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March 4, 1942
12:20 p.m.

Vincent
Callahan: Yes, Mr. Secretary.

HMJr: Vince, I thought you were going to write a letter for my signature to this fellow Murray, who's sick.

C: I did write one.

HMJr: Who'd you give it to?

C: I gave it to Ferdie Kuhn.

HMJr: Oh, don't.....

C: I don't know whether it went to Ferdie Kuhn or not, but I prepared it and I presumed it went out three or four days ago.

HMJr: Look. That happened once before. Send the letters that I have to sign to Miss Chauncey.

C: All right, sir.

HMJr: Because - do you remember once before I was waiting for a letter and it took three or four days to get off Kuhn's desk.

C: I remember.

HMJr: Well, if I ask you for something, does it have to always go that way?

C: Well, that's the routine, Mr. Secretary. I mean, it's - when I prepare it, Mr. Kuhn usually looks it over and sometimes makes changes.

HMJr: Well, call up Kuhn and tell him to get it in to me.

C: Well, I don't - in this case, I don't know whether he's got it. I know I wrote it right the next day or a couple of days later though.

C: Well, would you tell - would you mind following

- 2 -

it through and tell him please to give it to Miss Chauncey at two o'clock so I can sign it?

C: Yes, sir.

HMJr: See?

C: Yes, sir.

HMJr: And I just heard the second one.

C: Did you?

HMJr: Oh, it's wonderful.

C: Oh, well, we made some yesterday which - we made three of them. One was the "Watch on the Rhine" and we made another one with a play about production, which is marvelous.

HMJr: Well, the second one is wonderful. I get a great thrill out of them.

C: Well, that's grand. Glad to hear it.

HMJr: I write so many other letters to people that don't mean anything, and this is the best thing - my tongue's hanging out; I want to write somebody.

C: Well, I've got a beautiful letter written.

HMJr: Okay.

C: I'll get it over.

HMJr: Tell them - whoever's holding it up - to get it to Chauncey by two.

C: Yes, sir.

HMJr: I thank you.

C: Okay, sir. Good-bye.

March 4, 1942
2:20 p.m.

HMJr: Hello.

Mr. Howard
Hunter: Hello, Mr. Secretary.

HMJr: Hello, Mr. Hunter.

H: I've got a scheme I thought might possibly interest you, and the build-up to it is this. The War Production Board, Mr. Batt's Division, is working out a project for the WPA to use its entire field force and trucks for about two weeks to collect scrap iron on rural farms.

HMJr: Yeah.

H: They think there are millions of tons, and I they're right.

HMJr: They are, yes.

H: Now, we're getting ready to organize to do that, and the Department of Agriculture has insisted and the War Production Board has agreed that the farmers will be paid something for this scrap iron.

HMJr: Yes.

H: We will have to handle that machinery, too. It's going to be a difficult job. We couldn't pay them cash on the farms. I had this in mind. It will range anywhere from a few pounds to several tons on a farm, and it might be worth considering that we pay them or give them some form of receipt for this, which will be cashable in Defense Stamps.

HMJr: Yes.

H: The War Production Board are getting together some money - twenty odd million dollars, I think, for the purpose of paying for this.

- 2 -

HMJr: How much?

H: Well, they have to guess at it, because nobody knows how much there is.

HMJr: Yeah. Twenty million, you said?

H: That's what I understand they've taken on now. Now, why not pay these farmers, if we have to pay them at all, pay them in Defense Stamps?

HMJr: Well, it's an idea. I'd like to think about it.

H: All right.

HMJr: And I tell you what I'll do. I'll give your suggestion to Harold Graves, who handles that for me, and tell him to get in touch with you within the next - well, by tomorrow?

H: Yeah.

HMJr: Is that all right?

H: Sure.

HMJr: It sounds very interesting.

H: Who?

HMJr: I say it sounds interesting.

H: Yes.

HMJr: I'll tell Graves about it and tell him to think about it.

H: All right, fine.

HMJr: Thank you very much.

H: I'll be glad to talk to him any time.

HMJr: Thank you.

H: Thank you, sir.

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

DAY LETTER

MRS FRANKLIN D ROOSEVELT
c/o SEATTLE POST INTELLIGENCER
SEATTLE WASHINGTON

We missed you especially at the services this morning but were happy that you could be with Anna. Wish all goes well with her. Hope you have good flight back. Our fondest love to you all

HENRY AND ELINOR

5
TREASURY DEPARTMENT
WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

Henry Morgenthau Jr - Personal

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE

2-14117

MARCH 4 1942

TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

Henry Morgenthau Jr - Personal

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE

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TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

DAY LETTER

MRS FRANKLIN D ROOSEVELT
c/o SEATTLE POST INTELLIGENCER
SEATTLE WASHINGTON

MARCH 4 1942

We missed you especially at the services this morning but were happy that you could be with Anna. Wish all goes well with her. Hope you have good flight back. Our fondest love to you all

HENRY AND ELINOR

March 4, 1942

Norman Thompson

Secretary Morgenthau

In this report on Miss Anne Collins Boardman, one of the things which she says she helped to organize is the Committee to Defend America. Please find out what this Committee was, what it stood for and, if possible, what kind of literature it got out. I think it is very important to find out more details about that particular organization.

Submitted 3/6/42

March 4, 1942

Dear Mr. Barnard:

Your telegram came as a real encouragement, and I should like you to know how much I appreciate and value it. I think you can see that we all benefited from the discussions which you initiated months ago.

We shall probably have a stiff fight on our hands with Congress, but I believe that the good sense and patriotism of the American public will be pushing toward the enactment of some such program as I outlined yesterday.

With best regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Chester I. Barnard
540 Broad Street
Newark, New Jersey

FK/hkb

3/4/42

*W.M.C.
Copies to Thompson*

J.R.

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MR HENRY MORGENTHAU JR

SECRETARY OF TREASURY

MUCH INTERESTED AND GREATLY PLEASED WITH YOUR MESSAGE TO
COMMITTEE YESTERDAY. PROGRAM SEEMS TO ME SOUND AND
PRACTICABLE. CONGRATULATIONS

CHESTER I BARNARD.

1127A.

*Dear Mr. Morgenthau
540 Broad St.*

CLAYTON K. BROWN, SENATOR FROM VIRGINIA, CHAIRMAN
WALTER L. DUNN, REPRESENTATIVE FROM NORTH CAROLINA, VICE CHAIRMAN

SENATE:

HOUSE OF REPRESENTATIVES

W. P. BOGGS, SENATOR FROM GEORGIA
ST. CLAIR MORTON, SENATOR FROM WISCONSIN
WALTER CLARK, SENATOR FROM VIRGINIA
ALBERT W. NICHOLS, SENATOR FROM PENNSYLVANIA
CLAUDE A. BROWN, SENATOR FROM NORTH CAROLINA

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CLARENCE CARROLL, REPRESENTATIVE FROM MISSOURI
CLYTON A. WOODSON, REPRESENTATIVE FROM IOWA
JOHN TANK, REPRESENTATIVE FROM NEW YORK

HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY
SAMUEL S. THOMAS, DIRECTOR OF THE BUREAU OF THE MINT

9
Congress of the United States

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL
FEDERAL EXPENDITURES

CREATED PURSUANT TO SEC. 901, OF THE REVENUE
ACT OF 1941

March 4, 1942 r

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

My dear Mr. Secretary:

As the Senate Finance Committee will meet tomorrow in the Finance Committee room, and, as the Todd Shipyards Corporation has requested more time to prepare the information asked for, the meeting of the Joint Committee on Reduction of Nonessential Federal Expenditures, scheduled for Thursday, March 5, has been postponed for several days.

You will be notified at a later date.

With best wishes, I am

Faithfully yours,

Henry J. Brown
Chairman

March 4, 1942

TO: Mr. Sullivan
FROM: The Secretary

In answer to your memorandum of March 4,
I am delighted to know that you have put into effect
seven of the eight suggestions. I am more than
willing to accept your suggestion and drop the eighth.

MEMORANDUM

March 4, 1942.

TO: The Secretary
FROM: Mr. Sullivan
SUBJECT: Tax Publicity.

JHS

On February 26th I submitted 8 additional tax publicity projects which you approved. I wish to report that 7 of these have already been executed. The 8th, "a Treasury statement urging employers to give employees time off to file their returns", has not been done. Upon reconsideration, Mr. Cann, Mr. Callahan and I felt that while there is so much criticism in the newspapers about work stoppages the public reaction to such a statement as we had proposed would be bad. Do you approve?

March 4, 1942. 12

STATUTORY DEBT LIMITATION
AS OF FEBRUARY 28, 1942

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate \$65,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time		\$65,000,000,000
Outstanding as of February 28, 1942:		
Interest-bearing:		
Bonds -		
Treasury	\$35,912,029,400	
Savings (Maturity value)*	9,674,147,950	
Depository	72,436,000	
Adjusted Service	<u>731,634,706</u>	\$46,390,248,056
Treasury notes	12,145,729,175	
Certificates of indebtedness	2,941,800,000	
Treasury bills (maturity value)	<u>2,001,743,000</u>	<u>17,089,272,175</u>
		<u>\$63,479,520,231</u>
Matured obligations, on which interest has ceased	<u>114,692,000</u>	<u>63,594,112,231</u>
Face amount of obligations issuable under above authority		<u>\$ 1,405,887,769</u>

Reconciliation with Daily Statement of the United States Treasury
February 28, 1942

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act, as amended		\$63,594,112,231
Deduct, unearned discount on Savings bonds (difference between current redemption value and maturity value)		<u>1,780,767,691</u>
		61,813,344,540
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Pre-War, etc.)	\$ 195,990,180	
Matured obligations on which interest has ceased	11,519,665	
Bearing no interest	<u>359,650,781</u>	<u>567,160,626</u>
Total gross debt outstanding as of February 28, 1942		<u>\$62,380,505,166</u>

*Approximate maturity value. Principal amount (current redemption value) according to preliminary public debt statement \$7,893,380,259.

UNITED STATES SAVINGS BONDS

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

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	March	February	January	March over February	February over January	March over February	February over January
	Series E - Post Offices	\$ 8,786	\$12,006	\$ 8,784	-\$ 3,220	\$ 3,222	- 26.8%
Series E - Banks	<u>24,327</u>	<u>42,037</u>	<u>20,964</u>	- <u>17,710</u>	<u>21,073</u>	- <u>42.1</u>	<u>100.5</u>
Series E - Total	33,112	54,044	29,749	- 20,932	24,295	- 38.7	81.7
Series F - Banks	3,672	8,984	4,021	- 5,312	4,963	- 59.1	123.4
Series G - Banks	<u>17,506</u>	<u>39,313</u>	<u>15,384</u>	- <u>21,807</u>	<u>23,929</u>	- <u>55.5</u>	<u>155.5</u>
Total	<u>\$4,290</u>	<u>\$102,341</u>	<u>\$49,153</u>	- <u>\$48,051</u>	<u>\$53,188</u>	- <u>47.0%</u>	<u>108.2%</u>

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

March 4, 1942.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - March, 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
	Series E	Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
March 1942									
2	\$ 5,811	\$ 15,868	\$ 2,043	\$ 8,726	\$ 26,636	\$ 21,678	\$ 2,043	\$ 8,726	\$ 32,447
3	2,975	8,459	1,629	8,780	18,868	11,434	1,629	8,780	21,843
Total	\$ 8,786	\$ 24,327	\$ 3,672	\$ 17,506	\$ 45,504	\$ 33,112	\$ 3,672	\$ 17,506	\$ 54,290

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

March 4, 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.

Number of agents in Other Corporations and Investment Industry
 qualified to issue Series E Savings Bonds, by Federal Reserve
 districts - January 10 to date. 1/

Date	Atlanta	Boston	Chicago	Cleveland	Dallas	Kansas City	Minne- apolis	New York	Phila- delphia	Richmond	San Fran- cisco	St. Louis	Total
Other Corporations													
Jan. 10	4	-	8	-	-	-	-	-	-	-	-	-	-
17	12	-	27	-	1	-	-	4	65	8	-	-	12
24	15	2	61	22	13	-	1	21	83	15	4	1	118
31	17	14	90	28	27	1	3	32	101	19	8	3	240
Feb. 7	20	19	115	33	42	5	3	41	124	23	14	11	351
14	23	22	151	40	49	9	3	46	135	27	18	18	457
21	23	27	170	43	53	14	3	53	148	27	15	32	552
28	23	37	198	44	58	16	4	55	159	30	21	35	614
												41	686
Investment Industry													
Jan. 24	-	-	5	-	-	2	-	1	-	2	-	-	10
31	-	-	10	3	-	2	-	7	-	6	-	8	37
7	-	-	13	6	-	2	-	9	-	7	1	8	48
14	-	-	15	6	3	2	-	10	-	7	3	8	54
21	-	-	17	7	3	2	-	14	-	7	3	8	61
28	-	1	17	7	3	2	-	14	-	8	3	8	63

1/ Other Corporations authorized as of December 27, 1941 and Investment Industry as of January 17, 1942.

Daily changes in the stock of Series E savings bonds on hand ^{1/}
(In thousands of pieces)

	: Number of : pieces sold : this day :	: Number of pieces : manufactured : this day :	: Stock on hand : at close of : day :	: IBM : deliveries : this day :
Feb. 23	214	800	21,905	-
24	55	800	22,650	1,600
25	104	800	23,346	700
26	158	800	23,988	875
27	240	800	24,548	660
28	162	none-closed	24,386	-
Mar. 1	none-closed	none-closed	24,386	-
2	304	500	24,582	-
3	160	500	24,922	625

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

March 4, 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.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 4, 1942.

TO Secretary Morgenthau
 FROM George Buffington *G.B.*

The following list shows "The New Spirit" bookings for the week ending March 1, 1942, and the total to date.

Albany	22
Atlanta	118
Boston	94
Buffalo	53
Charlotte	70
Chicago	121
Cincinnati	96
Cleveland	55
Dallas	85
Denver	23
Des Moines	22
Detroit	96
Indianapolis	60
Kansas City	54
Los Angeles	77
Memphis	62
Milwaukee	40
Minneapolis	56
New Haven	20
New Orleans	48
New York	126
Oklahoma City	55
Omaha	47
Philadelphia	122
Pittsburg	107
Portland	30
St. Louis	93
Salt Lake City	
San Francisco	51
Seattle	40
Washington, D.C.	64

Total Week Ending	
March 1, 1942 **	2007

Grand Total Week Ending	
February 22, 1942	<u>5757</u>

Grand Total Week Ending	
March 1, 1942 **	7764

**Salt Lake City report not included.

ASSISTANT SECRETARY OF THE TREASURY

March 4, 1942.

MEMORANDUM

To: Secretary Morgenthau
From: Mr. Gaston

Johnson and Dow, of Customs, have been in conference yesterday and today with the Budget, Captain Gorman of the Coast Guard and Commander Field of the Bureau of Navigation as to our absorption of a part of the work of that Bureau, which is the part for which Collectors of Customs have been the field agents, that is, the entry, clearance and documentation of ships. Customs is to take over 34 men in Washington and none in the field. Among the 34 is Captain Sweet, who is the specialist on navigation regulations and documentation. Another is a lawyer who will be assigned to the General Counsel's staff. The matter of physical space is a problem both for Customs and Coast Guard, but we are expecting a temporary arrangement under which most if not all of the men assigned to us would remain in their present quarters in the Commerce Building for several months. They have a serious problem in reorganization and separation of their files.



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OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

MAR 8 1942

E. R. Stettinius, Jr.
Administrator

March 4, 1942

MEMORANDUM

To: The Honorable Henry Morgenthau
From: E. R. Stettinius, Jr.
Subject: Executive Reports

Transmitted herewith, for your information, are copies of the latest Executive Reports on Lend-Lease operations.

Attachment

CONFIDENTIAL
Executive Report No.1

Office of Lend-Lease Administration
STATEMENT OF ALLOCATIONS AND OBLIGATIONS
Weekly Report as of February 28, 1942

Appropriation Category	Adjusted Appropriations Feb. 28, 1942	Allocations		Obligations
		Feb. 28, 1942	Feb. 23, 1942	Feb. 23, 1942
Ordnance and Ordnance Stores	\$ 2,026,454,289	\$ 1,993,354,681	\$ 1,293,354,681	\$1,304,549,015
Aircraft and Aero. Material	2,877,000,000	2,838,204,353	2,837,956,698	2,298,982,150
Tanks and Other Vehicles	971,100,000	959,051,249	959,051,249	572,967,420
Vessels and Other Watercraft	1,675,280,100	1,663,858,450	1,663,858,450	1,240,631,540
Misc. Military Equipment	466,500,000	457,327,106	457,323,631	132,587,034
Production Facilities	1,051,313,824	1,041,585,513	1,041,585,513	676,276,087
Agric. and Indust. Commod's	3,266,381,887	2,734,868,301	2,734,012,401	1,721,052,855
Servicing Repair of Ships, etc.	305,469,900	296,947,333	296,947,333	194,686,284
Services and Expenses	312,500,000	278,476,944	277,956,520	81,159,767
Administrative Expenses	20,000,000	8,333,352	8,083,352	3,238,120
Total	\$12,972,000,000	\$12,272,007,282	\$12,270,129,828	\$8,226,130,272

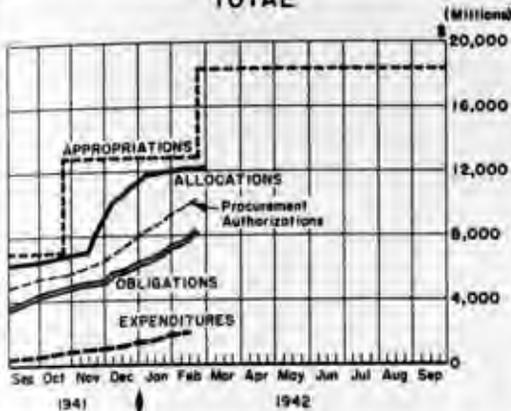
Procuring Agency	Adjusted Limitations Feb. 28, 1942	Allocations		Obligations
		Feb. 28, 1942	Feb. 23, 1942	Feb. 23, 1942
War Department	\$ 6,656,977,280	\$ 6,589,985,169	\$ 6,589,453,020	\$4,379,618,142
Navy Department	2,663,921,469	2,613,220,753	2,613,061,348	1,665,660,676
Maritime Commission	1,143,068,100	1,127,296,500	1,127,296,500	931,892,111
Treasury Department	932,901,774	931,992,840	931,136,940	571,341,068
Department of Agriculture	1,518,040,076	1,008,312,076	1,008,312,076	676,934,780
Other	1,199,944	1,199,944	869,944	683,493
Total	\$12,916,108,643	\$12,272,007,282	\$12,270,129,828	\$8,226,130,272

Funds for freight and other necessary charges are not included in obligations.

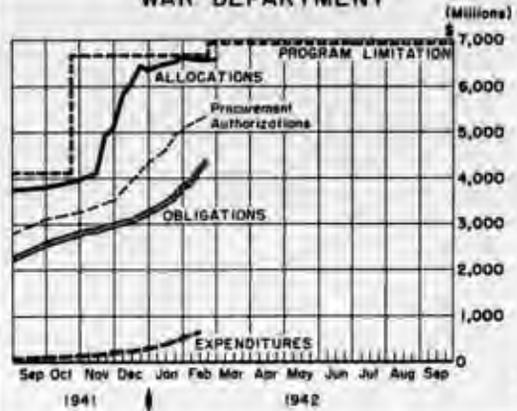
CONFIDENTIAL

LEND-LEASE FUNDS

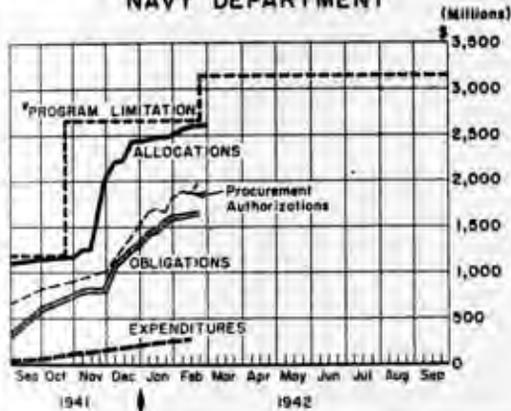
TOTAL



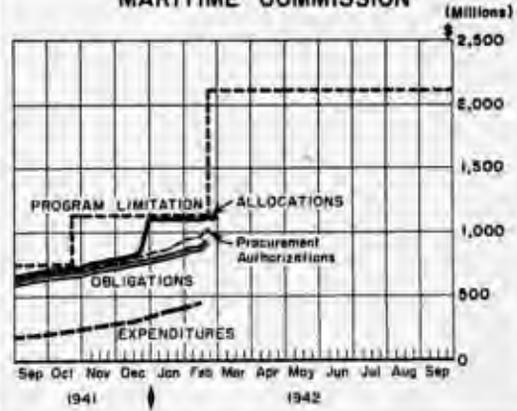
WAR DEPARTMENT



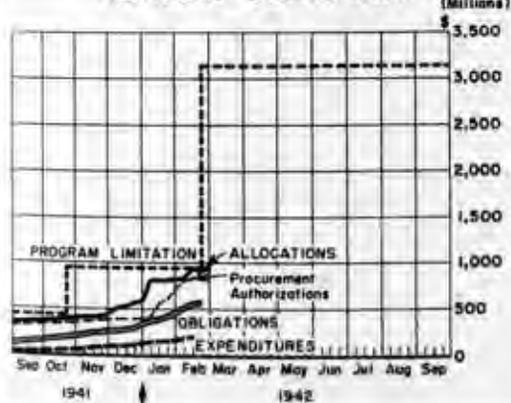
NAVY DEPARTMENT



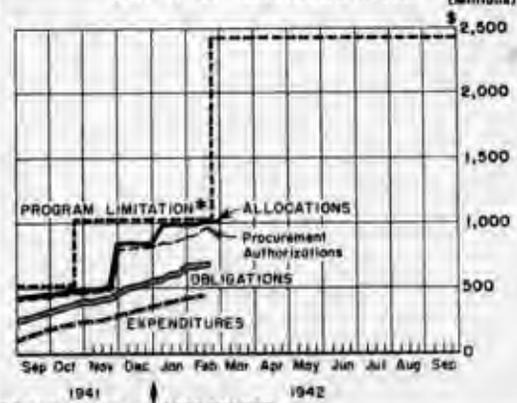
MARITIME COMMISSION



TREASURY DEPARTMENT



DEPT. OF AGRICULTURE

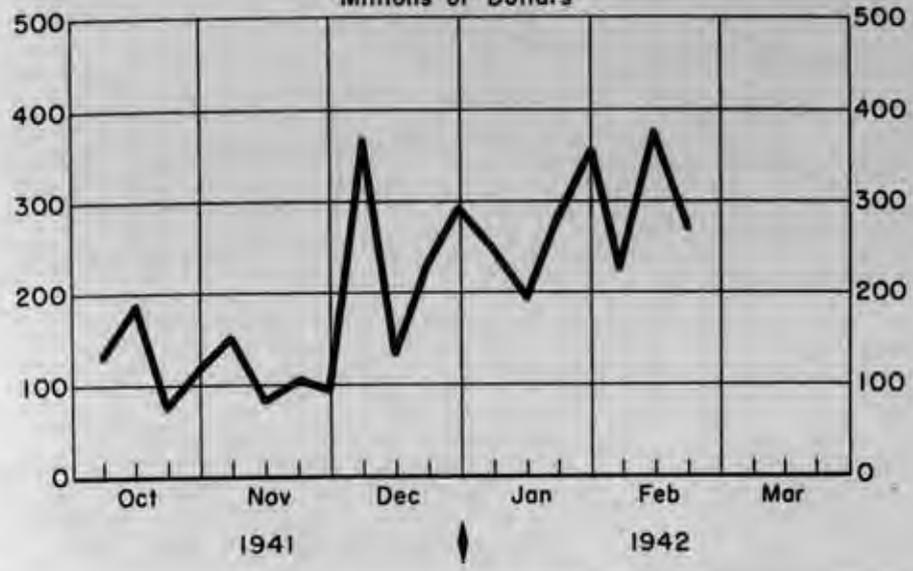


* Excludes reserve of \$500,000,000

**TOTAL AMOUNT OF FUNDS OBLIGATED
IN EACH WEEKLY PERIOD**

CONFIDENTIAL

Millions of Dollars



AMOUNT OF FUNDS OBLIGATED, BY WEEKLY PERIODS

Thousands of Dollars

	Jan. 24-31	Feb. 1-8	Feb. 9-15	Feb. 16-23
APPROPRIATION CATEGORY				
Ordnance and Ordnance Stores	100,255	21,087	7,921	43,017
Aircraft and Aero. Material	29,139	51,075	197,696	68,407
Tanks and Other Vehicles	48,720	24,210	8,261	16,632
Vessels and Other Watercraft	12,999	13,619	8,142	45,701
Misc. Military Equipment	13,872	9,814	4,201	5,008
Production Facilities	13,608	9,739	61,305	16,965
Agric. and Indust. Commod's	130,864	75,909	83,198	61,726
Servicing, Repair of Ships, etc.	31	4,427	1,215	3,433
Services and Expenses	4,068	16,877	7,585	8,517
Administrative Expenses	89	185	179	111
Total	353,645	226,942	379,703	269,517
PROCURING AGENCY				
War Department	204,084	132,155	306,254	161,763
Navy Department	51,457	13,669	19,092	28,204
Maritime Commission	12,343	27,609	608	60,232
Treasury Department	34,729	53,470	36,854	19,313
Department of Agriculture	50,989	30	16,855	5
Other	43	9	40	-
Total	353,645	226,942	379,703	269,517

Office of Lend-Lease Administration



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

MAR 5 1942
915

March 4, 1942

MEMORANDUM TO MR. SWOFF:

*To the Secretary
E.S. Jordan 3/4/42*

The reconciliation of Allocations as shown on the Secretary's report for February 26, 1942, and the item entitled, "Requisitioned" on Summary Sheet is as follows:

Allocations per Secretary's Report 332,022,539.

Requisitions per Purchase Classification Report 906,480,730

and:

Undistributed Allocations	135,007,532	
Administrative	314,208	
Miscellaneous	5,000	
	<u>140,326,740</u>	332,022,539.

J. E. Mack
Director of Procurement



SUMMARY SHEET

TREASURY DEPARTMENT, PROCUREMENT DIVISION
LEND LEASE PROGRAM
STATUS REPORT AS OF CLOSE OF BUSINESS FEBRUARY 28, 1942

	Total All Countries	United Kingdom	Russia	China	Other
1. <u>Requisitioned</u> --(by dollar amount) (Allocations and Recommendations) (Exclusive of Administrative and Contingent Expenses and Special Fund)	\$805,430,738	\$587,804,057	\$157,784,089	\$57,159,310	\$2,883,282
2. <u>Obligated</u> --(by dollar amount) (Contracts and Commitments)	600,176,590	459,435,549	104,197,681	34,390,155	2,152,205
3. <u>Delivered</u> --(by dollar amount) (To Foreign Government Representative)	210,444,050	185,865,110	12,284,559	12,133,945	170,436
4. <u>Undelivered Balance</u> --(by dollar amount) : (2 less 3)	389,731,540	273,580,439	91,913,122	22,256,210	1,981,769
5. <u>Scheduled</u> --(by dollar amount) (By Months, as Follows:)	213,807,722	166,328,796	41,313,393	6,064,474	101,059
1942:					
March	75,826,619	61,732,024	10,690,527	3,309,661	94,407
April	35,534,094	28,266,090	6,096,534	1,164,818	8,652
May	28,101,860	19,906,694	7,375,344	819,822	-
June	31,101,913	19,399,972	11,248,046	453,895	-
July	10,372,612	8,735,296	1,431,136	206,180	-
August	8,615,875	7,124,611	1,393,301	37,963	-
September	9,178,497	7,954,897	1,187,661	35,939	-
October	4,181,268	3,570,941	578,144	32,183	-
November	3,529,404	3,103,071	425,118	1,215	-
December	5,062,321	4,520,819	538,704	2,798	-
Subsequent to December	2,303,259	1,954,381	348,878	-	-
6. <u>Unscheduled</u> --(by dollar amount) (Delivery Schedule being Developed)	148,504,470	90,405,934	44,003,081	13,095,199	1,000,256
7. <u>Revised Schedule</u> --(by dollar amount)	27,419,348	16,845,709	6,596,648	3,096,537	880,454

5 + 6 + 7 = 4)

TREASURY DEPARTMENT, PROCUREMENT DIVISION
LEASING PROGRAM
CHINA--REPORT BY COMMODITIES AS OF THE CLOSE OF BUSINESS FEBRUARY 28, 1942

	Total	A Aircraft	B Explosives, Pyrotechnics and Chemical Warfare Items	C Ammunition, (Small Arms) Etc., Grenades and Anti-Tank Mines	D Ammunition (Other Than Small Arms) and Etc.	E Ordnance Material (Other Than Vehicles)	F Communications Equipment and Special Military Devices	G Miscellaneous Military Equipment, Supplies and Material	H Naval and Maritime Equipment and Supplies	I Servicing (Non-Maritime)
1. <u>Appropriations</u> --(by dollar amount)	\$57,159,310									
(Allocations and Recommendations) (Exclusive of Administrative and Contingent Expenses and Special Fund)										
2. <u>Obligated</u> --(by dollar amount)	34,390,155	\$ -	\$142,875	\$54,000	\$51,825	\$3,162,088	\$ -	\$3,568,949	\$ -	\$ -
(Contracts and Commitments)										
3. <u>Delivered</u> --(by dollar amount)	12,133,945	-	5,375	-	51,825	1,517,215	-	3,546,550	-	-
(To Foreign Government Representative)										
4. <u>Undelivered Balance</u> --(by dollar amount) .	22,256,210	-	137,500	54,000	-	1,644,873	-	22,399	-	-
(2 less 3)										
5. <u>Scheduled</u> --(by dollar amount)	6,064,474	-	37,500	-	-	1,303,415	-	48,680	-	-
(By Months, as Follows:)										
1942:										
March	3,309,661	-	37,500	-	-	526,911	-	32,000	-	-
April	1,164,818	-	-	-	-	388,751	-	16,680	-	-
May	819,822	-	-	-	-	89,036	-	-	-	-
June	453,895	-	-	-	-	64,736	-	-	-	-
July	206,180	-	-	-	-	159,866	-	-	-	-
August	37,963	-	-	-	-	24,300	-	-	-	-
September	35,939	-	-	-	-	24,300	-	-	-	-
October	32,183	-	-	-	-	24,300	-	-	-	-
November	1,215	-	-	-	-	1,215	-	-	-	-
December	2,798	-	-	-	-	-	-	-	-	-
Subsequent to December	-	-	-	-	-	-	-	-	-	-
6. <u>Unscheduled</u> --(by dollar amount)	13,095,199	-	5,375	54,000	-	242,801	-	69,324	-	-
(Delivery Schedule being Developed)										
7. <u>Revised Schedule</u> --(by dollar amount) . .	3,096,537	-	94,625	-	-	98,657	-	Gr. 95,605*	-	-

(5 + 6 + 7 = 4)

* Delivered in Advance of Schedule.

