, Jr., the Secretary of War, Harry L. Hopkins, the Secretary of the Navy, Frank Knox, the Secretary of Commerce, Jesse H. Jones, and Assistant Secretary of State, Breckinridge Long. The witnesses discussed the background of war relations with China and detailed the recent political, military and economic developments. In the opinion of the Committee these developments fully justify the financial aid which this joint resolution could authorize.

It was thought desirable that the Secretary of the Treasury, acting with the approval of the President, should be given the widest possible latitude in arranging for the financial aid to be extended. The joint resolution was deemed adequate to permit the Secretary of the Treasury, acting with the approval of the President, to accept any direct or indirect benefit to the United States as ample consideration for either part or the whole of the assistance to be extended to China.

The witnesses reported to the Committee the various forms of credits and loans and aids that have heretofore been extended to China and the splendid record of the Chinese Government in discharging its
The victory of the Chinese is this battle for their national existence.

The United States and China have been attacked by China. This country which attacked China in 1987, the Chinese will inevitably attack against aggression. The Chinese, in a period of five years, have made a resilient front against aggression. The Chinese people have won the unwavering patience of their war until China is declared war on China by the United States. The Chinese will attack China after declaration of war on China.

Today the Chinese people have made an immortal demonstration. The Chinese have made a demonstration that shall be written in the annals of history. This demonstration has shown the Chinese people the path of immortality. The Chinese people have shown the world that China is a country of immortality.
the aggressor nations, as coequals in arms fighting for the same great purpose against common enemies. In the declaration of January 1, 1943 by the United Nations, the United States and China and their associates took a common pledge to cooperate fully to the end that the war against Japan and its partners should be successfully carried on to victory.

In essence, this measure of financial assistance is intended to contribute toward the same strengthening within China of the structure of economic, financial and production measures that is being found necessary within the United States for the pursuit and winning of the war.

The long historic association, cultural, educational, and economic, which has thrived between the United States and China since the early days of our Republic, is now further amalgamated in a common war effort. This measure will be a further manifestation of the unity of purpose, the tenacity, the faith and the determination of the free nations that are united in defense of freedom.
February 3, 1942
12:22 p.m.

W.Jr: Hello.
Operator: Dr. Soong.
W.Jr: Hello.
T. V. Soong: Hello, Mr. Secretary.
W.Jr: I thought I'd like to be, I hope, the first to tell you that the Committee reported the bill out unanimously.
S: Oh, thank you, thank you. Great news, indeed.
W.Jr: And the attitude of the Committee was really wonderful. There wasn't a single person there but what was friendly to China, not one.
S: Uh huh. That's - I'm sure the Generalissimo will be very happy.
W.Jr: I never saw a finer attitude. The whole Committee were all friendly.
S: Well, you have done great work on it, Mr. Secretary.
W.Jr: Well, it's easy, because China has so many friends. China has so many real friends here.
S: Yes, yes. But we knew how - in spite of that - how hard you have been working to line them up.
W.Jr: Well, it's just - it always takes one person, you know who - as I say, Thursday morning I made up my mind that I'd do that and nothing else until I got it through.
S: Yes.
W.Jr: But it's going along beautifully.
S: That's fine.
W.Jr: Even better than I had hoped for.
S: Uh huh. That's great news.

HMJr: I saw some of the statements of the United Press out of Chungking, and they read very well.

S: Uh huh.

HMJr: There are some statements have come out.

S: Yeah.

HMJr: If you get anything, I'd like to see it.

S: I shall send it to you.

HMJr: Right.

S: Thank you. Good-bye.
February 3, 1942
2:31 p.m.

HMJr: Hello.
Operator: Secretary Knox.
HMJr: Hello.
Secretary Knox: Hello, Henry.
HMJr: How are you?
K: I just called you up to tell you that I thought your hearing went off very, very well indeed; and unless I'm a Chinaman without a haircut, that thing is going through without any opposition.
HMJr: Well, that's very nice. I hope you're right. I've seldom heard a finer presentation than Stimson made.
K: Oh, that was a peach.
HMJr: That was a peach.
K: That certainly was.
HMJr: But it just shows that if we all put our shoulder to the wheel, we can get something through.
K: You bet.
HMJr: Yeah.
K: Yeah. Well, that's fine. I congratulate you.
HMJr: And the reaction out of Chungking is wonderful.
K: Oh, is that so?
HMJr: Yes. There was a lot of stuff on the United Press ticker, if you ask one of your boys to show it to you. It came over fairly early this morning.
K: I see.
HMJr: Do you have a United Press ticker over there?
K: Yeah. Oh, I don't know whether it's United Press. We've got a ticker here. I presume it is.

HMJr: And it was some awfully good stuff.

K: That's good.

HMJr: They're going to spit in the Japanese eye now.

K: That's good.

HMJr: Yeah.

K: All right, Henry.

HMJr: Thanks for all the help you gave. What you said was right to the point and very forceful.

K: Well, thank you, Henry.

HMJr: And it was very convincing.

K: Well, it started with our friend Henry.

HMJr: You're right.

K: Yeah, he did a swell job. All I could do was echo him.

HMJr: Well, I'm seeing you tonight.

K: That's right. What time do we get to your office? It's your office, is it?

HMJr: That's what your boys have told me. They've handled it. I think - we're supposed to go on, I think, at quarter of nine, they tell me.

K: Well, I'll be down there by half-past eight.

HMJr: That's what they told me.

K: Uh huh.

HMJr: Eight-thirty.

K: All right.
HMJr: Thank you.
K: Good-bye, Henry.
Radio Broadcast "Meet Your Navy"
via NBC Blue Network, Tuesday,
February 3, 1942 From 8:30 - 9:00 P.M.

Secretary Morgenthau

Secretary Knox

Mr. Ralph A. Bard, Asst Secy of Navy

Admiral Ray Spear

Admiral Charles Conard

Commander Gerald A. Eubank

Lieut. Frank George

Lieut. H. W. Strecker

Roy Collins

Jack Hartley

Secretary Knox's Guard

John Dillon

D. W. Bell

Mr. Broughton

Mr. Bartelt

Mr. Callahan

Mr. Gilchrist

Mr. Schwarz

Mr. Kuhn

7:20

Keith Williams, Engineers

Jack Roney, Announcer

Bryson Rasch, Announcer

Newspaper men

Photographers
FOR BROADCAST ON 3 FEBRUARY, 1942

INTRODUCTION FROM CHICAGO:

ANNCR: There's more entertainment here at the Great Lakes Naval Training Station. Right now, however, we'd like to take you to Washington for an event that means good news for America but bad news for the enemies of our country. At this moment the office of Secretary of the Treasury Henry Morgenthau is filled with high officials of the Treasury and the Navy Department, Secretary Morgenthau is at his desk. At his side, and now facing our microphone, is the Secretary of the Navy, the Honorable Frank Knox. But let's all listen to the big news. We hear first from Secretary of the Navy Frank Knox, speaking from the Treasury Department in Washington.

