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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 6, 1942.

The Secretary of the Treasury, by this public notice, invites tenders for \$150,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated March 11, 1942, and will mature June 10, 1942, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, March 9, 1942. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on March 11, 1942.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed, or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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Secretary is taking copy of ltr to
Nelson to Cabinet today

March 6, 1942

My dear Mr. Nelson:

I am informed by Mr. Clifton E. Mack that as of the close of business March 5th, we do not have allocations for the following Russian Protocol items in the tonnages specified in order to meet April 1st delivery requirements:

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 "

Please let me know what you are going to do about it.

It goes without saying that the closer it gets to the 1st of April without our receiving these allocations, the more difficult it will be for us to comply with the President's wishes.

Yours sincerely,

(SIGNED) HENRY MORGENTHAU JR.

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

March 6, 1942

Dear Mr. Stettinius:

I am sending you herewith a copy of my letter to Mr. Donald Nelson of today's date.

Any help you can give us will be appreciated.

Yours sincerely,

Mr. E. R. Stettinius, Jr.,
Lend-Lease Administration,
515 22nd Street,
Washington, D. C.

March 6, 1942
11:58 a.m.

HMJr: Hello.

Donald Nelson: Hello.

HMJr: Good morning.

N: Good morning, sir.

HMJr: I saw you in the movies last night, and I want to congratulate you on your performance.

N: Well, I've never seen myself in the movies.

HMJr: Well, they showed a lot of pictures, and when you came on - it was at RKO Kieith's - you got the only applause of the evening.

N: (Laughs)

HMJr: And you were exceptionally good.

N: Well, thank you. I appreciate that, sir.

HMJr: You were exceptionally good. Don, I thought I would tell you this; and unless you ask me not to, I was going to raise this question of our not having the allocations on these various things for the Russians, at Cabinet, so the President would know about it, see.

N: Yes.

HMJr: And - because he's - well, I don't want to, so to speak, put him on notice that we're not getting the stuff and then if he wants to put on extra heat and so forth and so on, that's up to him.

N: Well, Mr. Secretary, I don't know how anybody can put on any extra heat. I mean, there isn't a man in God's world can put on extra heat. If - we're doing everything possible. Bill Batt is more interested in this than you or I are, because he made the agreement, and he's the man who is doing it; he's the man who

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has the full authority on this.

- HMJr: But, look, there's thirty-seven thousand tons of steel wire, thirty-eight thousand tons of shell steel.....
- N: Yes, sir, and we didn't get the specifications for it until February sixteenth.
- HMJr:and thirty-two thousand tons of hot rolled steel.....
- N: Which we didn't get specifications for until February sixteenth.
- HMJr: Well.....
- N: The alloy steel we didn't get specifications for until February twenty-third.
- HMJr: Well.....
- N: Now, you can't pull stuff out of the hat. The Russians had all that time to do it. I'm not critical, but I mean, it just can't be done.
- HMJr: Well, don't you think the President ought to know.
- N: Why certainly, but all I can tell him is that everything in God's world - there isn't another thing that anybody can do.
- HMJr: Well, then, let us at least - the Commander in Chief, he should have the information.
- N: It's perfectly all right with me, sir. I have no feeling about it whatsoever.
- HMJr: And - I didn't want to bring it up without, you know, telling you.
- N: He can fire Bill Batt and he can fire me and hire somebody else, but you can't do any more.
- HMJr: Well, he can fire me - make it unanimous.
- N: So that.....

HMJr: I say he can make it unanimous.

N: That's all that can be done.

HMJr: But - well, we've got one little piece of it, and all I ever do is, when I'm not carrying out my end of a contract, I like to let him know.

N: Well, that's perfectly all right, sir. I mean.....

HMJr: And then if he knows, then he can never say to me, "Well, if I'd only known, I could have done so and so and so."

N: All right. If there's anything else that can be done, then the only thing to do is to get somebody else to do it.

HMJr: Well, now, you don't mean that.

N: Why, I mean it. I mean - honestly, Mr. Secretary. Now I've had five letters from you. I get Mack to come over, I get everybody come over here and say you're excited because we're not doing it. Well, my God, if there isn't anything more can be done.

HMJr: Yes.

N: I want to assure you of that. I got another letter this morning.

HMJr: Yeah.

N: I replied. I showed you just the facts. We couldn't get the specifications.

HMJr: Yeah.

N: You can't produce anything without a specification. You know that as well as I. You know that you can't do it without a specification, and we couldn't get the specifications. Nobody would give them to us.

HMJr: Well.....

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- N: Now, you can't produce a thing like alloy steel, where there's some five thousand specifications, without knowing what it is somebody wants.
- HMJr: Well, then, the President should know that if the blame is with the Russians, then let's get word to Stalin that they can't get it.
- N: We've got it now, but we got it on February sixteenth, and you can't pull it out of a hat after you get it.
- HMJr: No.
- N: Now, I can assure you, that nothing more, Mr. Secretary. It's perfectly all right. I have no feeling about it. All I can say to him is what I've been saying to you.
- HMJr: Yeah.
- N: I can say no more.
- HMJr: Yeah. Well, would you rather I didn't write you any letters?
- N: No, no. I'm glad to have you write me letters. That isn't the point, sir. But I'm just saying - I want you to write me letters anytime, anywhere.
- HMJr: Have you seen the letters that I get from Stettinius putting the heat on me?
- N: Well, we get letters from him, too.
- HMJr: Yeah.
- N: But - heat is fine, but it doesn't produce it unless you know what you're going to put in the heat.
- HMJr: Well, the other day, for instance, last week they needed two thousand tons - I think it was tin for tinplate - to fill up a load on the West Coast. I think it was tinplate. And Mack says they went to a mill and took the two

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thousand tons, belonged to Great Britain, put it on a special train and sent it out to the West Coast. Now, maybe the President would want to take some of our own steel and give it to the Russians.

N: Well, it just isn't there. I mean, you can take it, but we've got to make it.

HMJr: Yeah.

N: You can only take the raw materials and ship it to them.

HMJr: Yeah.

N: Now, it's just a question, and I'm getting up the answer to your letter again, sir, showing you just what the situation is.

HMJr: Yeah.

N: But I want to assure you that there's nobody here that doesn't realize the importance of it.

HMJr: Well, I appreciate that.

N: And the man who's doing it is Bill Batt, who made the agreement, and who's certainly much more anxious to do it than even the President is.

HMJr: Yeah. Well, I'm glad that you're excited about it.

N: Well, I have been excited about it, sir.

HMJr: Good.

N: And we're not just sitting on it. We're very much excited about it and want to get it done.

HMJr: Well, Don, don't leave me with the feeling, you know, we talked about it - "Well, if he doesn't, he can fire us," and that. I mean, I like to call you up, and you know, not have that - I

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don't want to get on that basis with you.

N: No. Well, I didn't mean that, Mr. Secretary, but what I meant.....

HMJr: I mean, I don't want - I'd hate to feel - but then if you make me feel like that, then.....

N: Well, it wasn't your calling me up. It was your saying that maybe he could do something about it.

HMJr: Oh.

N: And not your calling me.

HMJr: Because I'd like to feel that I can call you, I can write you, and.....

N: You, sir, can call and write at any.....

HMJr: Because if you're going to - let's be frank - object to it, why I just won't do it any more, that's all.

N: Well, I don't object to it, Mr. Secretary. The thing that struck me at the moment, and it just struck me, and I'm always going to be with you exactly as I feel.

HMJr: What did get your goat?

N: When you said the President would do something about it. Well, now, sir, what can he do more than we're doing?

HMJr: Oh. Well.....

N: Now if that is an indication that you feel that we're not doing all we can do; and I want to assure you that isn't true.

HMJr: Would you rather I didn't bring it up at Cabinet?

N: No. I'd rather you brought it up, sir. I think it's all right.

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HMJr: Okay.
N: All right.
HMJr: Thank you.
N: Good-bye.

March 6, 1942
12:16 p.m.

HMJr: Hello.

Operator: Mr. Mack.

HMJr: Hello.

Clifton
Mack: Hello.

HMJr: Mack.

M: Yes, sir.

HMJr: I was just talking to Mr. Donald Nelson.

M: Yes.

HMJr: And he's getting a little excited. I guess I'm - about the pressure I'm putting on him.

M: (Laughs)

HMJr: Which is all right.

M: Yes.

HMJr: Now, he made certain statements which I wanted to check, because I'm bringing it up - this stuff, this list that you gave me, he said the trouble is they didn't get the specifications until February sixteenth.

M: Yes.

HMJr: Do you mean on all this stuff, steel wire, steel billets, steel alloy, stainless steel, strips, and hot rolled - they didn't get the specifications until February sixteenth?

M: On a good part of it, that's right.

HMJr: Well, do you know which - could you look it up and then call back Miss Chauncey so she could insert the figures?

M: I'll be glad to.

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HMJr: Now, for instance, let's take steel wire. There's thirty-seven thousand tons.

M: Yes.

HMJr: Maybe they got the specifications on some of it and some of it they didn't.

M: That's right. And that applies to some of the other items, too, that they got specifications on some on one date, and some more on another date and so on.

HMJr: Well, could you get that to me before two o'clock?

M: Surely.

HMJr: I mean - and - but keep it in the same order, you see.

M: Oh, yes.

HMJr: Because I think Donald Nelson just doesn't know what he's talking about.

M: Well, very good, and I'll be glad to do that.

HMJr: Because he's blaming the Russians for all of this.

M: Yes.

HMJr: But take this list that you've got, in the same order, and break it down as to when - how many dates are there. The Russians first give us the specifications, is that the first move?

M: Well, the first date is that they give the order to the Lend-Lease.

HMJr: Yes.

M: And then the Lend-Lease clears it to the War Production Board.

HMJr: Yeah.

M: And that's the first date that Nelson has it.

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HMJr: The first - he - Nelson has what?

M: The date that he gets the requisition from the Lend-Lease organization.

HMJr: Well, take, for instance, the big item - steel wire.

M: Yes.

HMJr: Can you break that down as to when Lend-Lease got it?

M: I think so. I think so. I think we can show the date that it went to War Production Board, in any event, because they send the - Lend-Lease sends the requisitions to War Production Board at the same time that they send them to us.

HMJr: Well, that'll be good enough.

M: Yes.

HMJr: That would be good enough.

M: All right then. And I'll get that on each one of the items and in the order that they're shown.

HMJr: Yeah.

M: And broken down according to dates and amounts.

HMJr: Yeah.

M: All right.

HMJr: And get it over here before - by a quarter of two.

M: Very good.

HMJr: Please. If possible.

M: Yes.

HMJr: I say, if possible, by a quarter of two.

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M: All right, we'll do that. We'll get busy
on it right away.

HMJr: Thank you.

M: All right.

March 8, 1942

Ed Foley

Secretary Morgenthau

I want reassurance from you that by Monday we will be able to get into General Aniline and Dye. I don't want to hear on Monday that because one or both of the men whom McConnell wants to assist him are not ready to do so things again have to be postponed. Please get in touch with Bob McConnell and make sure that come Hell or high water, he is ready to step into General Aniline and Dye on Monday! I cannot delay this matter any longer or accept any more excuses from anybody. Explain that to McConnell. First it was Summer Pike and we delayed on his account, and now I want to make sure that McConnell is ready to step in on Monday. As I say, I don't want any excuses from him. Please let me know during the day.

I think it would be wise if you would talk over with Ferdinand Kuhn the question of preparing a statement to be given out to the press explaining just what our part is going to be on the West Coast, emphasizing the fact that we are using the Federal Reserve Bank of San Francisco as our fiscal agent. I would like to see a draft of the statement.

March 6, 1942
12:20 p.m.

HMJr: Can you report any progress?

Edward
Foley:

Well, I got your memorandum, and what I'm doing is getting up a timetable and a schedule for you, showing just what is the best we think we can do and when we can do it.

HMJr: Yeah, but I don't want to hear on Monday because McConnell can't get either of these two men it's postponed again for a week.

F: Well, I - I mean, we can't permit that, and.....

HMJr: Because you were so rash to say you'd do all three by Monday, you know.

F: Well, that's.....

HMJr: I'll hold you to the General Aniline, anyway.

F: Well.....

HMJr: But you know I don't want to come in Monday and then they.....

F: Well, I realize that, Mr. Secretary, and I was disappointed, too, when I couldn't have McConnell here today and get this decided as to whether these other fellows are coming in with us; and I pushed him pretty hard. I called him - I talked with him at his home just before you called me last night.

HMJr: Yeah.

F: And he said, "Ed, I got out of bed to come up there today, and I've got to give my throat a rest and I've got to get over this cold; because if I go into this thing the first of next week, it's going to take a lot out of me and I've got to give it all my time and I want to get over this cold."

HMJr: Yeah. That's all very nice, but when I come in

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Monday - have you talked to him today?

F: No, I haven't talked with him since I talked with him last night.

HMJr: Well, what - but when we come in Monday, I don't want any alibi.....

F: Right.

HMJr:that he can't go on it, because if he isn't going to be able to go ahead, no matter - irrespective - then let's look for somebody else today, Ed.

F: Yeah.

HMJr: I don't want to wait until Monday. I can't do it now. God damn it, I've told the President we're going to do it, now we've got to do it.

F: Yeah.

HMJr: And you told me we would be ready.

F: Right.

HMJr: Now, if McConnell isn't ready - irrespective of anything else - to step in there Monday, then let's drop him and get somebody else.

F: All right.

HMJr: Now, I mean, I want to know from you from him is he ready to go to work on this thing Monday, with no if's or conditions.

F: All right.

HMJr: No alibis.

F: All right. I'll call him.

HMJr: Because I simply can't wait until Monday, and then have to wait another week.

F: Right.

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HMJr: Now, I've had this thing - I've had this - I've gone to all this great effort to get this authority, now, by God, let's exercise it.

F: Right.

HMJr: And the thing that I'm worried about, McConnell will step in here and say, "Well, I can't get these two men, so I can't do it."

F: Well.....

HMJr: I want to know.....

F: Well, I think we've got a job to do on Monday to get for him the help he wants.

HMJr: No, but the point that I want you to call him up on the phone and say is, "Look, the Secretary wants to know are you ready, unconditionally, to take off your coat on Monday and go to work and see us through on this."

F: Right.

HMJr: Unconditionally.

F: All right.

HMJr: See?

F: Right.

HMJr: "Because if you're not ready to do it, then he'll have to look somewhere else."

F: Yeah. Okay.

HMJr: Now that gives you two days to turn around in, Ed. I'm doing something for you.

F: All right. I'll do it.

HMJr: What?

F: I'll call him right away.

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HMJr: Well, isn't it taking time by the forelooks?

F: Well, I think that - yes, if we can find somebody else; but I think McConnell will do this, and I think that we can convince these other fellows that they've got to help him do it, and that's what he wants us to do on Monday morning.

HMJr: Well - but if we can't, then we're stuck again.

F: Well, and then - then we've got to get other people to help him.

HMJr: No. Well, then let him say unconditionally that he'll go ahead unconditionally and if we don't get those, we.....

F: We get other people.

HMJr: That's all right.

F: Well, I think he'll do that.

HMJr: But I want him to say unconditionally that he'll personally go ahead, and if it's not those two, it'll be some other two.

F: All right. I'll talk to him right away.

HMJr: But we've got to get that in hand.

F: Well, I know that.

HMJr: Now, the other thing - well, I think what I'm telling you is helping - I mean, to - if he says, "Well, I can't do it unless those two and no other two," then we know we're sunk.

F: Yeah. Well, I don't think he'll say that.

HMJr: Well, if he won't. Now, the other thing - did McCloy say Stimson would write me a letter?

F: Yes. And he told me last night that the letter had been drafted.

HMJr: Well, I haven't got it.

- 5 -

F: Well, it's probably in the mill.

HMJr: What?

F: It's probably in the mill. I'll check up on that right away.

HMJr: You check up on that.

F: Okay.

HMJr: Got anything else?

F: No. No.

HMJr: And did you say the Polish fellow, what's his name, is going to go out tomorrow?

F: Szymczak, that's right. He's going out on the plane in the morning.

HMJr: Okay.

F: All right, sir.

HMJr: Thank you.

F: Good-bye.

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TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE March 6, 1942

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

I have just finished talking to Robert McConnell at Middleburg, Virginia. He tells me that I may say to you that he feels committed on General Aniline & Film unless you have changed your mind. From his preliminary talks with Robert Wilson, George Moffat and Dr. Weidline, all of whom will be in my office at 11:00 o'clock on Monday, he feels reasonably sure that at least two of the three will agree to serve on the board of directors. He also said when he comes up on Monday he will be prepared to go on to New York with Joe O'Connell at the conclusion of the meeting.

As soon as we have agreed on a board of directors, Judge Mack will be advised and told to call a meeting of the old board at the earliest possible moment. It may be that a quorum of the board cannot be gotten together before Wednesday as some of the members live as far away as Cleveland and Chicago. However, the meeting will be held as soon as possible, resignations will be accepted, the new board installed, and Robert McConnell made president in place of Judge Mack.

From a strictly legal standpoint, there might be some advantage in accomplishing this program at a stockholders' rather than board of directors' meeting but such a meeting would require ten days' notice under the Delaware law and since we don't own all of the stock, the statutory requirement could not be waived. It is contemplated that the action to be taken at the board meeting next week will be ratified at a stockholders' meeting as soon as such a meeting can be called legally.

S. H. F.

0:

23

Miss Chauncey --

3-9-42

This was noted by Mr. Foley
and is returned for your file.

s

MR. FOLEY

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Foley 24

DATE March 6, 1942

TO Secretary Morgenthau

FROM Gerard Swope

I am in receipt this morning of a letter from Mr. Charles Belknap which states as follows:

"The more I think of Carter for that job the better I think he will be, and I am of the opinion that the Government will make a mistake if it does not take him.

"Quite naturally he wants to assist in this situation and still has before him the question of accepting the commission as a Captain in the United States Naval Reserve."

G.S.

RECEIVED A. W. D. 11

WAR DEPARTMENT
WASHINGTON

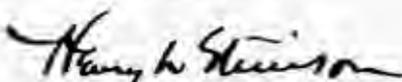
March 6, 1942

My dear Mr. Secretary:

Mr. McCloy tells me that your Department has been very prompt to offer its assistance in connection with some of the problems that are involved in the evacuation of Japanese and others from the West Coast areas. I have been concerned about the preservation of property values of the Japanese as it directly affects the success of the proposed movement. In this connection I have learned of the suggestion made by you for the use of the Federal Reserve Banks and your personnel in connection with arrangements to assist the evacuees in the disposal of their property, *and I am very glad to accept such help.*

I understand that the President is considering a proposed Executive Order which will designate a general administrator of some of the problems of resettlement which are involved in the evacuation. I do not understand that this order should interfere in any way with arrangements you have in mind, but, at least, pending the execution of such an order and the establishment of any other arrangements, I would very much appreciate it if you could assist us in carrying out Executive Order (No. 9066) along the lines of the memorandum entitled "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," which I believe was prepared in your Department.

Faithfully yours,


Secretary of War

The Honorable

The Secretary of the Treasury

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

March 6, 1942

TO Secretary Morgenthau
 FROM Mr. Foley

The plans for handling the West Coast situation are proceeding as follows:

1. Assistant Secretary McCloy is taking the following people with him in his plane leaving at 6 a.m., tomorrow morning from Bolling Field:

John Pehle,
 Ansel Luxford of the General Counsel's office,
 Erwin May, head of the Foreign Funds
 Investigative Unit,
 Ward Stewart, Pehle's administrative assistant,
 Governor Szymczak of the Federal Reserve System.

This plane will arrive in Los Angeles Saturday evening and, unless McCloy wants the Treasury group to stay in Los Angeles on Sunday, the Treasury group will go on by plane Saturday night to San Francisco to begin immediate discussions with the Federal Reserve Bank.

2. The Treasury is sending six additional men by planes leaving tonight and tomorrow morning for San Francisco. The personnel to be included in this group are shown on the attached list.

3. We had originally planned to send several more men but the San Francisco Federal has indicated that it believes it can do the job without such men. Accordingly, we are going to look the situation over before sending further personnel.

4. A press release is being prepared which will be issued at San Francisco after consultation with the San Francisco Federal and military authorities.

5. By Monday morning, the program will be well under way.

S. W. F. L.

TREASURY PERSONNEL GOING TO SAN FRANCISCO
BY CHARTERED PLANE

Foreign Funds Control

Judson Jones

D. H. Blake (speaks Japanese fluently)

Robert Evans

General Counsel's Office

Neil Naiden

Albert I. Edelman

Monetary Research

James E. Wood

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

Foreign Funds is asking to borrow Mr. Shaeffer of my office to help on the mission to the west coast in connection with the alien evacuees. I am willing to let him go along if you approve because he has been following the subject closely and would contribute more to the success of the mission than others. That would make Mr. Rivers next in command and acting in charge during lunch time and while I might be at White House press conferences. Does that meet with your approval?

CS
2/6

TO:

March 6, 1942.
Secretary Morgenthau

I have talked to Foley,
Pehle and Schwarz and we have
agreed that it is not desirable
to send any press relations man
with Pehle.

M.G.

FROM: MR. GASTON

March 6, 1942

1:13 p.m.

HMJr: Clif.

Clifton Mack: Yes, sir.

HMJr: Do you know what the shipping situation is for the Russians. Hopkins told me that there were boats waiting in ports for some of this steel. Do you know whether that's true or not?

M: Yes, I think it is. Just about a week ago they, after a shortage for a long time, they were able to get together eleven boats.....

HMJr: Yes.

M:which are now in Philadelphia loading.

HMJr: Yes.

M: And there are two out on the West Coast.

HMJr: Yes.

M: So that we sent out word to all of our field offices to expedite the shipment to try to advance shipping to do everything possible to.....

HMJr: But the boats are there, actually there?

M: Yes.

HMJr: What was that you took the other day, you said it was two thousand tons of tinplate?

M: Well, there were two thousand tons of copper.

HMJr: Copper.

M: That had been - that was to be supplied by the British.

HMJr: Oh.

M: And the British weren't able to meet the

- 2 -

requirement for this month, so that we're supplying it.

HMJr: Yes. But.....

M: And then there was also some tinfoil.

HMJr: Yes.

M: There's fourteen hundred and fifty or sixty cases of tinfoil that we have from the frozen stocks.....

HMJr: Oh, yeah.

M:that is being made available to the Russians.

HMJr: Right. Okay. I haven't seen Miss Chauncey. I don't know whether you've been able to give her that stuff or not.

M: Well, it's being written up right now. John Loeb and Lind are working on it, and it's just about - it'll be ready in just a few minutes.

HMJr: Then you'll get it over.

M: And we'll get it over immediately.

HMJr: Oh, is Loeb working on that?

M: Yes.

HMJr: Good. Is this his stuff?

M: This is the work he does, yes.

HMJr: Good.

M: All right, sir.

HMJr: Thank you.

M: Good-bye.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

OFFICE OF THE DIRECTOR

March 6, 1942

MEMORANDUM TO THE SECRETARY:

As requested I am supplementing my memorandum of yesterday's date with the information you wish relative to the indicated deficiencies of Protocol requirements as of April 1st, showing the requisitions received and total allocations for delivery by April 1st. The information furnished as to allocations was obtained from Mr. Schucker of the steel group of W. P. B.

Material - Tool Steel Protocol Requirement to April 1st
3000 Tons

Requisitions Received	Amount		Date Received	Total Allocated For Delivery by April 1st
R-222	611	Tons	Dec. 19, 1941	1511 Tons
R-223	390	"	Dec. 19, 1941	
R-1022	27	"	Feb. 4th	
R-1403	386	"	Feb. 18th	
R-1415	1148.1	"	Feb. 21st	

There is a deficiency in allocation of 1051 tons, and in requisitions received of 438 tons - Total deficiency 1489 tons.