Z Fuels and Chemicals Not Elsewhere Classified	I Machine Tools, Etc., For Export (Metal Working)	U Agricultural Machinery and Parts (Agricultural Tractors)	Y Miscellaneous Machinery and Parts	II Metals	I Foodstuffs and Related Products	Z Materials and Products Not Elsewhere Classified
\$8,589,744	\$399	\$ -	\$3,147,720	\$15,085,728	\$5,580	\$581,247
2,552,082	399	-	459,673	3,720,342	5,580	274,904
6,037,662	-	-	2,688,047	11,365,385	-	306,344
357,780	-	-	247,993	3,858,706	-	210,400
237,041	-	-	74,765	2,317,871	-	83,573
86,277	-	-	38,588	632,657	-	1,865
11,850	-	-	96,827	620,660	-	1,449
9,825	-	-	10,273	255,353	-	113,708
713	-	-	9,366	30,137	-	6,098
7,012	-	-	5,914	737	-	-
4,050	-	-	6,852	737	-	-
1,013	-	-	2,611	553	-	3,706
-	-	-	-	-	-	-
-	-	-	2,798	-	-	-
-	-	-	-	-	-	-
5,094,221	-	-	2,440,054	5,095,480	-	95,944
585,561	-	-	-	2,413,199	-	-

TREASURY DEPARTMENT, PROCUREMENT DIVISION
LEASING PROGRAM
RUSSIA--REPORT BY COMMODITIES AS OF THE CLOSE OF BUSINESS FEBRUARY 28, 1942

	Total	A Aircraft	B Explosives, Pyrotechnics and Chemical Warfare Items	C Ammunition, (Small Arms) Etc., Grenades and Anti-Tank Mines	D Ammunition (Other Than Small Arms) and Etc.	E Ordnance Material (Other Than Vehicles)	F Communications Equipment and Special Military Devices	G Miscellaneous Military Equipment, Supplies and Material	H Naval and Maritime Equipment and Supplies	I Servicing (Non-Maritime)
1. <u>Requisitioned</u> --(by dollar amount) (Allocations and Recommendations) (Exclusive of Administrative and Contingent Expenses and Special Fund)	\$157,784,089									
2. <u>Obligated</u> --(by dollar amount) (Contracts and Commitments)	104,197,681	\$126,878	\$209,925	\$ -	\$ -	\$2,145,771	\$252,876	\$9,489,136	\$ -	\$ -
3. <u>Delivered</u> --(by dollar amount) (To Foreign Government Representative)	12,284,559	-	-	-	-	-	-	-	-	-
4. <u>Undelivered Balance</u> --(by dollar amount) (2 less 3)	91,913,122	126,878	209,925	-	-	2,145,771	252,876	9,489,136	-	-
5. <u>Scheduled</u> --(by dollar amount) (By Months, as Follows:)	41,313,393	63,439	71,025	-	-	1,182,119	108,850	3,478,706	-	-
1942:										
March	10,690,527	-	71,025	-	-	9,532	108,850	70,575	-	-
April	6,096,534	-	-	-	-	9,532	-	319,350	-	-
May	7,375,344	-	-	-	-	333,888	-	574,595	-	-
June	11,248,046	-	-	-	-	279,082	-	1,623,816	-	-
July	4,431,136	-	-	-	-	189,489	-	278,620	-	-
August	1,393,301	63,439	-	-	-	229,818	-	-	-	-
September	1,187,661	-	-	-	-	-	-	320,250	-	-
October	578,144	-	-	-	-	-	-	220,500	-	-
November	425,118	-	-	-	-	76,100	-	35,500	-	-
December	538,704	-	-	-	-	54,978	-	35,500	-	-
Subsequent to December	348,878	-	-	-	-	-	-	-	-	-
6. <u>Unscheduled</u> --(by dollar amount) (Delivery Schedule being Developed)	44,003,081	63,439	52,650	-	-	886,351	34,176	6,010,430	-	-
7. <u>Revised Schedule</u> --(by dollar amount)	6,596,648	-	86,350	-	-	77,001	109,850	-	-	-

(5 + 6 + 7 = 4)

H Fuels and Chemicals Not Elsewhere Classified	I Machine Tools, Etc., For Export (Metal Working)	L Agricultural Machinery and Parts (Agricultural Tractors)	Y Miscellaneous Machinery and Parts	Z Metals	X Foodstuffs and Related Products	A Materials and Products Not Elsewhere Classified
\$ -	\$673,790	\$ -	\$15,529,720	\$74,403,468	\$ -	\$1,366,117
-	-	-	91,219	12,157,237	-	36,103
-	673,790	-	15,438,501	62,246,231	-	1,330,014
-	620,939	-	5,989,933	29,185,988	-	612,094
-	76,733	-	472,262	9,719,962	-	161,588
-	45,787	-	675,562	4,931,923	-	114,380
-	58,602	-	1,051,762	5,355,097	-	1,400
-	156,784	-	363,399	8,499,471	-	325,494
-	12,930	-	721,479	219,386	-	9,232
-	101,403	-	624,267	374,374	-	-
-	168,700	-	639,245	59,466	-	-
-	-	-	354,067	3,577	-	-
-	-	-	309,941	3,577	-	-
-	-	-	444,650	3,576	-	-
-	-	-	333,299	15,579	-	-
-	52,851	-	6,149,308	30,720,871	-	33,005
-	-	-	3,299,260	2,339,372	-	684,915

**ARMED SERVICES PROCUREMENT REPORTS
AND SPAN REPORTS
DURING FISCAL YEAR 1962 AS COMPLETED AS OF THE CLOSE OF BUSINESS PERIOD OF 1962**

	Total	Aircraft	1 Explosives, Pyrotechnics and Chemical Warfare Items	2 Ammunition, Small Arms, Etc., Grenades and Anti-Tank Missiles	3 Ammunition (Other Than Small Arms) and Etc.	4 Obscure Material (Other Than Vehicles)	5 Communications Equipment and Special Military Services	6 Miscellaneous Military Equipment, Supplies and Material	7 Land and Maritime Equipment and Supplies	8 Services (Non-Maritime)	9 Fuels and Chemicals Not Classified	10 Maritime Tows, Etc., For Export (Date: Working)	11 Agricultural Machinery and Parts (Agricultural Tractors)	12 Miscellaneous Machinery and Parts	13 Miscellaneous	14 Foodstuffs and Related Products	15 Materials and Products Not Classified
1. Administrative--By dollar amount	297,464,977																
(Includes administrative and budgetary expenses and Special Fund)																	
2. Weapons--By dollar amount	174,171,567	1,454,433	33,761,900	-	-	22,468,100	21,000,000	87,889,447	24,221,800	361,100	21,771,710	970,370	28,247,100	836,706,870	244,897,021	814,881,200	662,277,000
(Includes small arms)																	
3. Equipment--By dollar amount	108,871,421	4,271,400	14,167,700	-	-	5,271,700	10,000,000	1,911,000	97,700	4,000	4,234,900	222,870	7,597,300	7,348,517	129,115,500	-	11,268,000
(By Foreign Government Representatives)																	
4. Transportation--By dollar amount	77,000,000	80,000	21,000,000	-	-	7,000,000	1,500,000	75,000,000	70,000	10,000	11,000,000	77,000	10,000,000	11,000,000	121,750,000	14,000,000	2,000,000
(By Land)																	
5. Machinery--By dollar amount	10,000,000	4,000	100,000	-	-	1,000,000	1,000,000	10,000,000	10,000	10,000	1,000,000	10,000	7,000,000	2,000,000	7,000,000	500	10,000,000
(By Foreign Government Representatives)																	
6. Services--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(By Foreign Government Representatives)																	
7. Materials--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(By Foreign Government Representatives)																	
8. Foodstuffs--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(By Foreign Government Representatives)																	
9. Other--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(By Foreign Government Representatives)																	
10. Administrative--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(Includes administrative and budgetary expenses and Special Fund)																	
11. Weapons--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(Includes small arms)																	
12. Equipment--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(By Foreign Government Representatives)																	
13. Transportation--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(By Land)																	
14. Machinery--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(By Foreign Government Representatives)																	
15. Services--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(By Foreign Government Representatives)																	
16. Materials--By dollar amount	10,000,000	10,000	10,000	-	-	10,000	10,000	10,000,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000,000
(By Foreign Government Representatives)																	

ARMY DEPARTMENT - PROCUREMENT DETAILS
AND STATE PROGRAM
CHINA--REPORT BY COMMISSIONER OF THE GENERAL INVESTIGATING DIVISION, APRIL 1950

	Total	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
		Aircraft	Engineers, Pyrotechnics and Chemical Warfare Items	Armament, (Small Arms) Exp., Grenades and Anti-Tank Mines	Armament (Other Than Small Arms) and Exp.	Defense Material (Other Than Vehicles)	Communications Equipment and Special Military Devices	Miscellaneous Military Equipment, Supplies and Material	Naval and Maritime Equipment and Supplies	Services (No-Contract)	Fuels and Chemicals Not Classified	Machine Tools Etc., For Export (Special Sorting)	Agricultural Machinery and Parts (Agricultural Tractors)	Miscellaneous Machinery and Parts	Details	Foodstuffs and Related Products	Materials and Products Not Classified		
1. Operational--(by dollar amount)	22,842,282																		
(Allotments and Accommodations Exclusive of Administrative and Contingent Expenses and Special Fund)																			
2. Obligated--(by dollar amount)	2,152,205	-	-	-	-	21,000	-	230,198	-	-	-	-	-	-	-	27,497	41,884	-	41,176,084
(Contracts and Commitments)																			
3. Obligated--(by dollar amount)	170,436	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170,436
(By Foreign Government Representative)																			
4. Obligated Balance--(by dollar amount) (Less 3)	1,981,769	-	-	-	-	11,000	-	90,198	-	-	-	-	-	-	-	7,497	13,884	-	1,705,198
5. Obligated--(by dollar amount)	102,059	-	-	-	-	-	-	22,500	-	-	-	-	-	-	-	4,652	-	-	74,407
(By Month, as Follows)																			
Total	94,407							22,500								4,652			74,407
April	4,452																		
May																			
June																			
July																			
August																			
September																			
October																			
November																			
December																			
Subsequent to December																			
6. Obligated--(by dollar amount)	1,000,256	-	-	-	-	11,000	-	215,027	-	-	-	-	-	-	-	815	11,884	-	779,480
(Every Schedule Being Developed)																			
7. Total Obligated--(by dollar amount)	880,474	-	-	-	-	-	-	721,141	-	-	-	-	-	-	-	-	-	-	155,303

March 2, 1942

Melvin Silverman, Esq.
10 State Street
Boston, Massachusetts

My dear Mr. Silverman:

The Honorable John W. McCormack has forwarded your letter of February 24th to me, in regard to the removal of household goods from Washington by the Procurement Division of the Treasury Department.

There is some misunderstanding in regard to this subject and I am enclosing herewith a press release on the subject. The Procurement Division of the Treasury Department will be very glad to consider you if you will write in and tell them something of your equipment and facilities to do this work.

Yours very truly,

Gerard Swope
Assistant to the Secretary

Enclosure

GS:blb

C
O
P
Y

31

MELVIN SILVERMAN
Attorney and Counsellor at Law
Ten State Street
Boston, Massachusetts
- - - -

Capitol 7297

February 24, 1942

Congressman John E. McCormick
Congressional Office Building
Washington, D. C.

Dear Sir:

As my Representative in Congress, I urge that you protest the action of the Procurement Division in the Treasury Department in arranging for the removal of household goods of Non-defense Government offices and employees through a private organization (Traffic Service Department) of American Trucking Associations, which does not represent the entire trucking industry and which demands \$60.00 a year as a condition for memberships, I insist that an investigation be made of the action of the Procurement Division in allotting contracts to five (5) companies through the Traffic Service Department at rates higher than are presently available to the Government, as an illustration of gross waste and intemperate spending. As a tax paying member of your state and your constituent I urge immediate action on my protest.

Very truly yours,

/s/ MELVIN SILVERMAN

MS:MG

TREASURY DEPARTMENT

32

INTER OFFICE COMMUNICATION

DATE March 4, 1942

TO Secretary Morgenthau

FROM Gerard Swope

Mr. William P. Day came to me with an introduction and recommendation from Tom K. Smith, President of The Boatmen's National Bank of St. Louis. You may remember that I spoke to you about it. This is simply for the record if you wish to consider him for some appointment at a later date.

Mr. Day was born in Philadelphia in 1887. He is single. He lived in St. Louis and was educated there. He worked as an auditor in the Third National Bank in St. Louis and later was a dealer in municipal bonds. He was also Vice President of the Lambert Company of St. Louis.

Other names and references that he has given, other than Mr. Smith, are:

Gerard B. Lambert, 78 Kalorama Circle,
Washington, D. C.
W. L. Hemingway, President
Mercantile Commerce Bank and Trust Co.
St. Louis, Missouri
John R. Shepley, Vice President
St. Louis Union Trust Co.
St. Louis, Missouri
Louis S. Brady, Vice President
Bankers Trust Co.
New York, New York

He also mentioned Eugene Sloan, to whom I have spoken, and who speaks very well of him.



MAR 4 1942

My dear Mr. Perkins:

I am enclosing five copies of the report on our exports to some selected countries for the period February 11 to February 20, 1942.

Sincerely yours,

(Signed) E. Morgenthau, Jr.

Secretary of the Treasury

Mr. Milo Perkins,
Executive Director,
Board of Economic Warfare,
2501 Que Street, N. W.,
Washington, D. C.

Enclosures

WPM:seh
2/25/42

cc
50 S. W. Lia
By [unclear] 11/11/42
3:40

MAR 4 1942

My dear Colonel Donovan:

I am enclosing copy of report on our
experts to some selected countries for the
period February 11 to February 20, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

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

Enclosure

H. M. C.
cc - L. H. White
by messenger *M. J. ...*
J. F.

NDW: msh
2/25/42

MAR 4 1942

My dear Mr. Secretary:

I am enclosing copy of report on our
 exports to some selected countries for the
 period February 11 to February 20, 1942.

Sincerely yours,

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

The Honorable,
 The Secretary of State,
 Washington, D. C.

Enclosure

ENCLOSURE
 2/27/42

71 MC
 by Messenger Manus 3:40
 cc - D - White

Mr. H. C. Lippitt

MAR 4 1942

My dear Mr. President:

I am enclosing report on our exports
to some selected countries for the period
February 11 to February 20, 1942.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,
The White House.

Enclosure

n.m.c.
cc - Dr. White

Secret Service Messenger
By Messenger 3:50

HW:neh
2/25/42

Ret. to Secy's Office

March 2, 1942

Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the ten-day period ending February 20, 1942.

1. Exports to Russia

Exports to Russia, as reported to the Treasury during the ten-day period ending February 20, 1942 amounted to more than \$20 million. Landplanes and military tanks and parts accounted for more than one-half. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China during the period under review amounted to \$1,855 thousand. The principal items were landplanes, motor trucks and chassis and printed matter. (See Appendix D.)

Exports to Burma amounted to about \$585 thousand. Motor trucks accounted for about one-third of this total. (See Appendix E.)

3. Exports to France

No exports to France were reported during the period under review.

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A.

SUMMARY OF UNITED STATES
DOMESTIC EXPORTS TO SELECTED COUNTRIES
AS REPORTED TO THE TREASURY DEPARTMENT
FROM EXPORT DECLARATIONS RECEIVED
DURING THE PERIOD INDICATED 1/

July 28, 1941 to February 20, 1942

(In thousands of dollars)

	July 28 to Jan. 31	Period ended February 10	Period ended February 20	Total Domestic Exports
U. S. S. N.	\$108,157	\$ 13,315	\$ 26,174	\$ 147,646
Free China	37,093	4,899	4,853	46,835
Burma 2/	9,445	1,054	583	11,082
France 3/	6	-	-	6
Occupied France	2	-	-	2
Unoccupied France	.4	-	2	2
Spain	2,493	144	2	2,639
Switzerland	6,785	33	115	6,933
Denmark	12,157	1,123	569	13,849
Portugal	5,674	223	548	6,245
French North Africa 4/	1,747	4,536	-	6,283

Treasury Department, Division of Monetary Research

February 26, 1942.

- 1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular week. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.
- 2/ From September 11, 1941 to date — It is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.
- 3/ Includes both Occupied and Unoccupied France through week ending October 4, 1941. Occupied and Unoccupied France separated thereafter.
- 4/ Includes Morocco, Algeria and Tunisia.

FORM 343 2/26/42

APPENDIX B

Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 28, 1941 - February 20, 1942

(Thousands of Dollars)

	<u>Exports to Free China</u>	<u>Exports to Burma 3/</u>	<u>Exports to U.S.S.R.</u>
July 28 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	509		986
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	1		1,023
Sept. 2 - Sept. 6	204		4,280
Sept. 5 - Sept. 13	2,281		5,217
Sept. 15 - Sept. 20	3,822 ^{2/}		752
Sept. 22 - Sept. 27	110	449	2,533
Sept. 29 - Oct. 4	1,225	684	323
Oct. 6 - Oct. 11	5,312	1,157	6,845
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	403	5,623
Oct. 27 - Nov. 1	4,772	58	4,444
Nov. 3 - Nov. 8	1,672	342	4,552
Nov. 10 - Nov. 15	2,851	88	2,677
Nov. 17 - Nov. 22	1,228	1,021	3,581
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	16	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	5,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10 ^{1/}	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Total	49,438	9,969	147,999

1. These figures are in part taken from copies of shipping manifests.
 2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
 3. It is presumed that a large percentage of exports to Burma are destined for Free China.
- Beginning with February 1 figures will be given for 10-day period instead of week.

APPENDIX C

Principal Exports from U.S. to U.S.S.R.
as reported to the Treasury Department
during the ten-day period ending
February 20, 1942

(Thousands of Dollars)

TOTAL EXPORTS

\$26,174

Principal Items:

Landplanes (bombers)	4,912
Military tanks (light)	4,641
Landplanes (pursuit, interceptor and fighter)	2,831
Brass and bronze plates and sheets	1,961
Motor trucks and chassis	1,224
Military tanks (medium)	1,060
Explosive shells and projectiles	1,025
Wool cloth	881
Landplanes (partial shipment)	708
Relief supplies (surgical and hospital)	640
Copper wire (insulated)	555
Sole leather	466
Milling machines	399
Trinitro toluene (T.N.T.)	383
Copper wire (bare)	329
Metal-grinding machines and parts	318
Metallic cartridges	273
Other power-driven metal-working machinery and parts	271
Military tank parts and accessories	261
Aluminum tubing	208
Lathes	163
Lubricating oils	159
Nitrocellulose	153
Machine and sub-machine guns	149
Toluene	144
Molybdenum salts and compounds	124
Lard	123

APPENDIX D

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the ten-day period ending
February 20, 1942

(Thousands of Dollars)

TOTAL EXPORTS

\$ 4,855

Principal Items:

Landplanes (pursuit)	936
Motor trucks and chassis	795
Printed matter (bank notes)	723
Metallic cartridges and belt links	515
Explosive shells and projectiles	308
Smokeless powder	291
Landplanes (partial shipment)	265
Machine and heavy ordnance guns	217
Auto replacement parts	77
Relief supplies (surgical and hospital)	62
Aircraft parts and accessories, n.e.s.	60

APPENDIX E

Principal Exports from U.S. to Burma
as reported to the Treasury Department
during the ten-day period during
February 20, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 583
Principal Items:	
Metallic cartridges	139
Motor trucks (1 to 1½ tons)	128
Motor trucks (1½ to 2½ tons)	65
Aircraft propellers and parts of	43
Steel sheets, black	41
Evaporated milk	33
Auto replacement parts	25
Rayon piece goods	21

MAR 4 1942

Dear Mr. McCloy:

Thank you for your letter of March 3, and the release in regard to the evacuation of the Japanese from the West Coast areas.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Hon. John McCloy,
Assistant Secretary of War,
Washington, D. C.

EHF:vlb - 3/3/42

*Original file to Foley
Copy of file to H. M. C.*

THE ASSISTANT SECRETARY OF WAR

Washington

March 3, 1942

Dear Mr. Secretary:

I am sending you herewith a copy of the proclamation and release which was issued, I believe, this morning on the West Coast in connection with the Japanese evacuees.

You will note that the substance of it is merely to designate the areas, and that no evacuations are as yet ordered, although the classes of people to be affected by possible evacuations in the future are also designated.

Sincerely yours,

John J. McCloy

The Honorable

The Secretary of the Treasury

CONFIDENTIAL

HEADQUARTERS WESTERN DEFENSE COMMAND AND FOURTH ARMY
PRESIDIO OF SAN FRANCISCO, CALIFORNIA

PUBLIC PROCLAMATION NO. 1.
March 2, 1942

To: The people within the States of Arizona, California, Oregon, and Washington, and the Public Generally.

WHEREAS, by virtue of orders issued by the War Department on December 11, 1941, that portion of the United States lying within the States of Washington, Oregon, California, Montana, Idaho, Nevada, Utah and Arizona and the Territory of Alaska has been established as the Western Defense Command and designated as a theatre of operations under my command; and

WHEREAS, By Executive Order No. 9066, dated February 19, 1942, the President of the United States authorized and directed the Secretary of War and the Military Commanders whom he may from time to time designate, whenever he or any such designated commander deems such action necessary or desirable, to prescribe military areas in such places and of such extent as he or the appropriate Military Commander may determine, from which any or all persons may be excluded, and with respect to which the right of any person to enter, remain in, or leave shall be subject to whatever restrictions the Secretary of War or the appropriate military commander may impose in his discretion; and

WHEREAS, The Secretary of War on February 20, 1942, designated the undersigned as the Military Commander to carry out the duties and responsibilities imposed by said Executive Order for that portion of the United States embraced in the Western Defense Command; and

WHEREAS, The Western Defense Command embraces the entire Pacific Coast of the United States which by its geographical location is particularly subject to attack, to attempted invasion by the armed forces of nations with which the United States is now at war, and, in connection therewith, is subject to espionage and acts of sabotage, thereby requiring the adoption of military measures necessary to establish safeguards against such enemy operations:

NOW THEREFORE, I, J. L. DeWitt, Lieutenant General, U. S. Army, by virtue of the authority vested in me by the President of the United States and by the Secretary of War and my powers and prerogatives as Commanding General of the Western Defense Command, do hereby declare that:

1. The present situation requires as a matter of military necessity the establishment in the territory embraced by the Western Defense Command of Military Areas and zones thereof as defined in Exhibit 1, hereto attached, and as generally shown on the map attached hereto and marked Exhibit 2.

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CONFIDENTIAL

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2. Military Areas Nos. 1 and 2, as particularly described and generally shown hereinafter and in Exhibits 1 and 2 hereto, are hereby designated and established.

3. Within Military Areas Nos. 1 and 2 there are established Zone A-1, lying wholly within Military Area No. 1; Zones A-2 to A-99, inclusive, some of which are in Military Area No. 1, and the others in Military Area No. 2; and Zone B, comprising all that part of Military Area No. 1 not included within Zones A-1 to A-99 inclusive; all as more particularly described and defined and generally shown hereinafter and in exhibits 1 and 2.

Military Area No. 2 comprises all that part of the States of Washington, Oregon, California and Arizona which is not included within Military Area No. 1, and is shown on the map (Exhibit 2) as an unshaded area.

4. Such persons or classes of persons as the situation may require will by subsequent proclamation be excluded from all of Military Area No. 1 and also from such of those zones herein described as Zones A-2 to A-99, inclusive, as are within Military Area No. 2.

Certain persons or classes of persons who are by subsequent proclamation excluded from the zones last above mentioned may be permitted, under certain regulations and restrictions to be hereafter prescribed, to enter upon or remain within Zone B.

The designation of Military Area No. 2 as such does not contemplate any prohibition or regulation or restriction except with respect to the zones established therein.

5. Any Japanese, German, or Italian Alien, or any person of Japanese ancestry now resident in Military Area No. 1 who changes his place of habitual residence is hereby required to obtain and execute a "Change of Residence Notice" at any United States Post Office within the States of Washington, Oregon, California and Arizona. Such notice must be executed at any such Post Office not more than five days or less than one day prior to effecting any such change of residence. Nothing contained herein shall be construed to affect the existing regulations of the U. S. Attorney General which require aliens of enemy nationalities to obtain travel permits from U. S. Attorneys and to notify the Federal Bureau of Investigation and the Commissioner of Immigration of any change in permanent address.

6. The designation of prohibited and restricted areas within the Eastern Defense Command by the Attorney General of the United States under the Proclamations of December 7 and 8, 1941, and the instructions, rules and regulations prescribed by him with respect to such prohibited and restricted areas, are hereby adopted and continued in full force and effect.

The duty and responsibility of the Federal Bureau of Investigation with respect to the investigation of alleged acts of espionage and sabotage are not altered by this proclamation.

J. L. DeWitt
Lieutenant General, U. S. Army,
Commanding

CONFIDENTIAL

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PRESS RELEASE:

March 2, 1942

Cracking down on unfounded rumors and so-called "official statements" regarding Pacific Coast evacuation, Lieutenant General J. L. DeWitt, Commanding General of the Western Defense Command and Fourth Army, declared today that the decision as to who will be evacuated, from where, and when is a military decision based on military necessity.

"Military necessity," said General DeWitt, "is the sole yardstick by which the Army has selected the military areas announced. Public clamor for evacuation from non-strategic areas and the insistence of local organizations and officials that evacuees not be moved into their communities cannot and will not be considered. No one has been authorized to speak for me in connection with my authority under the Executive Order, and all statements and predictions coming from other sources should be disregarded."

The Commanding General declared that for two weeks the staff of the Western Defense Command and Fourth Army has made additional and final studies of the areas involved. Proclamation No. 1, issued today, includes approximately the west half of Washington, Oregon and California, and the south half of Arizona, in military area No. 1.

The proclamation also imposes restrictions on the movement of persons within the military areas announced. Any Japanese, German or Italian alien or person of Japanese lineage changing his place of habitual residence either from one place to another within the military area, or by leaving the area, is required to register the change. Post Offices have been designated as the places where this registration will be made. The Commanding General said arrangements were being made to have registration forms issued these offices as rapidly as available facilities permit.

CONFIDENTIAL

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In speaking of his proclamation, the Commanding General indicated that future proclamations forthcoming shortly will affect five classes of people. These are: Class 1, all persons who are suspected of espionage, sabotage, fifth-column or other subversive activity; Class 2, Japanese aliens; Class 3, American-born persons of Japanese lineage; Class 4, German aliens; Class 5, Italian aliens.

Persons falling in Class 1 are being apprehended daily by the Federal Bureau of Investigation and other intelligence services. Evacuation from military areas will be a continuing process, the General declared. He explained that persons in Classes 2 and 3 will be required by future orders to leave certain critical points within the military areas first, and that these areas will be defined and announced shortly. After exclusion has been completed from around the most strategic areas, a gradual program of exclusion from the balance of military area No. 1 will be developed.

The general stated that German and Italian aliens will be next on the list for evacuation, but they probably would not be affected until after the Japanese had been removed. He said that German and Italian aliens of 70 years of age or over would not be required to move, except when individually suspected, and that the parents, wives and children of Germans and Italians in the armed forces would not be moved unless for some special reason.

Specifically directing his comments toward predictions of immediate mass evacuation from Pacific Coastal areas, General Dewitt said: "Immediate compulsory mass evacuation of all Japanese and other aliens from the Pacific Coast is impracticable. Eventually, orders will be issued requiring all Japanese,

CONFIDENTIAL

including those who are American born, to vacate all of military area No. 1. Those Japanese and other aliens who move into the interior out of this area now will gain considerable advantage, and in all probability will not again be disturbed. The appropriate agencies of the Federal Government are engaged in far-reaching preparations to deal with the problem and a study is in progress by these agencies regarding the protection of property, the resettlement and relocation of those who are affected. The completed preparations will include measures designed to safeguard as far as possible property and property rights, to avoid the depressing effect of forced sales, and generally to minimize resulting economic dislocations. As soon as these studies are concluded, definite designation of territories and definite designation of persons to be affected will be made."

* * * * *

CONFIDENTIAL

MAR 4 1942
50 11 -

March 4, 1942

Mr. Donald M. Nelson
Chairman
War Production Board
Social Security Building
Washington, D. C.

Dear Mr. Nelson:

I am pleased to know that you are having a status report prepared of allocations covering the items under the Moscow Protocol, which your letter of February 28th states will be completed today.

The remaining time to make up existing deficiencies before April 1st is limited, and it is most important that the suppliers maintain production schedules in accordance with your allocation orders.

Since writing you I have received a further report from the Procurement Division as of February 28th, which indicates that the difficulty concerning some of the items has been overcome.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

CEM/rm

By *Morganthau* *Stam 12-11-42*

File 277111

copy ad.

WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

February 28, 1942

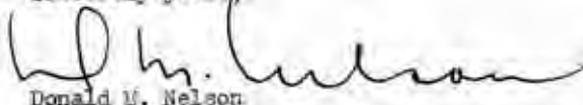
Dear Mr. Secretary:

I have your letter of February 19 and the report on the status of a few of the purchases under the Moscow Protocol as of February 18, 1942.

I find several figures and statements in the report which conflict with information available here and, rather than send you a hastily prepared report on the status of USSR requisitions considered by the WPB, I am having prepared a complete account of such items of material and equipment showing, specifically, the total Protocol requirements, the amounts requisitioned, and the amounts allocated for delivery or that will be made available for delivery by April 1. This will be completed by March 4 and I will send a copy to you at that time.

We are aware of the importance of meeting all promises under this Protocol, and I assure you we will continue to do everything possible in this organization to expedite delivery of the materials and manufactured products which we have agreed to make available.

Sincerely yours,



Donald M. Nelson

The Honorable
The Secretary of the Treasury

MAR 4 1942

March 4, 1942

Mr. Thomas B. McCabe
Deputy Administrator
Office of Lend-Lease Administration
515 - 22nd Street, N. W.
Washington, D. C.

Dear Mr. McCabe:

The concern expressed in your letter of March 2nd because of the present Russian cargo situation is thoroughly understood and appreciated.

I have directed that the Procurement Division continue to exert every effort to follow up each order closely and particularly to expedite shipments of heavy cargo to shipside.

You may rest assured that everything within our power is being done.

Sincerely yours,

(Signed) W. Hergert, Jr.

Secretary of the Treasury

CEM/rm

By ~~Memorandum~~ *W. H. C.*

CEM/rm

OFFICE OF LEND-LEASE ADMINISTRATION
 FIVE-FIFTEEN 22d STREET NW.
 WASHINGTON, D. C.

March 2, 1942

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

Dear Mr. Morgenthau:

We are very grateful for the splendid cooperation of the Treasury Procurement in accelerating purchases for the Soviet Union.

Knowing your vital interest in the protocol and your efforts in urging compliance with the President's directive in delivering the backlog, with certain amendments, by April 1st, I thought you would like to know that Mr. Mack and his associates are speeding up their procedure in placing contracts and expediting deliveries.

As you know, ocean shipping has been the chief bottleneck, but after a long hard struggle we succeeded in obtaining a considerable number of ships last week and promises of a larger number this week and the succeeding weeks of March.

Now the responsibility is squarely up to the various procurement agencies and ourselves to expedite deliveries to the ports. At the moment there is available considerable quantities of trucks and other bulky items, but the important need is steel and other heavy cargo for balanced loading, of which the tonnage for immediate delivery is inadequate. Your procurement office is fully aware of the requirements and is exerting great pressure to obtain the necessary material, but I thought you and Mr. Swope should know the seriousness of the problem.

With kindest regards,

Sincerely,

Thomas B. McCabe

Thomas B. McCabe
 Deputy Administrator

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 4, 1942

TO Secretary Morgenthau
FROM Mr. Kamarok
Subject: German Aircraft Production (based on Ministry of Economic Warfare reports)

1. From January 1, 1941, to December, 1941, German aircraft production increased by one-third, or from 1,900 military planes a month to 2,500 a month. Plant extensions which are being made may increase this output by another 15 to 20 percent, or to a total of about 3,000 planes a month. (The production in Poland and Czechoslovakia is included in these figures. The production of Italy and the other occupied countries would boost the total by another 600 to 700 planes a month. The present European Axis production would be, then, probably around 3,300 a month, with a possible figure of 3,700 per month this year.)

2. In 1941, it is estimated that the Germans produced a total of 26,000 planes. (At the same time, Italy and the other occupied countries probably produced around 7,000 planes, giving a total Axis production of 33,000 military planes in 1941.)

3. The main factor limiting expansion of the German aircraft industry is the size of the labor force. Raw materials are not a bottleneck; the amount of aluminum and magnesium required is only a small portion of the total German production.

By the end of 1941, there were around 900,000 workers in the whole German aircraft industry. Probably 150,000 workers were added to the industry in the course of 1941. Most of this addition was composed of imported male labor. It is believed that the reserves of female labor in Germany are exhausted. Further expansion in output can come only from further rationalization, sub-contracting, diverting labor from other war work, recruitment of foreign labor, and the placing of orders in the occupied countries.

Due to the shortage of labor, only two shifts are worked in the plane factories. The average working week is 60 hours, i.e., the average machine is used only 120 hours per week out of a possible maximum of 168 hours.

4. In order to keep production at its maximum, no fundamental changes have been made in aircraft design during the war. Germany is not developing new military types to anything like the same extent that England and the United States are. Many of the planes, publicized as new German types, were either developed as prototypes before the war, or are merely modified and improved versions of existing standard types. By making few type changes, and so avoiding the six to nine months decrease in production that a changeover requires, Germany has been able to produce constantly at her maximum. (This policy might well lose the war for Germany. It gambles on gaining so much in the short-run that the long-run disadvantages of this policy can be discounted.)

(Comment: This type of information would be more significant if it could be compared to American production figures. I have been informed by a fairly reliable source that Mr. Lubin has made arrangements for unofficial liaison representatives of several of the Cabinet Members [who do not receive copies of the Armaments Statistics progress reports] to see the American production statistics once a month. Perhaps an arrangement of this sort could be worked out for the Treasury.)

TELEGRAM SENT

ELP

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

March 6, 1942

2 p.m.

AMBASSY,

CHUNGKING. (CHINA)

147

TO ADLER FROM FOX FOR TRANSMISSION TO THE STABILIZATION BOARD.

QUOTE 1. The United States Treasury has accumulated a backlog of about 40 cases involving either (1) transfers from United States dollar accounts in the names of individuals or firms held by appointed banks in Occupied China to accounts in the United States in the names of the individuals or firms, or (2) transfers from accounts carried by banks in the United States in the names of individuals or firms domiciled in Occupied China. The total value of these dollar transfers is about United States \$500,000. American nationals are the beneficiaries of nearly all of the approximately United States \$500,000.

2. These cases have accumulated over a period

-2- #147, March 4, 2 p.m. to Chungking.

period of time, all before December 7 and many of them a considerable period of time previous to December 7. These applications have not been acted upon because of the desire of the United States Treasury to obtain the prior approval of the Stabilization Board, even though this delay is resulting in personal hardships to individual Americans. The licensing of these transactions will not result in a drain on the Board's resources.

3. I have examined the individual applications; find some of only indirect interest to the Board, and see no objection to the United States Treasury approving these transactions. I find confirmation of disposition of United States Treasury not to act on cases involving China without the Board's previous approval. If the Board's permission is granted, the United States Treasury is prepared to license these transactions.

4. I recommend that the Board inform the United States Treasury that it has no objection to the above transactions being licensed by the United States Treasury and that I be recorded as joining in such approval.

5. A reply to your cable of February 3, 1942, No. 84, is being prepared and shall be sent to you as soon as possible. END QUOTE

WD:L:ME TE

WELLES
Acting
(SL)

TELEGRAM SENT

WWII

GRAY

March 4, 1942

7 p.m.

AMERICAN LEGATION,
CAIRO, (EGYPT).

184

FROM TREASURY.

NOTE 1. To facilitate the negotiation of checks drawn on the Treasurer of the United States and United States currency, the following procedure is suggested.

2. All United States dollar checks drawn on the Treasurer of the United States negotiated by Barclays Bank (D. C. & O.), Cairo are to be delivered to the American Legation, Cairo, accompanied by list in triplicate with complete description each check as follows: Name of drawer; symbol number; check number; amount; payee's name; date of check.

Consular officer will carefully verify checks against list and advise Treasury by wire through State Department aggregate amount of checks delivered by bank. Upon receipt of this advice, Treasury will effect payment in corresponding amount to Barclays Bank

Bank

-2- #184, March 4, 1942 to Cairo, (Egypt)

Bank (D. C. & O.), New York, for account of its Cairo Branch.

Consular officer should instruct Barclays Bank (D. C. & O.) to use all possible diligence in identification of payee and determining validity of endorsements. Barclays Bank (D. C. & O.), Cairo, should endorse checks as follows: INNER QUOTE Pay to the order of the Treasurer of the United States for credit of our account with Barclays Bank (D. C. & O.), New York. Signed Barclays Bank (D. C. & O.), Cairo, Egypt. END INNER QUOTE. Treasury will look to Barclays Bank (D. C. & O.), Cairo, only for usual guarantee under laws applicable in Egypt.

Consular officer should forward checks accompanied by one copy of list to Treasurer of United States, Washington, as promptly as possible by safest means available. Second copy of list should follow by separate carrier at earliest possible date. Third copy should be retained by consular officer.

3. In the case of excess United States paper currency, instruct Barclays Bank (D. C. & O.) to prepare list in quadruplicate showing the amount of each denomination of each kind of currency separately,
and for

2- 7184, March 4, 1942 to Cairo, (Egypt)

Bank (D. C. & O.), New York, for account of its Cairo Branch.

Consular officer should instruct Barclays Bank (D. C. & O.) to use all possible diligence in identification of payee and determining validity of endorsements. Barclays Bank (D. C. & O.), Cairo, should endorse checks as follows: *INNER QUOTE* Pay to the order of the Treasurer of the United States for credit of our account with Barclays Bank (D. C. & O.), New York. Signed Barclays Bank (D. C. & O.), Cairo, Egypt. *END INNER QUOTE*. Treasury will look to Barclays Bank (D. C. & O.), Cairo, only for usual guarantee under laws applicable in Egypt.

Consular officer should forward checks accompanied by one copy of list to Treasurer of United States, Washington, as promptly as possible by fastest means available. Second copy of list should follow by separate carrier at earliest possible date. Third copy should be retained by consular officer.