(SWITCH TO WASHINGTON ON UNDERLINED CUE)

SECRETARY KNOX: Good evening to you all ... Just a very few months ago, Secretary Morgenthau, you wrote me a letter in which you outlined the hope that civilian and uniformed Personnel of the Navy would cooperate in buying Defense Savings Bonds and Stamps. Tonight I have come here to tell you that your hope has been realized, and more than realized. The Navy accepted your letter as a patriotic challenge, and we'd like to
pass along this challenge to industry and to the country as a whole. At this time I hold in my hand a check made out with a figure which I believe will come to you as a pleasant surprise. Before I give you the check, I'd like to tell you something about what we've accomplished, and about the accomplishment which we have pledged for the future.

The Navy, at the beginning of January, put into effect a plan whereby civilian employees in Navy Yards and Stations could voluntarily reserve a part of each pay check as payment or part payment for any desired denomination of defense bonds. Even before this plan was completed, pledges have begun to come in totalling thousands and hundreds of thousands of dollars, the Navy Yard at Puget Sound leading the way. When the pay-roll savings plan was actually placed in operation, the first report came from the Charleston, South Carolina, Navy Yard, where twelve thousand workers are employed. Those twelve thousand workers signed up 100 per cent on the Defense Savings Honor Roll. Other Navy Yards and Shore Stations manifested similar enthusiasm, and the voluntary allotment plan is now spreading to the men aboard our fighting ships at sea. Those actions, better than any words of mine, tell you that the civilian as well as the uniformed personnel of our Navy is in this fight to the finish, and that they mean to...
win.....Such a spirit is understandable among
the men who actually fire the guns. Yet it is
just as strong among the men who make the guns
—it is just as strong among the men who make
the ships and planes, and among the men and
women who work in Navy shops and offices. This
is an American spirit of which we can all be
proud.....Mr. Morgenthau, it now becomes a happy
duty for me to hand you a check, representing
purchases of Defense Savings Bonds by Navy
Department employees during the month of December.
This check for December, Mr. Morgenthau, amounts
to almost one million, seven hundred thousand
dollars. Yet I can tell you that this amount
is a mere preliminary to what is to follow, under
the Navy's voluntary pay-roll allotment, for
Defense Bond Purchase. The civilian workers of
the Navy want me to tell you that they are now
committed to buy Defense Savings Bonds during
1942, with a maturity value of at least fifty-five
million dollars. Speaking for myself, Mr. Morgenthau,
I want to express my belief that they will not
only fulfill this pledge; I believe they will
exceed it. The factory and office workers of the
Navy are showing a patriotic spirit which matches
that of the Navy's men behind the guns. On their
behalf, I am proud to hold up their record as a
challenge to the country at large.
MEMORANDUM TO THE PRESS

The following remarks will be made by Secretary of the Navy Knox and Secretary of the Treasury Morgenthau tonight on the occasion of the presentation of a check of approximately $1,700,000 by Secretary Knox to Secretary Morgenthau. The sum represents the total sales of Defense Savings Bonds at Naval shore establishments during the month of December. The ceremony will be held in Mr. Morgenthau’s offices and will be broadcast over the Blue Network.

Secretary Knox:

"Good evening to you all...Just a very few months ago, Secretary Morgenthau, you wrote me a letter in which you outlined the hope that civilian and uniformed personnel of the Navy would cooperate in buying Defense Savings Bonds and Stamps. Tonight I have come here to tell you that your hope has been realized, and more than realized. The Navy accepted your letter as a patriotic challenge, and we'd like to pass along this challenge to industry and to the country as a whole. At this time I hold in my hand a check made out with a figure which I believe will come to you as a pleasant surprise. Before I give you the check, I'd like to tell you something about what we've accomplished, and about the accomplishment which we have pledged for the future.....

"The Navy, at the beginning of January, put into effect a plan whereby civilian employees in Navy Yards and Stations could voluntarily reserve a part of each pay check as payment or part payment for any desired denomination of defense bonds. Even before this plan was completed, pledges have begun to come in totalling thousands and hundreds of thousands of dollars, the Navy Yard at Puget Sound leading the way. When the payroll savings plan was actually placed in operation, the first report came from the Charleston, South Carolina, Navy Yard, where twelve thousand workers are employed. Those twelve thousand workers signed up 100 percent on the Defense Savings Honor Roll. Other Navy Yards and Shore Stations manifested similar enthusiasm, and the voluntary allotment plan is now spreading to the men aboard our fighting ships at sea. Those actions, better than any words of mine, tell you that the civilian as well as the uniformed personnel of our Navy is in this fight to the finish, and that they mean to win.....Such a spirit is understandable among the men who actually fire the guns. Yet it is just as strong among the men who make the guns— it is just as strong among the men who make the ships and planes, and among the men and women who work in Navy shops and offices. This is an American spirit of which we can all be proud....Mr. Morgenthau, it now becomes a happy duty for me to hand you a check, representing purchases of Defense Savings Bonds by Navy employ...
during the month of December. This check for December, Mr. Morgenthau, amounts to almost one million, seven hundred thousand dollars. Yet I can tell you that this amount is a mere preliminary to what is to follow, under the Navy’s voluntary pay-roll allotment, for Defense Bond Purchase. The civilian workers of the Navy want me to tell you that they are now committed to buy Defense Savings Bonds during 1942, with a maturity value of at least sixty-two million dollars. Speaking for myself, Mr. Morgenthau, I want to express my belief that they will not only fulfill this pledge; I believe they will exceed it. The factory and office workers of the Navy are showing a patriotic spirit which matches that of the Navy’s men behind the guns. On their behalf, I am proud to hold up their record as a challenge to the country at large.”

Secretary Morgenthau:

“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. 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.”

********
READING COPY OF
RADIO TALK WITH SECRETARY KNOX FROM
HM,Jr's OFFICE ON THE "MEET YOUR NAVY"
PROGRAM, February 3, 1942, FROM HM,Jr's
OFFICE.
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. This is the biggest check we have ever had from any organization since the launching of the Defense Savings campaign last May.

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.

---

Regraded Unclassified
Graves reported at Group on 12/31/41. Plan has been laid before committee of the industry which has been organized, and Graves thinks we ought to work through them.

Follow up 1/12/41 - Graves away

See Graves memo of 1/3/42 - Finished
December 31, 1941

FOLLOW-UP FOR THE SECRETARY:

You have requested that Mr. Graves consider and report to you on your suggestion that arrangements be made to have Defense Savings Stamps put on sale at moving picture theaters and other places of amusement which sell tickets.
December 26, 1941

Harold Graves
Secretary Morgenthau

I would like to suggest that we make arrangements to have our Defense Savings stamps put on sale at the box office of every moving picture theater and every place of amusement that sells tickets in the United States. Please give me a report on this as soon as you know whether you can put it across.