Material - Steel Wire Protocol Requirement to April 1st
42000 Tons

Requisitions Received	Amount		Date Received	Total Allocated For Delivery by April 1st
R-224	355.1	Tons	Dec. 23, 1941	4202
R-225	55	"	Dec. 23, 1941	
R-226	90	"	Dec. 27, 1941	
R-227	190	"	Dec. 23, 1941	
R-228	200	"	Dec. 23, 1941	

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND WAR
STAMPS

Requisitions Received	Amount		Date Received	Total Allocated For Delivery by April 1st
R-229	200	Tons	Dec. 23, 1941	
R-230	150	"	Dec. 23, 1941	
R-231	2000	"	Dec. 23, 1941	
R-941	700	"	Feb. 2nd	
R-942	200	"	Feb. 2nd	
R-232	7.5	"	Dec. 23, 1941	
R-233	40	"	Dec. 23, 1941	
R-452	990	"	Dec. 27, 1941	
R-468	455	"	Dec. 27, 1941	
R-469	344.3	"	Dec. 27, 1941	
R-510	27.5	"	Jan. 2nd	
R-527	99.53	"	Jan. 3rd	
R-943	200	"	Feb. 2nd	
R-944	200	"	Feb. 2nd	
R-945	200	"	Feb. 2nd	
R-1023	43	"	Feb. 4th	
R-1018	200	"	Feb. 4th	
R-1024	60	"	Feb. 4th	
R-1025	200	"	Feb. 4th	
R-1086	3.3	"	Feb. 4th	
R-1032	90	"	Feb. 7th	
R-1084	127	"	Feb. 7th	
R-1089	35	"	Feb. 7th	
R-1090	36.5	"	Feb. 7th	
R-1091	200	"	Feb. 7th	
R-1092	30	"	Feb. 7th	
R-1093	25	"	Feb. 7th	
R-1384	30	"	Feb. 17th	
R-1385	10	"	Feb. 17th	
R-1463	10000	"	Feb. 24th	
R-1464	10000	"	Feb. 24th	
R-1591	120	"	Mar. 3rd	
R-1592	400	"	March 3rd	
R-1593	2550	"	March 3rd	
R-1640	640	"	March 4th	

Require 37,798 tons March allocation to meet April 1st Protocol requirement. Allocation deficiency 31503 tons. Requisition deficiency, 6295 tons.

Material - Steel Billets (Shell Steel) Protocol Requirement to April 1st - 48,000 Tons

R-528	16000	Tons	Jan. 3rd	10,000 Tons
R-1379	56000	"	Feb. 12th	

Require 38000 tons March allocation to meet April 1st Protocol requirement.

Material - Steel Alloy Tubes Protocol Requirement to April 1st - 1200 Tons

Requisitions Received	Amount	Date Received	Total Allocated For Delivery by April 1st
R-1016	60 Tons	Feb. 3rd	
R-1017	70 "	Feb. 3rd	35 Tons

There is a deficiency in allocation of 95 Tons and in requisitions received of 1070 Tons. Total deficiency-1165

Material - Stainless Steel Wire Protocol Requirement to April 1st - 120 Tons

R-234	12 Tons	Dec. 27, 1941	12 Tons
R-928	5 "	Jan. 27th	
R-940	5 "	Feb. 2nd	

There is a deficiency in allocation of 10 tons and a deficiency in requisitions of 98 tons. Total deficiency, 108 Tons.

Material - Cold Rolled Steel Strips Protocol Requirement to April 1st-48000 Tons

R-179	400 Tons	Dec. 14, 1941	28592 Tons
R-180	330 "	Dec. 14, 1941	
R-181	75 "	Dec. 17, 1941	
R-664	27.5 "	Jan. 16th	
R-665	1.6 "	Jan. 16th	
R-1026	845 "	Feb. 4th	
R-1027	1630 "	Feb. 4th	
R-1028	300 "	Feb. 4th	
R-1029	12002 "	Feb. 4th	
R-809	3465 "	Feb. 4th	
R-1031	75 "	Feb. 4th	
R-608	2000 "	Feb. 4th	
R-1053	400 "	Feb. 5th	
R-1055	660 "	Feb. 5th	
R-1085	50 "	Feb. 7th	
R-1372	10065 "	Feb. 12th	
R-1371	15000 "	Feb. 12th	
R-1382	200 "	Feb. 17th	
R-1383	200 "	Feb. 17th	
R-1387	16.8 "	Feb. 17th	
R-1402	89 "	Feb. 18th	
R-1407	75 "	Feb. 18th	

Requisitions Received	Amount	Date Received	Total Allocated for Delivery by April 1st
R-1465	375 Tons	Feb. 24th	
R-1488	8000 "	Feb. 27th	

Require 19408 Tons March allocation to meet April 1st Protocol requirement.

Material - Hot Rolled Steel Protocol Requirement to April 1st - 42000 Tons

R-1061	6000 Tons	Feb. 6th	10000 Tons
R-1088	200 "	Feb. 7th	
R-1390	400 "	Feb. 18th	
R-1399	26000 "	Feb. 18th	
R-1400	24000 "	Feb. 18th	

Require 32000 Tons March allocation to meet April 1st Protocol requirement.

According to our records the Russians have not submitted requisitions to cover the entire Protocol requirements to April 1st in the case of Tool Steel, Steel Alloy Tubes and Stainless Steel Wire, likewise Steel Wire.

Clifton E. Mack
 Clifton E. Mack
 Director of Procurement

WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

March 6, 1942

Dear Mr. Secretary:

With reference to your letters of February 19, and March 4 and 6 and mine of February 28, concerning our commitments under the Moscow Protocol, I enclose the following two documents:

- (1) Report of our Iron and Steel Branch covering our total iron and steel commitments--441,180 tons under the Protocol and 593,534 tons in addition thereto.
- (2) Tabulation covering the eleven items other than steel covered in your letter of February 19.

We should bear in mind, when comparing commitments with what can be made available by April 1, that many requisitions called for unusual specifications necessitating either subsequent adaptation to American standards or unavoidable deferrals of delivery. There have also been very considerable delays on the part of the Russians in submitting requisitions. For example, up to the middle of January we had received requisitions for only about 60,000 tons of steel, which since then have been increased to a total of over 1,000,000 tons. The latter figure is more than twice the Protocol commitments.

It is for the above reasons that our report on steel shows an expected deficit on April 1 of approximately 100,000 tons below the Protocol commitment. Despite this, however, present schedules call for a production of 342,619 tons by May 1, which compares with our Protocol obligation by then of 343,140 tons. These results are being achieved, even though most of the items involved require 20 to 60 days in the manufacturing process alone.

Although your letters did not include all items (other than implements of war) covered by the Protocol, we have also been preparing reports on chemicals, cables, leather and industrial equipment which will be forwarded to you shortly and will complete the Russian picture.

Sincerely yours,

Donald M. Nelson
Donald M. Nelson

Your honorable
Secretary of the Treasury

I hope you will read the first 7 pages
W

REPORT ON
POSITION OF RUSSIAN LEND-LEASE STEEL PROGRAM
AS OF MARCH 4, 1942

Paul F. Schucker
Iron and Steel Branch
War Production Board

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WAR PRODUCTION BOARD

WASHINGTON, D. C.

March 5, 1942

Mr. C. E. Adams, Chief
Iron and Steel Branch
War Production Board
Washington, D. C.

Dear Mr. Adams:

There is transmitted herewith a report on the "Position of Russian Lend-Lease Steel Program as of March 4, 1942". This report has been written in response to numerous inquiries which we have received from sources both within and without the Iron and Steel Branch. In the preparation of the report, the point of brevity has been kept in mind but despite this, the report is rather long. This was unavoidable if a complete picture of each of the many aspects of the Russian steel program was to be presented.

The report shows that, while the Russian steel program was over three months late in really getting under way because of delay in the receipt from the U. S. S. R. of requisitions or specifications, these began to arrive in great volume shortly after the middle of January with the result that production of steel for the U. S. S. R. will reach a high level in March.

In the preparation of this report, I have had the valuable assistance of each of the men in the Iron and Steel Branch concerned with the individual steel products in the program. Each of these men concurs in the text regarding his particular product.

Should there be any further information needed regarding any part of the report, I shall be glad to endeavor to obtain it for you.

Yours very truly,

Paul F. Schucker

Paul F. Schucker
Iron and Steel Branch

REPORT ON
POSITION OF RUSSIAN LEND-LEASE STEEL PROGRAM
AS OF MARCH 4, 1942.

Commitments

Under the terms of the Moscow Protocol, the United States committed itself to supply Russia with stipulated amounts of various steel products monthly for the nine months' period from October 1, 1941 through June 30, 1942. By December 31, 1941, three months after the beginning of the Protocol period, the Russians had filed requisitions totaling but a little more than one months' commitment. As it was impossible to order steel without knowing the details of what was wanted and, as it takes from 20 to 60 days to manufacture and ship steel products after they are ordered, the deficit under the Protocol commitments was increasing very rapidly.

Mr. W. L. Batt, Director of the Materials Division, therefore, prepared a report, dated January 8, 1942, on the "Condition of the Soviet Aid Program as Provided in the Protocol Agreement." This report reaffirmed the Protocol commitments in general and stated that the full deliveries called for could still be furnished to the U.S.S.R. by June 30, 1942, provided three important qualifications were fulfilled. These were that

- a. Requisitions for the full amounts should be received by January 20, 1942.
- b. Sizes and specifications should be conformable to American standards.
- c. Sizes and specifications should be spread over the full range of American production in proportion to the respective production capacities for the various sizes and specifications.

As a result of Mr. Batt's report, requisitions or advance specifications were presented in great volume during the period January 19 to 22, inclusive and by January 23 a total of 751,200 gross tons, or two-thirds more than the full Protocol commitment, had been received by the Iron and Steel Branch. This total has increased since to 1,034,714 gross tons by the continued receipt of additional advance specifications. Unfortunately, the greater part of this tonnage consisted of sizes and specifications which did not meet the qualifications set out in Mr. Batt's report. Sizes and specifications were not conformable to American standards, nor were they widely spread over the full range of American production. Consequently, serious questions arose as to the rigidity of the Protocol commitments. Despite this, every effort has been made by the Iron and Steel Branch to furnish the steel desired by the U.S.S.R. as expeditiously as possible.

Specifications

From the beginning of the Russian steel program, the Iron and Steel Branch's attitude was that steel produced for the Russians (as well as steel produced for the British, Chinese and Dutch) should conform to American standards for two principal reasons: First - to maintain American steel production at as high a level as possible and, Second - since shipping limitations or changed circumstances abroad might require some revision of actual shipments from time to time, it should be possible to divert material scheduled for Russian delivery to American, British or other users and vice versa.

Requisitions coming to the Iron and Steel Branch from the Office of Lend-Lease Administration in November and December, in practically every case, had to be changed in many of the details of sizes, chemical analyses and physical properties. These changes were discussed with the Russian representatives and their agreement thereto was obtained. It was necessary in so many cases to have the formal requisitions, already cleared by OILA,

rewritten that the Russians were asked in December to present advance specifications first to the Iron and Steel Branch for approval or change. Since that time, formal requisitions are presented to OLLA for approval and forwarded to the Iron and Steel Branch for allocation only after the advance specifications have been cleared.

Many of the questions which arise from the advance specifications as presented are of a highly technical nature. It has often been necessary to call steel company metallurgists in to the WPB for consultation on Russian specifications with the Iron and Steel Branch's metallurgists and product men. In many cases, the Russian representatives must communicate with Moscow for authority to accept the modifications suggested. For these reasons there have been considerable delays prior to the allocating of steel products for the U.S.S.R. and even after allocation, specification problems have delayed the placing of contracts. All this could be avoided, and steel products could be supplied to the U.S.S.R. much faster, if the Russians would present specifications which conform to American standards.

Another source of delay has been the tendency of the U.S.S.R. to ask for only the highest grade of each product rather than the standard commercial grade of large scale production used for the same purposes in this country. This tendency has been discussed with the Russian representatives who have stated that it is because in the U.S.S.R. it is believed that the United States can make unlimited amounts of the very best materials and that Moscow cannot understand that there can be any difficulty of procurement.

For instance, the original Russian request for tin plate was for 1-A Charcoal grade, primes only, with a 3.00 lb. coating per base box, whereas practically all tin plate used domestically and all shipped under Lend-Lease to the British was 1.25 and 1.50 lb. coatings, primes and seconds.

The bulk of the alloys asked for by the U.S.S.R. specified more chrome, vanadium, nickel, etc. than is found in steels used for similar purposes here. The wires requested were most always in the finer sizes and of specialty grade. The shell steel required the most difficult heat treatment. The wire ropes were almost all in fine aircraft sizes. These factors will all be discussed in more detail later herein. Needless to say, each of these and similar matters has been viewed by the Iron and Steel Branch in the light of a sincere desire to help the U.S.S.R.

Classification of Requisitions

Due to the vagueness of the terms used in the Protocol to designate the various categories of steel products, differences of opinion have arisen as to which Protocol category certain of the requisitions should be placed under. The Iron and Steel Branch has classified each requisition and advance specification under the category in which the product called for by the requisition or advance specification falls according to commercial practice in this country. In many cases, the product is not classifiable under any of the Protocol categories but this has not meant that the Iron and Steel Branch has not endeavored to arrange for its production for the U.S.S.R. with as much vigor as for a product which is clearly covered by the Protocol. In each such case proper authority has been obtained. When requests for material not covered by the Protocol are received by the Iron and Steel Branch, they are cleared without delay - first, with Mr. W. L. Batt, Chairman of the W. F. E. Requirements Committee and - second, with the Office of Lend-Lease Administration before allocation.

In order that no misunderstandings may arise in the future and so that future commitments can be appraised intelligently, it is proposed to ask for future Russian steel programs to be stated in classifications which are clearly understandable. With this in view, the Iron and Steel Branch is preparing a table of steel classifications for transmittal to the Russians.

Allocations Made Through March 4, 1942

The position of the Russian Lend-Lease steel program on March 4, 1942 is shown in the table on Page 8. The Protocol commitments shown therein are in metric tons of 2,204 lbs. each, the unit used in the Protocol. Requisitions allocated and advance specifications on hand but not yet cleared or allocated are in gross tons of 2,240 lbs. each, the customary unit for steel exports. In this report, no distinction is made between these two kinds of tons, although if the Protocol commitments were converted to gross tons they would be 1.6% lower.

As shown in the table, requisitions totaling 540,576 tons, or more than the full nine months' Protocol commitment of 441,180 tons have already been allocated. In addition there are 494,138 tons of advance specifications on hand which will be cleared to the fullest extent possible and allocated as quickly as possible. Where there are commitment balances not yet allocated, an examination of the figures will show whether the reason is because specifications for sufficient tonnages have not been presented or because advance specifications for sufficient tonnages have not yet been conformed to American standards. The status of the advance specifications on hand for each product category is discussed later herein under the individual product heading.

POSITION OF RUSSIAN LEND-LEASE STEEL PROGRAM
ON MARCH 4, 1942
45 IN GROSS TONS^(a)

Moscow Protocol Classification		Protocol Commitment ^(a)		Requisitions Allocated thru Mar. 4, '42	Balance of Commitment Not Yet Allocated	Advance Specifications on Hand
Item	Material	Per Month	9 Months thru June '42		() excess	
25	Armor Plate	1,000	9,000	10,000	(1,000)	-
26	Hard Alloys & Cutting Tools	(b)	(b)	400	(b)	2,460(b)
28	High Speed Steel	100	900	900	-	870
29	Tool Steel	500	4,500	1,405	3,095	21,498
30	Calibrated Steel	(c)	(c)	5,865	(c)	89,720
31	Hot Rolled Steel	7,000	63,000	76,200	(13,200)	-
32	Steel Billets	8,000	72,000	16,000	56,000	56,000
33	Cold Rolled Strip	8,000	72,000	56,089	15,931	8,130
34	Cold Rolled Sheets	8,000	72,000	59,160	12,840	-
35	Tin Plate	4,000	36,000	36,000	-	-
36	Steel Wire	7,000	63,000	26,715	36,287	19,253
37	Wire Rope	1,200	10,800	1,000	9,800	9,566
38	Alloy Tubes	200	1,800	610	1,190	2,714
39	Stainless Steel Wire	20	180	22	158	590
41	Barbed Wire (& Staples)	4,000	36,000	40,170	(4,170)	-
 <u>Items Not Covered by Protocol</u>						
A	Ball Bearing Wire & Bars	-	-	500	(500)	10,500
B	Die Blocks	-	-	1,150	(1,150)	-
C	Chrome Alloy Wire	-	-	410	(410)	822
D	Drill Pipe & Line Pipe	-	-	55,500	(55,500)	54,500
E	Oil Well Casing & Tubing	-	-	58,500	(58,500)	87,400
F	Aircraft Steels	-	-	-	-	81,055
G	Pressure Tubes	-	-	2,000	(2,000)	8,937
H	Terne Plate	-	-	2,000	(2,000)	-
I	Rails & Accessories	-	-	90,000	(90,000)	-
J	Railroad Car Axles	-	-	-	-	40,000
K	Miscellaneous	-	-	2	(2)	134
Totals		49,020	441,180	540,576	(93,131)	494,138

Notes:

- (a) Protocol commitments are in metric tons of 2204 lbs. each. In this table no distinction is made between gross tons (of 2240 lbs. each) and metric tons.
- (b) The Protocol commitment is \$100,000 worth per month, or \$900,000 total. Specifications presented to the Iron and Steel Branch and classified under this category are for material estimated to cost about \$2,500,000. Substantial additional requisitions under this category have been filed with the W.P.B. Tools Branch.
- (c) Protocol contains no commitment for "Calibrated Steel". U.S.S.R. has asked for 13,000 tons per month.

Expected Production

The expected production of Russian Lend-Lease steel allocated through March 4, 1942, is shown in the table on Page 11. Production to the end of February was, of course, very low in comparison with the Protocol commitment, amounting to only about 62,600 tons total. The reason for this, as stated previously, is because requisitions and specifications were not received in sufficient volume to permit of a higher production. The total amount of requisitions and specifications received by the Iron and Steel Branch up to December 31, 1941, was only about 63,000 tons. Thus, it would seem that practically the full amount of material requisitioned to the end of 1941 was produced by the end of February, 1942.

As stated previously, specifications covering almost 700,000 gross tons were received by the Iron and Steel Branch between January 19 and January 23. Allocations for production went forward from that time at a greatly accelerated rate with the result that production in March is expected to be about 125,000 tons. Thus, the total deficit as of April 1, 1942, is expected to be only about 106,000 tons and this will be made up by the end of April.

Total production to June 30, 1942, of requisitions allocated through March 4, 1942, is expected to total about 500,000 tons, or more than the full nine months' Protocol commitment. In some of the Protocol categories, there still remains unallocated commitment balances either because of receipt of insufficient specifications or because sufficient specifications have not yet been cleared and allocated. These deficits in total are more than made up by expected production of requisitions not covered by the Protocol but already allocated.

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Figures are given for production rather than for shipments because in several instances in the past, shipments have been held up by the Army for military or ocean shipping reasons, and it is possible that such partial embargoes on shipping may again be necessary in the future.

EXPECTED PRODUCTION OF RUSSIAN LEND-LEASE STEEL
 ALLOCATED THROUGH MARCH 4, 1942
 IN GROSS TONS(*)

Item	Moscow Protocol Classification	Material	Expected Production based on Allocations through March 4, 1942					Total to April 1, 1942	Protocol Commitment for 6 months to April 1, 1942(a)	Deficit as of Apr. 1, 1942 () excess	Expected Production based on Allocations through March 4, 1942			Total Production to June 30, 1942
			November	December	January	February	March				April	May	June	
25		Armor Plate	-	-	-	400	4,600	5,000	3,000	1,000	3,400	1,600	-	10,000
26		Hard Alloys & Cutting Tools	-	-	-	-	300	300	(b)	(b)	300	-	-	400
28		High Speed Steel	-	-	-	283	300	583	600	20	320	-	-	900
29		Tool Steel	-	-	-	200	320	520	3,000	2,180	565	-	-	2,400
30		Calibrated Steel	-	-	-	2,000	2,000	4,000	(c)	(4,000)	1,855	-	-	3,855
31		Hot Rolled Steel	-	-	-	-	19,075	19,075	15,000	25,925	24,075	14,080	10,000	86,200
32		Steel Billets	-	-	-	2,000	8,000	10,000	48,000	38,000	6,000	-	-	16,000
33		Cold Rolled Strip	-	-	-	8,366	10,380	19,230	48,000	38,770	15,140	12,340	8,366	66,066
34		Cold Rolled Sheets	-	-	200	6,000	12,000	18,200	48,000	29,800	25,000	15,980	-	59,160
35		Zin Plate	-	200	3,800	15,000	4,000	24,000	24,000	-	4,000	4,000	4,000	34,000
36		Steel Wire	-	-	-	500	7,000	7,500	42,000	34,500	11,700	7,513	-	39,713
37		Wire Rope	-	-	-	-	-	-	7,300	500	500	500	-	1,000
38		Alloy Tubes	-	-	-	-	-	-	1,300	1,300	300	310	-	210
39		Stainless Steel Wire	-	-	-	12	10	22	-	88	-	-	-	22
41		Barbed Wire(& Staples)	6,446(d)	11,000	400	3,600	4,800	25,946	24,000	(1,945)	4,700	4,700	4,825	40,170
Items Not Covered by Protocol														
A		Ball Bearing Wire & Bars	-	-	-	250	250	500	-	(500)	-	-	-	500
B		Die Blocks	-	-	-	-	300	300	-	(300)	300	300	250	1,150
C		Chrome Alloy Wire	-	-	-	-	80	80	-	(80)	80	80	50	250
D		Drill Pipe & Line Pipe	-	-	-	-	18,500	18,500	-	(18,500)	18,500	18,500	-	88,500
E		Oil Well Casing & Tubing	-	-	-	-	19,500	19,500	-	(19,500)	19,500	19,500	-	58,500
F		Aircraft Steels	-	-	-	-	-	-	-	-	-	-	-	-
G		Pressure Tubes	-	-	-	-	-	-	-	-	1,000	1,000	-	2,000
H		Perme Plate	-	-	-	1,000	380	1,380	-	(1,380)	380	300	-	2,000
I		Nails & Accessories	-	-	-	-	14,000	14,000	-	(14,000)	10,300	15,100	15,100	80,500
J		Railroad Car Axles	-	-	-	-	-	-	-	-	-	-	-	-
K		Miscellaneous	-	-	2	-	-	2	-	(2)	-	-	-	2
Totals			6,446(d)	11,000	4,402	40,692	125,166	187,894	294,125	108,616	154,315	115,753	42,584	500,966

Notes:

- (a) Protocol commitments are in metric tons of 2204 lbs. each. In this table no distinction is made between gross tons (of 2240 lbs. each) and metric tons.
- (b) The Protocol commitment is for \$100,000 worth per month. The 400 tons allocated by the Iron and Steel Branch are estimated to cost \$270,000. Substantial additional requisitions under this category have been filed with the W.F.S. Tool Branch.
- (c) Protocol contains no commitment for "Calibrated Steel". U.S.S.R. has asked for 15,000 tons per month.
- (d) Including 4,000 tons purchased by U.S.S.R. for cash in October 1941.

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Item 25 - Armor Plate

		<u>Tons</u>
Moscow Protocol Commitment	- monthly	1,000
	- 9 months to 6/30/42	<u>9,000</u>
Allocated through March 4, 1942	-	<u>* 10,000</u>
Balance of Commitment	-	<u>1,000</u> excess
Specifications not yet cleared or not yet allocated	-	<u>0</u>

*See Text

Specifications for Russian Armor Plate have been under discussion by the Iron and Steel Branch, the Army, the Navy, the producers and the Russian representatives since October 1941. An agreement on the specifications to be furnished was finally reached in January 1942.

A requisition calling for 9,000 gross tons was received by the WPB Iron and Steel Branch on January 30, and immediately allocated for purchase by the Treasury Department, Procurement Division. Subsequently, it was decided to have the procurement handled by the Army. It is expected that 5,000 gross tons of armor plate will be produced for Russia by March 31 and another 5,000 tons in the six weeks thereafter.

Item 26 - Hard Alloys and Cutting Tools

		<u>Tons</u>	<u>Dollars</u>
Moscow Protocol Commitment	- Monthly		\$100,000
	- 9 Months to 6/30/42		900,000
		<u>400</u>	<u>270,000</u>
Allocated through March 4, 1942	-		
Balance of Commitment	-	<u>(See Text)</u>	
Specifications in Iron and Steel Branch not yet cleared or not yet allocated	-	<u>2,450</u>	<u>\$2,500,000</u>

The Protocol commitment for this item is not stated in tons but as \$100,000 worth per month, or a total of \$900,000.