3. In the case of excess United States paper currency, instruct Barclays Bank (D. C. & O.) to prepare list in quadruplicate showing the amount of each denomination of each kind of currency separately, and for

-3- 104, March 4, 1942 to Cairo, (Egypt)

and for Federal Reserve notes and for Federal Reserve Bank notes, the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list in quadruplicate to American Legation, Cairo.

4. Consular officer will verify amount of currency delivered to him against list prepared by bank and then he will wire Treasurer of United States through State Department the amount of currency delivered to him. When Treasury receives this advice, payment in corresponding amount will be made to Barclays Bank (D. C. S. O.), New York, for account of its Cairo branch. Upon receipt and examination Treasury reserves right to claim reimbursement for any currency which is not genuine. Each set of halves should be forwarded by separate carrier accompanied by a copy of the list. The third copy of list should be forwarded by still another carrier. American consular officer will retain fourth copy of list.

5. Consular officer should make no arrangements for insurance on shipments of both checks and currency
will be

-4- #184, March 4, 1942 to Cairo, (Egypt)

will be covered by Government Losses in Shipment Act.

6. Please advise Barclays Bank (D. C. & O.), Cairo, of appropriate parts hereof with the suggestion that it advise its branches in adjacent countries and banks in Cairo of these arrangements.

7. Please advise Major R. E. Odell, F. D., U. S. Army, Cairo, of the contents of this message and inform other United States Government officials appropriate parts hereof.

8. To minimize number of checks drawn on Treasurer of United States, suggest that you advise disbursing officers that they should cable through their respective departments their local currency requirements. Arrangements will then be made to advance dollar credits to Barclays Bank (D. C. & O.), Cairo. END QUOTE

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. V - 45, Foreign Service Regulations.

WELLES,
ACTING
(FA.)

FD:FL:ME NE DL FA

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 4, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£46,000
Purchased from commercial concerns	£ 2,000

Open market sterling remained at 4.03-3/4. The only reported transaction consisted of £2,000 purchased from a commercial concern.

No appreciable change took place today in New York quotations for foreign currencies. Closing rates were as follows:

Canadian dollar	11-1/2% discount
Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5275
Venezuelan bolivar	.2800
Cuban peso	3/8% premium

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$2,558,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

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

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

We made no purchases of silver today.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 4, 1942

TO Secretary Morgenthau

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Mexican peso	.2065
Uruguayan peso (free)	.5275
Venezuelan bolivar	.2800
Cuban peso	3/8% premium

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$2,568,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

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

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

We made no purchases of silver today.

Treasury Department
Division of Monetary Research

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Date March 4, 1942 19

To: Secretary Morgenthau

From: Mr. Kamarck

1. The attached letter from Lord Halifax states that the distribution of all British military reports is to be undertaken by the American section of the Combined Chiefs of Staff Secretariat. Therefore, he will have to stop sending copies of the British "operational" reports to you.
2. These reports have been very useful and, I believe, it would be desirable to have them continued.
3. General Smith is the Secretary of the Combined Chiefs of Staff organization. Should we attempt to work out an arrangement for the continued receipt of these reports through General Smith?

yes

MR. WHITE
Branch 2058 - Room 214½

MAR 4 1942

Excellency:

This is to acknowledge your letter of February 23, stating that the distribution of all British documents on the military situation to United States authorities will be undertaken in the future by the Secretariat of the Combined Chiefs of Staff.

I want to thank you for having kept me informed of developments in the war during the past year, by sending me copies of your operational telegrams. Your kindness was appreciated.

Yours respectfully,

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

His Excellency,

The Ambassador of Great Britain,
Washington, D. C.

*File in 100-2*By *Assistant Secretary* 3/40

FILE COPY

BRITISH EMBASSY
WASHINGTON, D.C.

28th February, 1942.

Dear Mr. Secretary,

With the completion of the secretarial arrangements for the Combined Chiefs of Staff Committee, the Secretariat of the Combined Chiefs of Staff have agreed that it would simplify matters considerably if the distribution of all British documents concerning the military situation to the United States authorities were undertaken in its entirety by the American section of the Combined Secretariat, and if accordingly the direct distribution of any such papers by this Embassy were to cease.

Such an arrangement will obviate possible misunderstandings and overlapping, and should also accelerate the distribution of individual papers. In view of the adoption of this procedure I would
therefore/

The Honourable

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

BRITISH EMBASSY
WASHINGTON, D.C.

- 2 -

therefore propose to cease, as from March 1st,
sending you direct from this Embassy copies of the
daily British "Operational" telegrams.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

RESTRICTED

MID 319.1
Situation No. 648 M.I.D., W.D. 11:00 A.M., March 4, 1942.
8-11-41

SITUATION REPORTI. Pacific Theater.

Philippines: In a surprise air sweep, American planes destroyed more than 30,000 tons of Japanese shipping in Subic Bay, fired docks at Grande Island and Olongapo, causing numerous explosions. No change in the ground situation. Burma: Fighting of a sporadic nature is reported along the Sittang River, where small Japanese forces are raiding the Rangoon-Mandalay road. Japanese forces are being steadily reinforced. Java: Japanese aircraft are reported as operating from at least one airdrome seized on Java in supporting land operations. Australia: Port Darwin was attacked on March 3 by Japanese aircraft. The Japanese-occupied town of Gasmata in New Britain was attacked by the R.A.A.F. on the same date.

II. Western Theater.

The R.A.F. bombed industrial suburbs of Paris for two hours.

III. Eastern Theater.

The German High Command admits heavy Russian attacks on all fronts. No change in the general situation. (A situation map will not be issued this date.)

IV. Middle Eastern Theater.

Ground activity is increasing. Press reports Axis aerial bombing of Suez Canal on March 3.

RESTRICTED

March 5, 1942
9:09 a.m.

Randolph Paul:and I'm going up today instead of Monday.

HMJr: Oh, really?

P: They advanced the time; they got through the Cochran hearings.

HMJr: What happened on the Cochran thing?

P: Well, I don't know; you see, we didn't send anybody up simply because we relied on our written record. We arranged that with the clerk; we didn't do that because we'd made our position clear and we didn't want any public fight between us and the War Department.

HMJr: I see. But they're starting you off today.

P: Yeah. I'm going up at ten o'clock today.

HMJr: Well, good luck.

P: Mr. Doughton called up yesterday afternoon and said some very kind words.

HMJr: Did he?

P: And also he told me that - I told Dan Bell about it - he wants a memorandum from you on the debt limit bill. I told Dan about that.

HMJr: I see.

P: But he was very pleasant and so on, but I don't know what they'll be like today.

HMJr: Well, I'm not worried how you'll handle yourself after what you did the other day.

P: Yeah. Well, I've got some stuff. If I'd had until Monday, I'd have a little more material; but I've got some pretty good stuff all along the line on what I think they're going to ask about.

- 2 -

HMJr: You've got that stuff that I've gotten from that woman on this low income family, haven't you?

P: Roy has that, I'm sure. I've got the basic figures. I haven't got that material, but I'm sure Roy has it.

HMJr: Well, if they bring it up.....

P: I'll make a note of it.

HMJr: You know, no paper ran that, so I'd like you to make an effort to get that in.

P: All right.

HMJr: Because none of the papers ran that before. I mean, my using it, you know.

P: Yeah. All right, I'll check that with Roy.

HMJr: Good luck.

P: Thank you.

March 5, 1942
11:00 am

GENERAL ANILINE AND FILM

Present: Mr. Foley
Mrs. Klotz
Mrs. Morgenthau

H.M.JR: Are you ready for some good news?

MR. FOLEY: Yes.

H.M.JR: The President said to proceed at once with Aniline and these other two. He said to go ahead and clean them up. He said - he took our memorandum on the West Coast thing and he liked the idea, and he said he would take it up right after lunch, and he said that - but that isn't the thing that was worrying him. "What are you going to do with these people once they get there? Why can't they go to Texas?" "Well, after all, Mr. President, that isn't us." And I said, "What McCloy is worrying about is--"

MR. FOLEY: Getting them there.

H.M.JR: "... is to get them started, and they are not ready to go until a week from Monday. You can't get the volunteers and the property and so forth and so on." So he said, "Well, I am not worrying about that. What I am worrying about is what is going to happen to them when they get there." I said, "Well, they won't get there until you do this." He said, "Well, I will take it up right after lunch," and he said, "The other three things, go ahead." He said, "Go on."

MR. FOLEY: Good.

- 2 -

H.M.JR: I said, "Mr. President, as far as I am concerned, my advice is let us do it now. If two weeks or three weeks from now you want to take it away from us, anything to win the war, I don't care," but I said, "We want to win the war over here." And then he asked me one question, "Who was the man next to you who is going to handle this thing?" So my hunch is somebody has been talking about Bernstein. So I said, "The man that would handle it would be Pehle." Was he any relation to the man in Columbia Broadcasting Company, and I said, "None." Now, Ed, you said you would have somebody in there by Monday, and have O'Connell in this afternoon.

MR. FOLEY: I will.

H.M.JR: And I will see O'Connell.

MR. FOLEY: Joe O'Connell?

H.M.JR: No.

MR. FOLEY: Robert E. McConnell?

H.M.JR: Yes. I am ready at two thirty. Is Joe out?

MR. FOLEY: No, I will get him down here.

H.M.JR: Where are you on this other business?

MR. FOLEY: Well, I'm waiting to hear from McCloy. McCloy had to go to Agriculture and he is calling me, and we will go and see Smith as soon as he is free over there.

H.M.JR: Should I tell him that the President sort of likes the thing, that the thing he is worrying about is the other end of it?

MR. FOLEY: I think it would be a good idea to get that message to him. Otherwise, he will wonder how the President found out about it. We were over there this morning on something else and didn't mention this.

- 3 -

H.M.JR: The President treated everybody else terrible, Sam Rosenman and everybody. They said, "Gee, we won't ask the President a thing, we will get out of here." I had three-quarters of an hour, and he said, "Henry, honestly, the Attorney General isn't interested in the Aniline and Dye. What he is interested in is the Japanese." I said, "Honestly, Mr. President, for once I think that you are being taken in."

MR. FOLEY: Good for you.

H.M.JR: I said, "Well, after all, you have trained me to be suspicious, and I have got good reason to be suspicious." I said, "We have picked up certain stuff."

MRS. KLOTZ: You didn't show him that statement.

H.M.JR: No. I told him, "Mr. President, I am not taking your suggestion because I want the stuff. I don't care what you do to win the war. If two weeks from now or a week from now, you want to give it to somebody else, it is all right with me, but this is just a suggestion so that the Army can move these people out at once instead of waiting for two weeks."

MR. FOLEY: That is right.

H.M.JR: I mean, I want you to know, and I said, "If you take my advice, this Aniline thing is a dirty piece of business, and I was going to clean it up and tell you nothing. If you want me to do it, we will go ahead just as long as you say so." So, he said, "Well, go ahead." He said, "Don't wait for anything."

MR. FOLEY: O.K.

H.M.JR: Now wait a minute, until I get McCloy on the phone. Well, he is out of his office for half an hour.

MR. FOLEY: I guess he is in Agriculture, because I talked with Gill, and Gill said he was going to be over there, and he said he would be in the South Building

- 4 -

somewhere. He said, "I will get word to him as soon as he leaves there to call you," and he said he would stop at Budget on his way back.

H.M.JR: When Foley gets to McCloy's office last night, who should be sitting there but Harrington Gill.

MRS. MORGENTHAU: Is he working for McCloy now?

MR. FOLEY: Apparently he is working with McCloy on this West Coast evacuation problem.

MRS. MORGENTHAU: Oh, for Landis. You see, Landis would be interested in that, I should think. It is under Civilian Defense.

MR. FOLEY: I should think so too.

MRS. MORGENTHAU: And he works with the regional people.

MR. FOLEY: Well, that must have been it. All right. Well, I will go out and get started.

H.M.JR: Yes. Oh, I will see you and your gang at two thirty.

MR. FOLEY: All right.

H.M.JR: And we will go to town. I expect to put McConnell in tomorrow.

MR. FOLEY: All right. I will see if I can find him.

H.M.JR: Or tonight.

MR. FOLEY: All right. I have got to find him first. The last time I talked with him he was in Shreveport, Louisiana, but he said he would be back Thursday, today.

H.M.JR: Well, we will start the wheels going, Ed.

MR. FOLEY: I will.

SUGGESTED PROGRAM FOR THE FEDERAL RESERVE BANK
OF SAN FRANCISCO AND OTHER PUBLIC AGENCIES TO
DEAL WITH PROPERTY OF EVACUEES FROM PACIFIC
COAST MILITARY AREAS.

The success of the proposed program will depend upon placing complete responsibility for its execution in a responsible West Coast agency acting under the general direction of the local military authorities.

I - Scope of Problem:

The evacuation on short notice of tens of thousands of persons from Military Areas on the Pacific Coast raises serious problems in connection with the liquidation of their property holdings and the protection of the property of such persons against fraud, forced sales, and unscrupulous creditors. Obviously the emergency will cause financial loss to the group involved. However, the following program is intended to accord to this group reasonable protection of their property interests consistent with the war effort.

II - Legal Authority:

Since the program is one basically to assist the evacuee in the liquidation of his property, it is expected that in most instances the evacuee will voluntarily avail himself of the facilities afforded by this program. Governmental sanctions will be necessary to deal with creditors and others who seek unfair advantage of the evacuees. There is ample legal authority now vested in the military authorities and in the Treasury Department which can be delegated to such West Coast agency to deal with this problem without necessity of obtaining further legislation or new executive orders.

III - Administration of Program:

The nature and urgency of the situation, coupled with the large volume of transactions that will require prompt handling, necessitates the program's being administered by an agency on the West Coast cloaked with full authority to act without reference to Washington. The over-all control of all aspects of the evacuation must obviously rest in the military authorities. Subject to this over-all control by the Army, the direct responsibility for the execution of the property aspects of the program should be placed in the Federal Reserve Bank of San Francisco, which has branch offices in Los Angeles, Seattle, and Portland. The Federal Reserve

Bank will be in a position to obtain the cooperation of other Government agencies, and of well-known and experienced individuals and institutions in the various communities throughout the West Coast area. This cooperation, together with the established integrity and ability of the Federal Reserve Bank, will enlist the confidence of all of the affected groups and discourage gouging by creditors or other self-seeking interests.

The Federal Reserve Bank will also work in close liaison with the Federal Security Agency, the United States Department of Agriculture, and other Federal, State, and local public agencies that can be of assistance in dealing with the property during the course of its liquidation. These agencies will undoubtedly be called upon by the military authorities to handle other aspects of the evacuation problem, such as the transportation and resettlement of the evacuees, and their reemployment in new areas.

The Federal Reserve Bank of San Francisco, which is the fiscal agent of the Treasury Department, will be clothed with ample authority to execute the program. The Treasury Department will lay down the broad principles and objectives of such program as well as the general procedure to be followed. The Department will also furnish the San Francisco Bank by airplane with the requisite number of trained experts to assist in working out the details of the program in the field and to participate in its execution. If need be the Department is in a position to provide the San Francisco Federal at once with 100 or more men for this purpose.

The keynote of this program is speed. It is believed that it can be put in operation by Monday, March 9, 1942.

IV - Outline of Program.

A. Properly staffed offices under the direction of the San Francisco Federal Reserve Bank will be opened at once in the local communities from which evacuees will be moved.

B. Announcement will be made throughout the area by the Federal Reserve Bank of San Francisco that its representatives in these offices are prepared to assist evacuees with the problem of liquidating their property and protecting them against those seeking to take unfair advantage of their plight.

C. These representatives will assist in putting the evacuees in a position to obtain buyers, lessees, and other users of their property on fair terms. In cases where the evacuee is unable to select his own agent to dispose of his property, the Federal will be prepared to act as agent for the evacuee under a power of attorney or similar arrangement and take the steps to liquidate the property on fair terms.

D. Evacuees threatened by creditors will be encouraged to come to the representatives of the Federal for advice and guidance. The Federal representative will also discuss the matter with the creditor with the view to working out a fair settlement and limiting the remedies that may be pursued by the creditor who threatens unfair action. By and large the mere existence of this program of helping evacuees will eliminate or forestall most of the sharp practices that are now feared.

E. In some cases the property of the evacuee may be such that its real value can only be realized at a future time, e.g., Japanese novelties. In such cases the Bank's representative will assist the evacuee in arranging for the storage of such property if that is the wish of the evacuee.

F. On agricultural properties the Bank's representative, with the assistance of representatives of the U. S. Department of Agriculture, will attempt to arrange for the leasing or sale of such property or if need be for the growing of the crops, with a view to preventing their loss through inattention.

G. The Federal Reserve Bank of San Francisco and its representatives will be cloaked with adequate authority to cope with problems arising on the basis of existing circumstances. The program will be flexible and at all times the Bank will attempt to keep matters on a voluntary basis, satisfactory to the evacuee. Where these efforts fail it may be necessary for the Bank's representative to step in and take the property over for the purpose of obtaining a fair and reasonable liquidation.

It is expected that the setting up of this program and the accordance to the evacuees of facilities for the liquidation of their property should greatly expedite the departure on a voluntary basis of the evacuees from the military area.

March 5, 1942

I told McCloy about having seen the President this morning, and that he was interested in what happened to the Japanese after they get moved - not in what happened to their property.

3/5/42 -
78



THE SECRETARY OF THE TREASURY
WASHINGTON

MEMORANDUM FOR THE PRESIDENT:

Re: General Aniline and Film Corporation.

On December 12, 1941 the Treasury installed representatives in each of the properties of General Aniline and Film Corporation for the purpose of supervising the activities of the company and making an investigation of its affairs and personnel. Since that time we have been proceeding as rapidly as may be with a program of Americanization of the company and I should like to summarize the developments up to date.

1. On January 13, 1942 we suspended five key executives of the company. They were: Rudolph Hutz, Vice-President; William vom Rath, Vice-President; Hans Aickelin, Director of Research; Leopold Eckler, Acting Plant Manager, Agfa Ansco Division; and William von Meister, head of the Oxalid Division. Subsequent events have confirmed our belief that this action was necessary, and it is contemplated that these men's connection with the company will be completely severed



- 2 -

in the near future.

2. Our investigation of the personnel of the company has brought to light a substantial number of individuals who are pro-Nazi in sympathy and who would, if retained in the company, constitute a definite threat to its continued operation. In each such case we have made the information we have unearthed available to the Federal Bureau of Investigation and, after clearing with F.B.I., have discharged them. So far, 39 employees of the company have been discharged because of serious doubt as to their loyalty. Of this number, the company, with our approval, discharged 15, but refused to discharge the others at our direction and we were required to take action on our own.

Of the employees discharged, 5 have since been arrested by the Federal Bureau of Investigation as enemy aliens, and I am informed that the arrests were based at least in part upon information furnished by us to the F.B.I.

3. On February 17, 1942 the Treasury took title to over 97 percent of the outstanding stock of

- 3 -

General Aniline and Film Corporation, all foreign, and we think German, owned. On the same day a discussion of the general situation was had between Judge Mack, William C. Bullitt, Homer Cummings, Ralph Budd, Leo Crowley, Gerard Swope, and Ed Foley. At the end of the discussion it was clearly understood that we would select a competent, qualified man to run the company for the Government and that after he had been installed, the present management and board of directors will resign and turn the operation of the company over to our man. Our understanding with Judge Mack and the members of the board is that they will stay on and help until our man has his feet on the ground.

Although you have heretofore approved our program for Americanizing the company and vesting its stock in the Secretary of the Treasury, I wanted again to bring the situation to your attention before taking the final step which is the actual displacement of the existing management.

H. M. Nathan Jr.

The purpose of this letter is to inform you of the policy which the Government proposes to pursue in handling the General Aniline & Film Corporation.

Our program envisages the elimination of all things in General Aniline & Film Corporation representing control by German interests. These controls stemmed in the first instance from ownership of the corporation by I. G. Farbenindustrie which, in Nazi Germany, has been its staunchest bulwark and full partner. In dealing with its satellites outside of Germany, I. G. Farben developed an extensive and well-organized system of controls. Men were trained in I. G. Farben methods and techniques in the home office and plants. Some of these men were able technical men, others were younger sons of the dominant families within the organization, but all of them were men whose loyalty to I. G. Farben was unquestioned and none of them would have been appointed to such important industrial posts outside of Germany if such had not been the case.

As soon as they were trained they were sent to various countries where they were placed in key technical or administrative positions in companies within the I. G. Farben sphere of influence. They were encouraged to marry within the new country and acquire its citizenship, but they remained "I. G. Farben Men". Even after filling the key positions in this way other control techniques were employed. As recently as late in 1941 managerial policy was being dictated from Germany by transatlantic telephone, and until that year periodical official visits were the settled rule. Option agreements of bewildering complexity reinforced or replaced control by share ownership. Cross-licensing agreements, control agreements and agreements for the exchange of patents and "know-how", implemented by frequent exchange of information cemented enduring ties. All of these methods were found to be present in General Aniline & Film Corporation.

The German-owned stock has already been vested in the Secretary of the Treasury. Furthermore, we have broken the lines of communication between the two companies in so far as they relate to the open exchange of information and "know-how", and we are and shall be dealing with the more obvious ways in which the operations of General Aniline have been controlled from Germany in the past. More difficult is the problem of Company personnel, and that is a matter which requires development somewhat in detail. An effective job of freeing the organization from German domination and control requires the elimination of the I. G. Farben men.

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In practice, all persons of executive or managerial status who have been connected with I. G. Farben will have to be replaced as soon as possible by men unquestionably devoted to American ideals.

With regard to technical personnel of similar background, our objective may take longer to attain. Assuming that these men, or some of them, have such technical qualifications as would make their immediate dismissal impracticable from an operating standpoint, they will be retained under surveillance for so long as is required to obtain and train suitable substitutes for them. In determining the rate of effecting these changes I expect to rely heavily on the judgment of the management.

Persons of doubtful allegiance may also be found who do not have I. G. Farben backgrounds. These, too, will be eliminated. However, our program does not involve the dismissal of employees simply because they are of German birth or extraction.

Of course, the whole program must be carried out with a view to maintaining, and wherever possible expanding, the operations of the Company whose products are so necessary in the war effort.

The following is a newspaper interview given by Tom Clark, Chief of Staff of General DeWitt's Civilian Alien Control Committee, published in the San Francisco Chronicle, Thursday, March 5, 1942, page 6:

"He promised full protection for evacuated property owners and urged them 'not to sell their property unless they get fair prices'. Custodians of alien property will be named soon and Clark guaranteed that all properties 'whether owned by aliens or American-born will be returned to the original owners after the war'.

"Our motive behind every procedure', he explained, 'is to treat the Japanese in a manner in which we expect our nationals to be treated in Japan. This will be reflected in the manner we care for their property.'"

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March 5, 1942

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Mr. White's Office
March 5, 1942
10:00 A.M.

Present: Mr. White
Mr. Foley
Dr. Viner
Mr. B. Bernstein
Mr. Southard
Mr. Friedman

Mr. Currie

The Chinese reply on the draft of the loan agreement was discussed and it was agreed that pending a conference with the State Department any conclusions reached were necessarily tentative. On this basis, it was concluded that (1) the Chinese suggestions should be accepted, (2) that the letter from Dr. Soong could be taken as a voluntary commitment to keep us informed, and (3) that the sending of a letter from the Secretary, informing the Chinese that because of the considerations outlined in their letter we are accepting their suggestions, would constitute a confirmation of their commitment to keep us informed.

It was also agreed that the phrase "in the post-war period as well as during the war" should be deleted from the new Article II.

March 5, 1942
11:05 a.m.

DEFENSE SAVINGS STAFF

Present: Mr. Tickton
Miss Dallas
Mr. Sloan
Mr. Houghteling
Mr. Kuhn
Mr. Odegard
Mr. Graves
Mr. Adams
Mr. Callahan
Mr. Mahan
Mr. Duffus
Mr. Sparks
Mr. Gamble
Mr. Bell
Mr. Buffington
Mrs. Morgenthau
Mrs. Klotz

MR. GRAVES: Mr. Secretary, we just concluded a conference with Mr. Bell and Mr. Broughton and others from Mr. Bell's staff on this question of changing the name of Defense Savings Bonds, and I wondered if you wanted to discuss that briefly.

H.M.JR: The date that Bell names suits me. It is our anniversary.

MR. GRAVES: In the first place, there are some who think the change should not be made.

H.M.JR: Not made at all?

MR. GRAVES: Yes, and we were unanimous in feeling

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that it would be a mistake to attempt to change the name until the first of July.

H.M.JR: The second is ruled out. Why don't they want to change it to "War Bonds"? Do you leave out the word "Saving" or "Savings Bonds"?

MR. GRAVES: We were thinking, I believe, in terms of using the term, "War Savings Bonds." Mr. Odegard, I think, can present the case.

H.M.JR: Against?

MR. GRAVES: Against changing.

MR. ODEGARD: Yes, Mr. Secretary. I belong to His Majesty's loyal opposition here and--

H.M.JR: Who is "His Majesty"?

MR. ODEGARD: I don't know. I have been trying to find out. (Laughter) As in the case of the opposition, I find myself in the minority. It seems to me that there are a number of reasons that have been advanced for changing the name to War Bonds. You will remember that immediately after Pearl Harbor there was a great flood of correspondence from people who wanted Victory Bonds. You will remember, too, that we had three different surveys made to determine the attitude of the public in so far as that attitude is reflected in public opinion polls, to see which of several names were preferred, and without exception those polls have shown that Defense Bond was the preferred name of the majority.

Now, Mr. Graves argues, and I think with some cogency, although not too much cogency, that the mere fact that you have sixty-five to seventy percent of the people on these polls preferring Defense Bonds is in itself a good argument in favor of the change, because this shows the type of complacent, negative attitude which is important to change at this time if the war is to be successfully prosecuted. But the reasons for changing can be, I think, listed as two. One is that there have been a flood of

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correspondence and objections raised by people all over the country. That, I think, is not a valid reason for making the change in view of the other evidence that we have. The second argument, which I think is more persuasive, but not persuasive enough, because it is based on guesswork, is that the change of the name of the security to War Bond would have a good psychological effect upon the country in the sense that it would help to toughen, and I am quoting Mr. Graves, would help to toughen the attitude of people toward the war. It would add at least a mite, that is my word, to the toughening process. Now, I raised the question, and it is a question that so far as I know hasn't been answered, what is there that could be done with our copy, with our organization, with our whole promotion effort, by changing the name to War Bond that can't be done by keeping Defense Bond? It seems to me that the reasons for the change must be pretty overwhelming or else the change ought not to be made. That is the substance. There are a good many other angles of it that I think could be discussed.

MR. BELL: In other words, you think the toughening process can come under Defense Bonds as well as the War Bonds?

MR. ODEGARD: I do. I don't think you have to have any nickname on these bonds, as I suggested in your office, Mr. Bell. As a matter of fact, we had in our first posters, you will remember, "For Defense" across the top, "Buy United States Savings Bonds." We can have, "For War, Buy United States Savings Bonds, "For Freedom, Buy United States Savings Bonds," or anything else. The idea that you are going to have any appreciable effect upon the underlying complacency, so-called, of the American people by changing the name of this security seems to me to be overly optimistic.

H.M.JR: Well, let me ask you a question, as a member of the majority party. If you had to start right today, what would you call it?

MR. ODEGARD: If you had to start right today?

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H.M.JR: New.

MR. ODEGARD: I don't think I would nickname it at all. I would call them United States Savings Bonds, and I would make all my copy, war copy.

H.M.JR: Well, I wouldn't argue with you on that, but I certainly would argue with you on keeping the word "defense" in the name.

MR. ODEGARD: Even in the face of every survey that we have?

H.M.JR: Yes. I think that - didn't they make some surveys about Mr. Roosevelt running, and predictions?

MR. ODEGARD: Yes, they all predicted his election.

H.M.JR: In '36?

MR. ODEGARD: Yes. Gallup - all the polls that we have used did.

H.M.JR: Gallup did?

MR. ODEGARD: Yes. Oh, there were differences as to the margin. Fortune came closer to it than Gallup, but that was for special reasons, which I don't think we ought to go into here.

H.M.JR: Well, I will tell you, Peter, is anybody else on your side?

MR. ODEGARD: I didn't detect anyone unless it was George Buffington.

MR. BUFFINGTON: I am, in a measure, on his side.

MR. BELL: Would it be worth anything to get another poll? I understand you can get one within a few hours.

H.M.JR: No.

MR. BELL: Somebody said forty-eight hours.

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MR. ODEGARD: You can get a telegraphic poll in forty-eight hours.

H.M.JR: Well, do I have to decide this? Can I decide this?

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

H.M.JR: I would like to decide it.

MR. GRAVES: I think you can leave it to a vote if you like.

H.M.JR: No, I don't want a vote on this?

MR. GRAVES: It would be overwhelming.

H.M.JR: Why didn't you say that in the first place?
(Laughter)

MR. GRAVES: I think this group, with the single exception of Mr. Odegard and perhaps Mr. Buffington, favor changing the name of this security to War Savings Bond.

H.M.JR: Well, Peter, I hate to go against you, because your advice has been awfully good, but I am willing to reconsider whether it should be United States Savings Bonds or United States War Savings Bonds, if that means very much, if you want to fight on that front, but I would like to see the word "defense" out.

MR. ODEGARD: I think the word "defense" could go out of our copy, and we could toughen our copy, and I still ask the question, which hasn't been answered, what could we do by changing the name of the security that we can't do without changing it?

H.M.JR: Well, you can stop this. You can stop people like Mr. Willkie from attacking us, including us in a lot of other things which I don't want to be a partner to. When he lists the things that aren't being

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done, I hate to be in that list.

MR. ODEGARD: Suppose you were attacked for using the word "war" instead of "Freedom Bond" or "Victory Bond" or anything?

H.M.JR: Oh, I would like to be attacked on that. That I would enjoy. The word "wartime" has gone over awfully well. I am not crying for "war," but I am opposed to "defense."

MR. ODEGARD: Well, I am not married to the word "defense." As a matter of fact, I am open to persuasion, but I just think that if you think that this is going to have any material effect on morale or any material effect upon the sale of Defense or United States Savings Securities, that we are being too optimistic.

H.M.JR: Well, I don't go that far, but I don't want to be attacked. I don't want to be included.

MR. ODEGARD: We were attacked before, immediately after Pearl Harbor, for the same reason, by people almost as distinguished as Mr. Willkie.

MR. KUHN: Well, I think there is another reason, Mr. Secretary, that didn't exist at the time of Pearl Harbor. The whole Administration is trying to fight a tendency to pull our troops and our ships back home here for defense. The means - one of the means by which they are fighting that tendency is to strike the word "defense" out of all Government propoganda, out of the names of Government agencies and so on. We are the most permanent of all the Government agencies in the use of the word "defense." It is plastered over our letter paper, our posters. It inevitably comes up on the radio, because it is the name of our product, and I think that there is a real purpose behind it that is not just confined to this Department.

MR. ODEGARD: Well, I think, Ferdie, that that is the only argument that I have heard that has any cogency, and

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I would still say that you can get rid of the word "defense" without giving another nickname to your bond, War Bond. I don't think the name of the security means much.

H.M.JR: Let's have a showing of hands. Who would like to keep it the way it is, if they would raise their right hand.

MR. ODEGARD: I would like to keep it the way it is and change the nature of our copy.

MR. BUFFINGTON: So would I.

MR. BELL: Well, I would vote for United States Savings Bonds and leave out the word "war", and then put the "war" in your copy like we have "defense" and so on. I would vote for that.

MR. GRAVES: Mr. Secretary, on that point, which is made by Mr. Odegard and supported by Mr. Bell, I think that is definitely wrong. Our bonds are now known not as Treasury Savings Bonds, which they are technically, as a matter of law, but everybody who talks about these securities talks about Defense Bonds. Defense Bonds is the way these are popularly referred to everywhere.

Now, take out the word "defense" and what have you got left? You have got the word "bonds" and then you have got to supply another word, "Treasury Bonds" or "Savings Bonds," and in these times, those are weak words. I think the public, if you strike out the word "defense," they are going to demand that we put something in the place of that word. If we don't, you have got no language to describe these securities. "Savings Bonds" or "Treasury Bonds," what does that mean in times like these?

MR. BELL: That is what you had up until--

MR. GRAVES: It is much weaker than "Defense Bonds," in my opinion.

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MR. BELL: That is what you had up until the last two or three weeks.

H.M.JR: Up until the first of May. I mean popularly, Dag. I am not talking about what is on our posters or what is on the face of the bonds. I am talking about what the people use, what language they use in talking about them, and they are known everywhere as Defense Bonds, and you take out the word "defense" and you have got nothing.

MR. BELL: Haven't they also been known as Savings Bonds?

MR. GRAVES: Yes, but people don't talk about them as Savings Bonds. They talk about Defense Bonds. Listen to your radio, listen to people who make speeches, listen to people talk in the street, and they say "Defense Bond."

MR. ODEGARD: That is right.

MR. GRAVES: You take out that word "defense" and you just collapse. You have got nothing.

MR. ODEGARD: Yes, that is what you propose to do, change it to--

MR. GRAVES: No, we propose to call them War Bonds, War Savings Bonds.

H.M.JR: I think he is right. We are at war. I think he is right. I am with you, Harold.

MR. BELL: United States War Bonds?

MR. KUHN: War Savings Bonds.

MR. GRAVES: War Savings Bonds.

H.M.JR: I don't know what you want "savings" in there for.

MR. GRAVES: Well, technically they have got to be

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Savings Bonds, as I understand the statute, but that name quickly disappears when people talk about this thing. They will become known, in my opinion, as War Bonds just as they are now known as Defense Bonds.

H.M.JR: How about you (Callahan) on your radio?

MR. CALLAHAN: Oh, I am very enthusiastic about "War Bonds."

H.M.JR: Where is Mahan?

MR. MAHAN: Here, sir.

H.M.JR: How about you?

MR. MAHAN: It can very easily be - the change can be made by July 1 without scrapping anything.

MR. GRAVES: This is just a question of what name, Sid.

MR. MAHAN: Oh, "War Bonds."

H.M.JR: As an advertising man, what kind of a name do you want on the thing?

MR. MAHAN: Personally, I don't feel that it is important what name is on it. It is what we say about it, and I think we could still go with the present name, but there are very real reasons why it should be changed, and I think it would stimulate interest.