I have just read your weekly report and I think it is an excellent one. I am particularly impressed with the great number of cartoons which have used our Defense Savings stamps in one form or another.
February 3, 1942

MEMORANDUM FOR THE SECRETARY:

I hand you herewith a memorandum from Mr. Duffus, reporting upon the project to have Defense Savings Stamps placed on sale at motion-picture theaters.

GRAVES
TO  
Mr. Graves

FROM  
Mr. Duffus

I attended a meeting last Tuesday afternoon with the Motion Picture Exhibitors' section of the War Activities Committee of the Motion Picture Industry in New York City.

This committee represents 13,000 theatres in the United States, and they passed a resolution that they will immediately make arrangements to place Defense Stamps on sale in all theatres. Where it is possible, the theatres will conduct the sale in special booths and candy counters as we have, with their help, conducted tests at theatre box offices and find that they do not sell Defense Stamps in this manner but that the special booths will sell Defense Stamps.
February 2, 1942

602 Sloane Bldg.
709 12th St. N.W.

Dear Mr. Freeman:

Just a word of thanks for making Dorothy Lamour available to us so that it was possible for her to do the very splendid job that she has just completed.

Miss Lamour not only actually sold Defense Bonds and Stamps, but also brought about a closer unity in a number of our offices.

Again, many thanks, and with hopes that we may be able to continue this type of promotion, I remain

Sincerely,

Carlton Duffus
In Charge Special Activities

Mr. Y. Frank Freeman
Paramount Pictures Inc.
550 L. Marathon Avenue
Hollywood, California

CD/ca

Mr. Graves
CC: Mr. Beetson
Miss Lamour
Mr. Sloan

Regraded Unclassified
Unfilled Orders for Savings Bonds at the Federal Reserve Banks and the Post Office Department
January 20 to date

(In thousands of pieces)

<table>
<thead>
<tr>
<th>Date</th>
<th>Unfilled orders at opening of business</th>
<th>New orders received this day</th>
<th>Bonds manufactured this day</th>
<th>Unfilled orders at close of business</th>
<th>Stock of bonds on hand*</th>
<th>Stock of IBM deliveries this day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 20</td>
<td>202</td>
<td>204</td>
<td>800</td>
<td>36</td>
<td>1,184</td>
<td>1,000</td>
</tr>
<tr>
<td>Jan. 21</td>
<td>36</td>
<td>411</td>
<td>800</td>
<td>36</td>
<td>1,546</td>
<td>875</td>
</tr>
<tr>
<td>Jan. 22</td>
<td>59</td>
<td>697</td>
<td>800</td>
<td>50</td>
<td>1,676</td>
<td>1,000</td>
</tr>
<tr>
<td>Jan. 23</td>
<td>59</td>
<td>569</td>
<td>800</td>
<td>22</td>
<td>1,871</td>
<td>1,000</td>
</tr>
<tr>
<td>Jan. 24</td>
<td>50</td>
<td>727</td>
<td>800</td>
<td>22</td>
<td>1,922</td>
<td>1,000</td>
</tr>
<tr>
<td>Jan. 25</td>
<td>28</td>
<td>none-no mail</td>
<td>none-closed</td>
<td>28</td>
<td>1,922</td>
<td>-</td>
</tr>
<tr>
<td>Jan. 26</td>
<td>28</td>
<td>490</td>
<td>1,000 1/</td>
<td>7</td>
<td>2,011</td>
<td>2,000</td>
</tr>
<tr>
<td>Jan. 27</td>
<td>7</td>
<td>434</td>
<td>1,000 1/</td>
<td>7</td>
<td>2,177</td>
<td>-</td>
</tr>
<tr>
<td>Jan. 28</td>
<td>7</td>
<td>474</td>
<td>1,000 2/</td>
<td>6</td>
<td>2,102</td>
<td>2,000</td>
</tr>
<tr>
<td>Jan. 29</td>
<td>6</td>
<td>407</td>
<td>1,000 2/</td>
<td>6</td>
<td>2,097</td>
<td>-</td>
</tr>
<tr>
<td>Jan. 30</td>
<td>8</td>
<td>426</td>
<td>600 2/</td>
<td>6</td>
<td>1,869</td>
<td>2,000</td>
</tr>
<tr>
<td>Jan. 31</td>
<td>6</td>
<td>404</td>
<td>600 1/</td>
<td>9</td>
<td>1,868</td>
<td>-</td>
</tr>
<tr>
<td>Feb. 1</td>
<td>9</td>
<td>none-no mail</td>
<td>none-closed</td>
<td>9</td>
<td>1,868</td>
<td>-</td>
</tr>
<tr>
<td>Feb. 2</td>
<td>9</td>
<td>402</td>
<td>600 2/</td>
<td>11</td>
<td>1,668</td>
<td>-</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics.
February 3, 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
First Business Day of February and January 1942 and December 1941
(February 2, January 1, December 1)
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>February 1942</td>
<td>January 1942</td>
<td>December 1941</td>
</tr>
<tr>
<td>Series E - Post Offices</td>
<td>$ 8,435</td>
<td>$ 3,982</td>
<td>$ 2,976</td>
</tr>
<tr>
<td>Series E - Banks</td>
<td>34,150</td>
<td>10,229</td>
<td>3,904</td>
</tr>
<tr>
<td>Series F - Total</td>
<td>42,585</td>
<td>14,211</td>
<td>6,880</td>
</tr>
<tr>
<td>Series F - Banks</td>
<td>6,191</td>
<td>1,964</td>
<td>1,333</td>
</tr>
<tr>
<td>Series G - Banks</td>
<td>19,795</td>
<td>7,605</td>
<td>7,220</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$68,571</strong></td>
<td><strong>$23,780</strong></td>
<td><strong>$15,434</strong></td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics. February 3, 1942.

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

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

Regraded Unclassified
Stock of Series E Savings Bonds on Hand 1/ January 20, 1942 to date

(In thousands of pieces)

<table>
<thead>
<tr>
<th>Date</th>
<th>Stock on hand beginning of day</th>
<th>Sales of this day</th>
<th>Bonds manufactured this day</th>
<th>Stock on hand close of day</th>
<th>IBM deliveries this day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 20</td>
<td>8,101</td>
<td>216</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>9,998</td>
<td>1,000</td>
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<tr>
<td>24</td>
<td>9,998</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>
<tr>
<td>30</td>
<td>13,336</td>
<td>283</td>
<td>800</td>
<td>13,853</td>
<td>2,000</td>
</tr>
<tr>
<td>31</td>
<td>13,853</td>
<td>139</td>
<td>800</td>
<td>14,514</td>
<td>-</td>
</tr>
<tr>
<td>Feb. 1</td>
<td>14,514</td>
<td>none-closed</td>
<td>none-closed</td>
<td>14,514</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>14,514</td>
<td>505</td>
<td>800</td>
<td>14,509</td>
<td>-</td>
</tr>
</tbody>
</table>

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

February 5, 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

## Daily Sales - February 1942

On Basis of Issue Price

(In thousands of dollars)

<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 F</td>
</tr>
<tr>
<td>February 1942</td>
<td>8,435</td>
<td>$34,150</td>
<td>$6,191</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.
February 3, 1942
2:38 p.m.