The Russian representatives have indicated that such material as Chrome Iron Strip is to be classified under this heading. A number of other advance specifications have been presented for corrosion resisting steel alloys, rounds, sheets and plates, containing a similar high chromium content, as well as substantial percentages of other scarce alloying elements, such as tungsten, vanadium, and nickel. These specifications do not belong under any of the other Protocol items and are, therefore, classified by the Iron and Steel Branch under Item 26. The total of specifications so classified are for material estimated to be worth about \$2,500,000.

In addition, the Russians have filed with the Office of Lend-Lease Administration, under Item 26 of the Protocol, requisitions for 3,566,300 high speed drills of high tungsten content and 65,000 turning tool tips. These are being handled by the Tools Branch of WPB.

The advance Russian specifications presented to the Iron and Steel Branch, in general, are so far away from American standards that it has been necessary to offer the Russians suitable substitutes. This is particularly true because of our critical situation in chrome, nickel, vanadium and other alloy elements and the consequent severe restrictions placed on American users. The Russian representatives have been hesitant to accept the substitutes offered and negotiations are continuing.

The estimated A-1 rated armament requirements of chrome are about 30% higher than the 150,000 tons available in the United States in 1942. The estimated A-1 rated armament demand for nickel is about 15,000,000 lbs. per month, as against an estimated supply of about 13,500,000 lbs. The estimated A-1 rated armament demand for vanadium is about double the expected available supply.

Item 28 - High Speed Steel

		<u>Tons</u>
Moscow Protocol Commitment	- Monthly	100
	- 9 Months to 6/30/42	<u>900</u>
Allocated through March 4, 1942	-	<u>900</u>
Balance of Commitment	-	<u>0</u>
Specifications not yet cleared or not yet allocated	-	<u>870</u>

Early in December the Iron and Steel Branch received two requisitions covering 1,000 net tons, or 900 gross tons, of high speed tool steel. The matter of specifications and tolerances called for in the requisitions was discussed with the Russian representatives and upon their agreement to take standard run of the mill sizes and American standard tolerances, the requisitions were immediately allocated for production in January, February and March. Subsequent to the date of allocation, the Russian representatives changed their minds with regard to sizes and tolerances and a prolonged period of negotiation regarding these matters ensued. This so delayed the placing of contracts that it was possible to obtain a production of only about 40 tons in January and 240 tons in February. The balance of the 900 tons is expected to be produced in the months of March and April, thus completing the full Protocol commitment by the end of April. These deliveries are extraordinarily large when it is considered that this amount of tool steel is the highest ever ordered from American industry at any one time.

Advance specifications for an additional 870 gross tons of high speed steel have been received. Even though this amount is entirely over the

Protocol commitment, it is planned to allocate it for production in the second quarter of 1942. Under General Preference Order M-14, it is stated that only 25% of any order of tool steel can be in the grade in which the relationship of the production of tungsten, chromium, and vanadium is 18-4-1 and the other 75% must be 6-6-2. The Russian specifications do not indicate which of the sizes requested are to be of 18-4-1 and which of 6-6-2. This information was requested in January. As soon as it is received, the allocation will be made.

The U. S. production of high speed tool steel is only about 5,000 tons per month. Practically all of this production is going to the Army, Navy, Russian, British, machine tool and other A-1 rated uses.

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Item 29 - Tool Steel

		<u>Tons</u>
Moscow Protocol Commitment	- monthly	500
	- 9 months to 6/30/42	<u>4,500</u>
Allocated through March 4, 1942	-	<u>1,405</u>
Balance of Commitment	-	<u>3,095</u>
Specifications not yet cleared or not yet allocated	-	<u>21,498</u>

For the purpose of discussing the status of the Russian Tool Steel program, the above figures of requisitions allocated and advance specifications not yet cleared are itemized as follows:

	<u>Allocated</u>	<u>Not yet Cleared</u>
Alloy Tool Steel	720 Tons	2,288 Tons
Hollow Drill	300 "	500 "
High Carbon, High Chromium	222 "	1,739 "
Cold Drawn Plain Carbon	0 "	16,950 "
Hot Rolled Plain Carbon	160 "	0 "
Drill Rod	3 "	21 "
	<u>1,405 Tons</u>	<u>21,498 Tons</u>

The Alloy Tool Steel specifications requested by the Russians do not conform to American standards and considerable difficulty is being experienced in getting Russian agreement to specifications which American mills can produce. If this agreement is obtained in the near future, the 2,288 tons not yet cleared can be allocated for delivery in equal monthly amounts by June 30, 1942.

The 800 tons of Hollow Drill Steel was requested by the Russians under the Protocol category Item 31, Hot Rolled Steel. This steel is electric furnace quality and made by the same facilities and with the same practices as High Carbon Tool Steel. Certainly, this high-cost specialty should not be requisitioned under a category for which the monthly quota is

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7,000 tons. The 300 tons already allocated will be produced by the end of March, and it is planned to allocate the remaining 500 tons for production in April and May.

The 1,961 tons of High Carbon, High Chromium steel contains 12% chromium, a proportion which is excessive considering the present chromium scarcity. The Russian representatives have been asked repeatedly to ascertain the use to which this material will be put so that suitable low-alloy grade steel substitutes may be offered. The only reply to date is that this die steel is used indiscriminately and no attempt is made to fit various other grades to the special performance desired. In order to be helpful, the Iron and Steel Branch has already allocated 222 tons which will be ready for shipment in April.

The 16,950 tons of Cold Drawn High Carbon Tool Steel was requested by the Russians under the Protocol category Item 30 - Calibrated Steel. In this category they have requested a quota of 13,000 tons monthly. Calibrated Steel, if considered as a product with a large monthly quota, should be taken to mean cold drawn Bessemer steel screw stock of which the Russians have requested 95,585 gross tons under Item 30, but this 16,950 tons of Tool Steel does not belong in the same category. The specifications call for such a difficult annealing treatment that the country's annealing facilities could only furnish it over a long period of time. The total of 16,950 tons has been requested in only two sizes and the quantity per size seems, therefore, to be too large to be for tools alone. The Russians have been asked to ascertain the proposed uses of this steel. If it is for bullet core or bearings, suitable steels of less difficult manufacture can be supplied. If it is for tools alone, plain carbon hot rolled steel can be supplied; for tool-making purposes, the steel need not be cold drawn. To date, the Iron and Steel Branch has not been informed of the uses.

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The 160 tons of Hot Rolled Plain Carbon Tool Steel was only allocated on January 7, 1942, and has already been completely produced. This is indicative of the speed with which Hot Rolled Tool Steel can be produced as against the much longer process to produce the Cold Drawn Tool Steel discussed above.

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Item 30 - Calibrated Steel

		<u>Tons</u>
Moscow Protocol Commitment	- monthly	
	- 9 months to 6/30/42	<u>*</u>
Allocated through March 4, 1942	-	<u>5,865</u>
Balance of Commitment	-	<u>*</u>
Specifications not yet cleared or not yet allocated	-	<u>89,720</u>

* The Protocol contains no commitment for Calibrated Steel. The U. S. S. R. has asked for 13,000 tons per month.

The term, "Calibrated Steel", is not used in this country, and when the Iron and Steel Branch was asked to comment on the available supply, it was unable to do so pending the receipt of detailed specifications. Requisitions presented by the Russians under this classification up to December 31, 1941, were for 5,865 tons of cold drawn Bessemer steel screw stock. This is a product manufactured on a fairly large scale in the United States and, in view of the large monthly quota asked for by the U. S. S. R. under this item for which there is no Protocol commitment, the Iron and Steel Branch classifies under this heading material similar to Bessemer grade screw stock. 89,720 gross tons of the advance specifications not yet allocated have been so classified.

With practically no exceptions, the Russian requests have been for bars with diameters in millimeter sizes. To prevent the necessity of having new drawing dies made by the die-making industry, which is already heavily overloaded, the Russians have been asked to change from millimeter diameters to the nearest fractional inch diameters. This could not be done without consent from the U. S. S. R. which has not yet been received.

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The Army and Navy shell steel programs are for tremendous quantities of armor piercing and explosive type steels all of which must be cold drawn. Because of this, the cold drawn bar mills of this country have been placed under complete allocation by the Iron and Steel Branch. As soon as the sizes of the material requested by the Russians are cleared it will be possible to allocate this material for production at the rate of about 15,000 gross tons per month.

Item 31 - Hot Rolled Steel

		<u>Tons</u>
Moscow Protocol Commitment	- Monthly	7,000
	- 9 months to 6/30/42	<u>63,000</u>
Allocated through March 4, 1942	-	<u>76,200</u>
Balance of Commitment	-	<u>13,200</u> excess
Specifications not yet cleared or not yet allocated	-	<u>0</u>

No requisitions which could be classified under Item 31- Hot Rolled Steel, were presented to the Iron and Steel Branch before January 19. Since that time, a total of 76,200 gross tons of hot rolled sheets and plates has been requested. All of these requests have been cleared and the requisitions have been allocated. As the shortest delivery period obtainable for material of this kind is about thirty days, it was impossible to arrange for deliveries in February. It is expected that 18,075 tons will be produced in March, 24,075 in April, 14,050 in May, and 10,000 each in June and July. Of the 76,200 gross tons, one requisition of 50,000 gross tons of plates and sheets was requested by the Russians at the rate of 10,000 tons per month beginning in March, and it is because of this that 10,000 tons per month are scheduled in June and July rather than earlier.

Attention is called to the fact that the total amount allocated to date is 13,200 tons greater than the Protocol commitment. Deliveries against these allocations will aggregate 66,200 tons by June 30 as against the Protocol commitment of 63,000 tons.

Item 32 - Steel Billets (Chrome-Silicon-Manganese)

		<u>Tons</u>
Moscow Protocol Commitment	- monthly	8,000
	- 9 months to 6/30/42	<u>72,000</u>
Allocated through March 4, 1942	-	<u>16,000</u>
Balance of Commitment	-	<u>56,000</u>
Specifications not yet cleared or not yet allocated	-	<u>56,000</u>

On December 31, 1941, the Iron and Steel Branch received a requisition for 16,000 gross tons of chrome-silicon-manganese shell steel billets and this tonnage was allocated the same day. The rigid Russian specifications called for electric furnace steel and very difficult heat treating or annealing. When production was started in January, difficulties were encountered requiring a consultation at the mill with Russian metallurgists. These difficulties were not overcome until sometime in February with the result that it was possible to ship only about 2,000 tons in that month. The mill capacity is insufficient to make up the deficiency except at the rate of about 8,000 tons per month so that deliveries are expected to be 8,000 tons in March and 6,000 tons in April.

An additional requisition for 56,000 tons of shell steel billets, calling for the same difficult specifications as the first, was received by the Iron and Steel Branch on February 24, 1942. Due to the existing heavy load on the country's electric furnace capacity and annealing capacity, negotiations were initiated with the Russian representatives to gain their acceptance of a substitute made from open hearth steel with less difficult heat treating, such as is in common use by our own Army and Navy. To this the Russians have finally agreed.

In order to allocate such a large tonnage of shell steel billets in such a way that the full amount can be delivered by June 30, 1942, it has been found necessary to call a meeting of representatives of the various shell steel producers. This meeting will be on March 10, and it is expected that the 56,000 tons will be allocated immediately thereafter.

Item 33 - Cold Rolled Strip

		<u>Tons</u>
Moscow Protocol Commitment	- monthly	8,000
	- 9 months to 6/30/42	<u>72,000</u>
Allocated through March 4, 1942 -		<u>56,069</u>
Balance of Commitment	-	<u>21,931</u>
Specifications not yet cleared or not yet allocated	-	<u>8,130</u>

Up to the end of 1941, requests received by the Iron and Steel Branch for Cold Rolled Strip amounted to only 3,170 gross tons. During January additional advance specifications totalling 61,029 gross tons were received. These advance specifications were not widely spread over the full American production range of sizes and specifications. Specifications for 40,000 tons called for metallic belt link strip and cartridge clip stock in only three sizes with very high carbon content and an annealing treatment taking at least three times as long as the ordinary strip annealing process. Consequently, the time required for the manufacture of this strip is about six weeks. Furthermore, some of the details in the specifications were not ordinarily produced in this country and were practically impossible to meet. It was, therefore, necessary to call in a group of metallurgists from the cold rolled strip producing companies to revise the specifications in cooperation with the Russian representatives.

Allocation of 52,899 gross tons were made in February for production over the balance of the Protocol period, beginning as soon as possible. The 8,130 tons balance of the specifications not yet allocated are being cleared and will be allocated shortly.

Item 34 - Cold Rolled Sheets

		<u>Tons</u>
Moscow Protocol Commitment	- monthly	8,000
	- 9 months to 6/30/42	<u>72,000</u>
Allocated through March 4, 1942	-	<u>59,160</u>
Balance of Commitment	-	<u>12,840</u>
Specifications not yet cleared or not yet allocated	-	<u>0</u>

Up to January 18, 1942, the Iron and Steel Branch had received requests from the Russian representatives for only 4600 tons of Cold Rolled Sheets. This 4600 tons was allocated on December 19, 1941. During the period, January 19 to January 22, the Russians filed advance specifications for 54,560 additional tons of Cold Rolled Sheets. These advance specifications were all cleared by January 26, but formal requisitions were not received by the Iron and Steel Branch until February 4. During the next week, arrangements were made for the supplying of the entire 54,560 tons, and allocations were made on February 12 for delivery in March, April, and May. As the manufacturing process for Cold Rolled Sheets takes practically four weeks, substantial deliveries of this product could not reasonably be expected until April. Nevertheless, due to pressure on the producers from the Iron and Steel Branch, it is expected the production in March on Russian orders will be about 12,000 tons, and production in April would be at least doubled this amount.

Allocations have not yet equalled the full Protocol commitment because sufficient requests have not yet been received.

Item 35 - Tin Plate

		<u>Tons</u>
Moscow Protocol Commitment	- monthly	4,000
	- 9 months to 6/30/42	<u>36,000</u>
Allocated through March 4, 1942 -		<u>36,000</u>
Balance of Commitment	-	<u>0</u>
Specifications not yet cleared or not yet allocated	-	<u>0</u>

A requisition for Tin Plate was received by the Iron and Steel Branch on October 15, 1941. This requisition called for 1-A Charcoal grade plate which is an extremely heavy coating of tin (3.00 lbs per base box) and which is produced in very limited quantities in this country. Furthermore, the requisition called for primes only, whereas it is universal practice to accept primes and seconds. After considerable negotiations the Russians agreed, on November 8, to accept tin plate with a coating of 1.50 lbs. per base box, the heaviest commercial coating, and both primes and seconds. A new requisition for 20,000 gross tons was filed with the Office of Lend-Lease Administration on November 12. Allocation orders were prepared on November 22, even though the Iron and Steel Branch did not actually receive the approved requisition from OLLA until November 27. The allocation called for production in December, January and February. Shipment of 20,000 tons by February 28, 1942 would bring tin plate right up to the schedule of the Moscow Protocol.

Several changes in sizes were then made by the Russian representatives with the result that contracts could not be placed until well into December. Thus, shipments in December were small. Production of

approximately 8,000 tons in January and 12,000 tons in February was arranged by the Iron and Steel Branch. A short embargo was placed on shipments by the Army late in January with the result that shipments for the month were considerably below production. This embargo was removed early in February and total tin plate shipments by the end of February were the full amount of 20,000 gross tons.

In January, a requisition was filed for 16,000 gross tons, the balance of the Protocol commitment. Shortly after its receipt the Tin Plate Order M-21-c was issued, effective as of February 11, restricting the coating of tin plate to a maximum of 1.25 lbs. per base box, with the exception of tin plate for a specified list of uses, estimated to require no more than 5% of the total output. As a result of a plea by the Russian representatives, it was decided to exempt from this order the balance of the first 20,000 gross tons for Russia and allow its coating to continue at 1.50 lbs. per base box. The 16,000 gross tons for shipment from March through June, it was decided, should be 1.25 lbs. coating except for a possible 5% which could be 1.50 lbs. After this decision, the 16,000 gross tons was allocated by the Iron and Steel Branch for delivery at the rate of 4,000 gross tons per month beginning in March.

Item 36 - Steel Wire

		<u>Tons</u>
Moscow Protocol Commitment	- monthly	7,000
	- 9 months to 6/30/42	<u>63,000</u>
Allocated through March 4, 1942	-	<u>26,713</u>
Balance of Commitment	-	<u>36,287</u>
Specifications not yet cleared or not yet allocated	-	<u>19,253</u>

The Moscow Protocol commitment for Steel Wire is 7,000 tons per month. It is obvious from this large quota that the American negotiators had in mind only commercial wires of large scale production.

A breakdown of the 26,713 gross tons already allocated and of the 19,253 gross tons of specifications not yet cleared by types of wire is as follows:

<u>Type</u>	<u>Wire Classification</u>	
	<u>Requisitions Allocated</u>	<u>Specifications on Hand</u>
Spring Wire	669	4,558
High Tensile Wire	208	2,943
Galvanized Wire	22,044	1,700
Cold Drawn Wire	2,081	1,195
High Resistance Wire	89	166
Music Wire	0	1,795
Card Wire	197	195
Solder Wire	10	0
Rope Wire	886	3,012
Finned Wire	200	0
Piano Wire	349	0
High Carbon Wire	0	52
Low Carbon Wire	0	850
Other Steel Wire	30	147
Welding Wire	<u>0</u>	<u>2,640</u>
	<u>26,713</u>	<u>19,253</u>

As shown above, only half of the tonnage requested to date

has been of what can be considered commercial wires of large scale production.

The larger proportion of the specifications are for specialty wires, most of which are high tensile and of small gauge and are in direct competition with ballon barrage cable, aircraft cable, Signal Corps field strand and assault wire. Furthermore, a great many of the specifications are not in line with American standards, and considerable negotiations with the Russian Representatives are required to bring these specifications in conformity with American standards. This is being done as rapidly as possible. Some of the specifications on hand, after clearance, will require the development of new sources of manufacture before assurance can be given that they can be supplied by June 30. 197 tons of Card Wire, for instance, have already been allocated for the Russians for production by June 30, 1942, and this together with A-1 rated requirements will take up the country's full production which is probably not much more than 60 tons per month. It will definitely not be possible to obtain the additional 195 tons requested until after June 30, 1942.

<u>Item 37 - Wire Rope</u>		<u>Tons</u>
Moscow Protocol Commitment	- monthly	1,200
	-9 months to 6/30/42	<u>10,800</u>
Allocated through March 4, 1942	-	<u>1,000</u>
Balance of Commitment	-	<u>9,800</u>
Specifications not yet cleared or not yet allocated	-	<u>9,565</u>

About January 20 the Iron and Steel Branch received its first advance specifications for Wire Rope for the U. S. S. R. The initial group of specifications amounted to about 4,000 gross tons. Since then, additional specifications have been received from time to time, the present total being 10,565 gross tons.

The specifications as presented, with very few exceptions, call for the smaller sizes of rope of the most complicated types of construction. The specifications stated the sizes of ropes in circumferences whereas American ropes are made to diameter sizes. Much of the rope requested calls for galvanizing, whereas, due to the scarcity of zinc in this country and a shortage of galvanizing capacity in the mills, ungalvanized rope is being used here wherever possible. In practically every case, the Russian specifications call for premium types of construction, many of which involve two and three stranding operations. In general, the number of wires per rope specified were higher than the number of the wires in rope being made for the same use by the Army, Navy, and Air Corps.

Each specification has been reviewed by a group of engineers from the wire rope industry and the standard American construction for the same use, as nearly as it could be determined, was offered

to the Russian representatives as substitutes for the ropes which they have specified. Before the Russian representatives can accept the substitutes offered, it has been necessary to secure authority to do so from the U. S. S. R. Many of the suggested substitutes have already been accepted and others ~~are~~ being accepted almost daily.

The 10,565 gross tons of rope requested are almost entirely for military applications, and consequently represented direct competition with similar rope being constructed for our own Army, Navy, and Air Corps whose orders are occupying almost the full production capacities of the country. To arrange for the production of the heavy tonnages for the U. S. S. R., it has been necessary to hold several conferences with the wire rope industry in order that the production of rope for Russia could be correlated with that for American armament use. 1,000 tons of rope for the U. S. S. R. have already been allocated, and it is expected that within a comparatively few days, a very much larger tonnage can be allocated for production before June 30, 1942. The total production of Wire Rope for the U. S. S. R. that can be secured by June 30, 1942 cannot be estimated until it is known to what extent the American standard specifications will be accepted.

Item 38 - Alloy Tubes

		<u>Tons</u>
Moscow Protocol Commitment	- monthly	200
	- 9 months to 6/30/42	<u>1800</u>
Allocated through March 4, 1942	-	<u>610</u>
Balance of Commitment	-	<u>1190</u>
Specifications not yet cleared or not yet allocated	-	<u>2714</u>

There have been presented to the Iron and Steel Branch advance specifications covering 3324 tons of Alloy Tubes, or almost twice the full Protocol commitment. All of these advance specifications were received since January 20. In general, the sizes were not in conformance to American standards and it has been necessary to obtain the Russian agreement to size changes. These have been forthcoming for 610 tons which have been allocated.

Furthermore, a substantial part of the tubes requested contain excessive amounts of chrome nickel and other alloy metals, the supply of which is severely restricted in this country. Such tubes now manufactured in this country for American use have had the percentages of these alloy metals reduced materially. Similar lower alloy content substitutes have been offered to the Russian representatives but acceptance has not yet been received pending receipt of consent from the U. S. S. R. If the substitutes suggested by the Iron and Steel Branch are accepted in the near future, it will be possible to allocate sufficient tonnage to meet the balance of the commitment, which is about 1200 tons, for delivery before June 30, 1942.

Item 39 - Stainless Steel Wire

	<u>Tons</u>
Moscow Protocol Commitment	
- monthly	20
- 9 months to 6/30/42	<u>180</u>
Allocated through March 4, 1942 -	<u>22</u>
Balance of Commitment -	<u>158</u>
Specifications not yet cleared or not yet allocated -	590
	—

As shown above, the Russians are requesting 432 tons more Stainless Steel Wire than the Protocol commitment. Due to the tightness of the chrome situation in this country, it is becoming increasingly difficult to place orders for Stainless Wire. However, it is expected that additional tonnage will be allocated in the near future.

Item 41 - Barbed Wire (and Staples)

		<u>Tons</u>
Moscow Protocol Commitment	- monthly	4,000
	- 9 months to 6/30/42	<u>36,000</u>
Allocated through March 4, 1942	-	* <u>40,170</u>
Balance of Commitment	-	<u>4,170</u> excess
Specifications not yet cleared or not yet allocated	-	<u>0</u>

*Including cash purchase of 4,000 tons in October.

In October 1941, the Iron and Steel Branch arranged for a direct cash purchase by Amtorg Trading Corporation of 4,000 gross tons of Barbed Wire for October delivery and this delivery was filled.

In October also, it was decided by the Lend-Lease authorities to secure an additional 4,000 tons of barbed wire for October delivery and the Iron and Steel Branch helped to arrange for the additional tonnage. In doing so, 1,445 tons of Barbed Wire were diverted from the British and subsequently there was filed a Russian Lend-Lease requisition for this amount.

On November 27, the Iron and Steel Branch received a requisition for 12,000 gross tons of Barbed Wire, representing the Protocol commitment for November, December and January. This was immediately allocated for delivery in December and January. Due to pressure on the producers by the Iron and Steel Branch, deliveries of the full 12,000 tons were almost completed by the end of December.

On December 31 and January 16, requisitions for 2,725 gross tons of staples were allocated for production in amounts per month proportioned to the deliveries of the barbed wire. After the first amounts of staples were manufactured to the Russian specifications, it was

found that they could not be driven. Production has therefore been suspended while the Russian representatives await authority from Moscow to accept changed specifications.

Allocations for the 20,000 gross tons of barbed wire remaining under the Protocol commitment were made in January for production at the rate of 4,000 tons per month from February to June, inclusive.

A - Ball Bearing Wire and Bars

The Russians filed a requisition December 14, 1941, for 500 tons of Ball Bearing Wire which they classified under Item 36, Steel Wire. While this item definitely did not come under the category of Steel Wire, nor in fact under any of the other categories in the Protocol, in order to be of as much assistance to Russia as possible, it was allocated for delivery in January, February and March. 75 tons were produced in January and approximately 200 tons in February. Production of the full 500 tons, it is expected, will be completed by March 31. This large demand for Ball Bearing Wire over a period of little more than three months has seriously curtailed the amount of such Ball Bearing Wire going to the Army, Navy, and A-1 rated machine tool uses.