H.M.JR: Well, let's have it "United States War Bonds" - "War Savings Bonds," and we are going to do it on the anniversary, May 1, and you are not going to scrap the old copy, you can use it up, and even if you scrapped it all, I still could go one year from now in to the Poughkeepsie or Hyde Park post office and still find last year's posters there. (Laughter) But I mean, it is an anniversary, and I have just been with the President three quarters of an hour, and he is talking about this delay and waiting and waiting and waiting, and I am not going to sit here and say that you can't change over in

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two months. You will use up the material, but he (Callahan) can start next week. You can begin next week, if you have to, but certainly on the first of May all your announcements would be War Savings Bonds. It is like this thing, some of the stuff in the newspapers is "Victory Bonds," some is "Defense Bonds," and gradually they change over.

MR. KUHN: Mr. Secretary, we have a million and a quarter dollars worth of bonds already printed, "Defense Bonds."

H.M.JR: We will send them out just the same. We will use them.

MR. GRAVES: No, I don't think you could, Mr. Secretary. If you change the name of this security to "War Savings Bonds," I think the people are not going to take over the counter a security that carries in red type across the face, the words, "Defense Savings Bonds." I think we have got to replace these bonds.

MR. BELL: And we have about a seven months' supply.

MR. GRAVES: No, no, Dan, five at most.

MR. BELL: Oh, I think we have two million pieces in various stages of completion at the Bureau of Engraving and Printing which will give you close to a six months' supply of bonds.

MR. TICKTON: Twenty-five million pieces altogether.

H.M.JR: I will make you a little bet on the bond, whether it is "War Savings" or "Defense Savings" or whatever it is.

MR. GRAVES: I think that is wrong, because it is in red type.

H.M.JR: Well, starting with the radio, can you start calling them War Savings Bonds as of May 1? Change

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all your copy to "war" from "defense"?

MR. CALLAHAN: Well, of course radio is a simple problem, but the other material is a very difficult problem.

MR. KUHN: Sid, you had some figures on that, about the National Cash Register, for example.

MR. MAHAN: That is the one company, Mr. Secretary, that is very badly involved. They have seven hundred fifty thousand stickers to put on cash registers and cards to go with them, and I called this morning. They are off the press and they are ready to go on that program. Now, if it was held over until July, they would replace those cards at that time.

H.M.JR: Well, look, gentlemen, we have got thirty minutes to go, and I will leave it with Graves and Bell to decide it. I am not going to fight. Just as long as you decide on the name and as to when, I will leave it to the two of you.

MR. GRAVES: As a matter of fact, if you will excuse one further word about this, I think this could come as a sort of compromise with Peter's point of view. We can stiffen up all of our copy with respect to the present bond. We can put "war" into our copy much more stoutly than we have, and then announce this change as soon as we can dispose of the present stocks without what I would consider to be a very bad waste of money.

H.M.JR: Well, you and Bell decide that.

MR. GRAVES: All right.

MR. BELL: And Mr. Secretary, make that statement as someone suggested, that it is not going to change over immediately and destroy all this stock, we are going to save that.

MR. KUHN: Because it will be a point in our favor

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with the public if you are asked about the change of name to say, "Well, we have so many months' supply of bonds and lots of people have financial outlays here. We are not going to waste money in making this change-over."

H.M.JR: Well, Ferdie, prepare a statement we are going to do it as of July 1 and why we don't do it earlier, and in my next press conference I can announce it.

MR. KUHN: I will be glad to, something of that kind without mentioning July 1, explaining why we are not doing it at once. I think it would help us a great deal.

MR. BELL: Let's consider whether that will kill sales from now until July 1 before you do it.

MR. KUHN: You wouldn't mention July 1, Dan.

MR. ODEGARD: Sales will drop if you make an announcement.

MR. BELL: They certainly dropped last April when you announced you were going to change over, didn't they, Harold?

MR. GRAVES: Yes.

MR. BELL: The bottom fell out of them.

H.M.JR: Again, you fellows decide. Now, what else have you got?

MR. GRAVES: Well, sir, I would like to have a few people tell you briefly some of the things that we are trying to do. Perhaps we might talk a little about our field work first.

H.M.JR: Anything that you want.

MR. GRAVES: Mr. Sparks, suppose you tell the status

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of our additional staffing operation in the field.

MR. SPARKS: Well, Mr. Secretary, we have just concluded a series of regional field meetings in different parts of the country in which we gathered the adjoining states at a central place for the purpose of tightening up our entire field organization and bolstering it wherever we felt that bolstering was required.

Preliminary to that we sent a letter and questionnaire out to the field so that the representatives in the field that attended these meetings would come prepared and not just be taken by surprise. The result of that - of those meetings is that we have agreed to increase the paid personnel in the field throughout the country to the extent of two hundred forty-five additional employees. We also have another fifty-four employees that are scheduled for addition to the staff in the very near future, which would bring the total paid personnel up to four hundred ninety-five. There has been a considerable increase in the number of volunteer workers being--

H.M.JR: I was going to ask you, could you let me have a figure through Mr. Graves by Monday or as soon as it is practical, how many full-time volunteer workers have we got - I mean, that work from nine to five, you see, and some kind of a classification as to what they do?

MR. SPARKS: Yes, sir.

H.M.JR: I mean, some kind of a classification. I mean, full time, Then you might give me part-time, too.

MR. SPARKS: I can't give you that figure now, but I can give you now the actual recorded number of committees and number of volunteer workers throughout the country.

H.M.JR: Please.

MR. SPARKS: It is five thousand committees with

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seventy thousand members. That is the actual recorded number.

MR. GRAVES: Mr. Tickton has--

H.M.JR: Could I just say this, Harold? I didn't realize yesterday that we have been cut on the number of people that we wanted, and I told Harold Graves that when it came up next time, I would go up personally and ask for it.

MR. GRAVES: That will be about a month, I think.

H.M.JR: I didn't realize that we had been cut. What is Tickton going to do?

MR. GRAVES: He is going to tell us the payroll allotment situation.

H.M.JR: Good.

MR. TICKTON: In accordance with your request, we are asking all firms that have payroll allotment plans to report to the Treasury each month the progress of the plan. There are, as of last week--

H.M.JR: Excuse me a minute. I take it, Sparks, that you have, either you or - how many people you would need either on part or full time or volunteer basis, to get the billion dollars a month that Harold Graves has promised me by the first of May?

MR. SPARKS: Yes, sir.

H.M.JR: All right.

MR. TICKTON: As of last week there were thirty-two thousand firms with payroll savings plans, of which five thousand were firms with more than five hundred employees and ten thousand were firms with one hundred to five hundred employees, and the rest of them were firms with less than one hundred employees. Sixty-eight percent of the firms, of the large firms, with more than

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five hundred employees, had signed up. Thirty-eight percent of the smaller firms.

H.M.JR: In my testimony at the tax hearing, I said two-thirds. That wasn't bad.

MR. TICKTON: That is right. It was on the table we gave you last week.

H.M.JR: Good.

MR. TICKTON: Approximately half of the number of persons employed by government and business are exposed to the plan. That is, their employers have the plan in operation. We have received from five thousand firms information on what they did under the plan in January, and that represents about half of the firms that actually had plans in operation in January and the figures show that in the smaller firms you have the largest percentage of participation and in the larger firms you have the smallest percentage of participation, which is due primarily to the mechanics of getting a large number of employees signed up. The railroads, for example, have relatively small participation, because it is much - very difficult to get all the yardmen and railroad employees signed up, whereas in the smaller firms, in some of the banks, for example, it is very easy to get a very large number of persons signed up that are coming in and can be - the sign-up can be obtained rather quickly.

On the average, about forty percent of the employees who were exposed to the plan are participating. They are deducting about four percent of their own salaries, which amounts when we multiplied it out to about seven dollars twenty-eight cents a month, which would be sufficient to buy four bonds a year. If you multiply that out further on the basis of these firms for the thirty-five million people that are employed, it would produce about three billion dollars out of your ten-billion-dollar yardstick that you announced in your Baltimore speech.

Now, of course some of these plans have just gotten

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into operation, and they hadn't gotten the thing working very satisfactorily, but I might point out that that seven dollars twenty-eight cents which is being deducted each month for each one of these employees compares approximately with the minimum amount that is required on the Government plan. That is, a Government plan is three dollars seventy-five cents a pay, which would be slightly less than what these employees are deducting.

On the other hand, a great many industrial concerns that have reported to us indicate that their minimum reduction is about a dollar or seventy-five cents a payday, rather than three dollars seventy-five cents under the Government plan. Taking the largest companies that reported for December and January, General Electric leads the list of course with eighty-five percent participating in January and approximately five percent of the employees' payroll being deducted, which is very high for companies that have such a large percentage of participation. They are doing pretty well. Companies that have the small participation have a higher percentage, but of course that is because a lot of the office workers and executives were able to sign up first and naturally that represents a higher proportion of the salaries than would otherwise be expected.

Last month we gave you a list of concerns that had the Navy "E" flag, where they answer as to whether or not they had the plan, and last month there were - of eighty-two firms that had the "E" flag, thirty-six firms did not have the plan. Those same firms have been checked again and it is down by half. There are only eighteen firms now where they had the Navy "E" flag in January that still don't have payroll saving plans.

H.M.JR: And how many firms have our own flag now?

MR. GRAVES: One.

H.M.JR: Just one?

MR. GRAVES: Yes. We have just gotten delivery of--

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H.M.JR: The one I--

MR. GRAVES: That is right. We have just gotten delivery of the certificates.

H.M.JR: Well, how many are entitled to them, Harold.

MR. GRAVES: Oh, hundreds, and hundreds and hundreds are entitled to them. Many firms report in here that their participation is a hundred percent, in fact. We will get out, within the next day or two, these certificates to our state officers, and they will forward them to the companies that are entitled to have the flag. That was another problem that came up in connection with this change of name, our certificates referring to the bonds.

H.M.JR: Are you going to have local publicity when the flags are presented?

MR. GRAVES: Yes. We give a certificate, merely, that has your facsimile signature on it and the signature of the chairman of our state committee and the state administrator. That is given to the company or to the union, and then they buy the flag from companies that we designate or authorize to manufacture the flag. That ought to be in pretty good shape within a couple of weeks.

H.M.JR: Were you through, Tickton?

MR. TICKTON: Unless Mr. Graves wanted something else.

MR. GRAVES: No, I think this payroll allotment thing was about the most important.

H.M.JR: It is.

MR. TICKTON: In the large firms that have been reporting, a great many have a negligible percentage of

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their total payrolls going to the plan. That is just because a great many of them write us that they have got a lot of transient help that they never expect to cover on the plan. There are a number of firms in the country who don't like the payroll plan from a mechanical point of view and are attempting to circumvent it by using stamps. That is, instead of actually accumulating the funds in their own office or through their bank, they prefer to hand the man his payroll consisting of twenty-five dollars and five dollars' worth of stamps or whatever the figures amount to. Mr. Sparks doesn't consider those as payroll plans, and we are not counting them, because the man who gets the stamps may do anything with them besides turn them in for a bond. The mechanical difficulties do not, apparently, oppress the largest companies as against the smallest companies, because the largest companies have to do a large proportion of their bookkeeping on machines anyway and it can be handled, but in a great many small companies, they send us a lot of letters with a mild amount of griping and a great many of them don't want to be bothered as far as reporting is concerned. We don't have any trouble with the large companies reporting. Once they start, they continue to send us the information, and we are planning to have that information available within about two weeks after the close of the month. That is, twenty-thousand of my forms will go out, and I expect I will have ten thousand replies within two weeks from now, and we will turn those over to the field offices, copies over to the field offices so that the field offices will be able to check up on those firms that show relatively low participation one month after another.

There is a minor difficulty there. Some of the aircraft firms point out that their figures are supposedly war secrets, so we may have to make some special arrangement to pull those out, but that is spotty. Whereas Boeing will send it to me and a few others will send it, Curtiss Wright and Douglas say it is confidential.

On the other hand, the ship building companies are glad to give it. So it all depends on the fellow that is writing the letter for the company.

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MR. GRAVES: There is one thing I would like you to check again, Mr. Tickton. You said, as I understood you that we had no trouble getting reports from these--

MR. TICKTON: - Once they start reporting to us - we have a little trouble sometimes at the beginning. That is, out of five hundred companies that are over five thousand, seventy-five have not answered the letter for December or January, which is fifteen or twenty percent.

MR. GRAVES: Although they have the plan in?

MR. TICKTON: They already have the plan in. But once we get them, they seem to be agreed that you ought to have the information, and they ought to be able to give it to us in the form we ask, which is very simple.

H.M.JR: Is that all?

MR. TICKTON: Yes.

H.M.JR: Now, who is your payroll deduction man here, from your staff?

MR. GRAVES: Well, we didn't bring him. He comes under Mr. Sparks.

H.M.JR: Who is he?

MR. SPARKS: Mr. O'Malley and Mr. Touchstone. Mr. Touchstone is in the field now. Mr. O'Malley is in Washington.

H.M.JR: I see.

MR. GRAVES: Would you care to have Mr. Buffington comment at all on his--

H.M.JR: No, because - yes. Just one second please. All right, George.

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MR. BUFFINGTON: Mr. Tickton raised a question about some of these companies not reporting to the requests from the Secretary's office. A number of them with whom I talked have instituted the plan, but their results, they felt, weren't good enough to report. Many of them had only thirty to fifty percent. I called on ten companies in Chicago, varying in number of employees from five hundred to twenty thousand, and without exception every officer or employee with whom I talked was most enthusiastic about the plan. I raised with Mr. Graves the question about the presentation of the "E" flag. In one instance of banks, the Continental Bank in Chicago and the First National, are practically identical, both with respect to the number of employees and the average payroll. One of them - they had both accomplished between ninety-five and a hundred percent employee participation. The deductions varied from three and a half with Continental to seven or seven and a half for the First National. I found in connection with industrial organizations, many of the officers in those organizations had checked with the bank to determine what they should expect from their employees. They checked with Continental, and they got three percent as being a fair participation; and if they checked with First National, they got seven. I suggested to Mr. Graves in awarding the "E" flag it could be done to differentiate between the man who had done a pretty good job which the First accomplished and the Continental, which I didn't feel had done quite such a good job. It would eliminate people from just getting the "E" flags and feeling that the job was done.

Also, I feel from talking with these ten corporations that the higher you can get the participation originally the better, because it is going to be very difficult, probably, to raise it. The General American Tank Car Corporation, for example, which is very largely war effort, went immediately to a ten percent monthly participation or deduction from payrolls. There are many other companies like the banks who have not had increase in hours worked or increase in pay scales who can't reach that ten percent; but if there could be some way of accurately measuring good performance when you give the

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"E" flag, it might make the corporation work - put in more effort on attaining those standards, however they are set.

Mr. Graves asked me if I had suggestions for that standard, and I haven't yet arrived at them; because if you differentiate in the color of the flag it wouldn't be significant enough. If you put the percentage on the flag of deduction, it may change very shortly thereafter and be difficult to handle.

H.M.JR: May I interrupt a minute? Somebody, either yourself, Graves, or somebody, should call on the Vice-President and explain the payroll deduction plan. I don't think he understands it, and he is a strong advocate of forced savings.

MR. GRAVES: Yes.

MR. KUHN: Did you see the picture in the Herald Tribune this morning, Mr. Secretary, the Senators and Congressmen signing their own payroll deduction pledges?

H.M.JR: I guess I didn't. Somebody ought to call on the Vice-President and tell him about this. Every time it comes up he keeps throwing at me the forced savings thing.

MR. BUFFINGTON: The only other observation, there is a grand sales effort being made in the Chicago area, but I don't feel that anyone in authority in Chicago knows concretely just what the over-all performance of that area is. However, this record system is set up, and I think it would be an excellent thing to follow up if the Chicago office had an adequate record system.

MR. GRAVES: In fact, didn't you make some suggestions there, George, about setting up a local follow-up system independent of Mr. Tickton?

MR. BUFFINGTON: Yes.

H.M.JR: I haven't seen George because just as soon as he told me he only had good news, I lost interest.

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MR. GRAVES: I did make this suggestion to George, if you don't mind. I would like him to go to New York at his early convenience and spend a day or so there.

H.M.JR: You can plan it for next week, George.

MR. BUFFINGTON: I thought in going out there that this was a plan that would have to be sold. I found in many corporations the employees had requested the plan being put in operation. There seems to be complete cooperation of the employers and employees in every place I went.

H.M.JR: Well, you could plan to go to New York next week.

MR. BUFFINGTON: Yes, I shall.

MR. GRAVES: I would like to comment on one point made by Mr. Buffington, which was that we are going to be in trouble if we award the "E" flag to companies wholly on the basis of the percentage of people who participate in the plan and without regard to the amount of their individual payments. We struggled with that a long time. In fact, the folks here put up to me a proposition that we should impose two considerations before we award an "E" flag. First, that there had to be ninety percent or more participation; and second, that the amount of participation had to exceed five percent. I overruled that myself, because it seemed to me that there were too many differences in the wage levels of employees in different companies. It would be easy for General Electric, which on the whole is a high paid personnel, to attain five percent, whereas it would be a matter of extreme difficulty for some organization, we will say, of sewing women or something of that kind, where the wages were very low, to attain any such percentage, and we couldn't find any formula that would be fair; and, therefore, we rejected this second factor and are now proposing to award this flag wholly on the basis of the number of people participating without regard to the amount.

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MR. SPARKS: Mr. Graves, we found from experience that when you stabilize the minimum, the minimum automatically becomes the maximum.

MR. GRAVES: Yes, that is another point. Now, there is a project that we have in mind that we consider to be very important in raising the rate of participation, which we have referred to in talking with you as our pledge campaign. I would like Mr. Gamble, if he will, please, to say a word or two about the progress of that, what we had in mind. In effect, Ted, if you please, on the participation in payroll allotment.

MR. GAMBLE: Mr. Secretary, we have in some forty odd states a million two hundred fifty thousand people at the present time in varying stages and being trained to go into the field between March 15 and May 1.

H.M.JR: How many?

MR. GAMBLE: A million two hundred fifty thousand people in some forty odd states being trained to conduct this house to house, person to person canvass.

H.M.JR: You are going to have to prove that to me.

MR. GAMBLE: Well, sir, these figures are too conservative.

H.M.JR: Are what, conservative?

MR. GAMBLE: They are conservative, yes. That is the minimum number of people required to do the job. We have at the present time in the State of Indiana thirty thousand odd people all ready organized to do this job. We have completed the job in one state where we used seventeen thousand five hundred people in the State of Oregon to conduct this canvass.

H.M.JR: I know. That is a state by itself.

MR. GAMBLE: Actually, Mr. Secretary, it isn't. We have found just as high interest in the other states in this campaign as we have found in Oregon. As a matter

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of fact, the securing of the workers is a very simple job. We have found that we have had more workers--

H.M.JR: Really? If it is so, it is the most amazing thing I have heard.

MR. GAMBLE: We think it is the most amazing program that has ever been conducted in this country. In addition to giving everybody in this country an opportunity--

H.M.JR: The reason I question it, it seems unbelievable but - that you could do it; but if you are doing it, and you say you are doing it, I think it is amazing.

MR. GAMBLE: Well, there are things in connection with it that will be even more unbelievable than the number of people that we have organized to do this job.

H.M.JR: Excuse me, Ted. Do we have downstairs, Vince, the record of the start-off of that organization campaign, the defense transcription?

MR. CALLAHAN: We have one across the street we can get over right away.

MR. GRAVES: That is something I would like very much for you to hear.

MR. CALLAHAN: It is a marvelous record.

H.M.JR: If you will send it over to me.

MR. GRAVES: It is a half hour state-wide hook-up on all stations that started off the pledge campaign in the State of Oregon. It is a wonderful job.

MR. GAMBLE: I think you ought yourself, Mr. Secretary, to hear it, not because it came from Oregon, but because it is typical of the reaction of the people out in the country to this program. It is not anything that was inspired by the Defense Savings Committee, but it was something that was done by the radio people in the State of Oregon, and it is now being done throughout the country. We had a request yesterday from the State

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of Pennsylvania for thirty of these transcriptions.

MR. CALLAHAN: And all the New England States.

MR. GRAVES: We have sent out copies of that to all our states.

H.M.JR: I would like to hear that. I have never heard about it.

MR. GAMBLE: In addition, of course, to giving everybody an opportunity to indicate what they are going to do about this bond campaign, we had hoped through this effort to not only encourage new payroll savings plans, but to increase participation in plans already in effect. We are studying the figures from the State of Oregon and from one county in Oklahoma which has been completed to try and ascertain what effect it has had upon payroll savings and upon participation. The belief is that it is going to have a very healthy effect. We will have more definite information, of course, after we have made additional surveys, but the reaction was instantaneous. There were numerous new plans that sprung into effect over night as a result of the pledge campaign, and firms that had been going along on two and three and four and five percent participation became a hundred percent over night. We had firms with as many as a thousand employees that were signed up in forty-five minutes as a result of this pledge campaign. These things, Mr. Secretary, we have evidences of, and none of them were plants. Probably one of the most encouraging things about this program is the seriousness with which the American people have accepted this job that we have set out to do. They were ready and waiting for these canvassers when they came to talk to them, and one of the things that we did not anticipate that we have experienced is that it is going to take twice as long to do the job as we expected, because the people want to talk to these canvassers about the bond program and about what they can do and about what they should do. In addition to that, as you know, we are going to have a house-to-house distribution of some fifty million savings schedules. It will probably be the most effective

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distribution job that has ever been done in this country because it is going to be a person to person distribution. It is not going to be a question of leaving it at a person's door or in their mail box, but it is going to be given them personally as a result of a call that will be made upon them by some person that has been well trained to represent this program. Briefly, I think, Mr. Graves, that covers it.

MR. GRAVES: Yes. I am glad you mentioned that schedule, because the effect of that--

H.M.JR: This is all news to me.

MR. GRAVES: ... ought to be to raise the rate of participation, such as George Buffington mentioned.

MR. ODEGARD: You had the schedule, Mr. Secretary, at the time of the Baltimore speech.

H.M.JR: I said in the speech that I had it in my hand. But you know I have been for months on this thing and they keep telling me about Oregon. I know Oregon is special, and this one county in Oklahoma. But anything like what Mr. Gamble says - if that happens it will be very encouraging.

MR. GRAVES: Ted, I would like you to tell the Secretary also about the beginning and end of this campaign, as far as the country as a whole is concerned, when we are beginning and when we are finishing.

MR. GAMBLE: We are starting on March 15, Mr. Graves and it will take at least until May first to finish this job.

MR. GRAVES: They are not beginning everywhere on the same day.

MR. GAMBLE: National "M" Day, the starting day, will be different in different states. It is to be left

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in the discretion of the state administrators as to when to start them, but it will be state-wide whenever it starts in a state.

MR. GRAVES: Have you further time?

H.M.JR: What have you got?

MR. GRAVES: Well, I have the Callahans and Mahans and Houghtelings. We will put on as many as you would like to - have time for.

H.M.JR: Well, I will give Callahan the time. He will be the last.

MR. GRAVES: I would like to have, if you will allow me to vary this just for a second, I would like Mr. Duffus to tell us a little of what happened last night at this--

H.M.JR: All right.

MR. GRAVES: ... this sing.

H.M.JR: Then I will say this, because I haven't done this in so long. This meeting has been good for me. So, let's - so you are not so crowded, let's put it down for next Wednesday at ten o'clock, and I will give you enough time so I won't crowd you. This is good for me.

MR. GRAVES: Yes.

H.M.JR: Let's put it down for ten o'clock next Wednesday and then run it through. So, we will hear about this sing, and then I am afraid I will have to stop. I have gotten a tremendous amount of pleasure out of that parade of stars. I have heard two records now and it is great stuff.

MR. CALLAHAN: We have twelve made.

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H.M.JR: I know. How many stations?

MR. CALLAHAN: Seven hundred and four.

H.M.JR: When you get one that is humorous, let me know, something really humorous, and I will send it over to the White House. I don't want to send anything over unless it is humorous. Have you got any that are humorous?

MR. CALLAHAN: Olson and Johnson. I will have to find a subtle humor rather than some of the obvious humor. (Laughter.)

H.M.JR: No, it needn't be too subtle. Well, let's hear about the sing, Mr. Duffus.

MR. DUFFUS: We had our first sing last night at the Riverside Stadium. We played to a little over six thousand people and sold all the stamps that we had at two booths in the lobby. We ran short on stamps, I am sorry to say that. The Army, Navy, and Marine Bands, Lucy Monroe, Barry Wood, Irving Berlin, and the master of ceremonies was Walter Pidgeon. The - we worked the Army in by inducting, inlisting fifteen volunteers on the stage, and I think it was one of the highlights of the evening.

MR. GRAVES: Swearing them in as soldiers in the Army.

MR. DUFFUS: Yes, they took their oath of allegiance.

H.M.JR: Did they cheer that?

MR. GRAVES: Yes.

MR. CALLAHAN: Oh, yes.

MR. DUFFUS: Oh, yes, people stood up and applauded.

H.M.JR: Were you there?

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MR. BELL: Yes. I never missed one of those. It was really one of the grandest things I have seen. She puts on a good show. That community sing she had here last year at which there were about thirty-five thousand people at the Water Gate, it is really quite an inspiring sight, and you are amazed at the spirit with which the people enter into it. I don't think there was a soul left that place last night until it was over, and it wasn't over until after eleven o'clock. I think it is grand. She is going to put on a grand show all over the country.

MR. GRAVES: What is her itinerary roughly, Carlton?

MR. DUFFUS: Miami, St. Petersburg, New Orleans, Mobile, Houston, El Paso, Dallas, Fort Worth, Oklahoma City, and up the Mississippi Valley. We are going to work it with the weather so that we can use the outdoor stadiums, because we can take care of so many more people, and put on really a better show than we did last night, I believe.

H.M.JR: What other features, did you have?

MR. DUFFUS: On the bill?

H.M.JR: Yes. You said you had the swearing in of these soldiers.

MR. DUFFUS: Well, three Minute-Men spoke on payroll savings and various ways you can buy stamps and bonds, and the purpose behind the campaign. Mr. Rust selected those from the District of Columbia Minute-Men Speakers' Bureau, and, of course, we utilized various parts of the three bands for musical novelties and the like.

H.M.JR: And what did Irving Berlin do?

MR. DUFFUS: He introduced a new song, a very short one. He sang "God Bless America."

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H.M.JR: Did he?

MR. DUFFUS: And Barry Wood sang "Any Bonds Today?" and helped in leading a couple of numbers for the entire audience.

H.M.JR: Didn't they sing "I Paid My Income Tax Today"? (Laughter.)

MR. DUFFUS: No. We are having a rally with Glenn Miller and his orchestra on the north steps of the Treasury this Friday, that is, on the Pennsylvania Avenue side, from one to one thirty in the afternoon, using the large flag poster as a background.

H.M.JR: What time?

MR. DUFFUS: One to one thirty, between his shows at the Capitol Theater he is coming over.

H.M.JR: I see. Seriously, isn't there anybody interested in this group in other than their own income tax, to get somebody else's paid? (Laughter.)

MR. GRAVES: No, we are not interested in them. It interferes with bond sales.

H.M.JR: The President - who is his second press man?

MR. KUHN: Hassett?

H.M.JR: Hassett said to me, "Mr. Morgenthau, I want to compliment you on the cleverest piece of psychology I have seen since I have been here, launching your new tax bill just before income tax date, because it makes everybody feel, well, how easily we are getting off this year." (Laughter.) He said he thought it was very clever. Well, this is a good meeting, Harold. It was good for me.

MR. GRAVES: Fine, and we will be in again on Wednesday.

H.M.JR: At ten o'clock to allow more time.

March 5, 1942
2:40 pm

GENERAL ANILINE AND FILM

Present: Mr. Foley
Mr. O'Connell
Mr. Pehle
Mr. Bernstein
Mr. Pike
Mr. McConnell

MR. FOLEY: Well, Mr. Secretary, I haven't had a chance to talk to these fellows very much. I had to get Joe out of New York, and Bob had just gotten back from Shreveport, and he was getting over this cold, and he was down in Middleburg, so we all just got together here a couple of minutes before we came in. I think that Bob knows generally what we have got in mind, and I think Bob is willing to help us. He says he will need some help if he takes on the job.

H.M.JR: Well, let me tell you, so that you will know. Last Friday at Cabinet they raised this question in connection with the Japanese on the West Coast, who was going to handle this thing, and they raised the whole question, so I don't know just what the President did or didn't want us to do, so I went in this morning to see him and said we were ready and I wasn't interested whether we had it today, tomorrow, or next year, but I was interested in cleaning up a mess for him, this Aniline and Dye particularly was a bad mess; and talking in the room here, I thought if he would let me go ahead and do it, the less he knew about it the better, and it would be good for him. So, he said, "What are you waiting for?" So, I said, "I just wanted to make sure that you wanted it." "Go ahead," he said, "clean it up. I want you to do it." So, I told him he would have plenty of complaints and kick-back, and he said, "No, go right ahead and do it,"

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and I said, "After a couple of weeks or months something else comes up and you want to change the arrangement, it is all right with me, but my thought for the minute is that we could take these three companies and get the Nazi influence out of them, and so forth and so on, and the President said, "Go ahead," so on that basis with the help that I can get, I thought we would do it, and as I told the President, we are going to be ruthless about it. He said, "All right." So, he raised the question about, could we get American chemists to do this, and I said I was sure that we could. I didn't believe the Germans had a monopoly on anything. So, that is it. I would like to get going this afternoon. We have got this so-called charter of ours, laying down the principles, and I should think that the thing would be to send for Mack and his people and just tell them.

MR. McCONNELL: Mr. Secretary, Mr. Foley called me in Texas. I told him I had two questions in my mind and I would like to think them over and call him back.

H.M.JR: Does this machine bother you?

MR. McCONNELL: Not a bit, no.

H.M.JR: There is just one copy that goes in the safe, but I can't remember, it is just - it is never - if it bothers you, we will stop it.

MR. McCONNELL: Not a bit, Mr. Secretary.

H.M.JR: All right.

MR. McCONNELL: You know, I have been quite active in defense work, and I am still chairman of the board of this engineers board that was appointed by the engineering societies. I don't like to admit it, but I do not believe that board would function as well if I got off of it. The other question in my mind is the question of competence. This is a highly technical business. The technical staff down below are going to do very much as they wish to some extent unless the

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immediate superiors are well acquainted with the type of business they are doing and know what is going on. So, somewhat at Mr. Foley's suggestion I suggested two additional men to act under the policy laid down by the Treasury in the operation of that company, both of whom have enough technical ability, and both of whom have a great deal of administrative ability. I think that some of these gentlemen here know both of them. One of them is a man by the name of Wilson, who is in the oil business. He is president of Pan American, a smaller oil company, who was also at the head of the chemical oil section of OPM, before the Oil Coordinator was appointed, and the other is a man by the name of George Moffett, who is now with the RFC and has charge of sugar and alcohol purchases, the control of the RFC. He was chairman of the Board of Corn-Planters. He is one of the most able men that I knew of in OPM last spring.

H.M.JR: George Moffett is a very able man.

MR. McCONNELL: I think Robert Wilson is probably - I think Mr. Pike knows Wilson perhaps better than I do. He is one of the outstanding chemists in the country, and he also has demonstrated his administrative ability in the company he has been operating. It seems to me that however you do this, sir, you should want one or more individuals, two or three, preferably, in my mind, who would take the responsibility and the authority and do that job which the Treasury wishes to be done with this company. I don't know whether that has appealed to Mr. Foley. I didn't have a chance to ask him before I came in here, but to my mind, I don't think that any one man would do as good a job as those three men and get it done as quickly, and get the company turned around in whatever direction - in the way of production.

H.M.JR: Well, it sounds all right. I mean, each person has to operate - three good men might be better than one, and they might not. It depends upon how they get along, you know. The way I feel is, you can do it. If you want two fellows to go with you or three fellows to go with you, that is your decision. That is the way I feel.

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MR. McCONNELL: Were you going to ask this board to resign, this present board?

H.M.JR: Yes.

MR. McCONNELL: And you were going to appoint new board members?

H.M.JR: Well, there is this thought. Under the law it only needs three directors; and quite frankly, if you could keep the three directors within the management, that would be much better, and then I won't have the politicians calling me up to make political directors. An alternative to that would be to have three directors who would be appointed from the Federal Reserve Board of New York, who would be advisers, you see. They would simply be there in advisory capacity, and you could have your executive committee run your company. I mean, I am just suggesting that as an alternative. In case Senator "X" calls me up and says, "Look, Morgenthau, I have got a swell director for you up in Buffalo; he is a swell fellow, and I think you had better put him on," I can say, "I am awfully sorry, Senator, but I have asked the Federal Reserve in the second district to lend me three of their men, because we want their interest and advice, and they have loaned three men as directors, who would be more or less in an advisory capacity." You could go either way, I don't care, see, but I was just thinking there are two advantages. One is, it would get the Federal Reserve interested. They cover the whole district on the question of any refinancing or anything like that. You would have their advice, and you would be able to say, "Sorry, gentlemen, there is no political pap. On the other hand, if you would rather have yourself and these other two men as directors, that will be all right.

MR. FOLEY: Combine the two, Mr. Secretary?

H.M.JR: As far as we are concerned down here, the only thing that I am interested in is to do a good job. I want to get all the Nazi influence out of there, and

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I want to get the company straightened out so it can take on a maximum of war production, and I want to keep politics out entirely. Now, how you do it and the rest of that, that is up to you, and I don't expect our boys to interfere with you, you see.

MR. McCONNELL: Well, there was another reason for that. I don't believe that I could devote a hundred percent of my time to this.

H.M.JR: Well, that is all right. You can do enough to--

MR. FOLEY: You could organize it.

MR. McCONNELL: I think it could be done very well.

H.M.JR: This thing here, it is the first shot, and all these fellows running down and complaining about us and the rest of it and so forth, and do the one and set a pattern and then the others are going to be easy. This is the only really big one anyway.

MR. McCONNELL: I think that that suggestion would solve your problem. I think it would take the responsibility and the worry of that particular company off your shoulders, and I think they would do as good a job as anybody I know of. I don't know whether Pike agrees or not.

MR. PIKE: Oh, I agree. I have known them for a long while. They are good men. They are competent, and they are not scared of things.

H.M.JR: Are they down here?

MR. PIKE: Yes. Today, I don't know, but--

H.M.JR: I mean, has Moffett separated himself from his business?

MR. McCONNELL: Practically, yes. I think he attends board meetings.

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H.M.JR: I know George. He ran Corn Products as well as any corporation was run in this country.

MR. McCONNELL: And he also has that technical ability which I think is pretty necessary.

H.M.JR: Has he got that?

MR. PIKE: A surprising lot.

H.M.JR: I didn't know that. Did he have a plant in Germany? He has had them everywhere else.

MR. PIKE: Yes, he did. They ground corn in Germany.

H.M.JR: But, there are no connections there?

MR. McCONNELL: Oh, no, he wrote it off.

H.M.JR: But I mean no sympathetic connections?

MR. McCONNELL: Oh, no, he is a hundred percent American.