Operator: Mr. Graves.

Harold Graves: Yes.

HM Jr: Harold.

G: Yes, sir.

HM Jr: I'm not at all satisfied with the sales through the Post Office....

G: Uh huh.

HM Jr: .....of Defense Bonds, and I wish that you'd make some suggestions to me. I made some to you. I don't know whether any of my suggestions have ever been put into effect. I know weeks ago I asked that we put somebody in the post offices and try them. I never have had a report on it or anything.

G: You're referring to the December figure, are you, Mr. Morgenthau?

HM Jr: No, I'm referring to every day. I made a suggestion that we try a couple of post offices, having a man on the outside and trying to sell them.

G: Yeah.

HM Jr: And I make these suggestions and I never know whether anybody ever does a damn thing about them or not.

G: Don't you remember, you asked Mr. Bell to see General Walker about that.

HM Jr: And what - they were going to do it, weren't they?

G: I don't remember what Dan did report on that.

HM Jr: Well, I'm putting it on you. I'd like to know
whatever happened to my suggestion.

G: Yes.

HMJr: And I'm telling you that the post offices aren't selling enough. They've got to do more. Now you've got to think up some way to stimulate that sale.

G: Yeah. All right, sir, I'll try to act on it.

HMJr: I don't know whether it was you or Dan on that other thing, but I did make the suggestion. Find out whatever happened to it, will you?

G: Yes, I will.

HMJr: And also come through with - this week still - with suggestions what to do to stimulate the sales from the post offices.

G: You knew that we sold a hundred and sixty million in January through the post offices.

HMJr: Well, I haven't got the exact figure, but I know it's not enough.

G: Well, it was - of course, a very much larger figure than any.....

HMJr: Well, look. I want to get somebody in your organization to do me a memorandum which I want not later than Friday, what do we do to stimulate the sales of the post offices, and what does the post office do?

G: Yeah.

HMJr: I don't know, and I'd like to know.

G: Yes.

HMJr: And I'd like it not later than Friday.

G: All right, sir, you will have it.

HMJr: With suggestions as to what we can do to increase
the sales.

G: Yes.

HMJr: In other words, what is the Post Office doing, what are we doing, states are here, and then suggestions from you how to stimulate the sales through the post offices.

G: Very good. I'll have it.

HMJr: Can I have something by Friday.

G: Yes, sir.

HMJr: Okay.

G: Yes, sir.

HMJr: And also please find out what happened to my suggestion of weeks ago that we try it - either at the Navy Yard, or some place.

G: As I remember it, that was all dealt with by Dan, but I'll check with him and find out.

HMJr: Well, it's on your lap now, old thing.

G: Yes. (Laughs) All right.

HMJr: All right.

G: I'll take it up with Dan right away.

HMJr: All right.

G: Yes, sir. Good-bye.
Operator: Mr. Blough.

HMJr: Roy.

Roy Blough: Yes.

HMJr: John Sullivan and I are in here, and I'm checking up on my memory. Were you here the day that Knollenberg said he'd stay behind and argue with me about outstanding state and municipals? Did you - hello.

B: Yes. I was here the day - now that's back quite a ways before you indicated that you were willing to go along.

HMJr: Yeah, but what happened the day that he said he'd stay behind, do you remember?

B: Well, I think you said, "That won't be necessary."

HMJr: But he did stay. Do you remember what happened?

B: Well.....

HMJr: I'm not trying to lead you - I'm trying to have you do your own memory ..... 

B: Well, I'm just trying to think whether it was that day that you said, "Well, I'm persuaded," or whether it was a later day at which he started to discuss the case and you were entirely satisfied.

I.....

HMJr: You don't remember.

B: I honestly don't remember.

HMJr: Well, I've got a pretty good memory. I remember he stayed behind - see if this refreshes your memory - and I said, "Stop arguing, you've won your case."
B: Yes. I distinctly remember him saying that.
I'm not sure that it was the day that he stayed
behind, but I do remember that he started talking
about it, and you told him that.

HMJr: Well, I remember. I'll see if I had a steno
present. I don't know; I'll look it up.

B: And I'll check through certain reports that I
wrote - well, I don't think I reported that.

HMJr: No, I don't think so. Thank you.

B: I'm sorry I don't remember more distinctly.

HMJr: Thank you.
There will be a meeting of the Joint Committee in Room 314 Senate Office Building on Tuesday, Feb. 3, at 10:00 a.m.

HARRY FLOOD BYRD,
Chairman.
MEMORANDUM ON MEETING OF THE JOINT
COMMITTEE ON REDUCTION OF NON-DEFENSE EXPENDITURES

A meeting was called at 10:00 A. M., Tuesday, February 3, in the Senate Finance Committee Room in the Senate Office Building. There were present:

Senators:
Byrd

Congressmen:
Doughton
Woodrum
Treadway
Taber
Cannon

Budget Bureau:
Mr. Lawton

General Accounting Office
Mr. Tyler
Mr. Barger

Federal Works Agency
Mr. Snyder
Mr. Edy
Mr. Johnstone
Mr. Keyserling
(and four others)

Congressman Cannon arrived at the meeting at 10:25 and sat through the meeting without making any comments.

Prior to the formal opening of the meeting Senator Byrd discussed privately with Congressman Doughton, Woodrum, Taber, and Treadway the information which he had developed concerning payments by Farm Security Administration to pay the poll tax of people in Alabama. There was some suggestion that the matter be investigated by the General Accounting Office. Mr. Woodrum suggested that the officials of the Farm Security Administration be called to give them an opportunity to present their side of the case. There was some discussion by Senator Byrd as to whether the committee should call certain people from Alabama to obtain their testimony.

The meeting was formally opened and Mr. Snyder, the Acting Federal Works Administrator, made a short statement. He said that the F. W. A. is carrying on no new non-defense work. About a year ago the U. S. Housing Authority started to change over its salm clearance projects to projects for housing defense workers. No new roads are being undertaken unless they are part of the defense workers. No new roads are being undertaken unless they are part of the defense plants. There are non-strategic highway systems or access roads to defense plants. There are public works being undertaken and no new non-defense housing projects are being started.

Mr. Snyder said that the Division of Defense Housing is now the Division of Defense Public Works under an order dated January 1, 1942, of the Administrator of the Federal Works Agency. It is the intention of the F. W. A. to bring together in this new division the four agencies in F. W. A. handling construction projects.
He said this was a recent undertaking and one that required some study and that he expected that in a short time it would be possible to make some constructive improvements in their organization.