Advance specifications for an additional 750 gross tons of Ball Bearing Wire have been presented by the Russians. It will be possible to allocate these for production, beginning in April, at the rate of about 100 tons per month. Allocation Orders are now being prepared.

In addition, advance specifications have been presented for a total of 9,750 gross tons of Ball Bearing Bars. These the Russians classified under Protocol Item 30, "Calibrated Steel", under which item the Russians have requested a monthly quota of 13,000 tons. Because of the size of this requested monthly quota, "Calibrated Steel" could obviously be considered to mean only commercial products of large scale production and not high premium specialties such as Ball Bearing Bars. The specifications as presented for Ball Bearing Bars call for them to be all cold drawn. As the total monthly production of cold drawn Ball

Bearing Bars is only about 3,000 tons, and as the entire output now is going to the Army, Navy, and high A-1 rated machine tool uses, it will be possible to supply to Russia only about 150 tons of cold drawn Ball Bearing Bars per month, beginning in April, without seriously curtailing the amount going to American armament uses of prime importance. If the Russians will take hot rolled Ball Bearing Bars, an additional 400 tons per month can be supplied beginning in April. To date, the Russian representatives have not agreed to accept hot rolled bars and no allocations of Ball Bearing Bars have yet been made.

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B - Die Blocks

On January 19, 1942, the Russians requisitioned 1,150 gross tons of chrome-nickel molybdenum Die Blocks. Despite the fact that Die Blocks do not fall under any of the categories of the Moscow Protocol, the Iron and Steel Branch has allocated these Die Blocks for production in March, April, May and June.

C - Chrome Alloy Wire

Requisitions totaling 410 gross tons of Chrome Alloy Wire were filed by the Russians about January 20, 1942, under the Protocol category Item 36, Steel Wire. As Item 36 was intended to cover only commercial grades of wire, it cannot be considered to cover chromium alloy wires which sell for about \$200 per ton. Even though there was no category in the Protocol under which Chrome Alloy Wire might be requisitioned, the Iron and Steel Branch has allocated these requisitions totaling 410 tons for delivery at the rate of about 80 tons per month in March, April and May, and 50 tons per month thereafter.

In addition, advance specifications have been filed for 822 gross tons more of Chrome Alloy Wire. Of this amount, it will probably be possible to get no more than 300 tons before June 30, 1942, and allocations of this amount are now being prepared.

D - Drill Pipe and Line Pipe

The latter part of January, the Iron and Steel Branch received requests from the Russian representatives for a total of 110,000 gross tons of Drill Pipe and Line Pipe to be supplied in equal quantities over a six months' period beginning as soon as possible. The pipe requested was to be all seamless.

As the load on the seamless pipe mills of the United States for the Army and Navy bombshell program is very large, it was necessary to study the situation carefully. It was finally agreed to furnish the U. S. S. R. with 3,500 gross tons of Drill Pipe per month for three months beginning in March, and 15,000 gross tons of Line Pipe per month for three months beginning in March. One-half of the Line Pipe is to be electric weld rather than seamless. Thus, the total of Drill Pipe and Line Pipe to be furnished in the months of March, April, and May will be 18,500 tons per month, or the supply rate requested by the Russians.

Before the three months' delivery period is over, the Iron and Steel Branch will review the then existing supply-demand situation to determine the amounts of pipe which can be furnished in the succeeding three months' period. It is not possible under existing circumstances to make firm commitments for this material for more than three months ahead.

E - Oil Well Casing and Tubing

The Russian representatives presented requests for a total of 145,900 gross tons of Oil Well Casing and Tubing in the latter part of January, asking that it be supplied in equal quantities over a six months' period beginning as soon as possible. The requests were for all seamless pipe.

It was necessary to study the situation of the country's pipe mills carefully in view of the heavy load on them for the Army and Navy bombshell program. It was finally agreed to furnish the U. S. S. R. with 13,500 gross tons of Oil Well Casing per month for three months beginning in March. One-half of this casing is to be electric weld. This is the supply rate requested by the Russians.

It was also agreed to supply Oil Well Tubing at the rate of 6,000 gross tons per month for three months beginning in March against their request which totaled 63,000 gross tons.

Before the three months' delivery period expires, the Iron and Steel Branch will review the then existing supply-demand situation to determine the amounts of tubing which can be furnished in the next succeeding three months' period. Under existing circumstances, it is not possible to make firm commitments for this material for more than three months ahead.

F - Aircraft Steels

About January 20 the Russians submitted advance specifications to the Iron and Steel Branch covering 81,055 gross tons of Aircraft Steels. These call for steels of various shapes and approximately thirty different grades. The tonnages as to sections requested are:

Cold Drawn Bars	2,135 Gross Tons
Hot Rolled Bars	30,550 " "
Round Cornered Squares	48,370 " "
TOTAL	81,055 Gross Tons

A very large part of the specifications call for steels containing high percentages of nickel, chrome, and other alloy metals. The total contained alloys amount to about 2,508 gross tons of nickel, 1,356 gross tons of chrome, 38 gross tons of vanadium, 509 gross tons of tungsten, 90 gross tons of aluminum, and 102 gross tons of molybdenum.

In view of the critical situation with regard to alloy metals in this country, negotiations were immediately begun with Russian representatives and have been continued to the present time with the view of amending the specifications to reduce the amounts of alloy metals required. The Russian representatives were also requested to ascertain the uses to which the various materials are to be put so that suitable substitutes of open hearth melt steel could be offered in place of electric furnace melt steel wherever such substitutes are in use for similar applications in this country.

The Russian representatives have maintained that it will be impossible for them to accept substitute specifications for these important aircraft uses without a preliminary period of experimentation. For this reason, it has been decided to allocate immediately 3,000 tons of these materials for production in March, 10,000 tons for production in April and 10,000 tons for production in May in accordance with the Russian specifications with the understanding that after June 1, 1942, the Russians will be supplied with aircraft steels at the rate of 10,000 tons per month of exactly the same specifications as are then used by our own Army and Navy. This agreement has been approved by Mr. W. L. Batt, Chairman of the W.P.B. Requirements Committee.

G - Pressure Tubes

About January 20 the Russians sent advance specifications for 10,937 gross tons of Pressure Tubes of various kinds to the Iron and Steel Branch. These specifications were not in complete form; in many cases there were no lengths indicated. These lengths and other missing details have been requested from the Russian representatives. To date, this information has been received on the total of 2,000 gross tons which has been allocated for delivery in April and May. As soon as the missing information is received on the other specifications, it will be possible to allocate them for delivery before June 30, provided the information is received in the near future.

H - Terne Plate

Requisitions for Terne Plate totaling 2,000 tons have been received by the Iron and Steel Branch. These have been allocated for delivery in February, March, April, and May. There are no advance specifications for Terne Plate on hand.

I- Rails and Accessories

About February 10 the Iron and Steel Branch received a request from the Russian representatives for 60,000 gross tons of 100 lbs. per yard rails to be supplied at the rate of 10,000 gross tons per month beginning in March. Accessories - joint bars, tie plates, track spikes, track bolts, rail angles, and spring washers requested total another 20,200 gross tons, and 900 turnouts and switch stands requested total 11,000 tons.

While the Russian requests were for American standard rails and accessories, it was necessary to design the turnouts, frogs and switches, to fit as closely as possible to the Russian requirements. Engineers from the frog and switch industry were called to Washington to make these designs and drawings in cooperation with Russian engineers. Several questions arose with regard to certain of the other accessories which required answers from Moscow. Nevertheless, the full details have been arranged and the rails and accessories allocated for production in accordance with the delivery period requested by the U. S. S. R.

J - Railroad Car Axles

On February 26, the Iron and Steel Branch received a request from Amtorg Trading Corporation for 40,000 gross tons (44,800 net tons) of railroad car axles, delivery to be started in March at the rate of 10,000 gross tons per month.

The 1942 American railway requirements of car axles for maintenance and new equipment for the year is 223,602 net tons. This figure was set at a meeting of the Special Purchasing Committee of the Purchases and Stores Division -- A. A. R. held in Washington late in January at the request of Director Joseph B. Eastman of the Office of Defense Transportation.

Allocations already made for British Lend-Lease are estimated to be between 2,000 and 3,000 net tons of axles.

The annual maximum producing capacity of the country is:

U. S. Steel Corporation	110,000	Net Tons
Standard Forgings Company	54,000	" "
Bethlehem Steel Corporation	42,000	" "
J. R. Johnson Company	<u>3,600</u>	" "
Total	209,600	Net Tons

As shown above, the present demand on our axle-making capacity is over 270,000 net tons or 28% in excess of the producing capacity.

Amtorg's letter stated that the axles they want are to be rough turned and from the rough designs submitted with the letter, it appears that the axles would have to be rough turned all over.

It is American practice to rough turn the journals and wheel

seats only in the case of freight car axles. The axles the Russians request will require re-tooling on the part of American manufacturers. Deliveries could begin to the Russians only after such re-tooling, and it will be necessary to submit drawings to the axle manufacturers before the time for re-tooling could be determined. Thus, deliveries in March are impossible.

A decision has not yet been reached as to what amount of car axles can be furnished to the U. S. S. R.

CONDITIONS OF THE SOVIET AID PROGRAM WITH RESPECT TO
CERTAIN SELECTED MATERIALS PRESENTED IN THE
PROCUREMENT DIVISION REPORT OF
FEBRUARY 18, 1942

War Production Board - March 4, 1942

MATERIAL	TOTAL PROTOCOL COMMITMENTS	COMMITMENTS THROUGH MARCH 31, 1942	TOTAL AMOUNTS REQUISITIONED	AVAILABLE FOR SHIPMENT THROUGH MARCH 31, 1942	REMARKS
Aluminum					
a) Ingot	18,000 tons	12,000 tons	18,000 tons	9,450 tons	2,550 tons allocated for March shipment diverted to production of duraluminum at specific request of USSR. Result will be completion of total duraluminum commitments by May 1. Ingot deficiencies will be made up during second quarter 1942.
b) Duraluminum	4,500 tons	3,000 tons	5,296 tons	3,411 tons	
Abrasives	\$2,700,000	\$1,700,000	\$2,700,000 (approx.)	\$86,483.47	Soviet representatives advised January 11, 1942 that balance of approximately \$900,000 due March 31 would be made available for shipment if requisitions placed immediately. Requisitions not received by WPB until middle February. Cleared with A-1-a rating February 23 for approximately \$2,000,000. Deliveries not expected to start until April 1.
Nickel	1,200 tons	1,200 tons	1,200 tons	1,200 tons	Total 1200 tons allocated for delivery during last quarter 1941.
Molybdenum	2,700 tons	1,800 tons	2,700 tons	2,700 tons	Total nine month's commitment authorized for delivery by April 1.
Walled Cartridge Brass	45,000 tons	30,000 tons	45,000 tons	36,380 tons	
Zinc Electrolytic	6,750 tons	4,500 tons	6,750 tons	6,750 tons	1875 tons allocation being made for March to fulfill total nine month's commitment.
Copper Goods (Tubing & Other Items)	2,700 tons	1,800 tons	3,000 tons	2,000 tons	350 tons over the Protocol authorized for delivery by June 30. Difficulties have been encountered in meeting demands for exceptionally fine-walled tubing. Nevertheless, it is expected that at least 2,000 tons will be available for shipment by April 1.
Ferro Silicon	2,700 tons	1,800 tons	2,700 tons	1,800 tons	Although there were delays in issuing allocations for first quarter 1942, suppliers have given assurance 1800 tons will be available for shipment through March 31.
Ferro Chromium	1,200 tons	1,200 tons	1,200 tons	1,200 tons	Bitto, for 1200 tons.
Chromium Wire	180 tons	120 tons	180 tons	110 tons	Includes 80 tons purchased under private Amtorg contracts for delivery subsequent to October 1, 1941, and therefore charged to the account of the Protocol.
Graphite Electrodes	3,600 tons	2,400 tons	3,900 tons	887.9 tons	Schedule of deliveries prepared for completion of 3900 tons, 300 tons over Protocol, in December 1942. Soviet representatives understand production problems in supplying large sizes requested and are therefore agreeable to this schedule. Deliveries reduced February and March to repay British 289 tons diverted to USSR in December 1941. Original schedule revised to accelerate deliveries third quarter 1942.
Parine Cable	900 km.	600 km.	900 km.	175 km.	At specific request Procurement Division, AA preference rating assigned to order for 175 km. Impossible to fulfill commitments to April 1 on schedule as requisitions for balance just received in WPB.

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Stacy May will come to the Secretary's Office at 10:00 tomorrow morning with the latest production figures. I have asked Mr. Fitzgerald to put it on the calendar and tell the Secretary.

Mrs. McHugh

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 6, 1942

TO Mrs. Klotz
FROM Secretary Morgenthau

Please call up Donald Nelson and ask him to arrange to have Stacy May come to my office Saturday morning at 10:00 to show me the latest production figures. Mr. Nelson knows about this, and has promised it to me for weeks. If Stacy May hasn't got all of the figures, I would like to see what he has got. Please put him down for one hour.

March 6, 1942

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Mr. White's Office
March 6, 1942
12:30

Present: Mr. Gromyko, Embassy of U.S.S.R.
Mr. White
Mr. Ullmann

Mr. White asked Mr. Gromyko how much gold has been shipped from the Soviet Union in the past two months (1) to the United States against advances, (2) to the United States for sale for British account, (3) to the British outside the United States. Mr. Gromyko replied that he had no information on this subject, but offered to request his Government for the information. He stated that he would inform the Treasury when a reply to his request is received.

March 6, 1942

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Mr. Bell's Office
March 6, 1942
4:00 P.M.

Present: Mr. D. W. Bell,
Mr. White,
Dr. Viner,
Mr. B. Bornstein,
Mr. Southard,
Mr. Friedman.

A meeting was held in Mr. Bell's office to discuss the reply received from Dr. Soong on our draft Agreement. It was agreed that the Chinese suggestions should be accepted and that the sending of a letter from the Secretary, acknowledging the receipt of the letter from Dr. Soong, would constitute a confirmation of the commitment contained in the letter from Dr. Soong to keep the Secretary informed.

The implications of accepting the Chinese modifications were explored. It was agreed that (1) the Chinese could ask for the transfer to their account of the entire amount at one time or in any fractions; (2) that the Chinese would not have to consult with the Treasury with regard to uses; (3) that there would be only a weak basis for making any objections or criticisms, and (4) that there was some possibility that much or all of the \$500 million might be lost by a sudden change in the political situation in China. The opinion of Mr. Lattimore regarding the possibility of the overthrow of the Generalissimo in case of Japanese capture of Assam was given.

The question of how far the British would be prepared to give similar terms to the Chinese was discussed. The point was made that the British, through Mr. Bewley, has said that they wished to draft a document which would approach as much as possible the American document.

It was felt that the opinion of the State Department was necessary on the matter and it was decided to have a meeting with the State Department at 10:15 the following morning.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 6, 1942

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

In view of some of our recent conversations, I think the attached memorandum of a conference which we had recently with Thurman Arnold you will find to be interesting reading.

Of especial interest will be the information contained in paragraphs one and five.

9.1476

Attachment

February 23, 1942.

MEMORANDUM FOR THE FILES:

Re: Patent Situation

Conference at the Department of Justice, held on Saturday, February 21, 1942.

Present: Mr. Arnold, Assistant Attorney General in charge of the Anti-Trust Division;

Messrs. Bernstein, Sherbondy and Lawler, of the Treasury Department.

(We were later joined by Mr. Joe Boridin, of the Anti-Trust Division, Mr. Ed Hodges of the Anti-Trust Division, and, for a few moments, by Mr. Hugh Cox of the Anti-Trust Division.)

Many matters were discussed, in no rigid order. No attempt is made in this memorandum to reproduce the order of discussion, but an attempt is made merely to make a record of the principal subjects of discussion and the views expressed.

(1) The General Electric Company. Mr. Arnold pointed out that the General Electric Company is engaged in several cartels with I. G. Farbenindustrie exerting control over patents. The most important of these is a cartel to control the production of tungsten carbide. Mr. Arnold delivered to Mr. Bernstein several memoranda, - some of which have a bearing on this matter. Mr. Arnold also pointed out that General Electric has some interest in the artificial rubber situation in that they managed to delay delivery of samples to the B. F. Goodrich Rubber Company by I. G. Farbenindustrie.

Illustrative of General Electric's method of doing business, Mr. Arnold read a memorandum from the engineering department of the company to the top executives concerning the efforts of the engineering department to develop flash light bulbs which would have only one-third of the life of the present bulbs and various efforts made by the engineering department to coerce the battery manufacturers into accepting delivery of this inferior product which

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it was estimated would increase the volume of lamp business by 60%. Mr. Arnold pointed out that the Anti-Trust Division is at present engaged in trying the case against General Electric Company and that Mr. Swope and Mr. Young avoided indictment by the vote of the Grand Jury.

(2) The Standard Oil Company of New Jersey cooperated with I. G. Farbenindustrie to make available to I. G. Farbenindustrie and the German Government artificial rubber patents for the manufacture of both "Buna" and "Butyl" while withholding the same patents from American developers. Mr. Arnold pointed out that the consequence of this was that the Americans had developed no "know-how" in the manufacture of these products. Mr. Arnold pointed out further that companies such as Standard Oil, on being confronted with evidence of such actions, make no attempt to defend the conduct and are eager and willing to sign consent decrees in order to give licenses to American manufacturers but that they invariably point out that they cannot give consent for their German partners, and Mr. Arnold hopes that the Treasury Department will take over at this point and give the consent for the German partners.

(3) Mr. Arnold pointed out that the situation is practically the same with reference to magnesium production. The patents there are owned by a corporation which is owned 50% by the Aluminum Corporation of America and 50% by I. G. Farbenindustrie. In both of these cases the Anti-Trust Division is at present discussing consent decrees and would like to have the Treasury Department send a representative to sit in on these discussions with authority to bind the Treasury Department.

Mr. Arnold then pointed out that he had advised Mr. Rowe that, in his opinion, it was very fortunate that the Treasury Department had obtained the power from the President, since the bulk of the work in the Department of Justice is falling upon the Anti-Trust Division which is undermanned, and that since the Treasury Department now has the power the Anti-Trust Division can utilize the personnel of the Treasury Department. Mr. Bernstein asked if the best solution would not be to vest either the patents or the corporation holding the patents on behalf of the Germans, in the Secretary of the Treasury. Mr. Arnold replied that to his mind this was the ideal solution. Mr. Bernstein then raised the problem that if the Secretary of the Treasury gave royalty free licenses he would be giving away property belonging to the Germans, and if the policy should subsequently be determined that property should be returned to the Germans the Secretary's position would not be a strong one. Mr. Arnold replied that it is the theory of the Anti-Trust Division, based on an inference

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from the Morton Salt case, that until the holder of patents has expiated his offense against the public in restraining competition he is not entitled to royalties, so that the Secretary of the Treasury would not be giving away any property of the German owner but would be giving away at most the German owner's right and power to litigate the validity of this position. Mr. Arnold pointed out that the American corporations involved have so far not been willing to challenge this position by litigation, and to him that seemed an adequate answer to any charge that the Secretary of the Treasury would be giving away property belonging to the Germans. Mr. Bernstein felt that that explanation was rather legalistic, and that a better explanation would probably be that this was property of Germany and we were at war with Germany. If we found a supply of munitions on the New York docks we would have no hesitancy in vesting those munitions in the Secretary of the Treasury and then giving them back to the Germans by shooting the munitions at the Germans. It seemed to him that this was a parallel case. Mr. Arnold reiterated his legal argument and pointed out that it might be desirable to have the Secretary of the Treasury challenge one of these consent decrees and bring the matter to the Supreme Court, at which time the Anti-Trust Division could argue its theory and the Treasury Department could argue its theory and the matter could finally be settled. Mr. Arnold reiterated his request that someone from the Treasury Department, or possibly two men from the Treasury Department, be assigned to sit with his people in the Justice Department and work on these patent problems. He pointed out that the magnesium case and the rubber case were both in the final stages of negotiation.

(4) Mr. Arnold next suggested that it would be highly desirable to have an exchange of letters between the Attorney General and the Secretary of the Treasury establishing a policy. Mr. Arnold pointed out that this technique had been employed with various other agencies of the Government, notably the Office of Price Administration and the Interstate Commerce Commission. Mr. Bernstein suggested that consideration of that matter be deferred for a few weeks to see how the actual working arrangement would operate.

(5) Mr. Borkin then stated that most of the chemical companies in the United States are holding patents on behalf of I. G. Farbenindustrie in order to avoid the alien property custodianship and that some of these arrangements go back as far as 1931. Mr. Borkin mentioned specifically that the Monsanto Chemical Company was holding approximately 180 patents for I. G. Farbenindustrie in this way. Mr. Bernstein stated we were quite interested to learn this.

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(6) Mr. Arnold next stated that all he needed actually was information from the Treasury Department as to what cartel arrangements were in existence. He could then work the problem out by means of indictment and consent decree, although he feels that it would be far preferable to work it out by means of vesting the German interest in the Secretary of the Treasury and then utilizing the consent decree with the Secretary of the Treasury standing in the place of the German defendant. Mr. Arnold asked what information the Treasury Department had available on such agreements. Mr. Bernstein explained to Mr. Arnold that all such agreements and contracts were required to be reported on Form TFR-300 and that by means of the mechanical devices the reports could be sorted rather rapidly. Mr. Arnold expressed surprise that there was such a census, pointing out that he has had great difficulty in obtaining information since, if the company is obdurate, his only solution is a Grand Jury investigation. Mr. Bernstein pointed out that a complete set of the census is on file with the Claims Division of the Department of Justice.

(7) Mr. Borkin next discussed the Patent Committee set up by the President, pointing out that, in his opinion, there is only one individual on the Committee who is reliable. Mr. Borkin pointed out that the labor representative on the Committee is Mr. McGrady of NCA; the industrial representative is Mr. Owen D. Young of General Electric; and the scientific representative is Mr. Kettering of General Motors; the public is represented by a law professor who taught Mr. Coe, Commissioner of Patents, many years ago. The other member, Mr. Chester Davis, is a person in whom Mr. Borkin has great confidence. Mr. Arnold concurred vigorously with Mr. Borkin's sentiments concerning this Committee, pointing out that it was probably the worst group which could have been assembled within the United States for this purpose. Mr. Cox took no part in the discussion.

Mr. Hodges reported that the magnesium case and the rubber case are in the last stages of negotiation, but that he felt it would not be desirable to bring a Treasury representative into the negotiations at this time since it might alarm the attorneys for the companies and create confusion.

J. John Fowler

*noted
BB*

STATEMENT OF SECRETARY MORGENTHAU BEFORE
THE COMMITTEE ON WAYS AND MEANS OF THE
HOUSE OF REPRESENTATIVES

MARCH 6, 1942

I am appearing before you today in support of H. R. 6691 which raises the limitation on the power of the Treasury to issue public debt obligations under the Second Liberty Bond Act, as amended, from \$65 billion to \$125 billion, and provides greater flexibility to enable the Treasury to conduct its war financing operations. On previous occasions I have stated that I favored this periodic review by the Congress of the situation with respect to the public debt. I think it serves a useful purpose. It brings to the attention of the Congress and the public the condition of the public treasury.

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It is urgent that this bill be promptly enacted. The balance of our borrowing authority at the end of February, 1942, was about \$1,400,000,000. By the end of March it is anticipated that the borrowing authority will be insufficient to cover the debt issues that will be required during the month of April.

In January, 1941, I appeared before your Committee in support of a bill to increase the total borrowing authority from \$49 billion to \$65 billion. It appeared at that time that a limitation of \$65 billion would be sufficient to enable the Treasury to finance the estimated deficit in the Budget until the end of the present fiscal year and provide some margin.

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But we could not foresee then that we would be engaged in a war that would require our all-out effort. Our defense program at that time amounted to approximately \$28-1/2 billion in appropriations, contract authorizations, and recommendations. The war program now exceeds \$140 billion, exclusive of commitments by governmental corporations.

The 1943 Budget submitted to the Congress early in January indicates that the deficit for the current fiscal year ending next June 30 will amount to \$18,600,000,000 and, in addition, that the Treasury will be required to advance to governmental corporations approximately \$3 billion to finance their activities. On the basis of these estimates the public debt on June 30, 1942, will amount to \$70,600,000,000.