H.M.JR: He could be a hundred percent American and still not want to spit in Hitler's eye.

MR. McCONNELL: Well, he has been spitting a hundred percent. I admire him very much. He won't make a good speech, Mr. Secretary, and he won't talk to a large number of people.

H.M.JR: He won't have to.

MR. PIKE: One at a time, I take it, would be his speed.

MR. FOLEY: The thing that is most important in our eyes, Bob, is to get somebody who doesn't believe that all of the knowledge in this field is in the heads of these Germans who have come over here, and who would be willing ruthlessly to separate them when "know-how" can be substituted of unquestioned loyalty and not get any resistance from your management insofar as separating these fellows is concerned, because it might have some effect on production.

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I mean if it is going to slow up production in the beginning, from my standpoint, we have got to do that in order to be able to tell the War Department and the Navy Department that it is safe to deal with this company. Now, there is an effective boycott against this company now, because of its German background, and the presence in the company of these German sympathizers. Some of them have come over here and have become naturalized citizens, but they are still German, and they are still representing their German connections.

H.M.JR: Let me interrupt you. Who is this man, Tom Clark, on the West Coast?

MR. BERNSTEIN: He is the coordinator, acting originally for the Attorney General in dealing with the Japanese.

H.M.JR: Well, I read this to the President this morning, just to show you. Here is Tom Clark, Chief of Staff of General, DeWitt's Civilian Alien Control Committee. Now, he made this statement yesterday. I read this to the President today. He promised full protection to evacuated property owners, and urged them not to sell their property unless they get fair prices. Custodians of alien property would be - guarantee that all properties, whether owned by aliens or American-born, will be returned to the original owners after the war. And the President said, "He is crazy. What is the matter with him?"

MR. FOLEY: That is right.

H.M.JR: So, I mean - maybe we are seeing things under the bed, but General Aniline and Dye, certainly in Germany, typify in business everything that world domination does, and so forth, and so on, and what we are trying to do is to eliminate that influence.

MR. McCONNELL: Your first objective is dependable American management; and second, is capacity operation; and down the line?

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H.M.JR: That is right.

MR. PIKE: In other words, get these guys out if you have to close a section down for a while.

H.M.JR: Are you going to be able to help us on this?

MR. PIKE: I hope so.

H.M.JR: Because I mean, every day they tell me you are off or on. I didn't call up Purcell, but the last word I got on Friday was from Harry Hopkins, that I could settle it any way that I wanted, and any way that I settle it was agreeable to the President and him, but there wouldn't be any letters other than any letter that I wished to write.

MR. PIKE: I think the President made it pretty clear to Purcell, and Hopkins did too. We felt that under the circumstances - this move thing comes this week. We are starting to move today. But there should be no thought of my taking any vacation, permanent or temporary, but that there is no reason in the world - Hell, I am used to working until one o'clock in the morning. I kind of like to. Joe and I used to do it in Tennessee Valley Authority together. In extra-curricular work, anything I can do, I will be very happy to.

MR. McCONNELL: Well, I think that is an awfully good suggestion.

MR. PIKE: Without any official capacity or title or anything, but get in there and pitch whenever you think I can be used.

H.M.JR: Well, if you could do that as of from now until we get the board of directors out, and the next few days will be the difficult time. The howl that is going up will be something terrible. Frankly, I am going to rather enjoy it.

MR. FOLEY: You see, these fellows, Bob, did the typical thing. They tried to buy protection by putting people of influence in the administration and high places in this country, and paying them huge salaries,

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Homer Cummings, John E. Mack.

MR. PIKE: I had better make my confession now, hadn't I?

MR. FOLEY: Those fellows. Now, Bill Bullitt has resigned as chairman of the board, wrote a very nice letter and got out, but that is the situation.

H.M.JR: You know, excuse me again for interrupting you, where Bill has been a perfect damn fool, if he had released his letter a week ago, it would look as if he resigned. Now, if he and the board all go out at the same time, it is going to look as though he had been kicked out.

MR. PIKE: It looks as if he was going with the rest of the lot when he was out cleanly first.

H.M.JR: And I can't understand it.

MR. FOLEY: They don't know anything about business. They haven't learned anything about the business, and don't really care much about it except to take the cream off, and the boys in Germany are perfectly willing to have them do it so long as they keep the thing warm for the Germans after the war is over.

H.M.JR: And this one New York law firm got two hundred fifty thousand dollars last year alone.

MR. FOLEY: And they have got an ex-partner, a fellow named Williamson, executive vice-president, and he is getting one hundred thousand dollars now. They are the conniving brains behind this thing, and they hired Homer Cummings, and they have already paid Homer Cummings a hundred thousand dollars, and they got him on a twenty-five thousand dollar retainer this year. He suggested John E. Mack, and put John E. Mack in there at ninety thousand dollars. First after they began to put their satellites on the board, the first thing they did was to increase the board of directors from fifty to two hundred fifty dollars a meeting, and pay the chairman twelve thousand dollars.

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MR. McCONNELL: All kinds of inducements.

MR. FOLEY: All kinds, and they have been handing the pap around.

MR. McCONNELL: The Treasury owns this stock?

MR. FOLEY: Ninety-seven and a half percent.

MR. McCONNELL: Wouldn't you want one of your men on the board, Mr. Morgenthau?

H.M.JR: Oh, no.

MR. McCONNELL: You would like to stay away from it? Then we probably should have a lawyer on the board, too.

H.M.JR: Oh, we have got lawyers and economists. We can always spare a lawyer or an economist.

MR. McCONNELL: I don't know about the latter.

MR. PIKE: Joe has been on it three months or more.

MR. FOLEY: Joe will stay with you.

H.M.JR: We can let you have a lawyer.

MR. McCONNELL: Well, I have no hesitancy in recommending these men, but I would like the privilege of bringing them in and have a chance to discuss it with them when you would like to discuss it with them, and check them up thoroughly.

H.M.JR: Oh, Mr. McConnell, I don't want to do it. Look, if you and Sumner Pike would tell me that you will go into this thing with Ed and Joe O'Connell, other than in the next few days to talk things over, if the two of you will say, "Now just forget about this thing, Morgenthau, we will handle it," other than something tough, that is what I would like. - I mean, I have had my battle and my

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heavens - over this man. (Pike) I mean, there was more finagling going on. He ought to be terribly flattered.

MR. McCONNELL: Hasn't he been behaved? I feel a certain responsibility for him.

H.M.JR: Oh, he is all right.

MR. FOLEY: You know, Bob brought him down here.

H.M.JR: As soon as I ask for him, then everybody wants him. You said you had a confession to make.

MR. PIKE: It is a confession. I just told Ed as I came in. I went to lunch with Ed Rose of the Public Service of New Jersey at the Carlton. He hailed across the room, "Come on over and eat with us." Homer Cummings was there.

MR. FOLEY: I told him it was a good thing he told this, because we would have had a report on it very quickly.

MR. PIKE: So, I have just had lunch with Homer Cummings. I couldn't keep my face straight very well, unfortunately.

H.M.JR: If you men want to do it, I don't want to - I mean to say, I am not washing my hands of it, and I am here; and if you say Mack won't resign or he will, or this or that, or I have got to tell him something, but I am satisfied, as I say, with the two of you and then whoever you want to get to help you, if you don't mind, I will just hold you responsible.

MR. PIKE: Yes.

H.M.JR: You see, I will just hold you responsible. But we have fussed around with it, and I would like to get off the ground and get going on this thing. Now, Ed told me, for instance, that the Army has just given them a contract for a time-fuse or something.

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MR. FOLEY: The Ordnance Department of the Army wants to give them a contract for a bomb fuse.

H.M.JR: There must be others which are backed up.

MR. O'CONNELL: There is a great deal of business that is just waiting on our getting this thing straightened around. The Binghamton plant, which has three hundred employees, is a plant that will probably go out of business in a matter of months unless it is converted to war production, and it is in process of being converted. They can be very readily converted to making shells and bomb fuses and all those things. The other biggest part of the company is the chemical and dye business, and, of course, they are working at what I assume to be capacity, but I think they could do a great deal of work, and they - you could expand their production fifty percent, and they still wouldn't be producing as much as is needed. About sixty-five or seventy percent goes to defense. Practically all the copy dye is produced by them, and they really need a little drive, is what they really need, and we are getting squared away with the War Department. I mean, these direct orders. They gave them a contract three weeks ago for a million and a half dollars of bomb shell fuses, and it had got down to Washington, and the Under-Secretary of War called it off.

H.M.JR: You see, I ought to explain it. I wrote a letter around putting all these departments under notice not to, so they won't do it until we take the curse off.

MR. FOLEY: Not only that, but after the matter was called to their attention and they found out how vulnerable they were, they got so scared they backed off so far that Forrestal and Patterson signed a joint memorandum attached to a memorandum from the Provost Marshall General giving evidences of actual espionage within the company, and instances where information had been communicated to the enemy, and they asked - recommended to the Secretary that he take over the stock, amortize the company, and that he do it quickly because they wanted to use the productivity of the plant.

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MR. PIKE: The case is very clear, and you don't have to worry about that.

H.M.JR: Well, why don't you do this, Mr. McConnell, talk so more with them, but have you got any doubts now about it?

MR. McCONNELL: Well, I haven't any doubts as to your policy.

H.M.JR: How about doubts about your going into this yourself?

MR. McCONNELL: Well, I have doubts about my own ability to do this without a lot of help, Mr. Secretary. I don't know this business.

H.M.JR: I didn't mean that. I mean, are you ready to take off your coat and go to work?

MR. McCONNELL: If these gentlemen will come along, subject to your approval.

H.M.JR: Sure, you fellows have got to get the assistants you want, but let's say if it isn't them, it might be somebody else.

MR. McCONNELL: Yes.

H.M.JR: In other words, I would like to start the thing going this afternoon.

MR. McCONNELL: Well, I think we can get right started on it, and I think we can get hold of these fellows as soon as we get back to Foley's office.

H.M.JR: And you (Pike) can stick with us until we can get these fellows started.

MR. PIKE: I will do everything I can in the meantime the commission allows me.

H.M.JR: Listen, you don't have to put the stuff in the van.

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MR. PIKE: But, I do have to be around-- (Laughter.) Your boys have been benefiting quite a little bit. Mr. Bernstein has just held his hands out and collected six or eight very good men in the last few weeks.

MR. FOLEY: They fell off the tree. We didn't shake it.

MR. PIKE: The gale is on, boys, and the apples are falling to the ground, and another little push and there will be about sixty or more off in the next few days. Once we get them in Philadelphia, they will all go to sleep like good Philadelphians, and we won't have any more trouble. (Laughter.)

H.M.JR: Now, Joe, are you looking for any troubles I ought to know about?

MR. McCONNELL: No, I don't think we will have any trouble.

MR. FOLEY: How do you think we ought to handle this?

H.M.JR: Look, why don't you go back to your room and I am here if you need me, see.

March 5, 1942
3:15 p.m.

Leo
Crowley: Hello.

HMJr: Leo.

C: Yeah.

HMJr: Good afternoon.

C: How are you?

HMJr: I'm fine.

C: That's good.

HMJr: I had quite a talk with the President.....

C: Yeah.

HMJr:and as a result of that, we're going to
move in on Aniline Dye.....

C: Fine.

HMJr:and on Bosch and on Schering.

C: That's good.

HMJr: He wants us to go ahead at once.

C: That's good. How did you get along with him
with the General picture, all right?

HMJr: Well, we just discussed this, and he doesn't
want to wait and he wants me to go ahead with
this.

C: Fine. If I can help you any on it, let me
know.

HMJr: Well, I know you can.

C: All right.

HMJr: But - and Ed will be in touch with you. . But I

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wanted to let you know that I'm doing this only after explicit orders from the President.

C: Fine. I'm glad you're going in on them.

HMJr: And he wants it cleaned up, and I'm going to do it and not bother him.

C: Fine and dandy.

HMJr: And Ed will be in touch with you.

C: Fine. I'll help him.

HMJr: Thank you.

C: Good-bye.

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MOST INTERESTING ITEMSPage
32

Charge that Treasury officials deceived the President to induce his approval of a memorandum for the suspension of five corporation officials.

Innuendo that Messrs. Foley and Berle "concocted" a plan to discharge Ogden Hammond and concealed the full facts even from Secretary Morgenthau.

33

Statement that "high authority" advised Homer Cummings and Judge Mack to launch a counter-offensive against Treasury and State Department officials, and that this advice was followed.

35

Recommendation to have James Roosevelt employed as salesman on the West Coast "with adequate compensation".

OTHER INTERESTING ITEMS

11 & 12 How Homer Cummings was retained by Breed.

13 Innuendo against Vice President Wallace.

14 Innuendo against Garey and Garey.

15 Innuendo against Edward Foley.

18 How Ogden Hammond met Lilly Stein, the German Spy.

19 & 20 Selection of Judge Mack by Homer Cummings.

21 Attack against the Treasury Department for alleged inaction.

29 Innuendo that the Treasury Department did not cooperate with the management but that the Department of Justice did.

30 Innuendo that personal pique at a letter concerning Stammler brought about Treasury action.

MEMORANDUM FOR MR. BULLITT

Re: General Aniline & Film Corporation

I. G. Farben of Frankfurt, Germany first established some time in the late 1880's had by the outbreak of the first World War in 1914 become one of the most powerful corporations and industrial cartels, entirely concentrated in the chemical and dye field with subsidiaries and affiliates covering the world. Out of the first World War and the entry of this country into it in 1917 came the seizure of all American properties of I. G. Farben and after the war these were blanketed by American capital into an organization which is today Allied Chemical & Dye Corporation and its subsidiaries. Certain of the German properties and formulas also passed to DuPont.

The difficulty with Allied Chemical & Dye was that it never kept up its research while I. G. Farben went ahead in the years immediately following the first World War. By the middle 20's I. G. Farben had again achieved a position of world dominance in the chemical and dye fields and entered into licensing agreements throughout the world with its principal competitors. In the late 20's I. G. Farben had progressed to the stage where it

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organized two foreign holding corporations, one a Swiss Corporation and the other an American Corporation, namely I. G. Chemie and American I. G. This simplified account disregards numerous other less important foreign subsidiaries. Except for noting that I. G. Chemie was organized and controlled and has ever since by direct or indirect methods been entirely controlled by I. G. Farben, we hereafter disregard the subsequent history of I. G. Chemie insofar as it does not enter into the picture of the General Aniline & Film Corp. If any questions should arise as to the absolute control by I. G. Farben of I. G. Chemie, various memoranda, statistics and other supporting evidence can be adduced at great length to show both the continuing and absolute nature of this control.

In 1929 I. G. Farben had enough interests in America and was receiving enough money from its patent licenses to desire the establishment of a separate American branch of its business, hence American I. G. was organized. I. G. Farben was unduly anxious to distribute its assets as widely as possible, due to unsettled conditions in Germany, and also to obtain American capital. This it did by

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issuing approximately twenty million dollars worth of bonds of the new American company which it, the I. G. Farben of Frankfurt, Germany, guaranteed both as to principal and interest. The bankers for this loan were the National City Bank, headed by Charles E. Mitchell and by Henry Mann, Vice President in Charge of European Affairs, a naturalized American citizen of German ancestry, with his then office at Berlin. Of this \$20,000,000 issued to the American public in bonds, approximately \$18,000,000 are now still outstanding in the hands of American holders.

The organization of the American I. G. occurred in 1929. One year prior to this time I. G. Farben had organized the Agfa Ansco Corporation to care for the American camera and film market. These and other I. G. Farben corporations were merged into one, General Aniline Corporation in 1939. Two of the present directors of General Aniline & Film, William C. Breed, senior partner of Breed, Abbott & Morgan of New York City, and W. H. Bennett, Chairman of the Board of the Immigrant Industrial Savings Bank of New York City, became members of the Agfa Ansco Corporation Board. About this time I. G. Farben

also organized a company known as the General Dye Stuffs. This Corporation, however, was wholly owned by two naturalized Germans, Ernest Hallbach and W. H. Duisberg. Duisberg comes from an old I. G. Farben of Frankfurt family, his parents having been leading figures in the original formation of the German dye cartel. The General Dye Stuffs Corporation was formed mainly to handle the import and sale of I. G. Farben's dyes. In the beginning only a small proportion of its sales came from American I. G. but as the American branch expanded an increasing share of General Dye Stuffs' business came from this source. A contract between American I. G. and General Dye Stuffs was entered into whereby the latter undertook the sale of all products of the American I. G. with compensation at the rate of 10 per cent. This rate of compensation was changed from time to time until lately it stood at 15 per cent on a constantly expanding sales market and in the calendar year of 1941 costing General Aniline & Film Corp. approximately \$4,000,000. The full facts concerning General Dye Stuffs are more fully brought out in the complaint of General Aniline & Film Corp. filed in January 1942 to cancel said contract, copy attached hereto and marked Appendix "A".

Going back to 1929 and the original organization of the American I. G. which has now become General Aniline & Film Corp., I. G. Farben was extremely desirous of securing a top American financial name to go on the Board of Directors of American I. G. Inasmuch as the Ford Motor Company through its English subsidiary, Ford Motors Limited, was organizing a Ford Motor Company of Germany through Charles E. Mitchell and Henry Mann on the one hand and Dr. Carl Bosch representing I. G. Farben on the other, Mr. Edsel Ford, became a director first of American I. G. and later of General Aniline & Film Corp. while Dr. Bosch became a director of the Ford Motor Company of Germany. Mr. Ford retained his post as a director of General Aniline & Film Corp. until sometime in the summer of 1941 when amidst the gathering governmental difficulties he resigned from the Board.

After 1929 the history of American I. G. is one of uninterrupted growth and prosperity undisturbed by any untoward influences until the year 1939. Starting with a negligible share of the American market, by that time American I. G. had become the second film industry of the United States and in effect the only competitor of Eastman

Kodak Company on the one hand and the third most important producer of dye stuffs and chemical dyes on the other, ranking after Allied Chemical and DuPont. However, the set-up of this organization was composed of various companies and subsidiaries and it was decided in 1939 with the shadow of the second World War already on the horizon to simplify the corporate structure of these American companies owned or controlled by I. G. Farben. Hence, in 1939 General Aniline & Film Corp. was formed. Its principal officers were Dr. Carl Bosch (Chairman of I. G. Farben), Chairman of the Board, Mr. D. A. Schmitz (brother of Geheimrat Doctor Herman Schmitz president of I. G. Farben), president of General Aniline & Film and Messrs. Aickelin, Rudolph Hutz, W. P. Pickhardt, Ernest Schwarz, W. H. vom Rath, F. W. von Meister and Hugh S. Williamson. Williamson whose name will figure prominently in other connections later was formerly a junior partner of Breed, Abbott and Morgan and because of his adept fitting into the picture as shown by his many trips to Germany, was rewarded with office as vice president and treasurer of the new company.

From this point onward we are discussing General Aniline & Film Corp. whose predecessors we have heretofore briefly traced. General Aniline & Film Corp. is a corporation organized under the laws of the State of Delaware with an authorized capital of 3,000,000 "A" shares and 3,000,000 "B" shares. Both "A" and "B" shares have equal voting rights. There are issued and outstanding of the "A" shares only 529,700-2/3 shares of which 58,099-2/3 are owned by 629 miscellaneous individual holders, C. G. Howland Shay, assistant Secretary of State owning 100 shares, whereas all the other issued and outstanding "A" shares are owned directly or indirectly by I. G. Chemie. The "B" shares in the amount of 3,000,000 were all issued but 950,000 of them were repurchased in June 1940 by General Aniline & Film Corp. from I. G. Chemie for payment in cash, a device which it is readily seen was simply another method of transferring a portion of the capital of General Aniline & Film Corp. to Swiss I. G. Chemie. These 950,000 shares are held as treasury stock subject to resale at the will of the Board of Directors. The 2,050,000 shares of "B" are outstanding in the names of certain Dutch subsidiaries of I. G. Chemie which gives color to the so-called Dutch claim to ownership

of a portion of this corporation hereinafter more fully discussed. A more detailed but somewhat confused account of these matters is contained in the printed document attached hereto and marked Appendix "B" and called "History of Ownership of Securities of General Aniline & Film Corp."

We now concern ourselves with a brief history of the interest of the various government agencies in this corporation. The first group of people who became interested in this concern was the Securities & Exchange Commission. Around 1935 or 1936 the S.E.C. became interested in the question as to who was the beneficial owner of General Aniline & Film Corporation. Company records and indeed the Company officials were unable to cast any light on this subject and professed ignorance as to whether they were actually controlled by Dutch, Swiss, English or German corporations. Mr. Williamson accompanied by Mr. D. A. Schmitz, on one of his numerous trips to Switzerland and Germany, was informally told that I. G. Chemie of Switzerland was the beneficial owner of the shares. The S.E.C. from 1935 to date has been very much interested in this matter and still is and still has no proof meriting court standing as to the beneficial ownership at any given time of the stock of the

of a portion of this corporation hereinafter more fully discussed. A more detailed but somewhat confused account of these matters is contained in the printed document attached hereto and marked Appendix "B" and called "History of Ownership of Securities of General Aniline & Film Corp."

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General Aniline & Film Corp. In this connection it might be interesting to point out that I. G. Farben was accustomed to list balance sheets of its owned or controlled subsidiaries on the back of its annual report. The General Aniline & Film Corp. was so listed in the Annual Report of I. G. Farben of Frankfurt, Germany of 1939, and for all the years from 1929 to 1939 inclusive.

The next governmental department to become interested in the General Aniline & Film Corporation was the Department of Justice (Antitrust Division) which late in 1939 began an investigation into the affairs of this corporation along with certain other German controlled corporations in this country. This investigation has proceeded intensively since and is not yet completed although to date it has resulted on December 19, 1941 in the indictment of the Corporation and its leading German officers for violating the Antitrust Laws by the allocation of world markets in criminal conspiracy with I. G. Farben of Germany. The Corporation alone, earlier in 1941, had been indicted along with the Aluminum Corporation of America and American Magnesium Corporation for restricting the output of magnesium. Other more important and more sensational indictments are

expected in February or March 1942. A copy of the indictments of December 19, 1941 is attached hereto and marked Appendix "C". The other activities of the Department of Justice incidental to these investigations are more fully described in the following portions of this memorandum.

As pointed out above, 1,500,000 of the "B" shares (all beneficially owned by I. G. Chemie) are listed on the stock books in the names of certain Dutch subsidiaries. When the invasion of the Netherlands occurred in May 1940, these shares had not been transferred. Shortly thereafter the "freezing orders" of the Department of Treasury clamped down and forbade, amongst other things the transfer of any corporate stock listed in Dutch names without the consent of the Department of the Treasury. In May or June 1940 General Aniline & Film Corp. and I. G. Chemie filed two applications with the Department of Treasury for the transfer of these 1,500,000 shares of "B" stock listed in Dutch corporate name to I. G. Chemie. This application fell under the jurisdiction of Mr. Edward H. Foley, Jr., general counsel of the Treasury, and his immediate subordinates including Mr. Joseph J. O'Connell, Jr. and Mr. Bernard Bernstein. Sometime later an Interdepartmental Committee

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composed of Mr. Dean Acheson of the Department of State and a member of the firm of Covington, Burling, Rublee, Acheson & Shorb of Washington, D. C., Mr. Edward H. Foley, Jr., general counsel of the Department of Treasury, and Mr. Francis M. Shea, Assistant Attorney General, Claims Division, representing the Department of Justice, was formed. Before this Committee the various interests lined up consisting primarily of the company acting through its officers Messrs. Schmitz and Williamson and its counsel, Mr. Breed, of Breed, Abbott & Morgan, and Mr. Martin Saxe on the one hand and Dr. Werner Gabbler, attorney in fact for I. G. Chemie and his attorneys, Messrs. Covington, Burling, Rublee, Acheson & Shorb on the other. Many documents were filed by the protagonists on this matter before both the Department of the Treasury and before the Interdepartmental Committee. Nothing was ever accomplished. From the time of the application in 1940 to date, no action has ever been taken by the Department of the Treasury or the Interdepartmental Committee on this application.

We come now to the chronology which is a matter of personal knowledge. Early in 1941 Mr. William Breed, finding

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that he was unable to make headway with the Department of Treasury, solicited the aid of the Department of Justice, interviewing Messrs. Thurman Arnold, Fowler Hamilton and Wilber Stammler. From time to time various interviews were had with Mr. Breed and with Messrs. Schmitz and Williamson resulting in the retention by Mr. Breed and his firm, Breed, Abbott & Morgan, but not by the company which he then refused to represent, of Mr. Homer Cummings of Washington, D. C. as special counsel.

The first occasion of this employment of Mr. Cummings was Dr. Gabbler's scheme of having the 1,500,000 shares whose transfer was then and is now in question placed in a voting trust agreement of which he and two other Chemie selected agents would be the trustees. Dr. Gabbler and his counsel, Messrs. Covington, Burling, Rublee, Acheson & Shorb, were of the opinion that this voting trust agreement would avoid the powers of the Alien Property Custodian in time of war. Mr. Cummings' opinion was to the contrary and a copy is attached hereto marked Appendix "D", and through acceptance by the Department of Justice became in fact the law of the case. This voting trust scheme was

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then dropped. In this, however, as in his other ventures, Dr. Gabbler and I. G. Chemie had the active support of the Minister from Switzerland, C. W. Bruggeman, whose wife is the full sister of Vice President Wallace.

At about this time, that is in May or June 1941, Mr. Edsel Ford became perturbed by the way matters were shaping up and in particular his vulnerable connection with an obvious German interest and he therefore decided to employ Mr. Cummings as counsel to the end that he might retire from any connection with General Aniline & Film Corp. This was successfully accomplished in late July 1941.

Efforts meanwhile were being made by some of the directors, notably Messrs. Breed, Williamson and Bennett, to effect the sale of the I. G. Chemie stock blocked by the Treasury to an obviously American interest. In this connection Libby Owens Ford Corporation, among others, was approached and was greatly interested only to find at the crucial moment of negotiations that I. G. Chemie found it impossible to part with their holdings. Later on International Telephone & Telegraph Corporation was approached with much the same result. All of the above

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negotiations purportedly met with the approval or cooperation of D. A. Schmitz the president of the concern. In July the directors received a telegram from the president of I. G. Chemie, Felix Iselin of Switzerland, advising them that they should no longer concern themselves with the problem of selling the stock and that I. G. Chemie had found "a 100 per cent American concern" to which they intended to transfer their holdings. This concern was the General Dye Stuffs Corporation mentioned earlier in our history. Paranthetically it may be noted that the stock ownership of General Dye Stuffs had nominally already passed 51% into the name of D. A. Schmitz, and that in any event the three individuals named as owners of General Dye Stuff stock, Duisberg, Hallbach and D. A. Schmitz, were all complete tools of I. G. Farben. General Dye Stuffs was represented in this matter by the firm of Garey & Garey of New York, a firm of somewhat questionable antecedents and background. Raoul Desvernine (a former classmate and friend of Thurman Arnold who banked too heavily on this connection) formerly a partner of Miller, Miller, Hornblower, Weeks & Boston, now the Wendell Willkie

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firm, but who on dismissal from that firm became associated with and later president of Crucible Steel Corporation, and was summarily dismissed from that post in November 1941 and thereafter became a partner of Garey & Garey under the firm name of "Garey Desvernine & Garey" was associated as counsel with Garey & Garey in this matter. These individuals and firms along with Covington, Burling, Rublee, Acheson & Shorb represented Dr. Gabbler, attorney in fact for I. G. Chemie, throughout the discussions wherein these people were all pressing for the granting of the application to allow for transfer of the shares from Dutch to Swiss name and then to sell this stock to General Dye Stuffs. This application was denied by the Treasury Department on October 2, 1941 after many weeks of delay, principally we understand through the activity of Mr. Bernard Bernstein in the absence from town of Mr. Edward Foley.

To return to our directors in New York at the moment they received the telegram from Felix Iselin outlining the aforementioned plan of sale, all of them including D. A. Schmitz professed innocence of any prior knowledge that such an idea was thought of. It was a habit of

Mr. D. A. Schmitz to receive advice and counsel from his brother Geheimrat Doctor Herman Schmitz each week by trans-atlantic telephone. Geheimrat Doctor Herman Schmitz would journey to Basle, Switzerland and the connection would be put through to his brother in New York City. D. A. Schmitz anxious not to lose one particle of the pearls of wisdom kept accurate stenographic transcripts of these calls in the top drawer of his desk at 230 Park Avenue. The Department of Justice officials requested permission to go through the company's papers, received it through the intervention and aid of Mr. Breed. (It may be noted at this time that Mr. William Breed was becoming more entangled in his activities as a director of General Aniline & Film Corp. and he brought in his distinguished partner, Charles H. Tuttle, to give legal advice on the complex matters of this corporation. The time of these matters may be fixed as the latter part of August 1941.) The Department of Justice discovered these transcripts of the telephone conversations and they became known to the other directors. This resulted in a hurried meeting of the Board to discuss these recent developments in which Mr. Schmitz appeared to be concealing information from his fellow members of the Board of Directors.

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From that time forward until the meeting of September 23, 1941 a great controversy raged in the Board of Directors and culminated in the removal of Mr. D. A. Schmitz as president of General Aniline & Film Corp. Throughout this period I. G. Chemie and its American representatives fought vigorously for the retention of Mr. D. A. Schmitz and demanded the resignation of his opposing directors. A complete printed statement of the minutes of the meetings of the Board of Directors of the corporation from August 20, 1941 to October 2, 1941 inclusive are attached hereto and marked Appendix "E".

Thwarted in their attempt to gain control of General Aniline & Film-Corp. and doubly inspired by the removal of D. A. Schmitz as president on September 23, Halbach and Duisberg sought a new channel of approach within a few days of Schmitz's removal. The laws of the state of Delaware are such that a stockholders' meeting can be called and held without regard to size of the holding requesting it, whenever the regular annual meeting of the stock has once been passed. No annual stockholders' meeting was held in April 1941 or thereafter until this date because of the fact that the Treasury's freezing of the I. G. Chemie stocks rendered it

impossible to secure a quorum for the holding of such a stockholders' meeting. It then developed that a certain Mr. Ernest Flender, a naturalized American citizen of German birth, who previously had served in the German Imperial Army during the first World War, brought suit to Delaware before the Chancellor for a stockholders' meeting. Mr. Flender was represented in this matter by the firm of Garey & Garey and Mr. Desvernine. Of possible interest is the fact that Mr. Flender, was a partner of Richard & Company, an old New York brokerage company whose senior partner George N. Richard, had given a letter of introduction to Lilly Stein to Mr. Ogden H. Hammond, Jr. in May 1939. It will be remembered that Miss Stein has since pled guilty and has been sentenced to ten years in Federal prison for espionage. Mr. George N. Richard, a Jew of social ambitions, many of which have been realized in Long Island, and a friend of Mr. William C. Breed, was after considerable pressure by Mr. Breed brought to compel Mr. Flender to retire from future maintenance of this suit against the American directors. In Mr. Flender's place instead was substituted Dorothy P. Kahle, a sister of the late W. P. Pickhardt, already under indictment by the Department

of Justice at this time and a relative also of Duisberg. This suit was set for hearing in Delaware on October 10, 1941. It became apparent to the Department of Justice that this was merely a scheme to retain German control inasmuch as at any stockholders' meeting the free German stock ^{held} would be certain to elect subservient directors and oust all opposing ones. Accordingly, under direct orders of the Attorney General through the intermediation of Mr. Hugh Cox, first assistant to Thurman Arnold and Mr. Wilber Stammer, Mr. Fowler Hamilton was dispatched to Wilmington to request a postponement for sixty days until the Department of Justice should have completed its investigation of the corporation. A copy of the transcript of the proceedings had in the Chancery Court of Delaware on October 10, 1941 and the order of the Chancellor postponing further hearing of this matter until December 10, 1941 is attached hereto and marked Appendix "F". Around this time the Hon. Homer Cummings consented, feeling that a large portion of the German influence had been removed, to represent the corporation as such. Mr. Cummings advised the directors that a man of impeccable patriotism and one known personally to the Administration should be selected as president of the Corporation. John E. Mack of Poughkeepsie, New York, was suggested.

This suggestion met with some opposition from a group of the directors led by Mr. Hugh Williamson and in this connection it might be well to state that Mr. Williamson had suggested the election of Messrs. Baragwanath and Tallbot as directors during the stormy period of the early fall. It is believed that these directors were approved by Gordon Renschler of the National City Bank. In the meantime a question had arisen as to the voting power of foreign held stock and although both the Department of the Treasury and the Department of Justice because of interdepartmental difficulties refused to rule upon this matter, Mr. Homer Cummings delivered an opinion on October 8, 1941 that blocked stock could not vote and a copy of this opinion is attached hereto and marked Appendix "G". In the interim the affairs of the corporation after the discharge of Mr. Schmitz as president were carried on by Messrs. Hutz and Williamson, senior vice presidents. After considerable negotiation between William C. Breed and Mr. Cummings on one side and Williamson and "The National City" group of directors on the other, it was agreed to elect Judge Mack as president on October 31, 1941. Photostatic copies of the minutes of the meetings of the Board of Directors from October 7, 1941 through October 31, 1941 (at which

meeting Judge Mack was elected president of the corporation) are hereto attached and marked Appendix "H". This election of Judge Mack as president and director of the corporation was later approved and ratified at a special meeting of the Board of Directors held on November 5, 1941, and a copy of the minutes of the meeting is attached hereto and marked Appendix "I".

It may be mentioned throughout this time among other agencies, the Department of the Treasury was constantly being solicited both by the Department of Justice and members of the company to intervene in the internal affairs of this corporation and make certain of the continuance in office of the American directors so that their policy of Americanization might be carried out. Throughout this period the Department of the Treasury refused to take any action whatsoever. Further developments in this matter are shown by the minutes of the meetings of the Board of Directors of November 5, November 14, November 21, 1941, and a copy of these minutes is attached hereto and marked Appendix "J". It is to be noted that Mr. W. H. Vom Rath resigned as secretary and director of the corporation on this later date and was replaced by Mr. F. A. Gibbons as secretary.