Mr. Snyder said the Federal Works Agency had in its defense housing program 100,006 units which are being constructed by the following agencies:

Federal Works Agency and Constituent Bureaus  94,722
Farm Security Administration  1,422
Navy Department  2,472
D. C. Alley Dwelling Authority  550
Tennessee Valley Authority  690
Akron Metropolitan Housing Authority  300
Cincinnati Housing Authority  350

In reply to an inquiry by Congressman Taber there followed a discussion relative to the range in cost of the housing units being constructed under F.W.A. Nearly 78,000 houses have been completed at an average cost of $3009 for the house and $1038 for the cost of the land, or an over-all cost of $4047. All of these houses are rented although there is authority to sell them to tenants. The rental policy has been governed by the original Lanham Act which has been changed from time to time. The present rental basis takes into consideration the ability of the tenant to pay and is based upon a cost of $3500 amortised at 3% for 40 years including payment of full taxes and maintenance. The average rent is $30.00 per unit and ranges from $27.50 for one-bedroom to $32.50 for three-bedroom units. Junior officers of the Army and Navy are now housed at rents fixed by the Secretaries of War and Navy. All housing units are built only after certification of the need for such facilities by the defense agencies.

Congressman Taber asked whether the houses are built to last 40 years and observed that in his opinion due to the character of the construction the cost should be amortised on a 20-year basis.

Congressman Treadway asked for information showing the number of personnel and their salary employed by the Federal Works Agency and its constituent bureaus in Washington and in the field. This information is to be furnished for the record. Congressman Taber stated that in a number of small towns each of these housing agencies will have representatives and he thought there should be one housing agency to serve all bureaus.

In reply to an inquiry by Senator Byrd with respect to the acquisition of land Mr. Johnstone stated that all land for housing projects is taken by condemnation after appraisal by the Department of Justice Land Division. He also stated that for the first 78,000 housing units completed the cost of land per house averaged only $28.

Regraded Unclassified
In reply to an inquiry by Senator Byrd, Mr. Snyder said that plans to consolidate housing agencies in F. W. A. had been discussed at five meetings but no final conclusion had been arrived at. He said there was some discussion of confining the agencies in six or eight cities throughout the country instead of some seven to twelve regions as now constituted.

There was an extended discussion concerning management costs and average costs of housing units. The information presented by Mr. Snyder and his associates could not be readily reconciled with a table which had been presented to the Appropriations Committee and which appeared in the hearings of the Independent Offices Appropriations Bill. It was agreed that there would be submitted for the record complete information concerning these subjects which would be reconciled with the table appearing on page 618 of the hearings on the Appropriation Bill. Congressman Tabor and Treadway left the meeting at 11:35. Senator Byrd asked for an explanation of the Mutual Ownership Defense Housing Division. Mr. Snyder explained that this was a division which had been set up to handle the sale of defense housing projects to tenants on the basis of their equities. He said the plan had only been put into effect on four projects and had been discontinued except for the completion of the four projects.

There was a general discussion and it was agreed that Senator Byrd would prepare a questionnaire to submit to the Federal Works Agency for the purpose of developing information desired by the committee.

Thereupon the meeting adjourned at 11:45 A. M.
TO  Secretary Morgenthau
FROM  George Buffington

Attached is a picture story in today's issue of PM.
At the Palace, the latest Disney explains 1942's "must" income tax.

The radio calls all patriotic Americans to attention. Donald responds, ready to do his bit.

"Whoa," counsels the radio. "There's another way to help besides fighting: pay income tax on time."

"Taxes, to run the factories!... Taxes, to keep 'em rolling... Taxes, to keep 'em flying..."

"Taxes, to stalk the birds of prey that fly by night... TAXES (the radio cries) TO BURY THE AXIS!"

Our shores have been attacked," the radio says. "Your country needs you to help repel the Axis."

"Okay," he quacks. "I'm ready. Where do we go from here?"

Hotspur Donald needs no urging. "Okay," he says.

Donald slumps a bit. But he's back in a flash with all the traditional tax-paying apparatus.

But the radio gives him a star-spangled lecture—the story of a nation mobilized for production.

Once Donald gets the idea, there's no holding him. Not even Collector of Internal Revenue.
February 3, 1942
4:54 p.m.

Jesse Jones:

How did you get along?

HMJr:

Oh, wonderful! They reported it out unanimously.....

J:

Fine.

HMJr:

Within five minutes.

J:

Fine.

HMJr:

I want to thank you for all you did to help.

J:

Well, it was an easy job.

HMJr:

Well, you were most helpful in arranging the meeting on Monday, and your suggestions, and I hope you continue to help until we get it through.

J:

Any time at all; I'll do that, yes.

HMJr:

Well, it will be very useful.

J:

When you going to go before another committee?

HMJr:

They haven't told me yet.

J:

I see.

HMJr:

But I'll let you know.

J:

Okay.

HMJr:

I tell you, you missed something when you didn't hear Stimson today. He was amazingly good.

J:

Stimson?

HMJr:

Amazing.

J:

Good.
HJJr: He put his whole heart into this thing.
J: Good. That's fine.
HJJr: He feels it very strongly.
J: That's fine.
HJJr: Yes.
J: Well, then - I thought your argument was good.
HJJr: Well.....
J: It was a well-prepared paper.
HJJr: Thank you. And again thanks for all the help.
J: Okay.
OUTGOING CABLEGRAM
February 3, 1942

Stabilization Board of China
Chungking
No. 2
Your No. 1 received.

FEDERAL RESERVE BANK OF NEW YORK
Federal Reserve Bank of New York

New York

No. 1

William H. Taylor and Wei Yin Lin, alternate members of the Stabilization Board of China, are detained by enemy action in Hongkong. We hereby request you to delete their names from the list of those authorized to operate the accounts of the Board. Any cheques, letters or instructions bearing these gentlemen's signatures dated after December 7, 1941 should not be honored without reference to the Board.

Stabilization Board of China.
February 3, 1942

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

Dear Mr. Morgenthau:

May I express the deep appreciation of the
City Club for your address from our forum. The Club
has been receiving the congratulations of the entire
community for arranging one of the most noteworthy
meetings in Cleveland's history.

Your message made an indelible impression
on all who heard it, including many thousands in the
radio audience. Incidentally a number of radio lis-
teners have reported that your voice on the air is
second only to that of President Roosevelt.

Mrs. Cornsweet joins me in warm regards to
you and Mrs. Morgenthau who, we trust, has fully re-
covered from her injury.

Sincerely yours,

A. I. Cornsweet
President
February 3, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Colonel Donovan has asked through Harry Anslinger that the Treasury Department send attaches to Portugal, Spain, Switzerland and Sweden. We are assured that the matter has been cleared with the State Department and that no objections were raised there. The men would not be asked to do any under cover work but merely to supply general information such as would be properly available to them. Colonel Donovan would be willing to put the men on his payroll or to recompense the Treasury Department. On this basis, and if we confirm the approval of the State Department, it seems to me that we should comply with Donovan's request. I shall, of course, do nothing without your approval.
February 3, 1942

Memorandum for MR. MACX,
Director of Procurement:

CONFIDENTIAL

I am enclosing a copy of a letter received by the Secretary from Mr. James M. Landis, Executive Director, Office of Civilian Defense.