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The estimated deficit in the fiscal year beginning July 1, 1942, after taking into consideration contemplated additional budgetary revenues of \$7 billion from new tax legislation, will amount to \$35,400,000,000. We will also be required to raise \$4,400,000,000 for governmental corporations. The estimated increase in the public debt for the fiscal year beginning July 1, 1942, based on these estimates, will thus be \$39,800,000,000 and leave us with a public debt on June 30, 1943, of \$110,400,000,000.

While these figures are huge in amount, they are made necessary by the great task to which the Congress and the American people have dedicated themselves, namely, the task of winning this war.

- 5 -

Whatever the cost may be we are ready to face it. We are strong enough to bear it, and we know that it will be worth it in the end. As I have suggested before, our production of overwhelming quantities of war materials, an effort that makes this debt necessary, should frighten no one but our enemies.

The bill before you proposes certain changes in the authority of the Treasury to conduct its financing operations in addition to the increase in the debt limitation. Briefly, these are as follows:

1. The Secretary of the Treasury would be authorized to issue Treasury marketable securities on a discount basis or on a combination interest-bearing and discount basis.

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At the present time we have authority to issue regular marketable securities on a discount basis only if the maturity date is not more than one year after their date of issuance. We also have authority to issue Savings Bonds on a discount basis. But this additional authority would give the Treasury more flexibility and permit it to design its issues to conform more closely to the investment requirements of particular classes of purchasers.

2. The Secretary of the Treasury would be authorized to accept in his discretion obligations of the United States which are redeemable upon demand in payment of any taxes imposed by the United States.

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This, in effect, can now be accomplished by the holder of such obligations turning them in to the Treasury and getting the cash and then using the cash to pay taxes. The new authority would simplify the procedure and would make it more convenient to the taxpayer.

3. The Secretary would be authorized to offer any new Treasury obligations in exchange for outstanding obligations of any agency or instrumentality of the United States which are guaranteed by the United States as to both principal and interest. The Treasury has taken over all the financing of the various governmental agencies which formerly issued marketable guaranteed obligations and now provides them with funds by purchasing their securities.

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We are also in process of refunding the outstanding guaranteed obligations of these agencies into Treasury securities, but in view of the language of the various statutes under which guaranteed securities are issued, it is now necessary to refund them indirectly by purchasing the guaranteed security and selling the holder a Treasury security. This proposed amendment would simplify these operations and permit us to offer Treasury securities directly to the holders of these guaranteed obligations in exchange for such obligations, in the same manner as Treasury securities are now refunded.

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4. A provision is included to clarify the authority existing in Section 19 of the Second Liberty Bond Act, which as originally enacted in 1934, was intended to permit the Treasury to buy any of its securities in the market at or before maturity out of the proceeds of any public debt securities previously sold. The present language, however, is ambiguous and might be interpreted to mean that the authority may only be used, in effect, for the exchange of one security for another. This amendment would clarify the language in that section.

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5. The Postmaster General would be authorized to transfer the liability for outstanding Postal Savings Stamps to the Treasury, and his authority to issue such stamps would be terminated as of the date when the Treasury makes Treasury Savings Stamps available to the public under section 22 of the Second Liberty Bond Act, as amended. The Treasury will then assume the liability for redeeming such outstanding stamps and such stamps will become a public debt obligation.

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When we initiated our present Defense Savings program last year we deemed it advisable to utilize the facilities of the Postal Savings System because it was already issuing savings stamps and had the facilities for immediately carrying out an expanded program. The question is now often raised by the purchaser of Postal Savings Stamps as to whether the funds thus provided go into the Treasury for the purpose of helping to pay for the National Defense. Of course such funds do come into the Treasury and they are available for that purpose, but it is sometimes a little difficult for the purchaser to understand.

In view of the fact that the Defense Savings program is carried on in the Treasury, I believe that it would clarify the whole program if we could eliminate Postal Savings Stamps and issue instead Treasury Savings Stamps. These new stamps would also be sold through Post Offices as well as other agencies. The Postmaster General concurs in this proposed change.

6. A provision is included to remove the tax-exemption privileges on income from shares of stock issued by Federal agencies and instrumentalities which were inadvertently omitted from a similar provision in the Public Debt Act of 1941.

This would put these shares of stock on the same basis as obligations issued by the United States and by its agencies as provided in the Act enacted last year.

With this enlarged borrowing program before us it is necessary more than ever that the Treasury exert every effort to obtain its funds from the current income of the people. We have, therefore, materially expanded our campaign to sell Defense Savings Bonds. Since last May first, when the present Defense Savings Bond program was inaugurated, we have received approximately \$4,300,000,000 in cash through the sale of these securities.

Up to December first, just prior to the attack on Pearl Harbor, the sale of these securities averaged about \$300 million a month. In the month of December we sold \$500 million, in the month of January over a billion dollars, and in the month of February approximately \$700 million. The American people are responding splendidly to our efforts to place these securities in the hands of the real investing public. Within the past few months we have inaugurated a plan for voluntary pay roll deductions to purchase Savings Bonds. Many business institutions have already adopted such plans and the number is increasing each week.

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At the present time nearly one-half of all persons working in trade and industry have this method for buying Savings Bonds available to them. It is hoped that within the course of the next few weeks practically all businesses will have adopted these plans.

The Treasury has a tremendous program ahead of it. No one appreciates the magnitude of our problems better than those of us in the Treasury. We are facing the facts squarely, and we are working continuously in our endeavor to finance the war program as much as possible from current savings in order that our fiscal operations may be a positive force in winning the war and in preventing inflation.

MAR 6 1942

My dear Mr. Chairman:

In going over the transcript of my testimony before your Committee on Tuesday, March 3, I find that I inadvertently misinformed the Committee on one point.

In response to questions I stated that the suggested range of rates for withholding individual income tax at the source was 1 to 10 percent of the tax. The correct answer was rather 1 to 10 percent of the income subject to tax.

I am writing this letter to make sure that my testimony may not mislead the Committee in this matter.

Sincerely yours,

(Signed) E. Wergentzke, Sr.

Secretary of the Treasury

Honorable Robert L. Doughton,
Chairman, Ways and Means Committee,
House of Representatives,
Washington, D. C.

cc - J. H. ...
By Messenger *Y. ... 10/4/5*
copy to ...

EB:ad
3/6/42

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March 6, 1942

Mr. Schwarz
Secretary Morgenthau

Please try to get the original drawing of the
cartoon in this morning's Washington Post.

Submitted 3/6/42 -

FRIDAY, MARCH 6, 1942

Better Early Than On Time



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March 6, 1942

Lt. Stephens

Secretary Morgenthau

Please put on my calendar that Colonel Greenbaum
is coming to have lunch with me next Tuesday.

done -

DAYLIGHT TANKER RUNS

A PLAN TO OPERATE TANKERS ALONG THE COASTS ONLY DURING DAYLIGHT HOURS AND ANCHOR THEM IN SAFE PORTS DURING THE NIGHT IS BEING CONSIDERED.

MOST OF THE TORPEDOINGS ALONG THE ATLANTIC COAST HAVE OCCURRED AT NIGHT. THE DAYLIGHT SAILING PLAN IS SIMILAR TO ONE USED IN THE LAST WAR.

3/6--2915A

EXECUTIVE ORDER
9088

2203

PRESCRIBING REGULATIONS
CONCERNING CIVILIAN DEFENSE

By virtue of the authority vested in me by the act entitled "An Act to provide protection of persons and property from bombing attacks in the United States, and for other purposes", approved January 27, 1942, and as President of the United States and Commander in Chief of the Army and Navy, I hereby prescribe the following regulations concerning civilian defense:

1. Such funds as may be available to enable the Director of Civilian Defense to carry out the provisions of the aforementioned act of January 27, 1942, shall be used only for acquiring facilities, equipment and supplies necessary to provide for the adequate protection of persons and property from bombing attacks, sabotage and other war hazards in the United States, its territories and possessions; for providing services necessary to facilitate effective use of all such facilities, equipment and supplies; for defraying expenses of procurement (including research and development), inspection, transportation, storage, maintenance, protection, distribution, recovery and return of facilities, equipment and supplies; and for accounting and administration with respect to such facilities, equipment and supplies, services and expenses.

2. The Director of Civilian Defense from time to time within the limitations of such funds as may be available to the Office of Civilian Defense shall determine the general types and respective quantities of equipment which he shall deem necessary and desirable to be purchased. In making such determinations, the Director shall be afforded the advice and assistance of the War Department and may make use of any other technical assistance, studies, reports or information which may be available to him.

3. The Director of Civilian Defense shall notify the Secretary of War, or such chiefs of services, bureaus or divisions of the War Department as the Secretary may direct, of each determination by the Director of the necessity of and desirability for the purchase of equipment in accordance with paragraph 2 of this order. The War Department shall thereupon undertake all steps necessary for the procurement as promptly as possible of equipment of the type and in the quantity specified by the Director of Civilian Defense.

4. In connection with the procurement of items of equipment for the Office of Civilian Defense the War Department shall undertake all necessary research, development and standardization of such equipment; shall contract for the purchase of such equipment; shall conduct all necessary inspections during and upon completion of manufacture or assembly; and shall see that all equipment conforms to specifications prior to acceptance.

5. The War Department shall keep the Director of Civilian Defense informed of specific items of equipment

being procured and of the approximate or probable dates for delivery thereof, and the Director of Civilian Defense shall furnish to the War Department timely instructions as to the place or places at which such equipment shall be delivered to the Office of Civilian Defense or upon its order. The War Department shall make all necessary and appropriate arrangements for the shipment of such equipment to the place or places so designated and shall be responsible for such equipment until delivery at such place or places. Thereafter the Office of Civilian Defense shall be responsible for such equipment, including its storage, maintenance, protection, issue and distribution.

6. There shall be made available to the War Department, from time to time, within the limitations of such funds as may be available to the Office of Civilian Defense, sufficient funds to cover all proper expenses incurred by the War Department in pursuance of this order, including costs of research, development, procurement, inspection, transportation, and furnishing of facilities and services. The War Department shall have authority to pay all such expenses out of the funds so made available to it. The War Department shall keep the Office of Civilian Defense informed from time to time of all expenditures made from, and obligations incurred against, the funds so made available to it.

7. In addition to facilities, equipment and supplies provided for the Office of Civilian Defense through the War Department as hereinbefore authorized, the Director

of Civilian Defense may accept equipment or supplies transferred from any other department or agency of the Federal Government in conformity with applicable law, and may accept donations of, or may borrow or lease facilities equipment or supplies from, states, municipalities or other political subdivisions, or from private individuals or corporations. The Office of Civilian Defense shall maintain at all times full and accurate records of all property received by it and of the disposition thereof. The Director of Civilian Defense shall make adequate arrangements for the storage, maintenance and protection of all equipment, facilities and supplies of the Office of Civilian Defense in its possession.

8. Within the limitations of such funds as may be available to the Office of Civilian Defense, the Director may arrange with other public or private agencies for such research or development work, in addition to that of the War Department in connection with the procurement of equipment, as he may deem advisable in order better to provide for the adequate protection of persons and property from bombing attacks, sabotage or other war hazards.

9. The Director of Civilian Defense shall make available the facilities, supplies, and services of the Office of Civilian Defense in such localities in the United States, its territories and possessions as he shall determine to be in need of, but unable to provide, adequate protection of persons and property from bombing attacks, sabotage or other war hazards. The Director shall have full discretionary authority from time to time (a) to define localities on the basis of

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existing political subdivisions or on such other bases as he may deem appropriate in view of areas of population density, the location of vital war activities, or other factors giving rise to particular risks from bombing attacks, sabotage or other war hazards, (b) to allocate, under such priorities as he may establish facilities, supplies and services to or among localities in need of, but unable to provide, adequate protection of persons and property from bombing attacks, sabotage or other war hazards, and (c) to recall any facilities or supplies, or discontinue any services so allocated to any locality. In allocating facilities, supplies or services to any particular locality the Director may rely upon certificates of duly constituted civil authorities of any state, territory, municipality or other political subdivision comprising or situated within such locality, setting forth the particular facilities, supplies or services which such state, territory, municipality or other political subdivision is unable to provide for the protection of persons and property from bombing attacks, sabotage, or other war hazards.

10. All equipment, facilities and supplies which shall at any time be provided by the Director of Civilian Defense for any locality shall be at the disposition of the United States Government, and the United States Government shall retain in full its rights in such property as owner, lender or borrower, as the case may be. To such extent as may be practicable, all such property shall be clearly and distinctly marked as the property of, or property under the control of, the United

States Government, Office of Civilian Defense. It shall be the duty of the Director of Civilian Defense to report to the Attorney General for appropriate prosecution under the applicable provisions of the Federal Criminal Code any theft, unlawful use, injury to or deprecation committed against any such property.

11. The equipment, facilities and supplies of, or under the control of, the Office of Civilian Defense shall be made available in any locality only by loan to duly constituted civil authorities of any state, territory, municipality or other political subdivision comprising or situated within such locality, and any such authority may distribute the same to responsible and qualified individuals or organizations, in accordance with regulations issued by the Director of Civilian Defense; provided that it shall be a condition of all such loans that the civil authority to which each loan is made shall give assurance to the Director that the property loaned shall be adequately protected and maintained, that it shall not be used otherwise than for the protection of persons or property from bombing attacks, sabotage or other war hazards or for training or instruction incidental to such use, and that such property unless lost, destroyed or consumed in the course of such use shall be returned to the United States Government at any time upon order of, or pursuant to rules or regulations prescribed by, the Director of Civilian Defense.

12. The Director of Civilian Defense may prescribe insignia, arm bands and other distinctive articles which may be worn by persons engaged in civilian defense activities and

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may establish rules and regulations for the wearing thereof. The wearing of any such insignia, arm band or other distinctive article otherwise than in accordance with such rules or regulations by any person having knowledge thereof shall subject such person to the penalties provided in section 2 of the act of January 27, 1942.

13. The Director of Civilian Defense may make and issue such rules, regulations and orders, may prescribe and adopt such forms, and may make and enter into such agreements, leases and arrangements, not inconsistent with the act of January 27, 1942, the terms of any appropriations thereunder, and the regulations prescribed in this order, as he may deem necessary or desirable to carry out the purposes of such act. The Director may exercise any of the powers or duties conferred upon him by this order or by the act of January 27, 1942, through any responsible person in the employ of the Office of Civilian Defense that he may designate.

14. All purchases and contracts for supplies or services made pursuant to this order shall be exempt from the requirements of section 3709 of the Revised Statutes to the extent permitted by law.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE

March 6, 1942

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MAR 6 1942

TREASURY DEPARTMENT
BUREAU OF ENGRAVING AND PRINTING
OFFICE OF THE DIRECTOR
MEMORANDUM

March 6, 1942.

To the Secretary
WSP

For Mr. Swope:

On December 16, 1941, the Secretary addressed a memorandum to me asking whether any commemorative postage stamps were scheduled for the next six months. The Secretary was advised that the Post Office Department had none under consideration at that time.

Yesterday the Post Office Department asked this bureau to prepare designs for three stamps to replace the current three so-called "defense stamps". The defense stamps now on issue are of ordinary size. The new ones under consideration are to be of special delivery size. The tentative design calls for the Eagle with his wings arranged in the form of a "V", with the words "Win this war". As further consideration is given the designs, it is possible there may be radical changes from those we are now working upon.

Drummond

FOR DEFENSE



December 16, 1941

Mr. Hall

Secretary Morgenthau

Please let me know today how many commemorative stamps you have scheduled for the next six months. It seems to me that one of the ways we can economize is to cut down the number of commemorative stamps.

Are you equipped with job printing machinery to do some of the work for the Defense Savings Group? Could you get in any additional machinery to do some of the work as their load increases? It seems to me that the machinery would pay for itself very quickly through the use of it on a 24-hour basis.

December 16, 1941.

For Secretary Morgenthau:

This memorandum answers yours of today.

The Post Office Department reports that there are no commemorative stamps scheduled for the next six months. Several requests have been received at the Department asking for the issuance of a stamp to commemorate the Statehood of Kentucky on June 1, 1942. These requests have not yet been presented to the Postmaster General.

The provisions of Title 44, of the Federal Code, Section 111, is as follows:

"All printing, binding, and blank-book work for congress, the Executive office, the judiciary, and every executive department, independent office, and establishment of the Government shall be done at the Government Printing Office, except such cases of work as shall be deemed by the Joint Committee on Printing to be urgent or necessary to have done elsewhere than in the District of Columbia for the exclusive use of any field service outside the said District."

Owing to the foregoing law the Bureau of Engraving and Printing has installed only sufficient job-printing machinery to meet the needs of the security printing required by the Department and other agencies.

I am inclined to believe that it would be extremely difficult to get immediate delivery on any additional equipment in the event the bureau is authorized to take over Defense Savings printing.

Notwithstanding legal restrictions this bureau has been aiding the Defense Savings group from time to time, and will continue to do so as long as the emergency lasts.

A. P. Hall

AMH/als.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 6, 1942

TO Secretary Morgenthau

FROM Mr. Kuhn

Wallace Deuel telephoned me from Los Angeles this afternoon to give me some background about Disney which he did not want to put in a letter. He wanted me to know these things before Disney's arrival here for the Tuesday meeting. He says Disney is troubled on a number of counts, and he may not be willing to go through with the project we have outlined.

1. Disney is fearful of becoming labeled as a propagandist in the public mind, with consequent damage to his reputation as a whimsical, non-political artist. He is bothered by a few abusive letters he has had about the New Spirit, charging him with various political, racial, and other affiliations. Apparently he also remembers Lowell Mellett's question at the Secretary's house, "Aren't you afraid that you will hurt your reputation by this sort of thing."

2. He is uneasy about the financial aspect of these proposed films, as a result of the trouble over the New Spirit in Congress. It is apparent that this episode has disheartened and troubled him in spite of the additional publicity his picture received.

3. He is troubled about the sale and distribution of the proposed film series on the ground that exhibitors may not want to show propaganda films.

4. He is uneasy at the prospect of a number of other government agencies joining the Treasury in the sponsorship of these films with the possible result that the films themselves may become mere compromises to suit all tastes. The Rockefeller organization, for example, objects that the proposed film of the Nazi child is too serious in treatment and also makes the Nazis seem too nice.

Those who are working most directly on the new films with Disney are enthusiastic about the proposed series; this includes Mr. Deuel, who regards it as the most important

work he has done since his return from Berlin, and Mr. Grant, the story writer, who came to Washington on Mr. Disney's last two visits. Neither Mr. Grant nor Mr. Deuel will be with him next week. In addition, George Gallup, the public opinion analyst, is highly enthusiastic about the pictures and their probable effect. He believes that the American public wants just this kind of thing and that exhibitors will be delighted to show the pictures.

Mr. Deuel said he did not want to exaggerate Mr. Disney's mental reservations, but thought we should be warned privately before Disney arrived. Naturally, he does not want anyone to know that he tipped us off in this way.

F. K.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 6, 1942.

TO Secretary Morgenthau

FROM Mr. Hase

Subject: Operation of Payroll Savings Plans in 50 Large Companies.

1. I am attaching to this memorandum the table on the operation of payroll savings plans in large companies that was discussed in your office this morning. The table provides information on the operation of payroll savings plans in the 50 largest companies reporting to the Treasury for December 1941 and January 1942. The table is in two parts -- Part I ranks the companies in the order of the number of persons employed on January 31; and Part II ranks the companies in the order of the percent of employee participation in January.

2. The 50 companies listed in the table employed approximately 1,580,000 persons. In December, 21 percent of these persons were participating in the payroll savings plan. By the end of January, the participation had grown to 27 percent. Deductions permitted by the employees of these companies amounted to 3.5 percent of their aggregate wages in December, and to approximately 5.0 percent of their aggregate wages in January.

3. If the 50 companies are ranked in the order of the number of employees -- Part I of the table -- it is apparent that in companies of similar size there is no consistency in percent of participation. There are large companies with a large participation -- General Electric, 85 percent, for example -- and large companies with a small participation -- Bethlehem Steel, 23 percent. A similar variation is found among smaller companies. Commonwealth Edison with 10,000 employees has a 54 percent employee participation, while Armstrong Cork, a company of the same size, reports only 3 percent of its employees participating. For the country as a whole it appears that the situation is very spotty.

Secretary Morgenthau - 2

4. Part II of the table ranks the companies in the order of the percent of employee participation. The companies at the head of the list vary in size and are in different lines of business, but they have one characteristic in common; that is, a large percentage of their employees are located in a few plants or live in an area of limited extent. It is possible to reach a large proportion of these employees quickly, therefore, and the company can make a good showing early in the program. The characteristic in common of most of the companies at the bottom of the list, on the other hand, is that they are spread out in their operations. Of the 15 bottom companies, 12 are large railroads and it is patent that it will take a long time to reach all the employees of such widespread organizations.

Operation of Payroll Savings Plans in the Fifty Largest Companies
Reporting for December 1941 and January 1942

Part I. Companies Are Ranked in Order of Number of Persons Employed on January 31, 1942

Name of Company	Number of Employees January 31	Percent of Employees Participating		Percent of Aggregate Pay of Participating Employee Deducted	
		Dec.	Jan.	Dec.	Jan.
General Motors Corp.	237,276	22	27	6	6
Bethlehem Steel Corp.	189,647	19	23	6	6
General Electric Co.	125,600	82	85	1	5
Chrysler Corp.	64,906	13	25	1	6
Western Electric Co.	62,585	13	24	5	5
Baltimore & Ohio R. R.	54,218	11	11	2	4
Southern Railway System	41,686	5	7	3	4
New York Telephone Co.	39,719	21	47	5	3
Pacific Telephone & Telegraph Co.	37,850	11	15	0	7
Illinois Central System	35,260	4	5	4	5
United Aircraft Corp.	33,000	70	68	3	3
Boeing Aircraft Co.	32,400	9	22	5	5
Louisville & Nashville R. R. Co.	31,733	16	20	4	5
Chicago, Milwaukee, St. Paul & Pacific R. R.	30,770	4	17	4	3
Illinois Bell Telephone Co.	29,451	13	21	7	7
Southwestern Bell Telephone Co.	28,204	17	23	5	5
Chesapeake & Ohio Railway Co.	28,037	2	4	4	9
Southern Bell Telephone & Telegraph Co.	26,261	7	13	3	6
Chicago & Northwestern Line	26,100	7	11	3	4
New York, New Haven & Hartford R. R. Co.	23,459	4	16	2	5
Norfolk & Western Railway Co.	21,178	4	7	3	3
Great Northern Railway	21,061	3	9	5	4
Rock Island Lines	21,000	4	10	3	4
Public Service Corp. of New Jersey	20,386	27	39	3	4
New England Telephone & Telegraph Co.	20,319	26	26	2	4
Bell Telephone Co. of Pennsylvania	19,469	12	22	6	5
Seaboard Airline Railway Co.	17,108	4	8	4	4
Atlantic Coast Line R. R. Co.	16,537	2	3	4	5
American Telephone & Telegraph Co.	16,413	11	15	2	7
Chicago Surface Lines	15,600	56	70	2	2
Boston & Maine Railroad	14,577	6	15	3	6
Michigan Bell Telephone Co.	13,702	11	17	7	7
Riverside & Dan River Cotton Mills	13,500	22	21	2	6
New Jersey Bell Telephone Co.	13,050	18	25	3	7
Traveler's Ins. Co. & Branches	11,820	14	15	3	3
Ohio Bell Telephone Co.	11,568	6	12	7	8
New York, Chicago, & St. Louis Railway Co.	11,528	4	15	4	4
Letcher Valley Railroad Co.	11,143	6	9	2	3
Yellow Truck & Coach Mfg. Co.	10,941	18	21	2	3
W. J. Reynolds Tobacco Co.	10,766	42	46	3	3
Northwestern Bell Telephone Co.	10,390	12	28	3	5
Armstrong Cork Co.	10,367	1	3	1	2
Commonwealth Edison Co.	10,220	33	54	1	2
Metrol Railways Co.	10,094	14	24	1	2
Magnolia Petroleum Co.	9,426	24	35	1	5
Missouri-Kansas-Texas R. R. Co.	8,586	11	20	4	3
Texas & Pacific Railway Co.	8,582	12	14	4	3
Crown Zellerbach Corp.	7,862	4	10	4	3
Denver & Rio Grande Western Ry.	7,701	12	12	4	3
Aetna Life Ins. Co.	7,692	9	11	2	4

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

March 5, 1942

1/ Less than 0.5 percent.
2/ Data not available.