Shortly afterwards as revealed by the minutes hereto attached Mr. Hans Aickelin also resigned as director of this corporation. This left two vacancies on the Board of Directors with a third vacancy shortly created by declaring vacant the office of Felix Iselin as director. Mr. Iselin, despite repeated promises by cable had never attended any of the Board meetings. In the interim the approaching date of December 10, 1941 when the adjourned hearing in the Delaware Chancery was again coming up was more and more in the minds of the directors and the managements of this corporation. At this point the Treasury Department and the Inter-departmental Committee showed a peculiar reluctance to interfere with the proposed stockholders meeting. John E. Mack and Mr. Cummings together interviewed various Treasury officials including the Secretary and also Mr. Shea of the Department of Justice as well as the Attorney General personally. Mr. Cummings was able to convince the Attorney General who previously had been inclined upon the recommendation of Mr. Shea to do nothing in this matter that he should again intervene and request further postponement lest the company fall back into the hands of German dominated interests. Accordingly, Mr. Fowler Hamilton was again dispatched to Wilmington and

secured a postponement of the stockholders meeting for 90 days or until March 12, 1942. A copy of the transcript of his hearing before the Chancellor at Wilmington is attached hereto and marked Appendix "K". On December 10, 1941 a formal reason to show cause why a special meeting of the stockholders should not be held was filed on behalf of General Aniline & Film Corp. and a printed copy of it is attached hereto and marked Appendix "L".

Mr. Cummings and Judge Mack felt that a figure of national importance and a person of considerable energy was needed as director and Chairman of the Board to facilitate the Americanization of the corporation. They suggested the Hon. William C. Bullitt for this position. After a discussion with Mr. Bullitt and after he had thoroughly discussed it with prominent governmental officials he determined to accept this position. The interesting correspondence which is contemporary with your acceptance of election to the Board of Directors is not attached hereto inasmuch as you both have knowledge of it and retain copy of it in your files and it is not felt advisable to spread this matter further upon the files without your expressed approval. On December 5, 1941 Mr. Bullitt was elected a director of General Aniline & Film Corp. and the minutes of that meeting are attached hereto and marked Appendix "M". A printed communication signed by Mr. Mack as president of the corporation sent to all the stockholders of the corporation dated December 12, 1941 is attached hereto and marked Appendix "N". Also attached hereto and marked Appendix "O" is a copy of the last Annual Report of the Corporation, namely for 1940.

It may be noted that prior to this time and on December 1, 1941 Mr. Ogden H. Hammond, Jr., now on leave without pay from the Foreign Service of the United States, was appointed by President Mack as his confidential aid and personal assistant with title of Assistant to the President with a salary of \$7500 a year plus necessary business expenses and he had entered immediately on his duties and continued there-in. This was done with the full knowledge and consent of the Department of State as shown by the attached letters of Mr. Hammond, Jr. and of J. Howland Shaw, Assistant Secretary of State, and marked Appendix "P".

On the morning of December 12, 1941 everyone in General Aniline & Film Corp. was astounded by the sudden appearance of numerous Treasury agents under the personal direction of Mr. Joseph J. O'Connell, Jr. as authorized Treasury representative in the office of the General Aniline & Film Corp. to seize control of the business under instructions of the Secretary of the Treasury marked through the Federal Reserve Bank as a part of the freezing control of the Treasury Department, a copy of the orders under which they acted, Bulletin No. 2, is attached hereto and marked Appendix "Q".

After some discussion with President Mack and other officers of the Corporation a general policy of cooperation was agreed on between Mr. O'Connell and Judge Mack. Mr. Stammler of the Department of Justice happened to be present in Judge Mack's office on the morning of December 12, 1941 on which this seizure was made.

Routine matters occupied the remainder of the month of December 1941 with Judge Mack and the management devoting its time and cooperation to the War Department to effect protection of the plants and to plan further expansion in the interests of the Army and Navy. Judge Mack and Mr. Cummings also requested, through the Attorney General personally, that the F.B.I. make an investigation of certain officers and individuals in the corporation. During this time Mr. Ralph Budd, President of the Chicago, Quincy & Burlington Railroad and adviser to President Roosevelt on transportation, and Mr. Robert L. Stevens of New Jersey and son-in-law of Brigadier General and Mrs. Cornelius Vanderbilt, were elected members of the Board of Directors at a meeting of the Board held on December 19, 1941. Prior to this time Messrs. Aickelin and Schwartz had resigned as directors of the company and

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Mr. Schwartz from all positions whatever held in the company. The minutes of these meetings are marked Appendix "R" and are attached hereto. At a later meeting of the Board of Directors held on December 24, 1941 Mr. Bullitt was elected Chairman of the Board at a salary of \$12,000 per annum beginning with the date of his election and a copy of the minutes of this meeting is attached hereto and marked Appendix "S".

In the meantime the Treasury Department had expanded its activities in the Corporation. It was employing upwards of fifty agents throughout the plants of the corporation located through New York and New Jersey all under the direction of Mr. Sam Klaus to endeavor to ferret out any disloyal activities on the part of the personnel of the corporation. The Department of Justice in the first and most minor of its series of indictments springing from the long continued investigation of the affairs of this company on December 19, 1941 indicted the Corporation and many of its previous officers and directors in a series of indictments, attached hereto in Appendix "C".

During the month of December Mr. Cummings and Mr. Hammond sought to reach some working agreement with the Dutch "interests". The Dutch were represented by Mr. John Sharp of the firm of Sullivan & Cromwell and the matter was in the hands of a certain Mr. Molekamp of the Royal Dutch Legation. Mr. Bullitt interviewed Mr. Molekamp's assistant immediately prior to (Bullitt's) his departure and subsequently Mr. Hammond interviewed Mr. Molekamp and took him to the offices of Mr. Cummings and arranged an appointment with Mr. Cummings, Mr. Sharp and Mr. Molekamp. These gentlemen met together with Mr. Tuttle of Breed, Abbott & Morgan and Judge Mack and discussed the situation. The Dutch were willing to agree to a Board of Trustees to represent their stock if and when they should obtain a clear title to it but they were unwilling to allow the present management to obtain control. Their suggestion was that two members of the trustees be appointed by Judge Mack and Ambassador Bullitt and two members by themselves each to have equal voting power. This suggestion was definitely unsatisfactory to the present management and negotiations were dropped for the time being. They have not yet been resumed.

The foregoing more or less in chronological order covers the events of the year 1941 and brings the year to a close with a definitely American Board of Directors in place of the former German control with the only previous people with Farben backgrounds left on the Board of Directors being Messrs. Hutz and Schmitz and with proceedings being contemplated for the removal of Schmitz. It may be parenthetically mentioned that it was the management's intention while dispensing with other Germans to retain Mr. Hutz who had a long time intimate knowledge of the company and who was within one year of his retirement in any event.

In this connection it may be mentioned that the Department of Justice cooperated with the management and had not indicted Hutz but had subpoenaed him for future indictment in connection with the indictment sent down December 19, 1941. Mr. Schmitz claimed to be president and wrote Judge Mack under date of December 18, 1941 and to which Judge Mack replied on December 30, 1941, copies attached hereto and marked Appendix "U". It is to be noted that Mr. Schmitz has since attended Directors meetings and has accordingly waived any question of the legality of his removal as president.

He is willing to resign at any time when requested to do so by either the Attorney General or Secretary of the Treasury. He has been barred from the premises of General Aniline and Film Corp. by an order of the Treasury dated January 28, 1942. It is suggested that the useful thing to do would be to have either the Attorney General or the Secretary of Treasury request Mr. Schmitz's resignation and be done with that gentleman for good and all.

We turn now to the rather dramatic developments of January 1942. Apparently the Treasury supervision was running smoothly and the management was proceeding with plans for reorganization of the company and with the cooperation of the British Intelligence Section in New York had arranged for realignment of its South American business when the first inkling came that all was not well on the Treasury front. On January 8 Mr. Edward H. Foley, Jr. general counsel of the Treasury, called Thurman Arnold and complained of Mr. Stammler's activities in General Aniline & Film Corp. Mr. Arnold refused to hear any discussion of this matter orally and asked Mr. Foley to write him a letter which Mr. Foley did under date of January 8, 1942. As a result

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of this letter an amicable conference between Mr. Arnold, Mr. Stammler and Mr. Foley was held. Mr. Stammler filed a memorandum dated January 16, 1942 with Mr. Arnold, copies of Mr. Foley's letter and Mr. Stammler's memorandum (with attachments omitted) are attached hereto and marked Appendix "v". This concludes the episode so far as Mr. Stammler and the Department of Justice is concerned, although Mr. Stammler has taken other steps to make sure the record of this matter is set straight so far as his own activities in this matter are concerned. Apparently the Department of the Treasury was angered into this position by a letter from Judge Mack to Mr. Stammler of the Department of Justice dated January 7, 1942 which spoke of certain Treasury attempts to disregard the business of General Aniline & Film Corp. with governmental departments which in Judge Mack's picturesque language led to the conclusion that "it would be futile on my part to try and extend ourselves to help successfully promotion of our War if I am going to be whipsawed from behind." A copy of Judge Mack's letter dated January 7, 1942 is attached hereto and marked Appendix "w".

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The next attempt of the Treasury was a direct telegraphic order dated January 13, 1942 suspending and immediately barring from the premises of the Corporation Messrs. Hutz, ^{Aickelin}/vom Rath, von Meister and Eckler, a copy of which order is attached hereto and marked Appendix "X". This order was complied with by the corporate officers although with some misgiving. It was later learned through governmental sources that this had been done by written memorandum approved by the White House on factual misrepresentations from Treasury officials. Mr. Leo Crowley specifically refused to approve this order although both he and Judge Mack (who never knew of the order's existence until after its issuance) were quoted by Treasury officials to President Roosevelt as having approved it in advance. Sufficient comment on the untimeliness of this order is contained in Judge Mack's letter of January 29, 1942 to the Secretary of the Treasury.

The next move in the attempted Treasury blitzkrieg was the order of January 22, 1942 ordering without discussion Judge Mack and the Corporation to dispense forthwith with Mr. Hammond's services. This order was concocted as a result of a conference of Messrs. Foley and Berle and

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only sporadically mentioned to Secretary Morgenthau and to no one else. This order of the Treasury Department has never been complied with as the minutes of the special meeting of the Board of Directors of January 30, 1942 disclose. Mr. Hammond is at present suspended until the Corporation determines whether to obey or disregard or secures the withdrawal of the Treasury order. A copy of Judge Mack's letter to Mr. Hammond dated January 23, 1942 is attached hereto and marked Appendix "Y", a copy of this letter from Judge Mack to Mr. Hammond went forward to Mr. O'Connell.

As a result of further extensive and confidential interviews here in Washington, it has been determined that an aggressive group of Treasury officials led by Messrs. Foley and Sam Klaus abetted by the advice from Berle and certain of his minions in the Department of State were determined to disregard the business of this Corporation for reasons best known to themselves. Advice from high authority was given Mr. Cummings and Judge Mack to launch a counter offensive and accordingly Judge Mack's letter of January 29, 1942 to the Secretary of Treasury was prepared and dispatched. Copy of this letter is attached hereto and marked Appendix "Z".

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A special meeting of the Board of Directors was called for January 30, 1942, and was duly held as a result of which a vote of confidence was given the management and Judge Mack. His letter of January 29, 1942 was approved and the matter of Mr. Hammond's services passed for the time being while an investigation committee of one or more was authorized to be appointed by President Mack. Mr. Ralph Budd came on especially from Chicago to attend this meeting and it is understood that he will be a member of this committee. At this meeting according to Mr. Budd, Williamson again showed a certain reluctance to cooperate.

On January 29, 1942 it was ascertained that you had returned to this country and a communication was immediately established with you by Messrs. Cummings and Stammner. The rest of the developments in this situation you are more familiar with than we are.

RECOMMENDATIONS

1. Appoint Conant to the Board of Directors.
2. Secure from Conant a list of probable executives.
3. Eliminate Williamson.
4. Eliminate Baragwanath & Tallbot.
5. Ratify the actions of the Treasury with the exception of the removal of Mr. Hammond.
6. If possible reappoint temporarily Hutz and Aickelin and Eckler as they are necessary for the time being.
7. Get a general order allowing these things to be accomplished.
8. James Roosevelt coming to see Judge Mack in reference to acting as salesman on the Coast for films with adequate compensation. It is suggested that Roosevelt confer with Cummings and other representatives of the company in Washington.
9. Secure the resignation of Schmitz and Hutz from the Board of Directors.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 5, 1942.

TO Secretary Morgenthau
FROM Mr. Foley

Mr. Ireys, Mr. Harney, Mr. Maloney (the coordinator of Treasury Enforcement in New York) and Mr. Bernard had a meeting on the General Aniline and Film investigators today.

It develops as a result of this meeting that the reason for the low caliber of some of the investigators is that the men were recruited very hurriedly at the time we took over, not to make personnel investigations but to guard the property. A few days after we had taken over, guards were employed to protect the property and the investigators then on the job were assigned to check the loyalty of the General Aniline and Film personnel.

After a full discussion of the situation, it was agreed at the meeting that several replacements and a few reassignments should be made. It was also agreed that the details would be worked out by Mr. O'Connell and Mr. Maloney in New York later in the week. Ireys is to give Bernard a report on what has been done next week. I will advise you further at that time.

S. W. F. L.

March 5, 1942
3:20 p.m.

HMJr: Hello.

Operator: Go ahead.

Ronald Ransom: Hello.

HMJr: Yes.

R: Henry, I just wanted to say I think your tax proposal is statesmanlike and certainly in the right direction, and I want to wish you all the luck in the world with it.

HMJr: Well, we'll need luck and help.

R: Well, if I can give it, it's yours.

HMJr: Well, we'll need lots of help.

R: You're surely in the right direction.

HMJr: Well, I'm ever so much obliged. It's very encouraging.

R: I think you made a fine statement on it.

HMJr: Thank you.

R: All right.

HMJr: Thank you.

March 5, 1942

TO: Mr. Paul
FROM: The Secretary

This morning, the President said that as an ace up our sleeve we should keep the idea of getting through a separate bill on the excise taxes making them effective almost at once.

When you return on Monday, will you please discuss this with me.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 5, 1942

TO Secretary Morgenthau
FROM Gerard Swaps

Referring to our conversation of yesterday afternoon in which you asked me to put down the thoughts I expressed regarding personal exemptions, they are as follows:

1. For a single person, to have the exemption as at present - \$750 per year, but for a family, to reduce the personal exemption from \$1800 to \$1200, and for each child, to reduce it from \$400 to \$300, and this would work out as shown in several examples in the attached table.

2. Because of the increased taxation for 1942 it may be difficult, if not impossible, to put into effect a withholding tax at the source. As an alternative, which would also have a very good effect, let us assume that the withholding tax this year should take the form of a 10% withdrawal from the pay envelope each week or month for everyone, and this invested in defense bonds, but the discounts for redemption in the first few years should be high so that there would be a distinct deterrent for anyone cashing in his bonds, say before five years.

3. A similar provision to what is proposed for corporations - that when the excess profits tax exceeds a certain amount, after the emergency a corporation may draw upon this for reemployment, capital improvements, etc. - be provided for individual incomes for capital improvements such as building houses or improvements to houses, reemployment or increased employment.

4. An excess profit tax for individuals similar to corporations, even to a greater extent than the surtax on increased income above the four year average from '35 to '39.

5. Capital gains and losses - capital losses not deductible except as offset for capital gains, but net capital gains if reinvested, no tax. If net capital gains are not reinvested they should be taxed as regular income.

6. Modification of joint returns might be a greater recognition of earned income or simply a tax on joint income on investments.

7. Advertising should be limited to the same amount in dollars as in the years of normal profit.

8. Allowable contributions for charitable and educational purposes be limited to 3% rather than 5% as at present.

9. New state and municipal securities should be issued subject to tax, just as federal securities. If tax is to be placed on municipal and state securities at present outstanding, then also a way should be found to place a tax on federal securities outstanding. This can be accomplished in one way by calling in all exempted federal securities, even at a higher price than now provided, and reissuing as taxable securities. This would mean more bonds outstanding in amount, but a greater return to the Government from tax per year, which is much to be desired at this time.

J.H.

FAMILY

<u>Married</u>	<u>Children</u>	<u>Income</u>		<u>Tax</u>	<u>Union Dues</u>
		<u>Week</u>	<u>Year</u>		
"	0	\$23.10	\$1200.	0	13 +
"	0	29.00	1500.	6% - \$18.00	13 +
"	1	29.00	1500.	0	13 +
"	1	34.50	1800.	6% - \$18.00	18 +
"	3	40.40	2100.	0	18 +
"	3	46.20	2400.	6% - \$18.00	18 +
"	5	52.00	2700.	0	18 +
"	5	57.80	3000.	6% - \$18.00	18 +

March 5, 1942
5:17 P.M.

Message from Congressman
A. Willis Robertson - Virginia
Ways and Means Committee

"Please arrange for ~~Chairman~~
Eccles and Leon Henderson to
appear before the House Ways
and Means Committee on
Monday to discuss the need
for a heavy tax program
and the danger of uncontrol-
led inflation if we don't
have it (the program)"

The Congressman asks that
this be taken care of today
in order that these gentle-
men may be placed ahead
of other witnesses.

This suggestion has the

Approval of the Committee
and has as its purpose the
setting of background for
future hearing.

March 5, 1942
3:37 p.m.

Operator: Go ahead.

HMJr: Hello.

Marriner
Eccles: Yes.

HMJr: Marriner. Hello, Marriner.

E: Oh, yes, Henry.

HMJr: Henry talking.

E: I didn't recognize your voice. They didn't say who was calling. Okay.

HMJr: Marriner, you may or may not have heard that there's a lot of trouble on the West Coast on moving this alien population.

E: Yes, I have heard there was.

HMJr: Now.....

E: I got a wire from - that I sent over to the Treasury on it, and Ed Foley sent me a copy of the reply.

HMJr: Well, now, this is the situation. There's been a lot of hemming and hawing and the usual Washington jealousy, but it's a very critical situation because General De Witt can't move out there. He's in charge of the entire Pacific Coast - because he can't get the population to move, you see, on account of - they don't want to volunteer to go, the American Japanese, until they know what's going to happen to their property; and McCloy, Assistant Secretary of War, has been asked to handle this thing. So in conference with him yesterday, we said, "Now, we don't care whether we get alien property or not, that isn't the question; but we think that through the Federal Reserve Bank of San Francisco and that region, we could be very helpful." And I saw the President this morning, he liked it, and

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Operator: Go ahead.

HMJr: Hello.

Marriner
Eccles: Yes.

HMJr: ~~HMJr:~~ Marriner. Hello, Marriner.

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E: Yes, I have heard there was.

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McCloy's just called up and he's cleared it with the Budget and he's asked us formally whether the Treasury plus the Federal Reserve Bank of San Francisco won't do this, you see.

E: Yeah.

HMJr: Now, what I want to know is - I understand President Day is here.

E: Day, I think, left yesterday or day before, and is en route. He was here Saturday and Sunday and Monday and Tuesday.

HMJr: Oh. Well.....

E: I'll find out if he went up to New York or if he - but I think he left for the West Coast.

HMJr: Well, could you see Ed Foley at five o'clock today?

E: Yes, sir.

HMJr: Well, he'll come over and give you the details and we'd like to get the blessing of the Board.

E: Yes.

HMJr: And your own help.

E: Yes.

HMJr: It's.....

E: Well, Ed will explain just what the problem is, and if I've got any suggestions on the thing, why I'll be free to make them to Ed.

HMJr: Of course.

E: Is that right?

HMJr: That's right.

E: Now, is this thing under - this thing comes under Ed, does it, directly?

- 3 -

HMJr: That's right.

E: In other words, it's under the alien property custodianship which is in Ed's hands directly and under him comes Bernard and Pehle and.....

HMJr: That's right.

E: That's the set-up.

HMJr: That's the set-up.

E: Well, now, let me just mention this thing. I happen to know a little about this labor situation out there in Utah and Idaho and Colorado and so forth.

HMJr: Yeah.

E: And this is a point that you might think of. Now they're having quite a time getting an increased sugar beet acreage, which, of course, is terribly important right now; and one of the reasons is that - of course, it requires a considerable amount of labor.

HMJr: Yeah.

E: And in the past, with the unemployment situation, there's been, of course, plenty of labor.

HMJr: Yes.

E: With the present situation, the boys - so many of them being pulled in the Army, the farmers' boys - and that has created a real labor problem and that area has developed into a big defense area in a lot of that section. Now, I was talking to, yesterday, to Mr. Benning, who is the head of the Amalgamated Sugar Company - the company that our people are interested in.....

HMJr: Yeah.

E:is on the sugar committee over here.

HMJr: Which company are you interested in?

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- E: Amalgamated.
- HMJr: Amalgamated.
- E: That's right. And they produce about three million bags of sugar. He said, "My God, what we ought to do is, if we're going to move these Japs off the Coast, see....."
- HMJr: Yeah.
- E: ?.....that they could move these Japs in those areas there to take - do a lot of this farm work available for these farmers, and take the place of this labor shortage.
- HMJr: Well, Harriner, Old Man, I think that that's a very important thing; but the only part which the Treasury would like the Federal Reserve Bank of San Francisco to do would be to handle the physical property, as in businesses and real estate, in the area which General De Witt is going to move these people out of.
- E: Yeah.
- HMJr: Now, where these people are going to be moved to is.....
- E: Well, I know; that's another question.
- HMJr: That's the point.
- E: That's another question, except that it would be easier to move them, I suppose, if you knew exactly where they were going to go. I mean, that does help to help the problem.
- HMJr: Well.....
- E: You're interested to preserve the property that they move from, to protect it and manage it and look after it.
- HMJr: Well, to see that they're not victimized, that's the principal thing.

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- E: Yes.
- HWJr: And that the thing is done in a decent, honest, non-political manner.
- E: Yes.
- HWJr: And we'd like to get the help of the Federal Reserve Bank of the West Coast.
- E: Yes.
- HWJr: And, as I say, we've sold the idea to the President that it's so helpful; that's all we want, and we have the authority - the President's given it to us - and we would delegate whatever authority was necessary to the Bank in San Francisco.
- E: Well, as I understand it, the President feels that this comes under your power under the Executive Order under which you act as the alien property custodian.
- HWJr: Well, that's - he evidently does, because McElroy has just cleared it with the Budget.
- E: Yes.
- HWJr: And I've asked Mr. Stinson to write me a letter asking me to do this - to help General De Witt.
- E: Yes, well,....
- HWJr: I'll have a letter from Stinson before we go.
- E: Well, I'll be glad to see Ed; and anything that we can do to help, I'll be - we'll be glad to do it, and I'll see in the meantime if I can find out where Bill Kay is, and after talking to Ed we can get in touch with Bill Kay.
- HWJr: That's right.
- E: Okay, then.

- 6 -

HMJr: Ever so much obliged.

E: All right.

March 5, 1942
4:14 p.m.

HMJr: Clif Mack.

Clifton
Mack:

Yes, sir.

HMJr:

I just wanted to say I'm very much interested in that letter that Donald Nelson is supposed to write as of the fourth.

M:

Yes.

HMJr:

I haven't got it yet.

M:

I called Swope this morning.....

HMJr:

Yeah.

M:

.....and told him that we had checked up to find out how far along they were with the report, and they now say that they are not going to have it ready until Saturday; so that I asked Loeb to get together a report for you so that I could get it over this afternoon. He's working on it right now.

HMJr:

Yeah.

M:

To give you the picture as of the close of business yesterday.

HMJr:

Right.

M:

So that he should have that ready immediately.

HMJr:

Okay.

M:

And I'll get that right over to you.

HMJr:

Thank you.

M:

Yes, sir.

MAR 11 1942

March 5, 1942

MEMORANDUM TO THE SECRETARY:

In response to your request for information as to the Russian Protocol items and the tonnage of each for which we do not have allocations in order to meet the April 1st delivery requirements, the following is a listing as of the close of business March 5th:

Tool Steel	1489	Tons
Steel Wire	37798	"
Steel Billets (Shell Steel)	38000	"
Steel Alloy Tubes	1165	"
Stainless Steel Wire	108	"
Cold Rolled Steel Strips	19408	"
Hot Rolled Steel	32000	"

It is very possible that the report to be submitted by Mr. Nelson may show a reduction over the above quantities due to further allocations not yet received by us or allocations for production subsequent to April 1st. Further, the Russians have submitted many requisitions for items outside of the Protocol which will be included in Mr. Nelson's report and will help the tonnage picture.


Clifton E. Mack
Director of Procurement

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 5, 1942

TO Secretary Morgenthau
FROM Gerard Swope

This is the report I spoke of, which was made by two of the General Electric men whom I asked to go to the Philadelphia Mint. They spent Monday, February 23, there.

I have given a copy of this report to D. W. Bell, and several copies to Mrs. Ross and Mr. Howard.

I hope it may be helpful.

G.S.

Attachment

C
O
P
Y

GENERAL ELECTRIC COMPANY

184

March 4, 1942

Mr. Gerard Swope
Treasury Department
Washington, D. C.

T. H. Swope
MS 315

Dear Mr. Swope:

Mr. Ernest and I visited the Federal Mint in Philadelphia last Monday.

We had figured that perhaps we would be received rather coldly, but Mr. Dressel received us cordially and answered every question frankly, and introduced us to a number of people before we went on the trip. We made a survey of the manufacture of coins beginning with the ingot and completed the whole job by 1 o'clock, when we went to lunch. We returned about 2, and I asked Mr. Dressel if he would be good enough to let me go over the job from soup to nuts again so that we would have a clear picture as to what the situation was.

One of the first and most important things we learned was that they have no cost system, and that they do not know the cost of producing a million pennies or a million of any other coin.

They produce pennies, nickels, dimes, quarters and half dollars. They employ approximately 1,000 people, including indirect workers. For the year 1941 the production was as follows -

24 million	50¢	pieces
111	"	25¢ pieces
209	"	10¢ pieces
203	"	5¢ pieces
809	"	pennies

making a total of approximately 1,356,000,000 pieces. The employees work 48 hours per week on a six day basis, and if we assume that they make \$1.00 an hour, the total labor cost would be approximately \$2,000,000 to \$2,400,000 a year.

You were so very right in stating that the operations were archaic. One of the real causes of inefficiency is the fact that this building was never planned for a manufacturing department, but is cut up into many many small rooms where it is impossible to work out a good factory layout without breaking through the walls.

-2-

Almost all of the jobs are simple and light, on which women could be largely employed.

Since the largest production in the Mint consists of 800,000,000 pennies out of a total of 1,356,000,000 pieces made, it is obvious that the real production job is that of the penny, and it would appear that the penny job could be entirely separated from the silver job.

The main operations are -

- 1- Moulding the ingot.
- 2- Breaking ingot down by rolling.
- 3- Blanking.
- 4- Annealing and cleaning.
- 5- Upsetting edges of blank.
- 6- Coining.
- 7- Counting and packaging.

1- MOULDING OF THE INGOT.

The moulding of the ingot is a simple operation. Small pot furnaces are used which hold 250 lbs. of molten metal. The hot metal is ladled out and poured into a permanent mould machine operated by hand throughout. The ingot used is very small weighing about 26 lbs. In this room are 36 men operating 6 machines. If automatic permanent mold machines are used, such as is used in the automobile factories, I think that 6 men or less would do the job of the 36 now employed. (Mr. Dressel proposes to put in new furnaces which hold 450 lbs. of metal and will make an ingot about 40" in length instead of 20" as at present used).

It is quite possible that coil strip could be bought from outside concerns at a much cheaper price than if the strip is made in small pieces and with small presses.

2- BREAKING INGOT DOWN BY ROLLING.

The ingots are rolled into strips about 30' long and 4-1/2" wide, but since no annealing is used during the twenty-two times that it is passed through the rolls the metal becomes quite hard and difficult to handle and the edges are very much roughened, causing an undue amount of spoilage. After the material is rolled into 30' strips it is cut into lengths about 5 to 6 feet long and then put through the blanking press.

Since these pieces are only five to six feet long instead of one hundred feet as they should be if rolled into coils from a large ingot, much handling is entailed since these short pieces are passed through the press by an operator, received by a second operator, and so handled through the twenty-two passes.

3- BLANKING

The blanking press used is a late model high speed press but since short lengths are used there is a good deal of spoilage, which could be avoided with longer strip, and by the use of annealed strip. The metal spoilage from blanking press to finished product is 47%. About 25% is unavoidable, but the rest of it is due to short lengths, lack of annealing and to the fact that the dies are not spaced properly to give the best efficiency in the use of the metal.

4- ANNEALING

After the blanking operation, the blanks are annealed, cleaned and washed, and then sorted. We think that a continuous annealer would probably give better results.

5- UPSETTING OF EDGES OF BLANKS

After cleaning and inspecting, the blanks are put through an upsetting machine which upsets the edges of the coin. All these upsetting machines are run by men, but the work is light and women could be used, but it would seem most natural to put on hopper feeds on these machines, which again would cut down the labor.

6- COINING OPERATION

This operation is performed on a specially designed press which is made by the Mint. It would seem quite possible to have these presses operated by women, and to have the coins fed onto a moving conveyor, from which they could be inspected by women inspectors as they pass by. The lighting at the inspection conveyors seemed to be poor, and I told Mr. Dressel we would be glad to send an engineer down there to give him proper lighting.

7- COUNTING AND PACKAGING

This operation is very simple. The machines work rapidly and are operated by men, and here too women could easily be substituted because the men are not busy. My general impression of the whole department was that the speed of production does not compare with General Electric factories.

In manufacturing the silver pieces much smaller ingots are used than are used in the manufacture of pennies. This too I think is wrong. They should use larger ingots, reduce the spoilage, do enough annealing so that the strips would handle well in the rolls. I think the work of silver should be put in a department separate from pennies because there is so much more money involved when silver is used, and so much less machine work and material.

The manufacture of nickels is about the same as that for pennies but it is a much smaller job. This could be well included with the manufacture of the silver pieces. One of the things which hampers Mr. Dressel is the composition of the metal used for pennies. If he were permitted to use a slightly different composition it would be much better to manufacture, but he says that this composition is controlled by law and he can do nothing to change it.

I would like sometime at your convenience to sit down with you and talk this matter over as I think that there is an opportunity of saving a very large amount of money for the Government. When you consider that the Government has been making coins for 150 years, one would think that they would know how to make them better than anybody in the world, but Mr. Dressel assures me that he finds it very difficult to get money, even for new machines, or for anything which he thinks will help him in his work.

I can easily see how difficult it would be to justify the use of new machines when there is no cost system to enable one to show the saving made.

Attached you will find a sheet making some specific recommendations, but I realize that in order to do this job right Mr. Dressel would have to have some help. We could arrange to give him as much or as little as you thought desirable.

Very truly yours,

{signed} W. R. Burrows

WR Burrows:6

1. Set up a suitable cost system so that expenditures for new equipment and rearrangement could be justified.
2. Girl operators could be used to a very large extent as most of the operations are light and require very little skill, such as inspecting, counting, upsetting blank edges, and operating the coining presses.
3. Consider changing analysis of various grades of materials which would facilitate producing material in coil stock. Mr. Miller, who is Mechanical Engineer from the Treasury Department, informed the writer that the present analysis hinders the rolling of strips in large coils.
4. Consider purchasing coil material of twice the present width from the Chase Brass & Copper Company, Scovill Mfg. Company, or some other suitable manufacturer. Since these concerns produce similar materials in large quantities, they should be able to furnish suitable materials at reasonable costs. In connection with this proposition, the study should be based on the installation of a baling press or briquetting machine to efficiently handle scrap and prevent considerable oxidation when remelting the scrap.
5. In the event that it is not feasible to purchase coiled material, then consideration should be given to the pouring of larger ingots from an electric furnace, which could be arranged to pour metal direct into a rotary moulding machine similar to permanent moulding set ups in the automobile industry.

These larger ingots would then provide sufficient material which could be rolled into coils, provided suitable rolling mill and annealing facilities are installed.

Properly made coil material in long strips should result in less scrap, longer die life and considerable saving in handling time, as well as a reduction in blanking labor.

6. Make a new factory layout, breaking through walls where necessary to make straight line operation for production of pennies only, and another layout for the production of silver coins and nickels, keeping in mind the use of conveyors and Ford trucks.

7. Since only 52 to 53% of gross material results in good blanks, it would seem that a new die layout to give closer nesting of the blanks and with less edge scrap, would result in considerable saving in material. In a new die layout consideration should also be given to the various brands of alloy tool steel in order to get maximum between grinds.
8. The installation of two modern belt type furnaces with atmospheric control, should be considered to replace the existing 5 or 6 furnaces used for annealing blanks. This equipment should be fed by conveyor belt from the blanking presses for maximum efficiency.
9. In the department where all coins are embossed, it might be possible to rearrange this equipment so that the embossed coins, when ejected from the machines, would fall onto a conveyor belt running to the inspection benches. This conveyor belt could be totally enclosed in order to prevent theft of finished coins.

In the manufacture of embossing punches and dies, various brands of tool steels should be tried for the purpose of selecting the best type of steel for the different grades of metals embossed.

10. Various inspection tables on which 35 to 40 girls do visual checking of coins, could be equipped with fluorescent lighting, in order to speed up this operation.
11. Rearrangement of inspection benches and the installation of suitable conveyors would save considerable handling in transporting coins to the weighing and counting stations.
12. Three or four small machines used for counting purposes, should be manned by girl operators instead of men.
13. Have a good Ford truck engineer make definite recommendations on the handling of material, as most of the material is handled on hand trucks with iron rims on the wheels, which require four men to push this about.

C O P Y

TREASURY DEPARTMENT
United States Mint Service
Philadelphia, Pennsylvania

190

Office of
the Superintendent
United States Mint

February 25, 1942

Director of the Mint,
Treasury Department,
Washington, D. C.

Dear Madam:

With reference to the scheduled visit of Mr. William R. Burrows and Mr. Edward Ernest, both of General Electric Co., to this institution with the view to making suggestions which, in their opinion, might result in lower costs and increased production from the machinery and equipment of the institution, you are advised that their visit was carried out as planned and that, as a result of their observations, some suggestions and plans were advanced for increasing the efficiency of operations.

Although all of their suggestions were sound and, perhaps, applicable to outside industrial plants, many of them were of such a sweeping character as to involve radical changes in equipment the cost of which would be prohibitive. Mr. Burrows stated that all of his suggestions were based on the assumption that any needed funds, regardless of amount, would be readily available. Many of their suggestions were, however, applicable, to the production of this plant and should be given serious consideration.

To begin with, they were bewildered at the way the building was originally constructed, that is, with numerous small rooms instead of fewer and longer rooms which would be more in line with the usual industrial type of building and amenable to an economical sequence of operations. The limits of the building are, of course, more or less permanent although Mr. Burrows did suggest "tearing some of the walls out."

It was agreed that the new melting equipment would be a decided improvement over the old equipment. They were of the opinion, however, that the molds moving on a straight line carriage in front of the furnaces would work to a better advantage. Such an arrangement, which has been given previous consideration here, would not be practical in our small melting room with the furnaces so close together; hence the turn-tables. Mr. Burrows thought the turn-tables could be made to turn automatically and that an arrangement could be perfected for automatically removing the ingots from the molds. I doubt that either would prove to be practical or economical.