It will be appreciated if you will consider the request contained in this communication in its relation to the work of your organization. Please note particularly the request for copies of printed reports, surveys, etc. You will observe that the problems referred to are exclusive of those relating to protection from air raids and similar emergencies.

If your consideration of this matter should involve communication with field offices, please have such communications handled as confidentially as the circumstances will permit.

I should like to have your views not later than February 15th.

(Signed) W. N. THOMPSON

Administrative Assistant to the Secretary.

enclosure
Original in Room 120 (Schoeneman) pending receipt of information from Treasury Bureau.

2-3-42

MR. SCHOENEMAN
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.
Mr. Henry Morgenthau, Jr.

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

Regraded Unclassified
February 3, 1942.

E. H. Foley, Jr.
Secretary Morgenthau

At luncheon with Mr. Gerard Swope, he said he did not have enough to do so I told him that I wanted him to get in on these various German companies that we are studying, particularly General Aniline & Film. I said that I was groping for a new pattern, and I did not want to do what had happened the last time we were at war - find that we had been selling these companies to so-called friends.

I thought if we would put good American management in and run the companies well and keep the stock in escrow under the supervision of the Treasury that it might prove to be very useful when we sit down at the Peace Table to find that the Treasury still had control of these companies. Mr. Swope said that he thought that was a very good idea to keep control of these companies until that time, as then, we would have something to deal on with the Germans as to the final disposition of the American companies in Germany.

All I know is that (1) I don't like the idea of selling the stock in these companies, and (2) I do think that it might be of some use (what, I don't know) to control this stock at the time we do sit down at the Peace Table.

I wish you would think this over.

Also, I hope that this week we can make up our minds as to what we are going to do with General Aniline & Film, and I would like Mr. Swope to sit in on the conferences regarding General Aniline & Film and on any of the other German companies with which you are dealing.
To: Secretary Morgenthau
From: E. H. Foley, Jr.

In March, 1941, Sumner Welles recommended that we release $100,000 per month for the payment of French diplomatic and military expenses in China. It was stated in State's letter that this release of funds had been specifically cleared with the President.

In view of rapidly changing conditions we felt it wise to ask State each month to reconsider the matter before the license was renewed. After the outbreak of war we again pressed State to discontinue the release of the funds and it was agreed that the release for January should be held up pending a written communication from State. We have now received the attached memorandum and exchange of telegrams between Welles and Acheson. State has agreed to our terminating these payments.
The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a paraphrase of telegram no. 11 of January 15, 1942 to the American Embassy at Rio de Janeiro, concerning the proposed discontinuance by the Treasury Department of releasing monthly $100,000 from French blocked funds in the United States for French diplomatic missions in the Far East, and also a paraphrase of telegram no. 33 of January 19, 1942 from the American Embassy at Rio de Janeiro in reply.

The Secretary of the Treasury is informed that the Department of State has no objection to the proposed discontinuance.

Enclosures:

1. To Rio, no. 11, January 15, 1942.
2. From Rio no. 33, January 19, 1942.
PARAPHRASE OF TELEGRAM SENT

FROM: Department of State
TO: AMEMBASSY, Rio de Janeiro
DATED: January 15, 1942, 8 p.m.
NUMBER: 11

TO WELLES FROM ACHESON

You are aware that the Treasury has been releasing for the use of French diplomatic missions in the Far East, $100,000 per month from blocked French funds in the United States. A substantial part of the funds, it appears, is being spent in Japanese-occupied areas. Remittances can now be made only through third countries and only with extreme difficulties, placing third country currency at the disposal of a country at war with us.

Thus, it has been suggested by Treasury that it at once cease releasing such funds. The Division of European Affairs concurs, stating that no interference with the position of United States vis-a-vis France would occur by such action, but suggests your attention be called to the Treasury proposal, as the decision permitting the use of funds in question originated with you after White House consultation. Discontinuance of the release of such funds by Treasury is strongly recommended.
Paraphrase of Telegram Received

From: AMEMBASSY, Rio de Janeiro
To: Secretary of State, Washington
Dated: January 19, 1942, 7 p.m.
Number: 33

From Welles for Acheson

Reference is made to Department's no. 11, January 15, 1942, 8 p.m.

The proposed action contained in your recommendations is approved.
My dear Mr. Chairman:

As requested by Chairman McLaughlin of Subcommittee IV of your Committee, this will confirm Mr. Spingarn's statement to that Subcommittee this morning at its executive session consideration of S. 2208, the Second War Powers Bill, that I am in favor of the enactment of the provisions of Title IV of that bill which removes the existing prohibition of section 14(b) of the Federal Reserve Act, as amended, against the direct purchase by the Federal Reserve banks of direct and guaranteed obligations of the United States. Under existing law the Federal Reserve banks may purchase such obligations only in the open market.

As Mr. Spingarn told the Subcommittee after his telephone conversation with me, any intimations that I object to the provisions of Title IV are unfounded. I not only have no objection to this proposed legislation, but I am heartily in favor of its enactment.

Sincerely yours,

(H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Hatton W. Sumners,

House of Representatives.
TO
Secretary Morgenthau

FROM
Mr. Kamarck


Bombing activity of the Royal Air Force during January was on the same reduced scale as in December. Nearly all of the attacks were carried out against shipping, ports, and air bases. Only five attacks were made on targets connected directly with German industrial production.

The city most favored by the R.A.F. in the past month was Brest, due to its harboring the two German battle cruisers. From the number of British bombers, bombs, and energy attracted by these two battle cruisers from other possible targets, they are probably valuable to the Germans as target ships alone.
### I. Losses

<table>
<thead>
<tr>
<th>Losses during January</th>
<th>Total Losses in raids to February 1, 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>R.A.F. bomber losses in bombing raids in Northern Europe</td>
<td>55</td>
</tr>
</tbody>
</table>

### II. Analysis of Targets

<table>
<thead>
<tr>
<th>Targets</th>
<th>Attacks during January</th>
<th>Total Number of attacks to February 1, 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ports, docks, shipping</td>
<td>48</td>
<td>1,488</td>
</tr>
<tr>
<td>Industrial plants</td>
<td>5</td>
<td>896</td>
</tr>
<tr>
<td>Airdromes and seaplane bases</td>
<td>15</td>
<td>864</td>
</tr>
<tr>
<td>Oil refineries, synthetic oil plants and tank farms</td>
<td>1</td>
<td>358</td>
</tr>
</tbody>
</table>