Operation of Payroll Savings Plans in the Fifty Largest Companies
Reporting for December 1941 and January 1942

Part II. Companies Are Ranked in Order of Percent of Employee Participation in January 1942

Name of Company	Number of Employees : January 31	Percent of Employees Participating		Percent of Aggregate Pay of Participating Employees Deducted	
		Dec.	Jan.	Dec.	Jan.
General Electric Co.	125,600	82	85	1/	5
Chicago Surface Lines	15,600	56	70	1/	2
United Aircraft Corp.	33,000	70	68	1/	2
Commonwealth Edison Co.	10,220	33	54	1/	2
New York Telephone Co.	39,719	21	47	1/	2
R. J. Reynolds Tobacco Co.	10,756	42	46	1/	2
Public Service Corp. of New Jersey	20,386	27	39	1/	2
Marion Petroleum Co.	9,426	24	35	1/	2
Northwestern Bell Telephone Co.	10,390	12	28	1/	2
General Motors Corp.	237,276	22	27	1/	2
New England Telephone & Telegraph Co.	20,319	26	26	1/	2
Chrysler Corp.	64,906	13	25	1/	2
New Jersey Bell Telephone Co.	13,050	18	25	1/	2
Western Electric Co.	62,585	13	24	1/	2
Whelan Railway Co.	10,094	14	24	1/	2
Pittsburgh Steel Corp.	189,647	19	23	1/	2
Southwestern Bell Telephone Co.	28,204	17	23	1/	2
Boeing Aircraft Co.	32,400	9	22	1/	2
Bell Telephone Company of Pennsylvania	19,469	12	22	1/	2
Illinois Bell Telephone Co.	29,451	13	21	1/	2
Riverside & Dan River Cotton Mills	13,500	22	21	1/	2
Yellow Truck & Coach Mfg. Co.	10,941	18	21	1/	2
Louisville & Nashville Railroad Co.	31,733	16	20	1/	2
Missouri-Kansas-Texas R. R. Co.	8,585	11	20	1/	2
Chicago, Milwaukee, St. Paul & Pacific R. R.	30,770	4	17	1/	2
Michigan Bell Telephone Co.	13,702	11	17	1/	2
New York, New Haven & Hartford R. R. Co.	23,459	4	16	1/	2
Pacific Telephone & Telegraph Co.	37,850	11	15	1/	2
American Telephone & Telegraph Co.	16,413	11	15	1/	2
Boston & Maine R. R.	14,577	6	15	1/	2
Traveler's Ins. Co. & Branches	11,820	14	15	1/	2
New York, Chicago, & St. Louis Railway Co.	11,528	4	15	1/	2
Texas & Pacific Railway Co.	8,582	12	14	1/	2
Southern Bell Telephone & Telegraph Co.	26,261	7	13	1/	2
Ohio Bell Telephone Co.	11,568	8	12	1/	2
Denver & Rio Grande Western Ry.	7,701	12	12	1/	2
Baltimore & Ohio Ry.	54,218	11	11	1/	2
Chicago & Northwestern Line	26,100	7	11	1/	2
Aetna Life Ins. Co.	7,692	9	11	1/	2
Rock Island Lines	21,000	4	10	1/	2
Crown Zellerbach Corp.	7,862	4	10	1/	2
Great Northern Railway	21,061	3	9	1/	2
Lehigh Valley Railroad Co.	11,143	6	9	1/	2
Seaboard Airline Ry. Co.	17,108	4	8	1/	2
Southern Railway System	41,686	5	7	1/	2
Portfolk & Western Ry. Co.	21,178	4	7	1/	2
Illinois Central System	35,260	4	7	1/	2
Cheapeake & Ohio Railway Co.	28,037	2	4	1/	2
Atlantic Coast Line R. R. Co.	16,537	2	2	1/	2
Armstrong Cork Co.	10,367	1	1	1/	2

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

March 5, 1942

1/ Less than 0.5 percent.
2/ Data not available.

Analysis of Exposure to Payroll Savings Plans
February 28, 1942

	Number exposed to payroll savings plans	Total number in the country (estimated)	Percent of total exposed
Part A - Summary by Number of Organizations Exposed			
I. Business organizations			
(1) Large railroads.....	158	167	95
(2) Other firms with 500 employees or more.....	5,078	7,277	70
(3) Other firms with 100 to 499 employees.....	<u>11,123</u>	<u>26,971</u>	<u>41</u>
(4) Subtotal - large firms.....	16,359	34,415	48
(5) Firms with less than 100 employees.....	<u>20,090</u>	*	*
(6) Total business organizations.....	36,449	*	*
II. Governmental organizations.....	*	*	*
III. Grand total.....	<u>36,449</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed

I. Business organizations			
(1) Large railroads.....	1,273,260	*	*
(2) Other firms with 500 employees or more.....	13,094,067	*	*
(3) Other firms with 100 to 499 employees.....	<u>2,461,709</u>	*	*
(4) Subtotal - large firms.....	16,829,036	*	*
(5) Firms with less than 100 employees.....	<u>544,168</u>	*	*
(6) Total business organizations.....	<u>17,373,204</u>	<u>30,400,000</u> 1/	<u>57</u>
II. Governmental organizations			
(1) Federal Government.....	*	1,700,000 1/	*
(2) State and local governments.....	<u>380,904</u>	<u>2,700,000</u>	<u>33</u>
(3) Total governmental organizations.....	*	<u>4,400,000</u>	*
III. Grand total.....	<u>18,254,108</u>	<u>34,800,000</u> 1/	<u>52</u>

March 6, 1942

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

- 1/ Excludes agricultural employees, military personnel, employees on WPA or NYA or CCC projects, proprietors, firm members, self-employed, casual workers and persons in domestic service.
* Data not available.

Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans
(As reported by the Defense Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Jan. 10	Feb. 21	Feb. 28		Jan. 10	Feb. 21	Feb. 28
Alabama.....	17	89	95	285	6	31	33
Arizona.....	15	31	35	58	26	53	60
Arkansas.....	22	33	33	142	15	23	23
Northern California.....	160	411	420	489	33	84	86
Southern California.....	495	654	662	1,171	42	56	57
Colorado.....	64	101	105	198	32	51	53
Connecticut.....	100	238	246	622	16	38	40
Delaware.....	0	0	0*	84	0	0	0
District of Columbia.....	8	20	26	152	5	13	17
Florida.....	48	97	104	139	35	70	75
Georgia.....	56	91	94	589	10	15	16
Idaho.....	19	26	26	50	38	52	52
Illinois.....	48	724	825	2,252	2	32	37
Indiana.....	0	295	310	586	0	50	53
Iowa.....	4	76	92	271	1	28	34
Kansas.....	114	272	272	272	42	100	100
Kentucky.....	75	98	102	112	24	31	33
Louisiana.....	0	77	97	384	0	20	25
Maine.....	3	40	42	198	2	20	21
Maryland.....	32	86	99	405	8	21	24
Massachusetts.....	53	531	544	1,523	3	35	36
Michigan.....	137	515	528	1,022	13	50	52
Minnesota.....	181	343	351	799	45	88	88
Mississippi.....	30	47	49	143	21	33	34
Missouri.....	0	278	342	664	0	42	52
Montana.....	22	35	35	39	56	90	90
Nebraska.....	6	61	70	123	5	50	57
Nevada.....	8	14	14	24	33	52	58
New Hampshire.....	7	60	66	145	5	41	46
New Jersey.....	171	265	273	669	20	30	31
New Mexico.....	12	30	31	35	34	86	89
New York.....	505	1,249	1,484	4,233	12	32	35
North Carolina.....	29	141	149	499	6	28	30
North Dakota.....	4	7	7	29	14	24	24
Ohio.....	0	547	675	1,739	0	31	39
Oklahoma.....	29	133	136	345	8	39	39
Oregon.....	21	95	104	317	7	30	32
Pennsylvania.....	713	1,307	1,393	2,032	35	64	69
Rhode Island.....	46	112	124	224	22	50	55
South Carolina.....	13	49	56	174	7	28	32
South Dakota.....	5	15	16	19	26	79	84
Tennessee.....	0	57	73	448	0	13	18
Texas.....	74	167	175	1,375	5	12	13
Utah.....	13	19	25	111	12	17	23
Vermont.....	30	47	48	63	47	75	76
Virginia.....	31	127	146	332	9	34	43
Washington.....	71	148	181	466	17	36	45
West Virginia.....	0	34	47	272	0	13	17
Wisconsin.....	0	192	207	680	0	28	30
Wyoming.....	1	14	14	14	7	100	100
Alaska.....	0	2	2*	2	0	100	100
Railroads.....	46	49	49	52	88	94	94
Total.....	<u>3,541</u>	<u>10,249</u>	<u>11,172</u>	<u>27,023</u>	<u>13</u>	<u>38</u>	<u>41</u>

March 6, 1942

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

* Data are for February 21, inasmuch as no February 28 report was received.

Regraded Unclassified

Firms Employing 500 Persons or More Participating in Payroll Savings Plans

(As reported by the Defense Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Jan. 10	Feb. 21	Feb. 28		Jan. 10	Feb. 21	Feb. 28
Alabama.....	9	38	42	76	12	50	55
Arizona.....	15	19	19	19	79	100	100
Arkansas.....	6	16	16	18	33	89	89
Northern California.....	114	142	143	196	58	72	73
Southern California.....	123	157	158	165	75	95	96
Colorado.....	22	23	23	32	69	72	72
Connecticut.....	97	139	142	185	52	75	77
Delaware.....	2	2	2*	28	7	7	7
District of Columbia.....	12	24	24	52	23	46	46
Florida.....	18	29	31	66	27	44	47
Georgia.....	35	50	51	143	24	35	36
Idaho.....	8	9	9	10	80	90	90
Illinois.....	277	378	384	634	44	60	61
Indiana.....	41	97	109	180	23	54	61
Iowa.....	9	37	37	53	17	70	70
Kansas.....	16	31	32	32	50	97	100
Kentucky.....	19	36	37	70	27	51	53
Louisiana.....	0	18	24	85	0	21	28
Maine.....	42	52	54	64	78	86	100
Maryland.....	40	98	99	154	26	64	64
Massachusetts.....	41	250	256	370	11	68	69
Michigan.....	305	319	320	333	92	96	96
Minnesota.....	87	101	101	105	83	96	96
Mississippi.....	12	15	15	28	43	54	64
Missouri.....	0	130	136	136	0	96	100
Montana.....	4	5	5	5	80	100	100
Nebraska.....	28	32	34	41	68	78	83
Nevada.....	3	5	5	5	60	100	100
New Hampshire.....	17	27	27	27	65	100	100
New Jersey.....	185	220	224	238	78	92	94
New Mexico.....	5	6	6	6	83	100	100
New York.....	435	767	799	1,150	32	57	59
North Carolina.....	49	102	103	168	29	61	61
North Dakota.....	0	1	1	1	0	100	100
Ohio.....	285	419	444	557	51	75	80
Oklahoma.....	22	37	38	62	35	60	61
Oregon.....	51	62	69	69	74	90	100
Pennsylvania.....	336	500	521	625	54	80	83
Rhode Island.....	58	72	73	90	64	80	81
South Carolina.....	27	55	60	96	28	57	63
South Dakota.....	3	4	4	4	75	100	100
Tennessee.....	4	18	22	106	4	17	21
Texas.....	36	51	51	187	19	27	27
Utah.....	8	9	10	14	57	64	71
Vermont.....	10	12	12	13	77	92	92
Virginia.....	41	77	80	95	43	81	84
Washington.....	44	51	53	86	51	59	62
West Virginia.....	2	28	34	67	3	42	51
Wisconsin.....	84	134	135	137	61	98	99
Wyoming.....	0	1	1	1	0	100	100
Alaska.....	0	3	3*	3	0	100	100
Railroads.....	98	105	109	115	85	91	95
Total.....	<u>3,185</u>	<u>5,013</u>	<u>5,187</u>	<u>7,392</u>	<u>43</u>	<u>68</u>	<u>70</u>

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

March 6, 1942

* Data are for February 21, inasmuch as no February 28 report was received.

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 6, 1942

TO Secretary Morgenthau
FROM Gerard Swope

With reference to what you said yesterday, possibly you saw the attached article in this morning's New York Times in regard to the payroll deductions for bonds, which are even somewhat greater than at the rate that we mentioned.

I think you will also note with interest the high average wage of the workers, and especially the profit sharing among the workers, which amounted to over \$4,700,000. This profit sharing plan for workers was initiated and approved by the stockholders early in 1934.

G.S.

FRIDAY, MARCH 6, 1942.

FINAN

Average Pay of 109,000 Workers At General Electric, \$2,346 in '41

**Total Earnings \$257,364,000,
Against \$153,497,000 Year
Before, C. E. Wilson Says
—\$4,704,866 for Bonuses**

The average annual earnings of employees of the General Electric Company last year were \$2,346, or \$45.11 a week, Charles E. Wilson, president of the company, announced yesterday. They were the highest in the history of the company and compared with \$2,011, or \$38.67 weekly, paid in 1940.

The average number of workers employed by General Electric in 1941 was 109,689, compared with 76,314 in 1940, and total earnings of employees amounted to \$257,364,000, against \$153,497,000 a year earlier, an increase of 68 per cent. There were 122,840 employees on the company's payroll at the end of 1941, not including workers in affiliated companies or the 2,800 who were in military service at the close of the year.

Mr. Wilson also announced that the total amount which will be received by employees under the company's general profit-sharing plan for 1941 is \$4,704,866, compared with \$1,636,208 for 1940. Payment for the first half of the year under the plan was made in August, and some time next week the balance of 1941 profit sharings will be paid



Charles E. Wilson

to about 82,000 eligible employees. Profit-sharing payments for the last half of 1940 were made to 65,000 employees.

General Electric, one of the first companies to adopt a payroll deduction plan for the purchase of United States Savings Bonds, has as of Feb. 1, last, approximately 100,000 employees who had purchased, or authorized deductions for purchase, these bonds with a maturity value of nearly \$23,600,000.

March 6, 1942

TO: HAROLD N. GRAVES *H*

SUBJECT: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SALE OF BONDS

Actual cash receipts from the sale of E, F and G Bonds for the first three business days of March totaled \$61,733,000, a decrease of 44.1 percent from sales during the corresponding three days for February. Receipts from the sale of all Bonds for the first three business days of February were \$146,223,000, while for the first three business days of January sales were \$69,900,000.

SERIES E BONDS

Sales of Series E Bonds for the first three business days of March were \$45,340,000, a decrease of 39.9 percent from sales during the first three business days of February. Receipts from sale of Series E Bonds for the first three business days of January were \$43,764,000.

*1/2
3/6/42
BWS
3/9*

SPECIAL

Arrangements were started to change all promotion material, radio, press, advertising, literature, etc., to conform with the projected change of name to War Savings Bonds and Stamps.

PLEDGE CAMPAIGN

Start of the Pledge Campaign has been scheduled definitely for Massachusetts on Monday, March 30; Indiana on Sunday, April 12; and in Pennsylvania, Friday, April 17. Other state campaign starting dates are tentative.

In Indiana, April 12 will be known as "Bond Sunday." All of the state's 3,910 polling places will be opened from 12 noon to 10 P. M., and the Pledge Campaign will be conducted on an election basis. Approximately 35,000 volunteer workers, including precinct officers of both political parties, representatives of the American Legion, the Defense Savings Staff, and other groups, will make a determined effort "to get out the vote" for the Pledge Campaign. Through cooperation of the telephone company, all telephone users on "Bond Sunday" and the day before will be reminded of their patriotic duty to visit their election precincts and make their pledges. Transportation to the polls is also being arranged.

Secretary of Agriculture Wickard has issued a memorandum for chairmen and members of the State and County Agriculture

PLEDGE CAMPAIGN (Continued)

Department War Boards for guidance in cooperation with the Defense Savings Staff in the Pledge Campaign. (Copy attached)

PAYROLL SAVINGS

The War Department is advising proper authorities of a decision of the Comptroller General of the United States, (B-23888, dated February 20, 1942) prescribing the procedure to be followed by contractors working for the Government on a cost-plus-a-fixed fee basis covering installation of Payroll Savings Plan.

A group of Senators were pictured signing up for Payroll Savings at the Capitol. The ceremony was filmed by Paramount and Pathe Newsreels for distribution to theatres week of March 6, and still pictures were serviced by Acme Newspictures, Inc., and Harris and Ewing. (Photograph attached.)

NEWSREELS

The newsreel crews of the Defense Savings Staff made shots of local residents in the following cities this week:

Santa Fe, N. M.; Denver, Colo.; Spokane, Wash.; Waterloo and Sioux City, Iowa; and in the Tri-Cities, Davenport, Iowa, and Rock Island and Moline, Ill.

NEWSREELS (Continued)

Universal Newsreel carried a sequence on the launching of the American Federation of Labor billion dollar campaign at the Minute Man statue in Concord, Mass. (Newsreel release sheet attached.)

SPECIAL ACTIVITIES

Edward G. Robinson made additional appearances at factories and shipyards in the New York City area urging adoption of the Payroll Savings Plan.

Dinah Shore and Sergeant York are scheduled to appear as guest stars at a Defense Bond Rally in Nashville, Tenn., on Thursday, March 12. Gene Tierney is set for a similar rally in Des Moines, Iowa, on Monday, March 9.

Sabu, the "elephant boy," made appearances this week before groups of newspaper carrier Defense Stamp salesmen in Hartford, Bridgeport and New Haven, Conn., and in Providence, R. I.

Six thousand Washingtonians attended the first in a series of community sings to be held throughout the nation, starring Lucy Monroe. Guest stars at the Washington sing at Riverside Stadium included Walter Pidgeon, Irving Berlin and Barry Wood. Music was by the Army, Navy and Marine Bands. (Detailed information attached.)

PRESS

Western Newspaper Union, feature syndicate which services the majority of the eleven thousand weekly newspapers, agreed, as the result of a conference with Defense Savings Staff representatives, to extend their cooperation in promoting Bond and Stamp sales.

In their ready-print service to weekly newspapers, Eastern Newspaper Union will use our feature, "What You Buy With Defense Bonds." Syndicate officials estimate this should assure its publication in approximately 5,000 newspapers.

The same syndicate plans to use feature stories on the Defense Savings Program, plus use, on a continuing basis, of such material as our one-column boxes, fillers and photographs.

Officials of the Book-of-the-Month Club report they will adopt the suggestion to imprint the Minute Man on the jackets of their publications. This means that several hundred thousand books, shipped each month to their subscribers, will bear the Treasury Department's appeal.

The American Federation of Musicians has sent suggested Defense Bond messages to all members for use by band leaders and members in making announcements. (Copy attached.)

COLLEGE PRESS

Amherst College has adopted a "Stamp-a-Week" sales campaign. In its first week more than \$300 worth of Stamps were purchased by the 850 students. To lend impetus to the campaign, a special Defense Savings Week, featuring a theatrical on Thursday night, March 5; a Victory Ball on Friday, March 6; and a glee club concert and basketball game on Saturday, March 7, were scheduled. Defense Savings Stamps were sold at each event. Music from the dance was broadcast along with a Defense Savings announcement, over the Mutual Broadcasting System network.

Attached is the first publicity mailing of a Defense Bond campaign to be directed to the 820 college newspapers of the country. This special campaign, which is being handled by Leonard Harris, will be a continuing effort.

MAGAZINES

Attached to this report are two scrapbooks carrying sample Defense Bond publicity which has appeared in leading magazines.

Photoplay Magazine for April carries an editorial based on the theme: "Carol Lombard died for Defense Bonds, the least you can do is buy one." The same issue publishes a photograph of Dorothy Lamour selling Bonds.

A full page of photographs of Miss Lamour selling Bonds in various cities, appears in the April issue of Movie Stars Parade Magazine.

Radio Mirror Magazine in its May issue reprints the complete Baby Snooks radio script which was performed by Fannie Brice on the Treasury Hour in December.

FARM PUBLICATIONS

Twenty-eight of the 45 farm publications which have Audit Bureau of Circulation ratings have signified willingness through their representatives to cooperate fully in Bond and Stamp promotion. Specific requests for material were received from editors. Arrangements are being made to service them cartoons, feature stories, editorial fillers, and news releases.

FARM PUBLICATIONS (Continued)

As a result of personal contact with editors and representatives of farm publications, 28 papers and periodicals, with a circulation of 8,000,000, out of a total circulation of 15,000,000 in this field, (ABC rating) promise wholehearted cooperation with the Bond and Stamp campaign.

COMIC PUBLICATIONS

Publishers of comic magazines, after a meeting with Defense Savings representatives in New York, decided to adopt the following program to promote interest in the Defense Savings Program among their readers:

- (1) To devote whole comic adventures stories based on the theme of purchases of Bonds and Stamps.
- (2) To publish an open letter, addressed to the boys and girls of America by Secretary Morgenthau, in all issues of their publications.
- (3) To print cuts of the Minute Man and to mention Bonds and Stamps as often as possible in all of their issues.
- (4) To conduct a contest for the best cartoon strip dealing with Bonds and Stamps, with the winning sketch to be published in a future issue of "Our America".

LABOR PRESS

A spot survey of Labor Press publicity results and sample clippings are attached.

LABOR PRESS ADVERTISING

Results to date show 120 labor papers are publishing the second Labor Press advertisement on Payroll Savings. These publications have an approximate circulation of 2,000,000 readers among union members.

BUSINESS PUBLICATIONS

A total of 641 business publications report using our Payroll Savings Advertisement No. 2. These publications have an approximate combined circulation of 4,725,018. Our advertising release No. 3, proof attached, is now being mailed for appearance in March and April issues.

There is attached a letter from The Chilton Company referring to Business Publications Ad No. 3. The Chilton Company is publisher of Iron Age, Commercial Car Journal, Department Store Economist and eight other leading business papers having a total circulation of 200,000 business executives.

COMPANY MAGAZINES

More than 850 company magazines now report using one or more of our releases in each issue. These publications reach in excess of 9,000,000 readers. Sample attachments from General Motors Folks, circulation 350,000, and the Michigan Bell, show how company magazines are utilizing our material for back and front covers.

WINDOW POSTERS

Jumbo window posters to be used by 8,500 Chevrolet dealers nationally have been issued by the sales department of the Chevrolet Division of General Motors. (Sample attached.)

DIRECT MAIL

Sale of Defense Savings Bonds through the medium of direct mail totaled \$24,436,878 as of March 4. This is an increase since February 26 of \$544,205.

NEWSPAPER CARRIER SALES

As of March 5, a total of 824 newspapers report that their carrier boys have sold a total of 147,522,829 ten-cent Defense Savings Stamps or their equivalent in Bonds or Stamps of higher denominations. This figure represents an increase of 12,638,564 ten-cent Stamps sold since the report of February 27.

RADIO

To date, 703 radio stations have requested and are using the transcribed fifteen-minute Defense Savings Radio Program, "The Treasury Star Parade," on a three times weekly basis.

A total of 828 stations throughout the nation now broadcast the appeals of Minute Man speakers. Locally, in Washington, 105 Minute Man programs were broadcast during February. In Chicago, 300 Defense Savings announcements weekly -- one, two and five minutes in length -- are scheduled for broadcasting.

In all, 395 radio stations, of which 300 have 100 percent membership, are now subscribed to the Payroll Savings Plan.

RADIO (Continued)

Broadcasts designed especially for women listeners include 910 appeals by women "Minute Men"; Defense Savings Announcements on 54 sponsored programs including messages on their own programs by Else Maxwell, Dorothy Kilgallen, Helen Hiatt and Ilka Chase; 4,142 announcements to women broadcast over 100 stations during January.

Special Pledge Campaign radio announcements, varying in appeal, were prepared for all states about to start campaigns.

Incomplete January returns show 89 foreign language stations used 8,413 announcements and 59 farm stations used 1,065 announcements on Bonds and Stamps.

The special radio listener pledge programs, introduced in Boston through cooperation of Hotels Statler and Western Union, are now being extended to Buffalo, N. Y., Pittsburgh, Pa., and shortly will be started in Cleveland, Ohio, New York City, and in other cities where there are Hotels Statler.

Sponsors devoting their station-break announcements to Defense Bond promotion over 200 radio stations daily on the hour, are now supplementing their printed advertisements with Defense Bond and Stamp appeals. (Samples attached)

NEW YORK STATE MEETING

More than 1,000 volunteer workers of the Defense Savings Staff of New York State held a successful "Dutch Treat" dinner meeting at the Waldorf-Astoria Hotel on Friday, March 6. Governor Lehman paid tribute to the work of the volunteers. (New York Times and Herald-Tribune accounts of the meeting attached.)