To the Secretary
WJR

Mr. Burrows suggested that excessive metal loss from oxidation would be avoided if the returned clips were compressed into briquettes for recharging into the furnaces. I have noticed this practice in outside plants, but considered it to be done for compactness in storage and convenience in charging into the furnaces. I don't believe our oxidation losses are excessive, but the latter two reasons are sufficient to warrant consideration of the practice, especially since I have recently noticed the melting of 900-silver clips into bars because of lack of space to store the clips. This practice, of course, means an extra melting. The losses from oxidation will be checked.

Both men made an important point of the fact that the percentage of good blanks realized from a given weight of cast ingots is very small -- 50 to 53% on our own coinage metal and much smaller on foreign coinage metal. They compared our figure with their own figure of 3% wastage which I don't consider a fair comparison because of the different kinds of material consumed. I realize, however, that there is plenty of room for improvement and, if you will recall, I brought up the same subject on the occasion of our first meeting with the department heads in Mr. Dressel's office. At that time, I made the statement that a 10 to 12% gain in effective melting capacity of bronze could be made by changing the width of the bronze ingot mold from $4\frac{1}{2}$ " to approximately $3\frac{3}{4}$ ", since the same number of blanks could be cut from an ingot of the latter size. Mr. Dressel, Mr. Olewine, and Mr. Roland opposed the change for the following reasons:

1. The, apparently, liberal clearance on the edges of the strip was needed because of frequently occurring saw-tooth edges and "break-ins" on the strip, the true picture having been recently obscured by an unusually long run of strips having very smooth edges.
2. A change in the mold width at this time would make the mold unavailable for casting nickel ingots upon resumption of nickel coinage in 1946.
3. One set of eleven molds ($4\frac{1}{2}$ " wide) was already on order with delivery expected momentarily. (This set has since been delivered)

The suggested change in mold size was defended by Mr. Shook and, as I recall it, unopposed by Mr. Bartholomew. However, in view of the above objections, the plan was dropped.

Mr. Burrows suggested the possibility of casting an ingot twice, or perhaps three times, the width of the present ingot and later slitting it into strips of approximately the same width as the present strip, thereby eliminating two, or in the latter case four, outside irregular edges. An ingot three times the width of our present ingot would be out of the question because of the limited face width of our present rolls. An ingot twice the width of our present ingot could, perhaps, be handled by our present rolling equipment, but a straight edge cutter would, in all probability, encounter trouble with frequently occurring curved strips, however small the curvature might be. Mr. Burrows' answer to that objection was that such strips might be put through a straightener. Personally, I have never heard of such an implement and seriously doubt the existence or effectiveness of one. I might add that these curved strips are usually caused by one side of the roll pinching or exerting a greater pressure on one side of the strip than on the other. They usually straighten themselves out to a certain extent when the direction of the strip through the roll is alternately reversed. The so-called "straightening tool" might conceivably use the same principle, but it would certainly change the gauge of the strip, thereby making the strip useless for the purpose intended.

Mr. Burrows suggested the possibility of "hot rolling" directly from the melting room as a means of cutting down the number of passes through the rolls. This would call for a complete change in the type of equipment used. Besides, there are few, if any, outside industrial plants practicing hot rolling with a non-ferrous metal, with the possible exception of nickel or chromium.

Both men voiced strong condemnation of the multiple passing of numerous short strips of metal back and forth through the rolls. It is, without a doubt, a slow and labor consuming practice but, with the installation of new coilers, this undesirable practice will be replaced by the rolling of long continuous strips of metal with no intermediate cutting of the strips. This, I am sure, will be a decided improvement from the standpoint of both rolling and cutting efficiency.

Their only suggestion with regard to the presses for punching blanks was for a more scientific design of the cutters. This, I think, is an important point, because it means the saving of useless labor on both melting and rolling. Some steps have already been taken toward a better designing of the cutters themselves, but in some cases they do not bear the proper relationship with respect to the width of the molds. The cutters now being used on the foreign coinage metal is very inefficient and results in a metal loss of approximately 25%. The additional blanks which could be cut from the foreign coinage ingot, through the use of a properly designed cutter, would be of special benefit right now when the coiner is faced with a shortage

of bronze blanks.

Mr. Ernest suggested that several of the upsetting machines might be operated by one man through the use of automatic feeders. Several of the machines are now equipped with such feeders, but one man operates only one machine. The usual objection to multiple operation is that the feeders frequently "hang up", usually because of imperfect blanks, and when this happens, the operator should be right on hand to stop the machine in order to prevent injury to the groove. I believe this might be overcome by selecting all blanks after whitening and equipping the automatic feeders with cut-out switches similar to those used in connection with the feeders on the coin presses. Mr. Ernest, at my suggestion, considered the possibility of using two segments on one machine and expressed the opinion that although there were certain mechanical difficulties to overcome, he thought it could be worked out to an advantage. There is certainly room for thought here and as time permits, all such possibilities will be investigated.

The much discussed subject of strip annealing was, as was to be expected, brought into the discussions with everyone, including Mr. Dressel, recognizing the advantages of this practice which is so universally used in outside industrial plants. Both Scoville and Riverside anneal their strips as well as their blanks. I am sure that no one in this institution would voice the slightest objection to strip annealing if suitable space could be found for the required furnace. Personally, I am very much in favor of it in connection with the rolling of our minor coinage metal, especially with cupro-nickel and the new 500-silver manganese alloy, both of which harden rapidly with cold rolling. The practice would permit fewer passes through the rolls and would, thus, be a means of increasing rolling capacity.

Both Mr. Burrows and Mr. Ernest were positive in their support of the large ingot -- the larger the better -- both going so far as to suggest much larger silver ingots, even in the face of segregation the effects of which they thought might be minimized through new legislation designed to change the existing tolerance restrictions.

In the press room, the old familiar suggestion of using some type of automatic conveyor for both blanks and finished coin was mentioned, but without definite and concrete suggestions as to type and arrangement. I believe that overhead conveyors were once used in the press room and that they were abandoned because of the frequent mixing of different denominations of coins.

Mr. Burrows was of the opinion that the mint could buy coiled bronze strips, in accordance with specifications to meet our requirements, at a better advantage and cheaper than they could be produced here in the mint plant.

In summing up the suggestions of the two men, I would say that they stressed the following points:

1. The advantages of using a large ingot
2. " " " strip annealing
3. The elimination of multiple short strips through the use of coilers
4. The advantages of re-designing either the punch press cutters or the related mold widths so as to eliminate unnecessary waste of worked metal
5. The possibility of better mechanical features on the upsetting machines
6. The possibility of attaining greater efficiency in the transfer of material between the different departments
7. The advantages of an economical sequence of operations with regard to the flow of material from the finish of one operation to the beginning of the next operation.

Very truly yours,

/s/ Charles M. Miller

MAR 5 1942

My dear Senator:

Receipt is acknowledged of your letter of February 27, in which you ask me to state my ideas about the dollar, whether it is to be tied to the gold standard, or whether silver is to be recognized and, if so, to what extent.

Our huge gold holdings of course have been and are being used to maintain stability in the foreign exchange value of the dollar. As you probably know, Resolution IV, approved at the recent Conference of Foreign Ministers at Rio, calls for a conference of ministers of finance in this hemisphere to plan an international stabilization fund. Such a fund could use gold or the United States dollar and in either case would provide that common denominator for international monetary transactions which I had in mind when I referred to a hemisphere dollar.

All countries today are basing their currencies either on gold or on some strong foreign currency such as the dollar or on both and are giving silver a subordinate position. Some, however, such as Mexico and Cuba permit the use of a certain amount of silver in their monetary reserves. To the extent that this practice continues it will be possible to preserve for silver some monetary role.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Burton K. Wheeler,
United States Senate.

Main File of MHC
Please return to Secretary's office
File in [unclear]

FAS:esh
3/4/42

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United States Senate

COMMITTEE ON INTERSTATE COMMERCE

February 27, 1942.

My dear Mr. Secretary:-

The "New York Times" of February 23rd, quotes you as saying there was a need for a bank of North and South America and for a hemisphere dollar.

I would appreciate it if you would advise me, confidentially or otherwise, as to what your ideas are about the dollar, whether it is to be tied to the gold standard, or whether silver is to be recognized, and if so to what extent?

Assuring you of my esteem, I am

Sincerely yours,



BK:ra
Honorable Henry Morgenthau,
Secretary of the Treasury
Treasury Department

MAR 5 1942

Dear Eleanor:

I have your memorandum of February 23, 1942, enclosing the letter dated February 18, received by Miss Thompson from Mr. John Golden with respect to the suggestion that cut-rate admissions of younger officers of the Army and Navy be exempted entirely from the Federal tax.

The activities of Mr. Golden in behalf of the younger officers are most commendable. At the present time, however, the Treasury is advocating the elimination of tax-exempt securities and of other forms of tax exemption privileges, and, consequently, we are hesitant to suggest any new exemption.

- 2 -

Although the Committee on Ways and Means gave consideration to this very question in the enactment of the Revenue Act of 1941, it is quite possible that the Committee may wish to reconsider its position at this time.

Returned herewith is your enclosure.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

Enclosure.

*Photo file - N.M.C.
File to Thompson*

By Messenger After 5:00 p.m.

Brooklyn Ball Club Announces

All-Out Program in Support of
War EffortDODGERS TO DONATE
ONE DAY'S RECEIPTS

Ebbets Field Gate to Go to a
War Charity—One Game on
Road Also to Be Benefit

BOND SALE TO BE PUSHED

150,000 Service Men Will Be
Admitted Free—Contests
Scheduled in Camps

By JAMES F. DAWSON

The Dodgers, through President Larry MacPhail, yesterday announced an all-out program in support of the nation's prosecution of the war.

The entire receipts at one Ebbets Field game and the Dodgers' share of the gate at one road game will be donated to a national service agency. Every person in the Brooklyn organization will buy defense bonds and stamps and the club will help to promote their sale to the public. As many exhibitions as possible will be played with camp teams. Ebbets Field will be thrown open to an estimated 150,000 service men during the campaign.

These and other points in the Dodgers' program were revealed by MacPhail before he boarded a plane for Miami.

The detailed plan, the first advanced by any major league baseball club, and providing even for the Brooklyn organization to defray all expenses for any of its players selected for the two major league all-star charity games, is set forth in the following statement:

Statement From the Club

Recognizing its obligations and grateful for an opportunity to be of service in this crisis, our directors have adopted the following program for 1942:

1. The entire receipts for one day at Ebbets Field will be donated to some national service agency. We will also donate our share of the receipts of one road game for the same purpose.

2. Every individual in the Brooklyn organization from president to batboy will purchase defense bonds and stamps. We expect our club will be 100 per cent in this respect before we open our gates. We will donate facilities of radio accounts of our games, billboards, loud-speakers and score cards to help promote the sale of defense bonds and stamps.

3. We will give (in cooperation with the other major league clubs) three days from our schedule in order that two all-star games may be played for the Ball and Bat Fund and will pay all expenses of all Brooklyn players accepted. We will also play exhibition games during the training season and during the regular season with camp teams, donating all our receipts, as well as our expenses, to camp athletic funds.

4. We propose to admit to Ebbets Field (under plans to be agreed upon by all New York clubs) at least 150,000 service men in uniform without charge and we will make the services of our coaches and scouts and players available for instruction and such other services as have been requested by the athletic officers and health service of the Army, Navy and civilian defense organizations. We are willing to extend all of our facilities, including our field, in cooperation with other industries or organizations assisting in programs of the various service agencies.

Consent Is Needed

MacPhail pointed out he would have to get the consent of other club owners to the proposal to donate the entire receipts from a championship game at Ebbets Field, since visiting clubs share in the receipts.

"I probably will be criticized for this move, but I can take it," said MacPhail. "At the league meetings earlier this month I advocated adoption of this uniform plan for going ahead for the war, but with success. I am determined the players will do everything physically possible to aid the war. Baseball cannot conduct itself merely with giving baseball paraphernalia to the soldiers and sailors of the country. Something more substantial must be done, and this may be a beginning. At least I hope the other clubs will follow suit before the championship season gets under way."

Delayed by fog in his original flight plans, MacPhail finally took off shortly before 1 o'clock for Miami, accompanied by secretary John McLeod, club men and Joseph Canale. He is expected to discuss salary matters with seven stranded Dodgers before the club boards two scheduled planes this afternoon at Miami for the flight to Havana, where the training ground gets under way tomorrow.

THE WHITE HOUSE
WASHINGTON

February 23, 1942

Dear Henry:

I am sending you the latest letter from John Golden about the tax on cut-rate theatre tickets for the soldiers. Is there any chance that Congress would eliminate the full tax?

Sincerely yours,

Franklin D. Roosevelt

C
O
P
Y

Offices of
John Golden, Inc.,
Saint James Theatre
246 West 44th Street
New York City

February 18th, 1942.

Miss Malvina Thompson,
The White House,
Washington, D. C.

Dear Miss Thompson:

Thank you for your note and the tax memo. I'm afraid the Treasury Department hasn't got the point I've been trying to make.

The managers, theatre owners, and producers of pictures and plays have been giving away the only thing they have to sell, seats to their entertainments, in numbers that go into the hundreds of thousands.

Mrs. Roosevelt in my opinion did much toward taking the taxes off the free seats. Now, the Government still persists in asking a tax on cut-rate seats to soldiers and sailors --- and it seems to me that if the theatrical people can make these concessions, the Treasury Department should be willing to take the taxes off tickets to fighters.

It will help their morale and their pocket-books, and in its total will be a very small source of income to the Treasury. Roughly, assuming that 2,000 tickets were given weekly to the younger officers, the average --- from the \$4 musical seats (at half rate) to the modest prices at picture houses --- would not be over \$1 --- or a gross of \$2,000 a week --- and a 10% tax on that sum would yield \$200 to the U. S. Treasury.

I can't believe but what the folks in Washington could be made to see that, at this cheap price, the gesture is worth the price.

With thanks,

Sincerely,

(Signed) John Golden

Miss Malvina Thompson

February 18th, 1942.

P.S. Please call to Mrs. Roosevelt's attention the enclosed clipping from the Times.

This is the thing that I told her would be dissipated if it was done by just an occasional baseball team.

What Mr. Connolly, Ed Cochrane, Bill Gorum and the local Army people had hoped for and believed could be accomplished was one National Baseball Day, with every league and every little team down to the smallest bush players giving the receipts of that day, estimated to be over \$1,000,000, for Army and Navy relief.

J.G.

TREASURY DEPARTMENT

3011

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE MARCH 5, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Sears' and Ward's sales by types of goods and by regions.

Data obtained by a field trip to the offices of Sears Roebuck and Montgomery Ward in Chicago are summarized herewith as an indication of (1) what types of goods consumers are buying, (2) what geographical regions are showing the largest sales increases, and (3) what types of goods are becoming scarce.

It has not been found practicable to combine the data for the two companies, because Sears Roebuck uses a 4-week sales period in place of the calendar month, and because the geographical sales districts of the two companies are dissimilar. The types of goods sold by both companies, however, have been re-classified into similar groups.

What goods are consumers buying?

Officials of both Sears Roebuck and Montgomery Ward say that their sales have increased sharply in practically all lines, and this is born out by the sales figures. It should be kept in mind, of course, that the classes of goods sold by the two companies are largely those bought by people in the lower income groups. (A tabulation of the reported incomes of Sears Roebuck customers in March 1941, as indicated on time-payment applications, showed an average of \$1,345 for mail order customers and \$1,869 for retail customers). Also, the two companies sell little or none of certain important kinds of consumer goods, such as automobiles and foods.

In Table 1, a comparison is made of the percentage increases in the sales of Sears Roebuck and Company in the 1941 fiscal year (ended January 31, 1942) as compared with the previous year, for 5 major classes of goods and 21 sub-classes. Similar year-to-year percentage increases are shown for the most recent period available, the 4-week period ended January 29, 1942.

The largest group increases in the full-year comparison, it will be noted, are those for farm equipment and building materials, and for the miscellaneous group comprising items of a semi-luxury nature. Nevertheless, the percentage increases for the various sub-classes do not show any great variation. In the most recent period, however, considerable variation may be noted. Sales tend to be concentrated in such items as clothing, farm equipment, auto accessories, and sporting goods, while sales of certain articles hit by materials shortages show declines or but slight increases.

In Table 2, similar data are shown for Montgomery Ward and Company, although the latest available period data for this company are for December 1941. This company has not shown such large percentage increases as Sears Roebuck, partly because of a prolonged strike in the West Coast stores of the company in the spring and summer of 1941, and perhaps partly because a smaller proportion of sales are made through retail stores. The general conclusions, however, do not differ markedly from those drawn from the Sears Roebuck sales data.

What regions show the largest sales increases?

It is unfortunate for our purposes that the two companies have different regional breakdowns, which makes sales comparisons difficult. The Montgomery Ward figures are rendered less useful by the 1941 strike on the Pacific Coast, by the relatively small number of districts, and by the fact that the latest recent data are for December 1941. The Sears Roebuck figures may, for the present, be taken as a more satisfactory indication of regional sales variations, particularly since a relatively large proportion of this company's sales are made through their retail stores.

In Table 3, the percentage increases in Sears Roebuck's combined sales by 7 geographic regions are shown for the last fiscal year and for the most recent 4-week period. As might have been expected, the largest sales increases are recorded in regions strongly affected by the defense program, notably the New England and Middle Atlantic regions and the Pacific Northwest. In the farming areas, on the other hand, particularly those of the South, the sales increases are noticeably smaller. The discrepancies are particularly marked in the more recent period.

Comparable data for Montgomery Ward are shown in Table 4.

Indication of available supplies

A partial indication of the supplies of consumer goods available, in relation to demand, is provided by the percentage of mail orders "omitted" by the two companies. These represent, for the most part, orders that could not be filled because the goods ordered were not available. In this connection, officials of both companies mentioned that supplies of many goods are already definitely short, and that measures are being taken to make the remaining supplies last as long as possible, through various rationing plans and by withdrawing them from their advertising.

The percentages of omissions are shown for Sears Roebuck and for Montgomery Ward in Table 5 and Table 6, respectively. The general similarity between the omissions for the two companies will be noted, although certain exceptions exist. The figures do not reveal, of course, the number of potential orders that were withheld because the customer knew that supplies were not available.

Officials of both companies showed a willingness to cooperate in supplying any sales statistics that we may desire, and will send us periodic reports to keep up to date the information obtained on this trip.

CONFIDENTIAL

Table 1

Combined mail order and retail sales
Sears, Roebuck and Company

<u>Class of goods</u>	<u>Percent increase</u>	
	<u>Fiscal year ended January 31, 1942 over previous year</u>	<u>Latest period 1/ over previous year</u>
<u>Clothing</u>	27.6	45.3
Women's clothing	26.6	48.7
Men's and boys' clothing	34.8	63.3
Shoes - men's and women's	24.3	50.5
Rubber footwear	12.1	24.8
Dress goods and misc.	17.9	2.4
<u>House furnishings</u>	29.8	25.9
Draperies, blankets, linens	34.6	41.8
Floor coverings	39.9	49.1
Elec. appliances and stoves	19.7	3.4
Radios, phonographs, etc.	24.7	39.5
Furniture and misc.	39.4	29.9
<u>Farm equipment and building mat'l.</u>	34.9	48.1
Farm machinery and supplies	53.8	89.4
Hardware	34.8	44.4
Plumbing and heating	31.1	41.4
Paints and oils	20.1	48.4
Other building materials	42.8	23.8
<u>Auto accessories, etc.</u>	23.9	-11.5
Auto accessories	30.9	57.8
Auto tires and tubes	17.9	-94.6
<u>Miscellaneous</u>	35.0	30.8
Sporting goods and toys	37.7	65.2
Books and stationary	40.9	21.4
Jewelry, clocks, etc.	36.9	-28.1
Drugs and toilet articles	21.9	24.2

1/ Four-week period ended January 29, 1942.

Table 2

CONFIDENTIAL 207

Combined mail order and retail sales,
Montgomery Ward and Company

<u>Class of goods</u>	<u>Percent increase</u>	
	<u>Calendar year 1941 over 1940</u>	<u>December 1941 over previous December</u>
<u>Clothing</u>	20.1	20.8
Women's clothing	21.9	18.9
Men's and boys' clothing	20.0	21.1
Shoes - men's and women's	11.2	14.3
Rubber footwear	13.3	39.6
Dress goods and misc.	31.8	33.4
<u>House furnishings</u>	23.7	22.9
Draperies, blankets, linens	23.2	24.9
Floor coverings	24.1	29.2
Elec. appliances and stoves	22.4	2.0
Radios, phonographs, etc.	8.9	28.5
Furniture and misc.	28.8	27.0
<u>Farm equipment and building mat'l.</u>	23.9	34.9
Farm machinery and supplies	35.5	77.6
Hardware	20.3	17.8
Plumbing and heating	23.5	38.6
Paints and oils	10.4	28.9
Other building materials	30.7	36.5
<u>Auto Accessories, etc.</u>	20.4	0.1
Auto accessories	12.9	26.6
Auto tires and tubes	25.4	- 25.0
<u>Miscellaneous</u>	20.0	9.4
Sporting goods and toys	22.7	11.2
Books and stationary	24.7	15.8
Jewelry, clocks, etc.	12.5	- 5.3
Drugs and toilet articles	13.9	15.2

Table 3

Combined mail order and retail sales,
Sears, Roebuck and Company

District	Percent increase	
	Fiscal year ended: January 31, 1942 over previous year:	Latest period ^{1/} over previous year
New England (Boston)	44.1	66.0
Middle Atlantic (Philadelphia)	31.0	54.5
Southeastern (Atlanta)	31.7	19.7
North Central (Chicago)	28.1	49.8
South Central (Dallas)	28.6	27.2
North Pacific (Seattle)	51.5	66.3
South Pacific (Los Angeles)	37.0	47.3

^{1/} Four-week period ended January 29, 1942.

Table 4

CONFIDENTIAL

Combined mail order and retail sales,
Montgomery Ward and Company

District	Percent increase	
	Calendar year 1941 over 1940	December 1941 over previous December
Atlantic Coast and Southeastern	29.7	20.8
Chicago-Detroit area and Ohio Valley	30.5	22.6
South Central	23.4	15.1
North Central	21.7	14.5
Pacific	8.7 ^{1/}	20.8

^{1/} Months February through July omitted in this comparison owing to strikes which closed both mail order stores in this area.

Table 5

CONFIDENTIAL 210

Percentage of mail orders omitted ^{1/}
by Sears, Roebuck and Company,
4-weeks ended January 29, 1942

(Based on dollar totals)

<u>Class of goods</u>	<u>Percent of total orders omitted</u>
<u>Clothing</u>	15.0
Women's clothing	19.5
Men's and boy's clothing	7.6
Shoes - men's and women's	7.2
Rubber footwear	36.8
Dress goods and miscellaneous	17.1
<u>House furnishings</u>	12.6
Draperies, blankets, linens, etc.	17.1
Floor coverings	1.4
Electrical appliances and stoves	19.9
Radios, phonographs, musical instruments	17.8
Furniture and miscellaneous house furnishings	5.5
<u>Farm equipment and building material</u>	12.9
Farm machinery and supplies	20.7
Hardware	10.4
Plumbing and heating	8.8
Paints and oils	1.8
Other building materials	11.2
<u>Auto Accessories, etc.</u>	11.8
Auto accessories	9.4
Auto tires and tubes	40.8
<u>Miscellaneous</u>	12.5
Sporting goods and toys	16.9
Books and stationary	9.2
Jewelry, clocks, etc.	20.3
Drugs and toilet articles	6.8

^{1/} Representing orders that could not be filled, usually because the goods ordered were not available. It thus serves as an indication of relative shortages.

Table 6

CONFIDENTIAL

Percentage of mail orders omitted 1/
by Montgomery Ward and Co.
December, 1941

311

(Based on dollar totals)

<u>Class of goods</u>	<u>Percent of total orders omitted</u>
<u>Clothing</u>	11.0
Women's clothing	11.4
Men's and boys' clothing	9.9
Shoes - men's and women's	9.2
Rubber footwear	19.2
Dress goods and miscellaneous	12.8
<u>House furnishings</u>	7.4
Draperies, blankets, linens, etc.	7.7
Floor coverings	2.4
Electrical appliances and stoves	5.9
Radios, phonographs, musical instruments	7.9
Furniture and miscellaneous house furnishings	8.3
<u>Farm equipment and building material</u>	9.5
Farm machinery and supplies	9.0
Hardware	11.7
Plumbing and heating	11.1
Paints and oils	2.4
Other building materials	2.8
<u>Auto Accessories, etc.</u>	16.5
Auto accessories	5.8
Auto tires and tubes	29.5
<u>Miscellaneous</u>	5.4
Sporting goods and toys	6.2
Books and stationary	5.5
Jewelry, clocks, etc.	3.9
Drugs and toilet articles	1.6

1/ Representing orders that could not be filled, usually because the goods ordered were not available. It thus serves as an indication of relative shortages.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 5, 1942.

TO Secretary Morgenthau

FROM Jacob Viner

My leave-of-absence from the University terminates on March 30, and I plan therefore to return to Chicago at the end of this month. I will be badly tied-up with University duties during the spring quarter. Beginning with June, I plan to devote my time as fully as circumstances permit to post-war problems. If there are any special problems to which you would like me to give thought before I leave, I would much appreciate your letting me know.



CONGRESS OF THE UNITED STATES
 JOINT COMMITTEE ON REDUCTION OF
 NONESSENTIAL FEDERAL EXPENDITURES

There will be a meeting of the Joint Committee in
 Room 314 Senate Office Building on Thursday, March 5,
 at 10:00 a.m.

To hear Mr. J. E. Barnes of the Todd
 Shipbuilding Corporation.

3-K-42

Byrd's Office
 Chamberlain
 Meeting

HARRY FLOOD BYRD,
 Chairman.

WFO 60100

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FISHER BODY, LOCAL 896

824 BALDWIN STREET
PONTIAC MICHIGAN

March 5th, 1942

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

Dear Sir:

I did not think at the time of our meeting in Pontiac in September of last year when you were in attendance at one of our meetings at which Mr. Frank Isbey spoke on the sale of Government Stamps and Bonds, that it would become necessary for me to make an appeal to you for assistance in obtaining defense orders for the Fisher Body plant in Pontiac.

The Pontiac Fisher Body plant employs around 5,000 persons, but since January 30th of this year, only approximately 400 employees have been working. We have made every effort for the past several months, to get the local plant management to obtain some defense orders to supplement the curtailment of automobile production, but without success.

The training facilities in Pontiac have been entirely inadequate to provide training for the thousands of automobile workers who have been thrown out of work because of the curtailment of automobile production. Some six or seven months ago, I arranged a meeting with E. R. Leeder, Manager of the Pontiac Fisher Body plant, and at that time asked that every effort be made to obtain defense orders for this plant.

I also asked Mr. Leeder if it wouldn't be possible to set aside a certain portion of the plant for training purposes as the plant, even at that time, was on a reduced schedule of automobile production. I felt that if Management were sincere about contributing their share to the defense program, they could have taken some of their Welding Bucks, Lathes, Milling Machines, etc. and set them over in some part of the plant and permitted the workers to prepare themselves for the defense production work.

Mr. Leeder answered me in this way: "Due to the fact that we don't anticipate any defense orders that will require that type of skill, we do not feel obligated to train them." In other words, if General Motors was not going to be able to use these men themselves once they were trained, they did not

feel obligated to train them for someone else which, in my opinion, was a very narrow and unpatriotic point of view to take.

The employes of this plant are in a very serious predicament as other employes are refusing to hire anyone with a great deal of seniority in this plant because they feel that they will be coming back to this plant if and when work is available here. Yet there is very little if any work in sight for them at this plant.

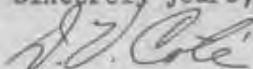
Many of our people have sons in the armed forces of this country and can't understand why a plant of this size is allowed to stand idle while their sons go into battle poorly equipped for lack of the necessary weapons to prosecute a winning fight to preserve the democratic principles of their Country.

We have had very good success in the sale of stamps and bonds in Pontiac. Some of the local unions are making regular monthly investments in Government bonds. However, these people who are out of work want to do their part for their Country also, and are not able to because there is no work available.

I sincerely hope that you will make every effort to assist our Committee in getting defense orders for this plant while they are in Washington. The three members of this Committee have been provided with credentials from this local. They are Brothers Arthur J. Law, Ted Helgeson and William Morris.

I am sure that you will do whatever you can for this Committee and I wish to assure you that if there is any way in which I can reciprocate, do not hesitate to ask.

Sincerely yours,



D. V. Cote, Fin. Secy.,
Fisher Local #596, UAW-CIO

:kf

uopwa.cio

Daily changes in the stock of Series E savings bonds on hand ^{1/}
(In thousands of pieces)

	: Number of : pieces sold : this day	: Number of pieces : manufactured : this day	: Stock on hand : at close of : day	: IBM : deliveries : this day
Feb. 23	214	800	21,905	-
24	55	800	22,650	1,600
25	104	800	23,346	700
26	158	800	23,988	875
27	240	800	24,548	660
28	162	none-closed	24,386	-
Mar. 1	none-closed	none-closed	24,386	-
2	304	500	24,582	-
3	160	500	24,922	625
4	171	500	25,251	-

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

March 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

Comparative Statement of Sales During
First Three Business Days of March, February and January 1942
(March 1-4, February 1-4, January 1-3)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	March	February	January	March over February	February over January	March over February	February over January
	Series E - Post Offices	\$ 12,180	\$ 16,899	\$ 13,242	-\$ 4,719	\$ 3,657	- 27.9%
Series E - Banks	<u>33,160</u>	<u>58,575</u>	<u>30,522</u>	- <u>25,415</u>	<u>28,053</u>	- <u>43.4</u>	<u>91.9</u>
Series E - Total	45,340	75,474	43,764	- 30,134	31,710	- 39.9	72.5
Series F - Banks	6,329	12,921	5,299	- 6,592	7,622	- 51.0	143.8
Series G - Banks	<u>30,064</u>	<u>57,828</u>	<u>20,837</u>	- <u>27,764</u>	<u>36,991</u>	- <u>48.0</u>	<u>177.5</u>
Total	<u>\$ 81,733</u>	<u>\$146,223</u>	<u>\$ 69,900</u>	- <u>\$64,490</u>	<u>\$76,323</u>	- <u>44.1%</u>	<u>109.2%</u>

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

March 5, 1942.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - March, 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
March 1942									
2	\$ 5,811	\$ 15,868	\$ 2,043	\$ 8,726	\$ 26,636	\$ 21,678	\$ 2,043	\$ 8,726	\$ 32,447
3	2,975	8,459	1,629	8,780	18,868	11,434	1,629	8,780	21,843
4	3,395	8,833	2,658	12,558	24,048	12,228	2,658	12,558	27,443
Total	\$ 12,180	\$ 33,160	\$ 6,329	\$ 30,064	\$ 69,553	\$ 45,340	\$ 6,329	\$ 30,064	\$ 81,733

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

March 5, 1942.

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

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

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 5, 1942

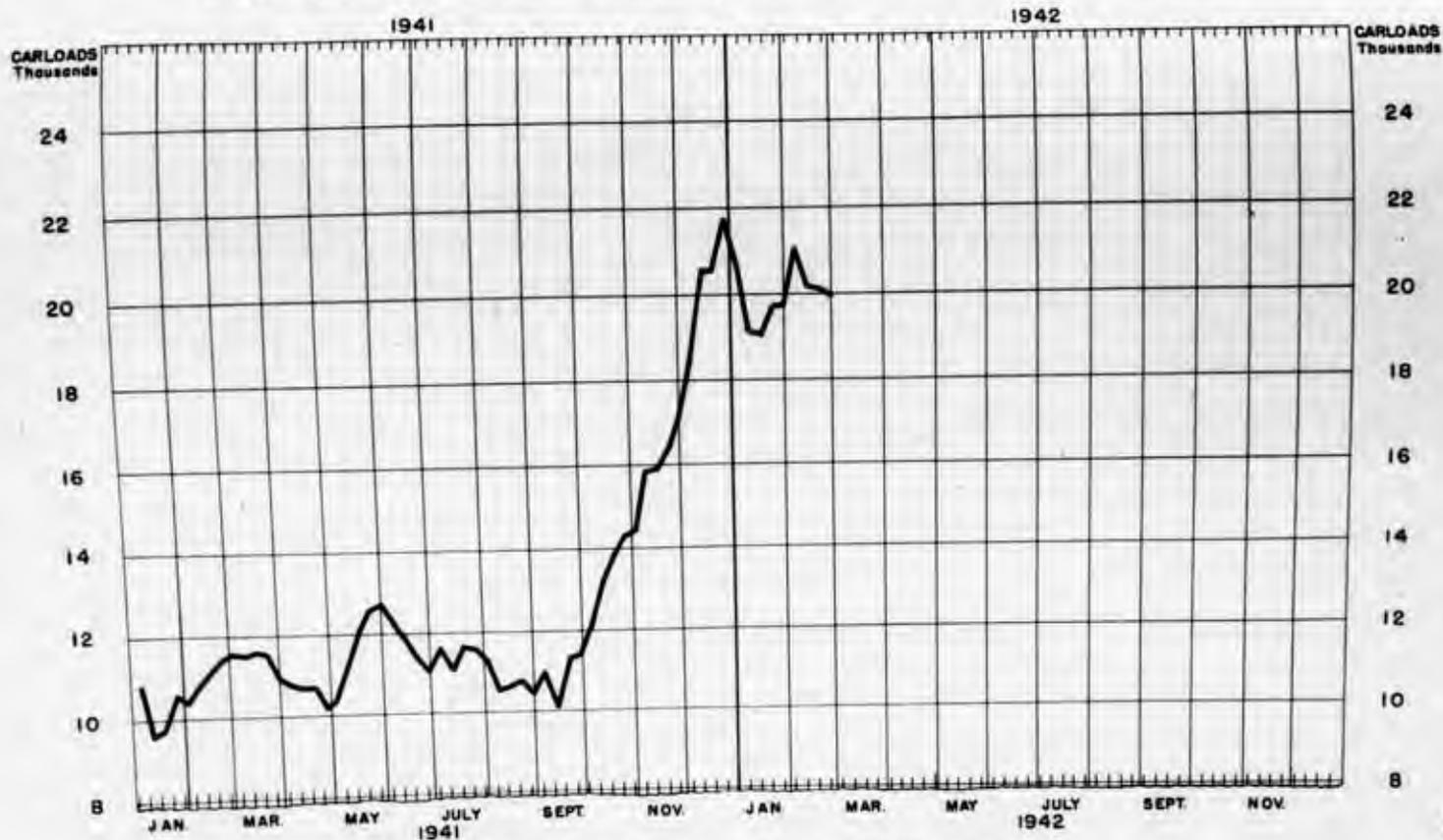
TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Export Freight Situation.