Total of above | 69 | 3,606 |

### III. Leading Cities Attacked

<table>
<thead>
<tr>
<th>Cities</th>
<th>Attacks during January</th>
<th>Total Number of attacks to February 1, 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cologne (industrial center)</td>
<td>0</td>
<td>94</td>
</tr>
<tr>
<td>Bremen (port)</td>
<td>2</td>
<td>87</td>
</tr>
<tr>
<td>Hamburg (port)</td>
<td>2</td>
<td>85</td>
</tr>
<tr>
<td>Emden (port)</td>
<td>7</td>
<td>71</td>
</tr>
<tr>
<td>Wilhelmshaven (port)</td>
<td>1</td>
<td>61</td>
</tr>
<tr>
<td>Mannheim (industrial center)</td>
<td>0</td>
<td>55</td>
</tr>
<tr>
<td>Kiel (port)</td>
<td>0</td>
<td>55</td>
</tr>
<tr>
<td>Berlin (industrial center)</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>Gelsenkirchen (synthetic oil)</td>
<td>0</td>
<td>43</td>
</tr>
<tr>
<td>Essen (industrial center)</td>
<td>0</td>
<td>43</td>
</tr>
<tr>
<td>Hanover (synthetic oil)</td>
<td>1</td>
<td>42</td>
</tr>
</tbody>
</table>

Total of above (11 cities) | 13 | 686 |
### B. Occupied Areas

<table>
<thead>
<tr>
<th>Location</th>
<th>Attacks during January</th>
<th>Total Number of attacks to February 1, 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boulogne (port)</td>
<td>4</td>
<td>119</td>
</tr>
<tr>
<td>Brest (port)</td>
<td>11</td>
<td>105</td>
</tr>
<tr>
<td>Ostend (port)</td>
<td>0</td>
<td>97</td>
</tr>
<tr>
<td>Calais (port)</td>
<td>0</td>
<td>79</td>
</tr>
<tr>
<td>Flushing (port)</td>
<td>0</td>
<td>63</td>
</tr>
<tr>
<td>Lorient (port)</td>
<td>0</td>
<td>52</td>
</tr>
<tr>
<td><strong>Total of above (6 cities)</strong></td>
<td><strong>15</strong></td>
<td><strong>515</strong></td>
</tr>
</tbody>
</table>

### C. Italy

<table>
<thead>
<tr>
<th>Location</th>
<th>Attacks during January</th>
<th>Total Number of attacks to February 1, 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naples (port)</td>
<td>1</td>
<td>23</td>
</tr>
<tr>
<td>Turin (industrial center)</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total of above (2 cities)</strong></td>
<td><strong>1</strong></td>
<td><strong>36</strong></td>
</tr>
</tbody>
</table>
Subject: Possible unsuitability of German lubricants to Russian cold.

In accordance with your request, the reports that German lubricants are not suitable for use in the cold weather of the Russian winter have been investigated. The following preliminary report is based on a discussion with Mr. A.J. Kraemer, technical petroleum expert of the Bureau of Mines.

1. Both German and Romanian crude oils are suitable for processing into good cold weather lubricants.

2. In spite of this, it is still likely that the Germans are having difficulties with their lubricants on the Eastern Front. The Western European countries did not have a large capacity for producing lubricants for use outdoors in cold weather. Most lubricants produced were for use indoors. In view of the unpreparedness for winter weather, shown by the German army in other ways, such as the lack of suitable clothing, sufficient preparation probably was not made for insuring a large-enough supply of winter lubricants. If, after the supply of winter lubricants was consumed completely, the Germans attempted to use lubricants in tanks and planes which were produced for factory machinery, considerable difficulty would result.

The Germans undoubtedly have the technical knowledge necessary to build the machinery needed to produce winter lubricants. Building the machinery and plants, however, takes months to complete and bring into production. By next winter, the Germans could be suitably prepared for the cold weather.
DEPARTMENT OF STATE
WASHINGTON

February 3, 1942

In reply refer to
Fd 311.515/1323

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram No. 66, dated January 29, 1942, from the American Consulate General, Batavia, Java, Netherlands Indies, urgently inquiring whether United States Navy bills may be handled in the same way prescribed in the Department's telegram No. 22 of January 21, 1942 a paraphrased copy of which was sent to the Secretary of the Treasury in this Department's letter of January 22, 1942.

The Secretary of State would appreciate the advice of the Secretary of the Treasury as to the reply to be made to the telegram under reference.

Enclosure:

From Consulate General, Batavia,
No. 66, January 29, 1942.
AF
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (EE)

BATAVIA
Dated January 29, 1942
Rec’d 12:20 p.m.; 30th

Secretary of State,

Washington.

RUSH
66, January 29, 5 p.m.
Department’s 22, January 21.

Instructions in regard to disposition of dollar checks on the Treasurer of the United States are understood. A new form of dollar draft on the Secretary of the Navy "United States Navy Bill" has been presented by the pay officer of a naval vessel. May these be handled in the same way prescribed for dollar checks on the Treasurer. Urgently request telegraphic reply.

FOOTE

RR

Copy:ec12-3-42
February 3, 1942

Mr. Livesey

D. V. Bell

Will you please send the following cable to the American Consul, Batavia, Java, Netherlands Indies:

"Reference your No. 66, January 29, 5 p.m.

U. S. Navy Bill cannot be handled in accordance with No. 22, January 21, 5 p.m., as such bill must be presented for acceptance and payment in Washington. Suggest Naval paymasters afloat use checks drawn on Treasurer of the United States. Paymasters without U. S. Treasury checks but in need of funds should contact other paymasters whenever practicable."
This telegram must be paraphrased before being communicated to anyone other than a governmental agency. (53)

AMERICAN CONSUL,


RUSH

40

Your 66, January 29, 5 p.m.

Treasury advises as follows:

NOTE. U. S. Navy Bill cannot be handled in accordance with W. 22, January 21, 5 p.m. as such bill must be presented for acceptance and payment in Washington. Suggest Naval paymasters effect use of checks drawn on Treasurer of the United States.

Paymasters without U. S. Treasury checks but in need of funds should contact other paymasters whenever practicable. END NOTE.

HULL
(FL)

PR: FL 10 29
February 3, 1942

Mr. Livesey

Mr. Dietrich

Will you please send the following cable to the American
Consul, Bombay.

"The Treasury advises that the type of infor-
mation given in your telegram No. 59, January 31,
need no longer be sent by cable as mail advice
will be sufficient."

Regraded Unclassified
Reference is made to my memorandum of January 22, 1942, dealing in part with the question of a purchase by Uruguay of silver in this market for coinage purposes. I have since learned from Mr. Spaulding that Guaranty Trust Company (I believe Mr. Post has spoken to you about this) had the order which called for 1,250,000 ounces to be exported to Chile where the silver would be coined for account of Uruguay. Mr. Spaulding now tells me that he has executed the order for Guaranty Trust Company and that the latter apparently is having some difficulty over the question of export licenses which it seems must be obtained from our export control authorities.

You will recall that my memorandum expressed surprise at Uruguay's order for silver since an article in Foreign Commerce Weekly for December 27, 1941, had mentioned the fact that Uruguay was planning to issue new silver coins of a lower fineness using for that purpose the silver to be obtained from melting of old coins of a higher fineness. The attached report from the United States Commercial Attaché at Montevideo sent to us by Mr. Dietrich throws a new light on the matter. On the basis of this report, we can arrive at the following figures:
Silver needed for new coins 4,875,000
Silver to be derived from melting of old coins 3,600,000
Additional silver required 1,275,000

Approximate fine ounces

The amount of additional silver required ties in fairly closely with the amount of 1,250,000 ounces purchased by Guaranty Trust Company.