CONFIDENTIAL

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	675
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	-
5	200	500	25,551	625

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

March 6, 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 Four Business Days of March, February and January 1942
(March 1-5, February 1-5, January 1-5)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	March	February	January	March over February	February over January	March over February	February over January
	Series E - Post Offices	\$ 16,049	\$ 21,156	\$ 22,926	-\$ 5,107	-\$ 1,770	- 24.1%
Series E - Banks	<u>43,608</u>	<u>74,724</u>	<u>57,246</u>	- <u>31,116</u>	<u>17,478</u>	- <u>41.6</u>	<u>30.5</u>
Series E - Total	59,657	95,880	80,171	- 36,223	15,709	- 37.8	19.6
Series F - Banks	8,010	15,288	8,539	- 7,278	6,749	- 47.6	79.0
Series G - Banks	<u>41,933</u>	<u>72,468</u>	<u>34,541</u>	- <u>30,535</u>	<u>37,927</u>	- <u>42.1</u>	<u>109.8</u>
Total	<u>\$109,600</u>	<u>\$183,636</u>	<u>\$123,252</u>	- <u>\$74,036</u>	<u>\$60,384</u>	- <u>40.3%</u>	<u>49.0%</u>

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

March 6, 1942.

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

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

UNITED STATES SAVINGS BONDS

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
5	3,869	10,448	1,680	11,870	23,998	14,317	1,680	11,870	27,867
Total	\$ 16,049	\$ 43,608	\$ 8,010	\$ 41,933	\$ 93,551	\$ 59,657	\$ 8,010	\$ 41,933	\$109,600

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

March 6, 1942.

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

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

WILLIAM B. MURRAY

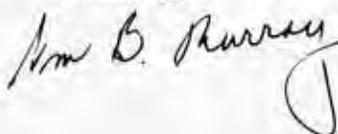
~~March~~ March 6th, 1942

My dear Mr. Secretary -

I am very happy to have your letter
of March 2nd.

I am up and around but scarcely
steady on my feet. However, in a
week or two I expect to be all right,
at which time I hope to go to Washington
for a day or two.

Sincerely,

Handwritten signature of William B. Murray in cursive script.

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

March 2, 1942

Dear Mr. Murray:

Thanks and congratulations to you for the very fine new Treasury programs which you have been directing. The record of the Statue of Liberty play is one of the finest radio programs I have ever heard.

All of us here marvel at your ability to do such a grand job from a sick bed. I understand you will be up and around soon. When that time comes, won't you come down to Washington so that I may talk to you and thank you personally?

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William Murray,
333 East 57th Street,
New York, New York.

FK/cgk

M. M. C.
Copies to Thompson

STANDARD FORM No. 14 A
APPROVED BY THE PRESIDENT
MARCH 10, 1926

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

TREASURY DEPARTMENT
WASHINGTON

152

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

Official

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

U. S. GOVERNMENT PRINTING OFFICE

2-16117

MARCH 6 1942

D V COTE
FINANCIAL SECRETARY
FISHER LOCAL 596
PONTIAC MICHIGAN

VERY GLAD TO SEE YOUR COMMITTEE MONDAY MARCH NINTH AT TWO
THIRTY

HENRY MORGENTHAU JR ✓

March 6, 1942.

Draft of Cable to D. V. COTE, FINANCIAL SECRETARY,
FISHER LOCAL 596

Doubt very much whether Treasury can be of any assistance in the matter referred to in your telegram of March 4. However, will be glad to see your Committee on Monday, March 6 at 2:30 P. M. and will do whatever I can.

1942 MAR 5 AM 8 15

WA 58 NL 2 EXTRA

PONTIAC MICH MARCH 4 1942

HENRY MORGANTHEAU JUNIOR

SEC OF UNITED STATES TREASURY

WASHINGTON DC

OUR LOCAL IS SENDING COMMISSION OF THREE TO WASHINGTON TO
 INVESTIGTE POSSIBILITY OF DEFENSE ORDERS FOR FISHERBODY
 EMPLOYMENT HERE IN PONTIAC FOUR HUNDRED OUT OF APPROXIMATELY
 FIVE THOUSAND EMPLOYEES WORKING NOW. WOULD APPRECIATE YOUR
 COOPERATION IN ASSISTING OUR COMMITTEE WHEN IN WASHINGTON.
 COULD YOU WIRE US APPOINTMENT DATE THIS WEEK END WITH OUR
 COMMISSION IN WASHINGTON

D V COTE FIN SEC FISHER LOCAL 596 UAWCIO.

596

E10A MARCH 5 1942

2-571-1-9

MAR 6 1942

The Director,

Bureau of the Budget.

Sir:

Reference is made to Bureau of the Budget Circular No. 388, dated February 26, 1942, establishing the priority classification of the several departments and agencies with respect to transfers of employees under the provisions of Executive Order No. 9007 of February 20, 1942.

Only six activities of the Treasury Department have been accorded preferred classification, as follows: Class 1. - Procurement Division (lend-lease activities); Class 2. - Secret Service; Class 3. - Office of the Secretary (general administration only), Foreign Funds Control; Class 4. - Bureau of Customs, Bureau of Narcotics.

With the exception of the Defense Savings Staff, which was not included in Budget Circular No. 388, the remaining activities of the Treasury Department have been allocated to Class 5, which classification is tantamount, under the terms of the Executive Order, to declaring that such activities are relatively unimportant to the war program. The Treasury activities which have thus been denied a preferred classification include the Bureau of Internal Revenue, the Bureau of the Public Debt, the Division of Research and Statistics, the Office of the General Counsel, and certain units of the Procurement Division engaged respectively in the purchase of strategic and critical materials and the procurement of supplies for the American Red Cross. With respect to the Defense Savings Staff, which is engaged in promoting the sale of Defense Savings Bonds and Stamps, no classification has been designated.

Although the functions and purposes of these activities have been outlined upon previous occasion to the Bureau of the Budget, and while the relationship of such activities to the war program should be obvious, I am enclosing copies of memoranda which briefly describe their functions and point out the importance thereof as related to the war effort.

In failing to classify the Bureau of Internal Revenue, the Bureau of the Public Debt, and the Defense Savings Staff as performing important functions related to the war effort, account has not been taken of the fact that the financing of the war is a function comparatively as essential as that performed by any other unit of the Government, including the Army and the Navy. We cannot successfully conduct the war unless we are able, either through the collection of taxes or through the sale of bonds, to obtain the funds with which to equip and maintain our armed forces. The functions of the Office of the General Counsel and the Division of Research and Statistics, as you will observe from the accompanying memoranda, are likewise directly related to the war effort. The justification for revising the classification of the Procurement Division, with respect to units engaged in the purchase of strategic and critical materials and the procurement of Red Cross supplies, will be apparent.

For the reasons set forth above, I cannot urge too strongly your reconsideration of the priority classification established for these activities under Budget Circular No. 388. If such classification should be permitted to stand, these important activities would in all likelihood be deprived of the services of many of their trained employees, definitely hampering the Government's financing operations and otherwise impairing the Treasury's participation in the war effort.

Very truly yours,

(Signature)

By Messinger
File in
12
12

(Enclosures)

crs/m

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAR 5 - 1942

TO The Secretary
FROM Mr. Foley

Re: General Counsel Office comments on new Budget Bureau priority ratings with respect to personnel transfers

The Office of the General Counsel, together with the bulk of the rest of the Treasury, has been placed in class 5, the lowest class on the priority rating list announced by the Budget Bureau on February 26. This relative rating of our work in its relation to the war effort, in my opinion, reveals a complete misunderstanding of the importance of the work from the war standpoint. As you know, the General Counsel as the chief law officer of the Treasury exercises general supervision over all personnel and activities of the Legal Division, and coordinates all the legal work of the Department. The immediate General Counsel's office, which is the subject of this memorandum, consists of about 80 lawyers and 100 other persons. These report to me through 5 Assistants General Counsel, excluding the Bureau of Internal Revenue, which I will mention later. All of the legal work of the Department flows through these men to me, and a good deal of it originates with them and their immediate staffs. An evaluation of the relative importance of their work to the war effort can best be appraised by a statement of their assignments.

(1) One Assistant General Counsel is in charge of the legal work relating to the so-called freezing and foreign property control, as well as various other monetary matters. At least 95 percent of his time and that of his staff, and a very substantial percentage of my own time, is devoted to the problems related to freezing and foreign property control. The Treasury now has about \$7,000,000,000 worth of foreign assets under this control, which represents economic warfare in its purest sense. I note in this connection that the Board of Economic Warfare is in class 2. All the important policy decisions on this freezing and foreign property work are made by the General Counsel's office, and the General Counsel signs as Acting Secretary the documents and papers relating to it.

(2) Another Assistant General Counsel handles Treasury legislation. At present, virtually all Treasury legislation is war legislation. Thus this office participated since Pearl Harbor in the drafting of the sweeping First and Second War Powers Bills, appeared before the Congressional committees in connection therewith, and generally helped handle the bills all the way through Congress. Among its other assignments, this office also does all the legal work of Secret Service, which it is noted has been placed in class 2 on the Budget list, and supervises all the legal work of the Procurement Division, the lease-lend activities of which have been placed in class 1 on the list. This office also acts as legal advisor to the Coordinated Treasury Enforcement Services, represents the Treasury on the law committee of the Defense Communications Board, and is represented on and does the legal work of the Treasury Committee which considers charges of subversive activities against Treasury officers. The above represents at least 90 percent of the work of this office.

(3) Another Assistant General Counsel is in charge of the legal work relating to the public debt and financing (including defense bond legal work), banking, the Bureau of Accounts, and the Treasurer's office. In view of the fact that the Treasury is going to have to borrow about \$3,000,000,000 a month during the next fiscal year, it is apparent that the legal problems which are arising and will arise are of a totally unprecedented size and complexity, and are directly related to the war effort.

(4) Another Assistant General Counsel is in charge of the legal opinion work for the whole Department, which at present involves opinions principally on war-related subjects, and is also in charge of the legal work of Customs and Narcotics. It is noted that the Bureau of Customs and the Bureau of Narcotics are both placed in class 4 on the list. This Assistant General Counsel devotes a large part of his time to problems of international law and foreign relations involving the State Department, and also to war censorship problems.

(5) The remaining Assistant General Counsel works on special problems, almost all of which deal with war problems. These include the legal aspects of general economic problems before the Department, and of various lease-lend problems other than the procurement aspects. He is the Department's representative on the Treasury-British Committee, and on the Price Control Committee of O.P.A.

Aside from the foregoing, I may say that a considerable number of vital defense and war projects of major importance have been handled in whole or in part by this office, sometimes at the direction of the President. For example, the Treasury legal staff played the principal part in the drafting of the Lease-Lend Act and the solution of the various legal problems incident to its enactment and to the inauguration of the lease-lend program.

For the purposes of this memorandum, I am assuming that the priority rating list places legal division attorneys, and other personnel who work outside the immediate General Counsel's office in one or another of the various bureaus, in the same classification as the administrative personnel of the same bureau, since the only listing of legal personnel, as such, is under the heading "Office of General Counsel" in class 5. I am willing to let legal personnel in the various bureaus (such as those in the Bureau of Internal Revenue) share whatever classification the administrative personnel of the same bureau may receive, although an examination of the listing of the various Treasury bureaus indicates to me that many of them are rated much lower than the war quality of their work justifies.

So far as the immediate General Counsel's office is concerned, however, I feel satisfied that anything less than a class 2 rating represents a serious mistake, and I believe that definite consideration should be given to placing us in class 1. If the situation were not so grave, I would find a certain farcial aspect in the fact that the Alley Dwelling Authority, the Bureau of Agricultural Economics, and the Census and Patent offices, to name only a few examples, are all in a position under the present rating list procedure to take vitally needed Treasury lawyers out of this office without any power on our part to prevent them.

E. H. Foley Jr
EHS



TREASURY DEPARTMENT
WASHINGTON

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE
WASHINGTON, D. C.
20540

March 3, 1942.

Memorandum for THE SECRETARY:

The recent priority classification placing the Bureau of Internal Revenue in Class 5 furnishes ample reason for serious apprehension as to its probable effect upon the prompt collection of the revenues necessary to finance the war effort. As the revenue-collection arm of the Government the Bureau of Internal Revenue's relationship is a direct and vital one and any reduction in the quality or strength of its personnel is bound to reflect in a lower degree of operating efficiency which in turn will ultimately and inevitably result in a decrease and delay in tax collections. Yet, aside from the actual armed forces of the United States in time of war, the next function of Government in order of practical importance, namely, raising of money to meet the expenditures of the Nation, is placed by this order in the fifth and least important class.

The Bureau of Internal Revenue is now administering 69 types of miscellaneous and excise taxes; the estate and gift tax; and income and excess-profits taxes. The Bureau of Internal Revenue is also responsible for collecting social security taxes and the alcohol tax. Experience has demonstrated that many taxpayers will not report and pay the correct tax unless it is generally known that tax returns are carefully examined by capable personnel. A trained, experienced, competent personnel is as essential in collecting the internal revenue as that required in the operation of an airplane, a tank or a battleship.

In addition to the all-important function of the collection of taxes it is to be observed that some of the

Mr. W. N. Thompson.

Memorandum.

Internal revenue taxes are in force not only for the purpose of raising revenue but in the interest of the public welfare. I am referring particularly to the taxes imposed on the production and sale of liquor, tobacco and narcotics and also the employment taxes. Unless these laws are enforced efficiently and properly it is a reasonable presumption that the illegal output and consumption of products generally considered detrimental to the public welfare will increase. Prompt assessment and collection of employment taxes, particularly during the present era of substantial wages, is absolutely necessary.

The backbone of the Bureau of Internal Revenue is its skilled technical personnel which includes trained accountants, lawyers and engineers. It is also to be observed that the clerical force of the Bureau above Grade 4 is also doing a highly specialized type of work. At this time the Bureau of Internal Revenue confronted with the constantly growing demand on the time of its skilled personnel is in no condition to match the terms of the offers that may be made by agencies having preferred priority classification. As a matter of fact, the Bureau of Internal Revenue is experiencing great difficulty in obtaining the personnel necessary to administer the new taxes provided for under the Revenue Act of 1941. At this point it is pertinent to note that in the collection of taxes the Bureau of Internal Revenue is expected and called upon by all types of taxpayers to furnish assistance in making their returns to the Government. In fact, at this very moment the Bureau is being criticized on its failure to furnish more comprehensive service to taxpayers in connection with the filing of 1941 income tax returns.

It is to be observed that so far as the departmental forces in Washington are concerned, the Bureau of Internal Revenue is practically decentralized. For example, the Bureau has 23,028 employees in the field and 4,510 employees in Washington. It is to be emphasized that the Bureau's principal function in Washington is one of service and supervision over its field employees and again it is in no position to withstand raids from agencies in more favorable classes which are in a position to make very attractive offers to our more skilled employees. While the consent of the employee is necessary, it is probable that many of them will want to transfer particularly in view of the fact that their jobs in this Bureau will be open for them when the war emergency is over.

Mr. W. N. Thompson.

Memorandum.

It is now generally known that further tax levies are to be enacted which would entail further enlargement and responsibility on the part of the Bureau of Internal Revenue. It is respectfully urged that the Bureau of Internal Revenue has been erroneously classified in view of its great responsibility in connection with the war effort. It is urged that this matter of improper classification be immediately presented to the Director of the Budget for reconsideration.

In the event it is proposed to take unfavorable action respecting this request for reclassification, the undersigned would appreciate being afforded the opportunity to appear before the Bureau of the Budget.

Norman H. Carr
Acting Commissioner.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

March 5, 1942.

OFFICE OF THE DIRECTOR

Memorandum for SECRETARY WORGENTHAU:

In response to your inquiry by telephone, priority rating in Class A-1 for personnel required in the Strategic and Critical Materials and the Red Cross (Refugee Relief) Activities of the Procurement Division, as recommended by memorandum of this office dated February 27, 1942, was requested because of the importance which attaches to the recruitment of competent personnel without delay as needs for employees develop in these vital activities.

More particularly, it is pointed out that the procurement of the special commodities in the strategic and critical material field involves elements which are of special national importance. In this program it is not possible to anticipate precisely the number or character of employees who will be needed but when the need is disclosed for more help the peculiar urgency of the work makes it imperative that every facility be made available to affect the prompt selection and appointment of people with the necessary qualifications. The rapid changes in the commodity market and the increased scarcity in the employee market, coupled with the need for punctual handling of current work, make it vital that employees found to be necessary to negotiate the special contracts and to handle the warehousing and commodity rotation function of this program be put to work within the shortest possible time.

The same general conditions apply with reference to the Red Cross (Refugee Relief) work. The clothing, medicinal, surgical and other supplies which must be provided for Refugee Relief purposes must be kept available and distributed as the fluctuating demands arise. As the changing conditions incident to the war increase the calls for supplies, or change the character of the distribution, or otherwise make more people necessary to do this work, it is of the utmost importance that qualified people be recruited and assigned immediately.

It is believed that the exacting character of these two functions warrant placing the personnel necessary for conducting the activities in Class A-1 as recommended by memorandum of February 27, 1942.


Milton E. Mack,
Director of Procurement.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 5, 1942

TO Secretary Morgenthau
FROM Mr. Haas

Reference is made to the priority classification of Executive Departments and agencies issued by the Bureau of the Budget, under Executive Order No. 9067, February 20, 1942.

I wish to appeal the placing of the Division of Research and Statistics in Class 5, the lowest priority classification listed, and to ask that the Division be included in Class 3. This request is made because most of the Division's work consists of assignments given by the Secretary and other Treasury officials in connection with the raising of funds to finance the war.

The financing of the war certainly must be regarded as second in importance only to war production and military operations. Furthermore, if the financing is not properly handled it can result in serious interference with war production. The volume of funds which must be raised, either by taxation or by borrowing, represents such a large proportion of the national income that these funds can not be diverted from their customary channels without far-reaching effects upon the functioning of the country's economic organization. These effects can be either helpful or harmful to the war program, but in either case they will be of significant magnitude.

It is of great importance, for instance, that the inflation which has characterized every previous major war effort of the United States and most of those of other countries be avoided or minimized. This is true, not only because of the unfortunate social and economic consequences of inflation, but also because of its disruptive effects upon the war effort itself. It is generally recognized that the problem of inflation can be successfully coped with only when approached both from the fiscal standpoint (i.e., that of absorbing excess purchasing power) and from that of direct controls. Neither mode of approach to the problem is likely to be successful unless supplemented by the other. Even in Germany, where direct controls have been applied with unparalleled severity since the beginning of the war, it has been found necessary to supplement these controls by vigorous fiscal measures. It would appear, therefore, that the agencies charged with the study, formulation and application of fiscal controls ought to be accorded a priority rating more in line with that accorded agencies discharging similar functions in connection with direct controls.

The assignments being given to the Division of Research and Statistics are intimately concerned with the problems of war finance and of the fiscal control of inflation. In connection with the planning and carrying out of the Treasury's borrowing operations, for example, the Division's work includes such matters as: analysis of kinds and sources of investment funds which might be loaned to the United States for purposes of war finance and of the effects of borrowing from each source upon the flow of purchasing power and the demand for consumer goods; designing of new types of securities which might be offered to meet the investment needs of various classes of purchasers, with special reference to the classes of securities likely to tap the most desirable sources of funds; analyzing data on prices and transactions in the market for government securities and of existing holdings of such securities, in order to determine how the market would be likely to receive new offerings of various maturities and coupon rates, and what would be the likely distribution of each proposed security; suggesting on the basis of this analysis the alternative issues which might be offered in each financing operation in order to appeal to the appropriate classes of investors and also meet the Treasury's requirements; estimating the price at which various issues should be offered under existing market conditions; studying the experience of other governments in financing their war efforts.

Estimates of Federal revenues from the various sources provided under existing laws are prepared by the Division for use in determining the Treasury's cash position and the requirements to be met by borrowing, and for inclusion in estimates of receipts for use in the Budget of the United States. In connection with new revenue legislation which is being formulated or considered, estimates are made of the revenue which might be expected from each tax proposal under varying provisions as to rate and base and under varying assumptions as to future business activity, war conditions, etc.

Competent handling of this work requires personnel with specialized training and with experience in the specific problems of Treasury financing and revenue estimating. Yet under the priority classification established by the Bureau of the Budget, the Division would be at a major disadvantage in trying to maintain an adequately trained personnel. Some relief from this situation appears essential if the Division is to discharge its responsibilities in connection with war financing.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 9, 1942

TO THE SECRETARY OF THE TREASURY
FROM THE COMMISSIONER OF THE PUBLIC DEBT

The priority classification recently issued by the Bureau of the Budget placed the Bureau of the Public Debt in Class 5, the lowest class established.

It apparently was not understood that the funds necessary to finance the war program, over and above those received in taxes, are being obtained through the sale of securities, and that this financing and the handling of transactions in connection therewith are conducted by the Bureau of the Public Debt. The success of the war effort is directly related to the effective handling of the huge financing program in which we are engaged.

Since the Defense bond program started in May, 1941, this Bureau has taken on about 1,800 additional employees. With the present volume of business, we are already seriously handicapped by the lack of sufficient trained personnel, particularly in supervisory positions, and we can ill afford to lose any trained employees to other agencies.

The success of the war financing program depends very largely on the faith of the people of the United States in their Government. The accuracy of our records and the efficiency with which we conduct the millions of transactions with bond owners all over the country plays a large part in the wholehearted desire of these people to buy more bonds. If we were to lose any appreciable number of the seasoned, well-trained personnel needed for the performance of these essential functions, this relationship might easily be jeopardized.

I feel very strongly that the importance of this work, together with the years of training which many phases of it require, entitles this Bureau to placement near the top of the priority classification list, not only to prevent the loss of people who cannot be spared, but also to enable us to obtain additional people with the qualifications necessary to carry on the expanded program on the high level of efficiency it demands.

[Handwritten signature]

MEMORANDUM FOR THE SECRETARY.

March 6, 1942.

The first part of the week was comparatively calm, with the usual scattering of complaints on the subjects of Bond deliveries, economy, taxation, etc.

With the Secretary's appearance on the Hill, however, the flood-gates were opened, and we have had almost nothing but tax mail during the last two days. Needless to say, protests far outnumber praise, but it has been interesting to see that there are quite a few thoughtful letters approving the various points made in the Secretary's statement. The proportion of protest to approval, however, is 12 to 1, and even in these cases, the "1" sometimes represents approval of one phase and disapproval of others.

A newspaper item has brought in a great many suggestions for names for the new nickel. A particularly popular one is "Vickel". Most of these are very far-fetched, and one voice was raised to say, "Why don't we just call it nickel?"

Bond mail was divided in about the same ratio of good and bad. Complaints included slowness in acknowledging ideas, and delays in receipt of the Bonds themselves. There were two protests on what is said to be a Treasury circular, asking the recipients to fill out and send in Stamp Books in order to purchase Defense Bonds for the endowment funds of various fraternities. Curtis Bush, Davenport, Iowa, a lawyer, asks the Secretary to take disciplinary action, and sends a copy of a letter to the Defense Bond office, saying that his fraternity has a monthly publication and can raise its own funds, while the Government should spend money on bombs and not on salaries for efforts of this sort.

Unusual gifts continue, and a brief memorandum and list of these is attached at the end of the report.

Memorandum for the Secretary.

March 6, 1942.

During February we received 999 White House letters. More than 1/10 of these dealt with complaints on liquor sales around camps; drunken soldiers on trains, etc. The corresponding month in 1940 brought us 376 letters from the White House, and in 1941, 439. We fell below the peak year, however, for in 1938 we received 1,098.

G. Forbush

Comments on Taxation

Miss Mary E. Spruance, Smyrna, Del. My net income is something less than \$2,000, so I am enclosing check for \$200 - 4% on \$2,000; 6% surtax - \$120 plus \$80 equals \$200. I think this is as correct as the human mind can calculate it. My! but I'll be glad to get this off my mind.

Mrs. R. C. Rather, Inglewood, Calif. We are informed each year when our taxes are due. We don't need to spend \$80,000 (additional) tax money for a movie to let us know. That money is needed for guns and ammunition, not foolishness. Quit throwing the taxpayers' money away.