The amount of lighterage freight in storage and on hand for unloading at New York harbor at the end of last week showed the slight decrease of 203 cars to a total of 19,913 cars. (See Chart 1.) On February 28 there was additional storage space available for 7,963 cars, a decrease of 838 cars from the previous week.

Exports from New York last week showed a further increase of 263 cars to an estimated total of 6,232 cars. (See Chart 2, upper section.)

Receipts of export freight at New York increased further by 675 cars last week to a total of 6,049 cars. (Refer to Chart 2, lower section.) Receipts for export at 9 other North Atlantic ports increased sharply by 1,113 cars to 4,116 cars. However, receipts for export at 6 Pacific ports showed but a slight increase, reaching a level of 1,960 cars.

LIGHTERAGE FREIGHT IN STORAGE AND ON HAND FOR UNLOADING IN NEW YORK HARBOR*



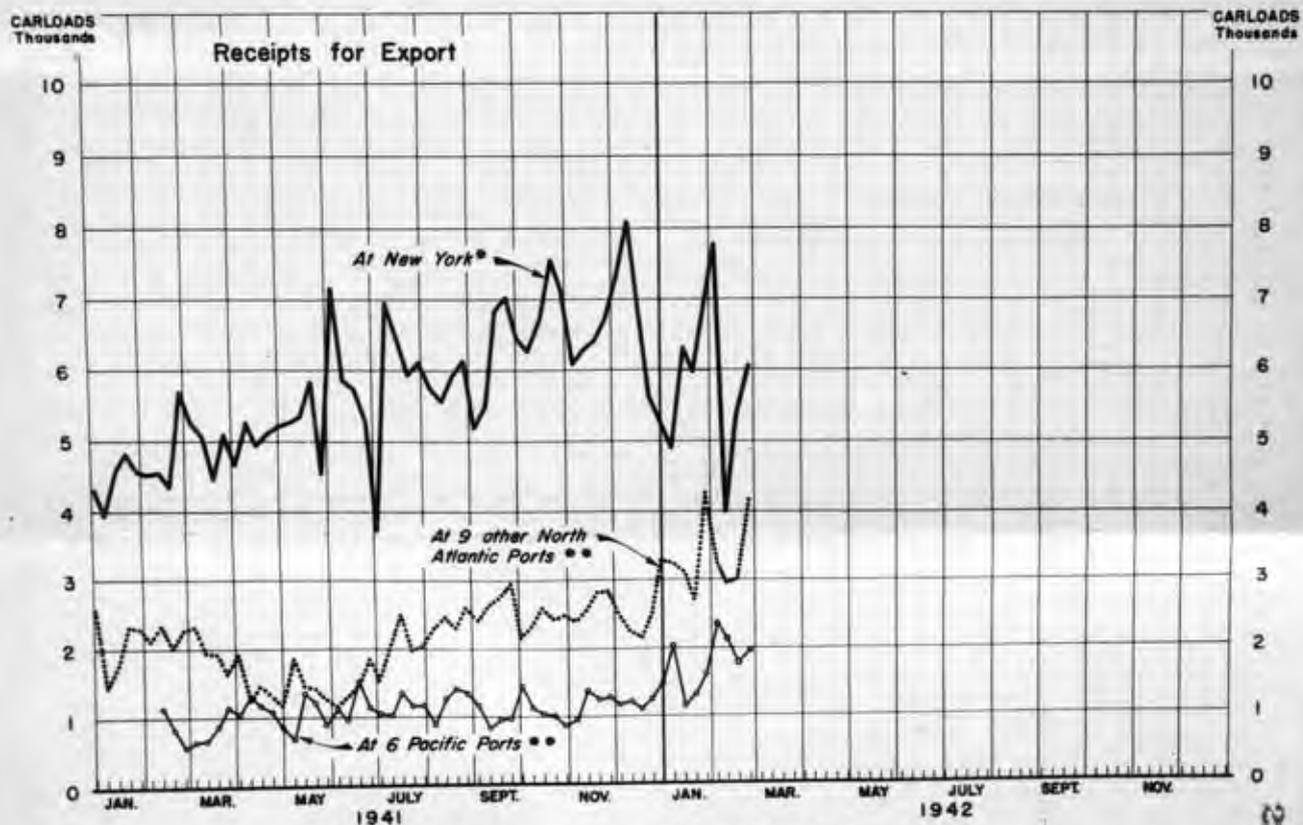
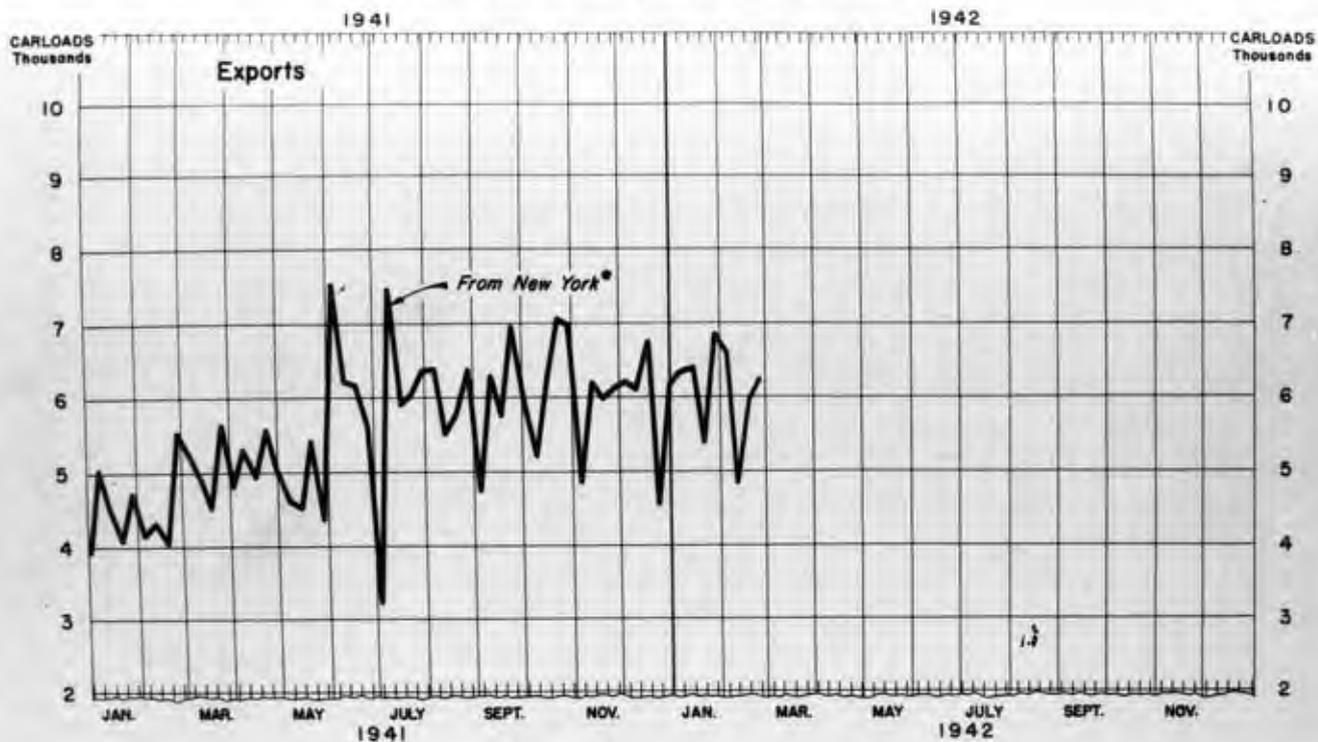
* Largely export freight, but about 10% represents freight for local and coastal shipment. Figures exclude grain.

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

C-303-0

220
Chart 1

EXPORT FREIGHT MOVEMENT



* As estimated from data of general managers' association of New York.
 ** Association of American Railroads.

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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 5, 1942

TO Secretary Morgenthau
 FROM Mr. White

I am giving you herewith a comparative statement of the approximate earnings of the Stabilization Fund for the months of January and February, 1942.

<u>Earnings</u>	<u>January 1942</u>	<u>February 1942</u>
Interest earned on investments	\$ 20,220.69	\$ 18,263.85
Interest earned on Yuan	24,359.61	22,030.43
Interest earned on Milreis	<u>9,604.29</u>	<u>3,101.38</u>
Total	\$ 54,384.79	\$ 43,395.66
Profits on handling charges on gold	<u>208,470.08</u>	<u>369,415.87</u>
Grand Total	\$262,854.87	\$412,811.53
 <u>Expenses</u>		
Salaries	\$ 19,659.23	\$ 16,655.79
Travel	663.06	462.51
Subsistence	123.17	1,274.11
Telephone and Telegraph	1,528.37	1,884.18
Stationery	21.88	13.04
All others	<u>738.34</u>	<u>1,759.32</u>
Total	\$ 22,734.05	\$ 22,048.95
Net earnings	\$240,120.82	\$390,762.58

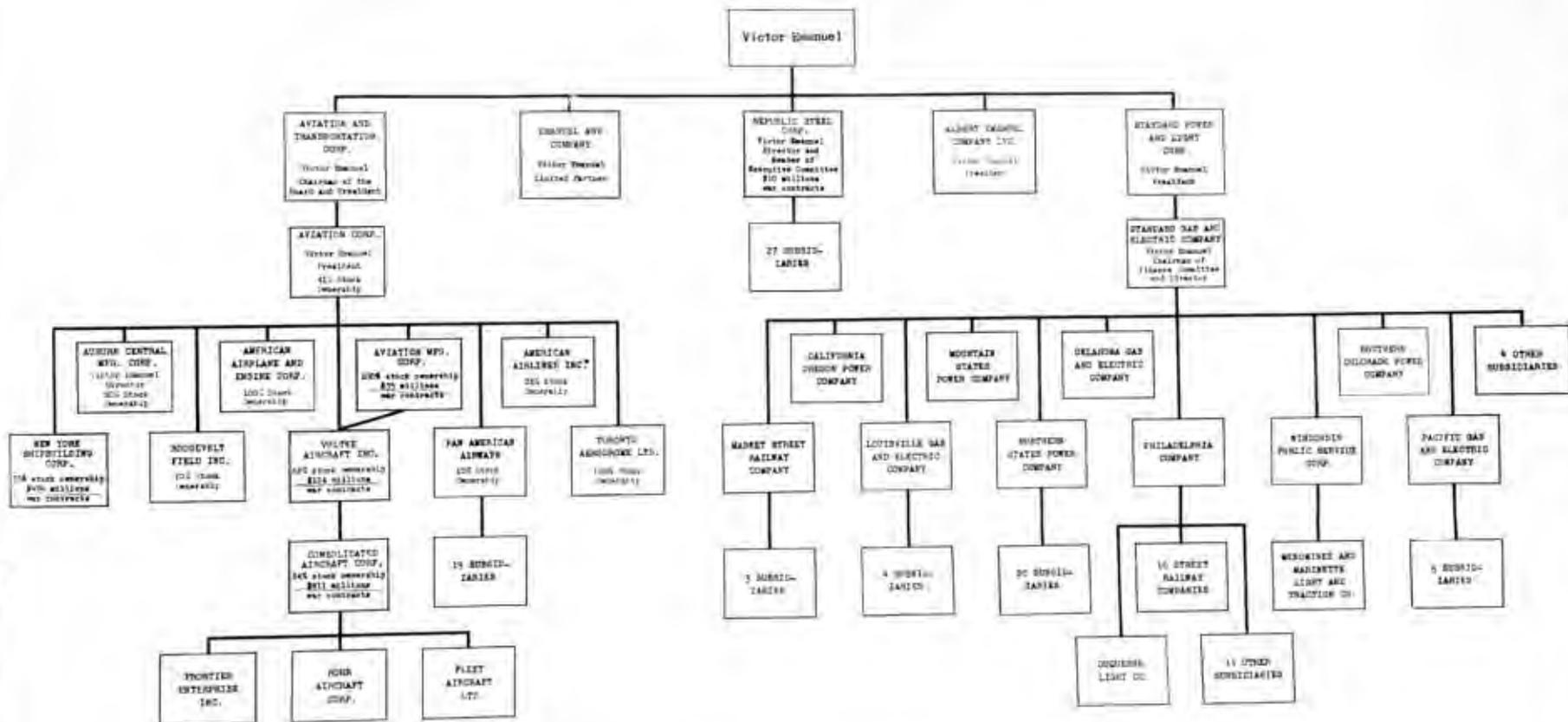
The increase in the earnings for February resulted from a greater turnover in gold transactions with foreign countries on which the handling charge of 1/4 of 1% was collected.

The various expense items fluctuate from month to month. In December they totaled \$27,231.87.

This report was completed from figures supplied by Mr. O'Daniel.

PRINCIPAL BUSINESS INTERESTS OF VICTOR EMMANUEL, AS DERIVED FROM PUBLISHED SOURCES
(Interests do not necessarily represent control)

January 1, 1942



*Aviation Corporation's interest in the stock of American Air Lines is held in trust by James Jones, Secretary of Company.
James Jones's Name on Involvement and War Production Board Certificate Removed

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission,
who enclose Statement No. 23 - Aircraft Despatched
- for week ended March 3, 1942.

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

March 5, 1942.

275-A



BRITISH AIR COMMISSION
1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.
TELEPHONE HOBART 9000

NOTE
PAGE NO. _____

With the compliments of British Air Commission
who enclose weekly Statement No. 41, covering
aircraft flight delivery as at March 2, 1942.

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

March 4, 1942.

STATISTICS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 41

1. LIBERATOR II off Contract F-677

55 in U.K.
5 in M.E. (including 1 crashed in Africa, Nov. 25)
4 at Montreal
*75 taken by U.S.A.A.C., including 1 crashed near Tucson, Ariz., Dec. 23, and 1 crashed near San Diego, Jan. 2.
339 *

2. HUDSON V (LONG RANGE) off Contract A-1749

173 in U.K.
39 at Debert
1 at Montreal
6 under repair
219 (a)

3. HUDSON III (LONG RANGE) off Contract A-68

231 in U.K.
1 at Dartmouth
3 at Montreal
19 for U.S.A.A.C. Familiarization Program
1 under repair
255 (b)

4. CATALINAS off Contracts A-2587, F-210, A-37, MS-53, DAN-78

91 in U.K.
9 at Singapore
18 in Australia
9 at Dartmouth
9 in Bermuda
3 en route San Diego for Australia
8 at Elizabeth City, N.C.
6 at Pensacola, Fla. (diverted to U.S. Navy)
155

5. VENTURAS (LONG RANGE) off Contract A-344

2 at Montreal
2 in transit
12 at Long Beach
16

6. LODESTARS off Lend-Lease Contract AC-51 (BSC Reg. 1049)

(A) C-59

1 departed Miami (A.C.P.C. reports it crashed)
3 arrived Miami for British
3 taken by U.S.A.A.C.
?

(B) C-60

2 departed Miami
1 arrived Miami for British
3

7. HUDSON III-A

(A) Off Lend-Lease Contract AC-5 (BSC Reg. 62)

96 at Debert
4 at Montreal
2 at Ottawa
6 at Montreal, en route Debert
19 in transit for British (following serial number B7613)
10 at Maini
5 under repair
22 for China
20 diverted to U.S. Navy
159 taken by U.S.A.A.C.
337 (c)

(B) Off Lend-Lease Contract AC-151 (BSC Reg. 214)

23 in transit (en route Montreal)
1 at Long Beach
24 (d)

U. S. SECRET - BRITISH MOST SECRET

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 41

8. B-17 E's (Army Release) HSC Reg. 10552
7 at modification center (Cheyenne)

9. B-25 B's (Army Release) HSC Reg. 10558
9 at modification center (St. Paul)
1 en route modification center
10

10. B-26 A's (Army Release) HSC Reg. 10556
6 en route modification center (Omaha)
1 at Baltimore
7

AIRCRAFT:	1	2	3	4	5	6	7	8	9	10	TOTAL
UNITED KINGDOM	55	173	211	91							530
MIDDLE EAST	5										5
AFRICA				18							18
INDIA				9							9
ANTICUT			1	9							10
ANTICUT	4	1	3		2		4				14
ANTICUT		39					96				135
ANTICUT, en route Debert							6				6
ANTICUT							2				2
ANTICUT				9							9
ANTICUT Miami						3					3
ANTICUT						4	10				14
en route San Diego for Australia				3							3
Elizabeth City, N.C.				8							8
en transit					2		42				44
modification centers								7	9		16
en route mod. centers									1	6	7
Long Beach					12		1				13
Baltimore										1	1
older repair		6	1				5				12
for China							22				22
reverted to U.S. Navy				6			20				26
WAC San. Pro.			19								19
owned by WACAC	75					3	153				231
TOTAL	199	219	235	153	18	10	361	7	10	7	1157

- a) No indication that last one has left factory.
- b) Excluding six which crashed - two in the United States, four after leaving.
- c) Excluding ten which crashed - one in the United States, three in Canada, and six en route U.K.
- d) Excluding eight which crashed - seven in the United States, and one in Canada.
- e) Excluding one which crashed in the United States

AIRCRAFT DIVISION
PLANNING AND PRODUCTION DEPARTMENT
BRITISH AIR COMMISSION

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Note

The attached material, just received from the State Department, is dated November 1941. The two documents conferring authority on the Icelandic Delegation and Vilhjalmur Thor have been superseded by new documents transmitted by the American Legation, Reykjavik, in its cable No. 140 dated March 5, 1942. The latter confer authority on Thor Thors.

F. Dietrich

TELEGRAM SENT
DEPARTMENT OF STATE

Washington.

November 21, 1941

7 p.m.

AMERICAN LEGATION,
REYKJAVIK.

129.

Your 124, November 20, 10 p.m. was received too late for transmission to the Icelandic delegation who have already left Washington on their journey home. Possibly the Icelandic Government and the National Bank may wish to give you new documents in the name of the Icelandic Minister in Washington.

HULL

859A.51/13



A c t

authorizing the Government to guarantee a
working loan for the National Bank of Iceland.

ART. 1

The Government as represented by the Treasury is
authorized to guarantee for the National Bank of
Iceland a working loan not exceeding two million
United States dollars.

ART. 2

This Act shall constitute the working law.

Translated from the official Icelandic text.

Snabjornsson

With reference to an Act passed by the Althing on the 15th November, 1941, authorizing the Government to guarantee a working loan for the National Bank of Iceland, I the undersigned Jakob Møller, Iceland's Minister of Finance, acting on behalf of the Treasury, do confer with the Icelandic Trade Commission at present in Washington, namely Mr. Vilhjálmur Thor, bank manager, Mr. Arne A. Mathieson, bank manager, and Mr. J. Örn. Stefánsson, wholesale merchant, full and unrestricted power of attorney to sign a declaration binding the Icelandic Treasury as guarantor of full and due repayment of principal of up to \$1,000,000 and interest on a loan not exceeding \$2,000,000 - two million dollars - which the National Bank of Iceland proposes borrowing from the Stabilization Fund, Washington, D.C., U.S.A.

Reykjavík, this 20th day of November 1941.

Jakob Møller

Minister of Finance

LANDSBANKI ÍSLANDS

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(3)

REYKJAVÍK.

This is to certify that we do hereby give Mr. Vilhjálmur Thor, General Manager of our Bank, the National Bank of Iceland (Landsbanki Íslands) in Reykjavík, on our behalf a full and unlimited power to take and sign a loan or overdraft at the Stabilization Fund in Washington, D. C., amounting to U. S. A. dollars 2,000,000.- -two million U. S. A. dollars - and that whatever said Mr. Vilhjálmur Thor may do in connection with this matter is equally valid as if we had done it ourselves.

Done in Reykjavík, on the 17th day of October, 1941

THE NATIONAL BANK OF ICELAND

LANDSBANKI ÍSLANDS

SECOND CORRECTED COPY

PARAPHRASE OF TELEGRAM RECEIVED

Y FROM: American Embassy, Chungking, China.
DATE: March 5, 1942, 10 a.m.
NO.: 190, Section I.

This is a message for the Secretary of the Treasury and is from Ailer. It is a strictly confidential message marked TP-18.

(1) On March 3 at the Board meeting Hall Patch said that he had received a cable from the Bank of England that after furnishing Board with £750,000 in order to meet the requirements for sterling since the outbreak of the war in the Pacific, presumably no further calls from the Board need be expected by the Bank of England as a result of the loan of £50,000,000 and the changed situation. Therefore, Hall Patch is inclined to desire the suspension of the operations of the Board but he gave in to the general feeling of the meeting including that of the chairman which was one of strong opposition.

At this time it would be very unfortunate to suspend operation of the Board, since it would place emphasis on China's isolation, weaken to a greater extent the influence and prestige of America and Great Britain, and would be welcomed by some groups in the Government of China. Once operations were suspended, it would be very difficult for the Board to resume them. Some commercial cargo still remains in Lashio and Manting and the Board should finance the import of these. Even before the regular new route is established from Burma and India a trickle of goods are expected over a mule track which now exists. A final consideration is that, as Fox suggested originally, the Board's existence may because of the confidence which it enjoys afford an instrument which will be convenient for the use of the loan. (End of Section I)

GAUSS

Copy:inc
3/11/42

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: March 5, 1943, 10 a.m.

NO. : 190 (Section 2)

A number of articles in the Press have proposed the use of the Stabilization Board for bond issue, in this connection. We do not have any information here as to whether or how the status of the Board has been affected by new British and American loans.

2. The claims of the Central Bank described in TF-17 and the fact that the Board while committed by its understanding with Foreign Exchange Commission to meet (?) Government of China foreign exchange requirements worry Hall-Patch. In regard to Central Bank application described in TF-17, no action has been taken as yet. Any attempt by the Board to assert any control over any foreign exchange expenditures in the present political situation would be most inadvisable. The oversold foreign exchange position of the Central Bank increased, in the meantime, by approximately £1,075,000 (sterling) and U.S. dollars \$1,300,000 in January and February and all (?) remittances to China have dried up although remittances from the U.S. still continue.

3. A letter from a Chinese employee of the Board, who escaped from Hong Kong and wrote from (?)lin states that he was with Taylor and Freese until January 5 when they were interned and shared a room in a Chinese hotel in Hong Kong.

This

This employee tried to see them before he left Hong Kong but failed to do so. He did learn, however, that they were well and safe. Upon his arrival in Chungking we may be able to send more details.

This is the end of the message from Mr. Adler.

GAUSS

eh:copy
3-12-42

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234

TRB
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
Agency. (EE)

Rio de Janeiro

Dated March 5, 1942

Rec'd 6:11 p.m.

Secretary of State,
Washington.

706, March 5, 4 p.m.

The Bank of Brazil will distribute during March
approximately \$5,005,000 to American companies and the
equivalent of \$2,005,000 in sterling area to British
companies for transfer abroad of profits and dividends
represented by applications registered and approved
through February 28.

Inform Treasury and Commerce.

Airmail despatch follows.

CAFFERY

ELP

Copy:bj:3-13-42

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: March 5, 1942, 10 p.m.

NO. : 717

This telegram contains a message for Dr. White of the Treasury Department.

Again the Director of Exchange has stated his hope that steps will be taken by our Government to restrict the free circulation in foreign countries of American bank notes. Before issuing instructions for the control of trading in bank notes, which he is willing to do, he wants to ascertain your suggestions and views. The Director suggested that restricting to the Bank of Brazil the sale and purchase of United States currency might solve the problem. Of course, he realizes that it is not possible to stop currency smuggling but he thinks that something should be done immediately to impede enemy acquisition of bank notes.

The Director made the statement that no estimate of the amount of American currency in Brazil is possible, but we do know, however, that approximately \$2,500,000 was received by the Italian Embassy (refer to telegram 590 dated November 14, 1940, from the Embassy) and that reasonable amounts of bank notes are held by Germans and Japanese. The total of American bank notes which the Bank of Brazil holds is 10,310 and according to the Uruguayan Legation, other commercial banks held insignificant amounts.

CAFFERY

Copy:bj:3-7-42

NATIONAL CITY BANK OF NEW YORK

New York

March 5, 1942

In replying please quote
initials JAH

Mr. L. W. Knoke, Vice-President,
Federal Reserve Bank of New York,
33 Liberty Street,
New York, New York.

Dear Mr. Knoke:

This will confirm our telephone conversation of this morning in which we informed you that we had received a cable from Amministrazione Pontificia per le Opere di Religione, Citta del Vaticano, acknowledging receipt of our cable advice concerning the 10⁴ bars of gold which you purchased and are holding earmarked for their account. Their cable states:

"PLEASE COMPLETE OPERATION GOLD PURCHASING
AGAINST FOR OUR ACCOUNT GOLD FOR \$2,000,000."

We understand you will give this matter your prompt attention and advise us of your decision regarding the purchase of additional gold, which we may transmit to Amministrazione Pontificia per le Opere di Religione.

Very truly yours,

THE NATIONAL CITY BANK OF NEW YORK p.p.

(Signed) John A. Herber

(Received by telephone from Federal Reserve Bank of New York, N.Y.
1:15 p.m. March 11, 1942.)

FEDERAL RESERVE BANK OF NEW YORK

March 5, 1942

National City Bank of New York,
55 Wall Street,
New York, N. Y.

Dear Sirs:

Attention: Mr. J. A. Herber

With reference to your letter of today's date, in which you quoted a cable received by you from Amministrazione Pontificia per le Opere di Religione, Citta del Vaticano, regarding the purchase and earmarking of an additional \$2,000,000 in gold, we authorize and request you to transmit by cable to Amministrazione Pontificia the following message from us:

"We understand Treasury is at present agreeable to sale of additional \$2,000,000 gold under same conditions as gold sold to you on February 26, 1942. We are willing to earmark this and further amounts of gold under same terms and conditions as gold earmarked for your account on February 26, 1942 as follows: 'We are authorized to receive and hold in custody under earmark for your account, gold which is your property, subject to the terms of the license issued to us by the Secretary of the Treasury of the United States. Gold which is received and earmarked by us for your account under such authority is held subject to our usual rules with regard to the earmarking and custody of gold. We will provide the same facilities for the custody of such gold as we provide for our own similar property but beyond that we assume no responsibility. We reserve the right at any time to terminate this arrangement with you in whole or in part upon notice to that effect except as to transactions previously initiated.' If the foregoing terms and conditions are agreeable to you please so inform us by authenticated cable through National City Bank of New York. It is understood that for the time being and until further notice you will give us your instructions respecting gold held by us for your account through the medium of National City Bank of New York and that

-2-

we are authorized to act on any instructions relating to such gold which National City Bank advises us it has received from you and believes to be genuine."

Very truly yours,

D. J. Cameron, -
Manager, Foreign Department.

(Received by telephone from Federal Reserve Bank of New York,
N. Y., 1:15 p.m., March 11, 1942.)

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DEPARTMENT OF STATE
WASHINGTON

March 5, 1942

In reply refer to
FD 852.5151/520

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 208, dated March 2, 1942, from the American Embassy, Madrid, Spain, concerning the utilization of American currency held by the Spanish Foreign Exchange Institute.

Telegram No. 99 was transmitted to the Secretary of the Treasury in this Department's letter of February 17, 1942.

Enclosure:

From Embassy, Madrid,
No. 208, March 2, 1942.

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239

DEPARTMENT OF STATE
WASHINGTON

March 5, 1942

In reply refer to
FD 852.5151/520

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Telegram No. 99 was transmitted to the Secretary of the Treasury in this Department's letter of February 17, 1942.

Enclosure:

From Embassy, Madrid,
No. 208, March 2, 1942.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid, Spain.

DATE: March 2, 1942, 5 p.m.

NO.: 308.

The Foreign Exchange Institute has been informed by me that we cannot accede to its request to utilize currency which it now holds in order to buy wheat and coal. I based this on the reasons given in the first paragraph of the Department's confidential telegram No. 99, 10 p.m., dated the 16th of February.

It was stated by the Director of the Foreign Exchange Institute that he felt certain that political considerations are the basis for the refusal of the Government of the United States to allow these bills to be repatriated and for the blocking of the three million dollars credit obtained from the Swiss. The Director considers the United States Government's action unnecessarily harsh because Spain had been given no previous indication of a change in attitude in sufficient time to permit it to make other arrangements, and because during 1941 it was permitted to utilize funds transferred to its account by Switzerland. He also pointed out that until the British intervened no objections were made to the repatriation of currency. In contrast with the United States' treatment, Spain was given a certain length of time within which to ship the notes it had accumulated when the Government of Great Britain imposed restrictions against repatriation of pounds.

With reference to the currency, the Director insisted that it had all been obtained through normal channels, that any suspicions that the currency was partly looted could be dissipated by having his books examined and that it would seem that the U. S. Government would avail itself of the opportunity

to investigate his books if these suspicions were the real reasons. The Director stated that neither of the Axis powers had approached the Institute to accept dollar currency for any purpose, nor anyone in the Government so far as he knew. He has continued to buy U. S. dollar currency at the recently fixed official rate as these bills continue to be offered especially by travelers arriving from South America. He does not anticipate that such purchases will be discontinued within the near future.

With reference to the blocking of funds transferred from Swiss accounts, the Director's impression is that the Government of the U. S. allows the Swiss to utilize its credits in the U. S. for the purchase of American materials. Since, however, the United States Government will not permit Spain to utilize the funds transferred from Switzerland for the movement of Swiss purchases to Switzerland from Spain or for the transportation of Swiss goods a general policy of embarrassing Spain must necessarily be inferred. The fear was expressed by him that if dollar funds acquired by Spain from sources other than the sale of its products to the U. S. are to be blocked Portuguese payments for the use of Spanish tankers would also probably be affected. Permission to charter such boats for urgent Portuguese requirements would eventually be necessarily refused by Spain because of this.

He regrets that in view of Spain's shortage of dollars it will probably find it impossible to meet payments now due in the United States unless such funds are released.

The point was made that the volume of American accounts frozen in Spain exceeded these funds. In reply the Director said that there had been

accumulation of American accounts prior to the outbreak of the Civil War; that during his incumbency Spain has attempted scrupulously to meet its commitments and had done so until this extraordinary action by the Government of the United States.

With reference to blocked American accounts, he hoped that we might be able to go into this question more fully in the near future in order to explore the possibility of working out some arrangement for their eventual liquidation. In all probability this would depend upon the extent to which Spanish products purchased by American exceeded American products purchased by the Spanish.

BEAULAC

TREASURY DEPARTMENT

243

INTER-OFFICE COMMUNICATION

DATE March 5, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£72,000
Purchased from commercial concerns	£29,000

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

The Uruguayan free peso, which moved off from .5295 to .5275 last week, returned to .5295 today.

The Cuban peso moved off to an offered quotation of 3/16% premium today as compared with 3/8% yesterday and the recent high of 7/8% reached on February 9.

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

Canadian dollar	11-1/2% discount
Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Venezuelan bolivar	.2800

The Federal Reserve Bank of New York purchased 250,000 Swedish kronor in New York at the rate of .2385-1/2 by order and for account of the Central Bank of the Uruguayan Republic, who advised that the kronor were needed to pay for Uruguayan imports.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

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

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

We made no purchases of silver today.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 5, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Monthly Report: Royal Air Force Bombing Activity
in February, 1942.

1. Bombing activity of the Royal Air Force during February, 1942, was on a very low level. As nearly as it can be made out from the data, the R.A.F. bombers were only about one-fourth as active in February as they were in July and August last summer.

2. It can be definitely asserted that the British promises of intensified bombing attacks during this winter have not been fulfilled. Bad weather conditions during the winter may be a part of the explanation. The development of better anti-aircraft defenses on the part of the Germans may have become an increasingly deterrent factor.

<u>I. Losses</u>	<u>Losses during February</u>	<u>Total Losses in raids to March 1, 1942</u>
R.A.F. bomber losses in bombing raids in Northern Europe	49	1,439
<u>II. Analysis of Targets</u>	<u>Attacks during February</u>	<u>Total Number of attacks to March 1, 1942</u>
Ports, docks, shipping	29	1,517
Industrial plants	10	906
Airdromes and seaplane bases	7	871
Oil refineries, synthetic plants and tank farms	<u>0</u>	<u>358</u>
Total of above	46	3,652
<u>III. Leading Cities Attacked</u>	<u>Attacks during February</u>	<u>Total Number of attacks to March 1, 1942</u>
<u>A. Germany</u>		
Cologne (industrial center)	1	95
Bremen (port)	0	87
Hamburg (port)	0	85
Emden (port)	0	71
Wilhelmshaven (port)	0	61
Mannheim (industrial center)	2	57
Kiel (port)	2	57
Berlin (industrial center)	0	50
Gelsenkirchen (synthetic oil)	0	43
Essen (industrial center)	0	43
Hanover (synthetic oil)	<u>0</u>	<u>42</u>
Total of above (11 cities)	5	691

- 3 -

B. Occupied Areas

	<u>Attacks during February</u>	<u>Total Number of Attacks to March 1, 1942</u>
Boulogne (port)	0	119
Brest (port)	2	107
Ostend (port)	3	100
Calais (port)	0	79
Flushing (port)	0	63
Lorient (port)	<u>0</u>	<u>52</u>
Total of above (6 cities)	5	520

C. Italy

Naples (port)	1	24
Turin (industrial center)	<u>0</u>	<u>13</u>
Total of above (2 cities)	1	37

RESTRICTED

MID 319.1
 Situation No. 649 M.I.D., V.E. 11:00 A.M., March 5, 1945.
 8-11-41

SITUATION REPORTI. Pacific Theater.

Philippines: No change in the situation to report. Hawaii: Three medium sized bombs, believed to be from an enemy plane, were dropped on Honolulu at 2:15 A.M. today, the Army announced. There were no casualties. Burma: The Japanese have crossed the Sittang River in force, causing a British withdrawal on Pegu. Both sides have employed tanks in recent fighting. The Rangoon-Mandalay road is still not occupied by the enemy in force, but it probably is not being used by the defenders. Australia: The Japanese made their sixth and seventh air attacks on Port Moresby, New Guinea, early today in two small scale raids. Some damage was reported but no casualties. Australian aircraft again attacked Gasmata, New Britain. Japan: The Imperial Japanese headquarters announced today that 30 enemy planes had attacked Misamitori Shima, a Japanese island about 1,200 miles southeast of Tokyo.

II. Western Theater.

Vichy: Naval Captain Jean Fontaine, Chief of Vice Premier Darlan's Cabinet, declared tonight that the Renault, Salmson and Farman plants were badly hit by the British in the air raid on Paris suburbs.

III. Eastern Theater.

There is no reported change in the general situation. The Russians continue to claim successes, especially on the Central and North Central Fronts. (A situation map will not be issued this date.)

Russia reports the fact that Germans are using reserve transport planes from Denmark and Yugoslavia in their effort to ferry men and supplies to the 16th Army.

IV. Middle Eastern Theater.

No changes in the situation to report.

RESTRICTED