Mr. Spaulding tells me he had another order from Guaranty Trust Company this time for 1,600,000 ounces of silver. Has Mr. Post told you about this? It seems Guaranty did not tell Handy & Harman for whose* account this additional amount is being bought.

* Probably Dutch East Indies

PL:IR

Copy:ec:2-5-42
Registered sterling transactions of the reporting banks were as follows:

- Sold to commercial concerns: £25,000
- Purchased from commercial concerns: £12,000

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

Continuing its improvement, the Cuban peso closed at an offered rate of 11/16% premium. The past week's advance has been attributed to a heavier demand for pesos by Cuban firms for payroll purposes, in view of the recent rise in the cost of importing small U.S. banknotes into Cuba. Sugar firms, furthermore, were reported to be active buyers of pesos to meet contracted obligations.

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>Canadian dollar</td>
<td>11-5/8% discount</td>
</tr>
<tr>
<td>Argentine peso (free)</td>
<td>.2364</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>

We sold $19,950,000 in gold to the Swiss National Bank, which was added to its earmarked account. Of the gold used in this transaction, $10,000,000 was purchased by us from the General Fund through the New York Assay Office. Later in the day, we also purchased $500,000 in gold from the General Fund, in order to add to the Stabilization Fund's gold balance.

We purchased $900,000 in gold from the earmarked account of the Bank of Mexico.

No new gold engagements were reported.

In London, spot and forward silver remained at 23-1/2d and 23-9/1bd respectively, equivalent to 42.57¢ and 42.78¢.

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

We made no purchases of silver today.

Regraded Unclassified
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., 2nd February, 1942.

1. NAVAL

1st. One of H.M. destroyers shot down a JU 88 off CONNELL and one of our corvettes shot down a Focke Wulf off the west coast of IRELAND.

Two British naval auxiliary vessels were sunk by bombs off the east coast of SUMATRA on the 22nd. A 5,000 ton British merchant vessel was torpedoed 300 miles off CAPE RACE on the 26th. Survivors have been landed at HALIFAX.

2. MILITARY

LIBYA. 31st. An Indian Division was engaged by the enemy in the evening withdrew to approximately north-south line through SIONTA. Our columns were active in the GHARBA area and to the south, and a South African armoured car regiment drove back small columns in the locality 15 miles south of GHARBA and in the ELUS area. On the morning of the 1st, 3 columns of enemy M.T., were reported to be moving east in the MARANA-GHARBA areas.

SINGAPORE, 11th/1st. Our artillery carried out harassing fire on concentration of small craft and on 1st engaged enemy troops on the mainland.

NETHERLANDS EAST INDIES. The Japanese attack in north-west BENGU is progressing.

RUSSIA. FINLAND and LENINGRAD sectors. Nothing new. LAKE ILISHA - LAKE SELIGER sector. Further Russian advance southwest of KHLIV and southwest of TORPETS. Central Sector. Southwest of ZAPADNYA DIVNA Russians have made considerable progress and now hold VELIZH (50 miles northeast of VITEBSK), Russian attack on BELY has been held but weak Russian forces including parachutists are astride the SHOLENIK - VYASMA Road and Russian cavalry has reached BORSOVA area from the north. Northwest of TUKOYV Russians have reached a point 30 miles W.S.W. of VYASMA. General MacFarlane reported on 29th that west of MOSCOW the line ran north and south through GJATSK and that Russian advance here was meeting with considerable opposition. Northeast of KURSK German counter attacks successful. DONETS Front. Further considerable Russian progress. Area of penetration widened and deepened. Main axis of advance towards PAVLOVSK. Indications that large scale German concentric counter attack about to develop.

CABRERA. German capture of PROKALKA confirmed. Line now runs north and south across narrowest part of KERCH ESTUARY.
CONCLUSIONS. MOST IMPORTANT DEVELOPMENTS.

(i) Extensions of Russian drive towards LENINGRAD-CRSHA railway.

(ii) Further German withdrawal from salient west of MOSCOW coupled with Russian pincer movement to envelop remaining German forces in this area.

(iii) Continued progress by Russian counter offensive in DONETS area which is assuming considerable proportions. Unless German counter attack can restore situation, withdrawal to DONETZ line may prove inevitable which might even result in Germans having to abandon CRIMEA.

3. AIR OPERATIONS

LIBYA. 30th/31st. Wellingtons dropped 45 tons of bombs on M.T. between AGHEILA and JEDARYA. Wellingtons attacked an M.T. depot south of TRIPOLI.

31st. Hurricanes destroyed transport and inflicted casualties on troops on the CHEMINES Road.

BURMA. 1st. Blenheim bombers KADO near MARTABAN and inflicted considerable damage on river craft.

PACIFIC. 30th/31st. 5 R.A.A.F. Catalinas bombed RABAUL aerodrome and enemy aircraft attacked SALAMUA (northeast NEW GUINEA).

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

German - 2 destroyed.
Pacific Theater.

Philippines: On our left, the frontal pressure of the enemy 16th Division has relaxed. Remaining hostile pockets are being mopped up. During the night, the "Tatori" group of the 16th Division resumed its landing attempts on a broad front along the west coast of Bataan. The first raid, early in the evening, was frustrated by our artillery. The second and more serious attack, at midnight, was driven back by our attack aviation, artillery, and machine gun fire, and the enemy suffered heavy casualties in men and boats. In the east, after stopping yesterday's frontal attack by the Japanese 55th Division, one of our divisions made a sudden counter-attack which overran three lines of enemy trenches and resulted in the capture of a considerable amount of enemy equipment. Hawaii: No further reports of hostile action.

Malaya: The situation is unchanged. The press reports that British Singapore guns have been shelling principal crossroads on the mainland. This morning's communique states that Japanese bombing attacks on Singapore Island, by both high level and dive bombers, have been heavy throughout the last 24 hours. Burma: No major change. Australasia: Twenty-six Japanese bombers, escorted by fighter planes, made their first air raid on the major naval base of the N.E.I., Surabaya, on February 3. Elsewhere there is no change to report.

Eastern Theater.

The Russians continue to push their attacks along the whole front. (No situation map will be issued this date.)

Western Theater.

According to German admissions, British planes attacked German occupied territory on February 2. No results were announced.

Middle Eastern Theater.

Ground: British forces are endeavoring to establish a stable line of defense in Eastern Cyrenaica. Axis forces have penetrated to the vicinity of Solluta. Minor actions between mobile columns are reported in the desert area adjacent to Msus.

Air: Axis air forces continue the aerial bombardment of Malta. Both air forces in Cyrenaica are active against opposing ground forces and supply lines.