Mary Young, Oak Park, Ill. \$80,000 for Donald Duck is an imposition on the taxpayers, when we are "scrimping" to pay taxes to finance the war. We can get along very well without Donald Duck. Why not lower the tax rate, if taxes are bringing in so much money that it isn't needed for the war. Why don't you and Congress think of the welfare of the nation for a change, and practice a little economy? Not a penny for Donald Duck!

Mrs. K. A. Wittfogel, N.Y.C. I was shocked to learn this morning that the Treasury had decided not to fight for its excess profits tax. The privileges allowed large corporations today must fill the ranks of labor with disgust. They must feel that they alone are being called upon to make the sacrifices in this war. * * * If you want to retain the confidence of the mass of the people, stick to your guns. We would at least like to know which Congressmen and Senators are looking to the pocket-books of the few for their support.

Frederick Ohrenschall, Baltimore, Md. It irritates me to find one in your position considering the patriotism of the American people at such a low ebb that they need to be encouraged and amused by the antics of Donald Duck in order to pay their Government Income Tax, and purchase U. S. Defense Bonds. * * * It is my observation that things like this, together with the awful waste of the taxpayers' money in the overlapping and useless duplication of effort in Washington that is retarding the full and continued cooperation of the people, who are anxious to help win this war,

but object to their hard-earned money being wasted. If you think I am wrong, get away from Washington some day and mingle among and talk with the average American citizen who works for a living.

Miss Mary Linda Bradley, Ackworth Cottage, Ridgefield, Conn. * * * Would it be possible to put income taxpayers into "White", "Gray" and "Black" lists: For instance, if a person had correct returns over a period of 2 or 5 years, put that person on the "White" list. Persons having been in voluntary or involuntary error once, could go on the "Gray" list, etc. In this way you would eliminate much physical strain and a surtax on the time and patience of the citizen, particularly the elderly, average kind, without a staff of secretaries. In my own case, I have twice been told that my tax installment was overdue, when I had the cancelled checks in my possession! I had made the mistake of paying my taxes some weeks in advance. * * * Then, late last year I received a summons somewhat obscure to the layman - who has always had to struggle with arithmetic - to Danbury to meet a Mr. Feinberg to explain loss deductions claimed. I received the letter in California the day after I was supposed to meet Mr. Feinberg. This vague summons seemed to me unreasonable on many counts, and I wrote my reasons for feeling that way about it. A very nice letter came from Mr. Feinberg and, as soon as I was able, I accumulated the data desired, and sent it to him. I was "exonerated"! * * * As I told Mr. Feinberg, nobody has to send me a bill for my taxes; I happen to wish to pay them. Incidentally, Mr. Feinberg is apparently an honest, capable human being. There are not too many of them employed where they can do the most valuable service.

J. B. Tarher, Advertising, N.Y.C. Permit me to express my admiration for the good sense the Treasury showed in having prepared and released the Donald Duck movie on taxes to beat the Axis. As one whose tax bill is in five figures, I can speak with some feeling on the subject. I have always been glad to pay my taxes, and gladder still after Donald's exposition.

Mildred D. Wilson, Murfreesboro, Tenn. I am appealing to you as I am in a disturbing predicament. How am I to pay my 1941 income tax when even a United States Govt. Department declines to accept a check from the Treasurer of the United States as payment for the tax? Valuable time from my employment was taken in an effort to pay this tax. Internal Revenue officers in Knoxville informed me that cash or the enclosed check couldn't be accepted. I was referred to the Post Office to purchase a Money Order. * * * I went to three different officials of the Post Office, only to be unsuccessful in having this check accepted. Will you accept the enclosed check for \$69.48 as payment for my 1941 income tax? If it would be too presumptuous in asking you to arrange the direct payment of my income tax to the amount of \$59.07, kindly direct me how to do it.

Harry S. Vincent, Consulting Engineer, East Harwich, Mass. * * * I should like to bring to your attention an inequality which you may or may not have considered. My wife and I being beyond the working age, derive our income entirely from investments. Such income is taxed by the Commonwealth of Massachusetts at a rate of 6.78 per cent in its entirety - no exemption or allowances of any sort. The result is that this year the income tax which we pay to the Commonwealth is 14 per cent greater than the Federal tax. As you know, there are many of the States which have no income tax. Other State taxes are relatively high so that this year on a gross income of \$4,226, we are paying a tax of \$555.48, or over 13% of gross. * * * It would seem therefore that adjustment should be made in the Federal tax to compensate for the more drastic State tax. We all want to and will do our share in this emergency, but we will feel more like doing it if we are sure that no inequality exists.

A. B. Detwiler, Oaks, Pa. Last year I purchased two \$100 tax saving notes. Yesterday I filed my income tax report at Norristown, Pa., at the local Internal Revenue office. There I was informed they could not accept the tax notes, and suggested I send them to the Philadelphia Office by registered mail. This I did at a cost of 57-cents. I am wondering, since you urge the purchase of tax saving notes, and they may be purchased locally, why they may not be accepted locally without the necessity for considerable extra cost in forwarding.

Hugo Sutor, N.Y.C. This morning I tendered your Tax Anticipation Bonds, together with a bank check, as payment on my income tax at the Post Office on 149th St. and Concourse. My payment was refused, the men at the counter claiming no ruling has been made for accepting Bonds at their branch. Yet they were accepting Money Orders and checks, and I will bet they take cash. I am incensed and hurt over this matter. This place is an authorized agency for income tax purposes. Now I find if I want to get anywhere with these Bonds, they must be sent by Registered Mail. What I would like to know is, what more kind of hocus-pocus is the Government up to? * * *

Oscar Lasse, N.Y.C. * * * Most Americans spend what they earn - and usually all they earn. Some have said that our high spending habits have been responsible for our high standard of living. That is debatable. I have felt for some time that, such being the case, the best way to collect income taxes would be through the medium of payroll deductions, such as you propose. There is also this advantage -- it will force people to more nearly live within their particular income bracket. When a man is paid \$10,000 per year, for example, he and his family consider that as the level for their standard of living. However, if he has to pay out \$2,000 for taxes, all would be better off if they accepted the fact that he was really an \$8,000 man. I sincerely hope your proposal is accepted.

Leo E. Gronobois, Bronx, N.Y.C. It was no surprise today to read in the newspapers that you plan to double the income taxes of 1943. Since the advent of the "new deal" the main objective has been to confiscate the earnings of the working man, under one pretext or another. Has it ever occurred to you since 1933 that throwing away of the public money must end some time, a little foresight on your part would be saving the public plenty today. * * * I am a working man, earning a weekly wage, but the way the Government is handling business today, I won't be paying income tax next year, and that goes for hundreds of thousands in non-defense positions.

Samuel Elkind, Yonkers, N.Y. Although I fully agree to higher income taxes to raise sufficient funds to successfully carry on this war and bring same to a happy American conclusion, I believe that some consideration should be given to the future American manhood and womanhood. * * * Like myself, there must be many others in the lower income brackets who are educating their children not only for their personal gains, but for the general good which will come from their higher capabilities. * * * In order to make possible this higher education, would it be possible to include in the contemplated tax law an exemption for the tuition paid to the higher schools of learning? Is not the tuition which we pay used for salaries and other expenses, and eventually becomes taxable income by those receiving same? * * *

Vylace W. Burchard, DeKalb, Ill. I note in this evening's paper that you are in favor of doubling the income tax. I don't know just how you figure a man of moderate means is going to live. This year I had to pay an income tax of \$43.07, the second time in my life I have made money enough to pay this tax. And this is because of the fact that my wife worked last year. And to top it all off, I have worked only 3 days a week since long before Christmas, and during the last month, only 4 days in the entire month. How can we live that way? Living costs are going out of sight. Rent is raised. * * * I am in favor of doing all we can to win this war, and only wish I could buy stamps and bonds, but I don't think I can buy many on \$16 per week, which I get on social security. I work for The American Steel and Wire Co., and unfortunately, we are not getting orders, due, I think, to shortage of steel and zinc.

Belke Manufacturing Co., Chicago, Ill. (Telegram) Thought you would like to know immediate reaction of employees to your new tax proposal working men state they will demand their wages increased to such a figure that they will still have left for themselves the same amount of money they are now receiving, and then if rents and food go up, they still want more. This means we have to raise our prices on Govt. work proportionately. * * * The present proposal will only hurt widows, old pensioners, people living from annuities, and Government employees. You are not going to get anywhere unless you freeze wages and cost of living.

H. L. Price, Merchandise Mart, Chicago, Ill. (Telegram)
In reference to your appearance before Ways and Means
Committee yesterday, if the press quotes you correctly,
please permit me to say there aren't but two inflations
in existence in this country. One is Union Labor, the
other farm products. Why don't you stop them? Why tax
my wages to the last dime and permit them to collect
exorbitant prices? If you think business is good, please
refer to Dun and Bradstreet Report of sales throughout
the nation for week ending Feb. 28th. I am glad to pay
anything I have, even to my life, for my country, but I
resent being robbed for the benefit of Union Labor and
Farm Bloc in and out of public office. Plenty of money
can be had in this country to finance this war or any
other emergency, but not along the lines you suggest.

Wm. H. Eirchby, Brooklyn, N.Y. I wish to take considered
exception to the sense of your statement as quoted in the
Press on Tuesday, to wit: "War is never cheap, but it is
a million times cheaper to win than to lose". There is a
large and steadily growing body of public opinion in this
country which through cold rationalization is thoroughly
convinced that there is a "bearable" middle ground between
"victory" and "defeat". Your statement carries the
obviously mistaken inference that unless we should "win"
a "smashing victory", we shall become as "lost souls in
hell". The foundation of our tragic position was cemented
along purely ideological lines - we can largely place the
blame for our involvement in war to the Administration's
painfully obvious meddlesomeness in championing the rights
of non-citizen Jews in Germany. The controlling pro-
Roosevelt block of alien-minded Jewish votes in New York
State, with its logical political ramifications, vouches
for the reasonableness of this assumption. By learning to
strictly mind our own business in the future, we can rapidly
demonstrate that American business is the affair of Americans
and European business is the business of Europeans. Further,
we of the rational middle ground contend that a 250 billion
dollar "poor man's debt" will in all likelihood bring about
the total destruction of the so-called "free institutions"
we hear people speak of. We additionally contend that
withdrawal from distant spheres of action and the concen-
tration upon our own defense, to a money limit of half the
above, will place our nation in a position from where a fair
peace (unobstructed by quixotic notions of making the world
safe for the Jews and other so-called "persecuted" races)
based upon full military preparedness should be readily
consummated. * * *

Favorable Comments on Speeches

Mrs. Norborne Berkeley, Pendleton, Oregon. For some time I've thought I must write to you to express my very deep appreciation of one of your speeches in which you praise so highly the promptness with which my native state of Oregon took up the various loans, etc. For an Easterner, you seem to have such great understanding of the pioneers and what their brave adventuring meant to this country -- the example of courage and fortitude they set forth. * * *

E. S. Miller, Miller Products Company (Mechanical Rubber Goods), N.Y.C. Allow me to express my gratification and pleasure in the fine speech you made before the Advertising Club in Baltimore on February 14th. It was the most forceful and by far the finest publicity the voluntary savings plan has received. To my mind, this is exactly the expression the drive needs and will undoubtedly be a factor in achieving 100% results. I trust that this is but the first of a series of these talks. * * *

John O. Sheridan, Pittsburgh, Pa. I was very much impressed with your speeches and also your statement regarding taxes - especially where you speak about 6% of invested capital. I believe that corporations should be glad to earn anything at all, rather than lose the war.

Unfavorable Comments on Speeches

Ammon L. Miller, Attorney-at-Law, Wilmette, Ill. I was privileged to hear the splendid address you made before a group of business men in Baltimore on the night of Saturday, Feb. 14th, and was very much impressed by your statement to the effect that the sale of Defense Bonds has fallen far below expectations due to the complacency of our people. That a state of complacency does exist, there can be no doubt. However, to hold to the belief expressed in some quarters that the sole cause of this complacency is an absolute confidence in victory would prove a serious handicap to those charged with the tremendous responsibility of financing our vast war program. My daily contacts with the "man on the street" reveal that much of our complacency is due to a suspicion that our government as such, is not directing all of its energies into those channels which contribute directly and fully to winning the war. The criticism is freely heard that altogether too many agencies and bureaus in our government are using the war as a smoke-screen to expand their activities to the point of usurping the rights of states and individuals. These agencies and bureaus, it is maintained, are concealing their purposes behind the mantle of war in order to promote and make permanent functions which are not now and cannot later make any contribution whatsoever to our war effort. Let me say here that such suspicions have been too frequently justified by such news as we occasionally do get from Washington. * * *

Mrs. Madge B. Rhines, San Diego, Calif. In the New York Times of Feb. 15th, is a half-page article of your speech before the Advertising Club of Baltimore. In it you most forcibly urge the American people to buy Bonds, even listing the amount each earner should set aside for them from his salary. It is splendidly written and I heartily agree with most of it. But sometime ago a few concise lines were published, signed by you, showing how millions could be saved if Congress would cut on nondefense spending. Although I read several papers carefully, I have never seen that this curtailment has been legislated. * * * Thus I hope that before you demand the \$5 and \$10 a week earner to save for defense, you cause to be published a clear and concise statement of how much, if any, has been cut from nondefense spending.

Favorable Comments on Bonds

Mrs. Chas. Goldsmith, Washington, D. C. * * * We are using savings and even some security sales to cover all we can do to help the Govt. We have bought bonds extensively for the grandchildren and one great-granddaughter. Now, I felt I wanted to buy for such institutions that I have mentioned in my will, and these bonds purchased now are in lieu of such bequests -- and I will so state it in a codicil, as I do not want to change my will at the age of 71 years. The enclosed letter indicates what I did for the Community Chest, and the enclosed check for \$500 is for a bond to be made out and sent to the Jewish Community Center, 1529 16th Street, N.W. * * * I merely did this to demonstrate the method I am pursuing, and if good, why cannot a great deal of such propoganda be started, as so many wills have fortunes in bequests and might be diverted in like manner. * * *

Mrs. Lottie B. Pinkham, Gloucester, Mass. Please don't waste Uncle Sam's paper by sending me and Mr. Pinkham a notice to buy Bonds and Stamps. We are both over 85 years. We are living on less than \$400 per year. * * * Don't fear, every cent we can spare, we will give to our Government, even if we did not get any interest. I have gone out washing, ironing, scrubbing etc., just so I can do my little bit. Any job you or the President can give me where I can earn more than 20¢ per hour, I will take. * * *

Galvin M. Price, Mt. Morrison, Colorado. Dam-It-All, Mr. Morgenthau, - why do they turn us World War No. 1 Veterans down? You know that those Japs have us old timers really HOPPIN' MAD, and we're just itchin' to get a crack at those SNEAK-PUNCHING SQUINTS that hit us below the belt. * * * Now Mr. Morgenthau, this Jap situation has really got under my skin, and believe me, I tell 'em right from the shoulder, and when they start to complaining I just say -- HELL'S BELLS Brother - ONE DEFENSE STAMP and ONE DEFENSE BOND isn't going to win this WAR ---- IT'S DIG BROTHER DIG, and what I mean is get into the Northwest and Northeast part of that old sock and go to the Southeast and Southwest bottoms

and make it an ALL OUT when you're buying these DEFENSE STAMPS and BONDS, for each one is an avenging stroke against the attack on Pearl Harbor. * * * Enclosed are some samples of what I am sending out every month, and I try to make it a thousand every month, if possible. The maxims, poems and prose are sent out on 1/2 post cards all over the United States. How about recording some of these and give me the satisfaction of knowing that I'm still battling for Uncle Sam. I only draw a \$45 a month pension, but I'm doing my best to promote the sales of DEFENSE STAMPS and BONDS as far as my means will permit. * * *

Bernard Snodgrass, Columbus, Ohio. * * * I am a teacher at the Ohio State School for Deaf, and we have some 42 boys and girls enrolled in our Senior High School Classes, and I notice that we have collected some \$80, with which to buy Defense Stamps, from these deaf boys and girls, without any inducement of any kind. However, I wonder if some such term as "Junior Patriot" could not be popularized in our schools, in which the Government could present a "Junior Patriot" emblem or button to every boy or girl who filled a \$5 book of Defense Stamps.

Dr. Arthur G. Davis, Erie, Pennsylvania. * * * I already possess \$47,000 worth of Defense Bonds. Obviously, I have these because I want a safe haven for money for my family. I would now like to buy Bonds without interest, or with 1% interest to bomb Berlin! I think a great many anti-Nazi Americans may feel this way. \$90 for a Bomb Berlin Bond maturing in 10 years at \$100.

W. P. Hanley, Trenton, Mo. So many people are under the impression they are donating to the U.S.A. when they buy bonds. I want to donate this slogan: "You don't donate, you know, you accumulate dough, buying Defense Bonds". I also have a good song entitled, "Those Guys" -- you know, those guys who talk too much and do nothing. I will donate words and music if you will have it published. I have bought \$2,500 in Defense Bonds and will buy more. * * * I am a railroad worker.

Unfavorable Comments on Bonds

Mrs. L. I. Case, Annadale, N.J. I own at present \$3,000 worth of U. S. Defense Bonds, Series E, and had intended to increase my holdings after March 1st, but this suggestion, as published in the Herald Tribune by your "Donald Ducks of Georgia", Messrs. Lucas and Allen, stops me from investing up to \$5,000. (Clipping enclosed.) I live in a small town and do not intend to have the entire community informed by publication - probably posted in the local Post Office - that I hold \$5,000 worth of Defense Bonds. I shall await your decision on the matter before buying more.

Anonymous - Bad timing, bad timing, Mr. Secretary, on your part! No time to compliment labor for buying a few Bonds, after all the strikes, etc.

Wm. S. Braddan, Pastor, Pastorium Berean Baptist Church, Chicago, Ill. There is a great deal of talk in Chicago about the Negroes' apathy in the purchasing of our Bonds and Defense Savings Stamps. I have made my home here for the past 40 years, and knowing Chicago as I do, I cannot agree. They simply lack leadership in this matter. We have here a minority group of 250,000 Negroes, and over 500 Negro churches, but no all-out attempt has been made to stress the urgency and necessity of the purchasing of Stamps and Bonds for our victory. * * * The Berean Baptist Church has already purchased a \$5,000 Bond and is planning on another soon. We must have a man or group of men here in Chicago, designated by you, to formulate a plan to inspire the Negroes to wake up and do their duty. I am certain you will be greatly surprised at the response.

Thomas Wilson, Philadelphia, Pa. Fellow workers and myself have been putting our savings in Defense Bonds as we heard you suggest last Sunday. However, it has just come to our attention that we will be forced to pay an income tax on the small interest received. This is an outrage. We are told to be patriotic and buy these Bonds, and then stabbed in the back by our Govt. * * * The public needs a break too, and there should be a new issue of not Defense Bonds but Offense Bonds, and they should be tax free. We buy no more Bonds until you make this correction.

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LADY ESTHER, Chicago, Ill. We are in receipt of your kind award to our company for radio promotion in behalf of the National Defense Savings Program. In our opinion, such awards are unnecessary. Why should anyone be granted recognition for helping our country in time of need. Such help should be taken for granted and not made special note of. Paper is useful for wrapping bullets. Economize now!

John Butler, President, Local #121, Bessemer, Ala. Local 121 Mine Mill Smelter Workers Union representing Republic Steel Ore Miners this area, protests company's penny-pinching business as usual sabotage of effective payroll allotment plan. We want to put aside money each payday for Bonds. Company insists on unsatisfactory and miserly alternative of placing Defense Stamps in pay envelope, which is inconvenient to danger of loss or damage of Stamps, etc. Worse still, company refuses to put but one pay period a month, thus reducing amount put aside in Defense Savings at least 50%. Respectfully ask your aid in forcing Republic Steel to go as far as U. S. Steel and other corporations in arranging regular allotments for Bonds each payday. (Telegram)

Chester P. Garrett, San Francisco, Calif. Revised edition of Hearst papers' four-week publicity campaign now in its sixth week. Stop hiding behind a screen of fake patriotism. This so-called buy a bomber campaign attempts to cover energetic efforts to divide a nation against itself before Pearl Harbor. Recent publicized implications are that Treasury Dept. sponsors this particular drive, while millions of true patriots buy and work to sell Bonds without personal reward or publicity. (Telegram)

Laura Matthews, Secretary, Jacksonville Woman's Club, Jacksonville, N. C. The Jacksonville Woman's Club is asking your cooperation in improving circumstances in the local Jacksonville Post Office. * * * Due to the rating of the office, as we understand it, only a limited amount of Defense Stamps and Bonds are available. Any number of persons are trying to buy Stamps and Bonds but are unable to get them. Many of the children in town, and also the adults, have expressed an interest in purchasing Defense Stamps and Bonds, but due to inadequate facilities in the local Post Office, are prone to lose interest in them.

Our people are vitally moved by defense activities, especially as this is a defense area, but our own local Post Office is unable to supply us adequately. If no larger amounts of Stamps and Bonds can be supplied to a third class Post Office, we would suggest that every effort be made to change the rating of the office in order to adequately serve our public.

Anonymous - We the people of this neighborhood are pleading to you about a man in this vicinity is as radical as they come. We are asking you if there isn't a way that you can make this man buy Defense Stamps or Bonds. Now this man has an income of \$356 a month. He gets \$151 compensation every month from U. S. Government, but he absolutely will not buy Stamps or Bonds. When approached about this matter, he just gets mad and cusses everybody that says or even mentions Bonds to him. At times I think that the folks in this neighborhood will do him body harm, they get so riled up about it. And another thing that makes the folks mad is that he won't hire Americans to work for him, only Japs. I am afraid that if he won't buy some Stamps or Bonds soon, that the folks will take it on themselves to make it very warm for him. And at times he says some very harse words about our Government that ain't worth repeating. * * * This man has about \$8,000 laying in the bank - just laying there, and he won't buy a thing. He has his money in The California Bank at the corner of Sawtelle and Santa Monica Blvd. Now you don't have to take our word for it, just ask the Bank how much money he has - they will tell you. So we are pleading to you to do something about this matter. Everybody is doing there part, why can't him. This man's name is Louie Powell, 11571 Iowa Ave., West Los Angeles, Calif.

H. R. Green, Palo Alto, Calif. Please let me know whether any of the money we give for Defense Bonds is being used to pay fan dancers or movie actors; or for such silly objects as "Donald Duck pictures" or "This is War" radio programs. This last program seems to be for the purpose of glorifying Roosevelt, of playing up his sickness and loneliness, and in trying to tell us he is a much greater man than Lincoln. It is not only silly, it is disgusting. If I do not hear from you, I shall assume it is so, and shall act accordingly, especially in buying, and cashing, Defense Bonds.

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"Scared Civilian" - North Hollywood, Calif. Analyze the psychology of the inhabitants of California (Who were admitted into the Union some time ago, I've heard), and should be likely prospects for Bonds, if you could convince us that the Big Shots in Washington give a snap of their fingers for the consequences to California, if the lethargy of the Washington Knoxes and Biddles continue. * * * It may be a hilarious joke on our Local Defenders, to Knox, that we couldn't hit the Air Marauders who flew over Los Angeles. And it may be of small consequence, that practically all the Enemy Alien Japs arrested for signalling during this so-called KITE CHASE, were apprehended in so-called Enemy Restricted Districts. * * * My advice to you is to awaken someone to the fact that the Japs are in position to do MORE DAMAGE NOW, than you can sell Bonds to repair in a thousand years. Please realize that if 25,000 Japs landed unseen by parachutes at night, they would never be distinguished from the local ones, unless they wore uniforms. However, if that time comes, the first expeditionary force of Japs that landed here many years ago will no doubt don their uniforms too. * * * Yours for survival of the Entire Union, (Signed) Scared Civilian!

General Comments on Present Emergency

Fred H. Smith, Attorney-at-Law, Rockford, Ill. * * * I believe that a great many farmers feel that they are now getting prices which justify them in cooperating with your Department without Soil Conservation or Parity payments, and when the Government is under such a heavy strain of war, it seems wrong to be paying farmers on the basis that it has been paying for the last few years. I was born and raised on the farm, and the first money I saved in my practice, I invested in a farm. * * * My Soil Conservation and Parity payments last year amounted to a little over \$1,000, so I think you can understand that I have no selfish motive in writing this letter. If the so-called "Farm Block", on account of election year, are determined to go ahead with this kind of a program, then it should be specified that all payments should be made in Defense Bonds instead of cash.

John A. Ross, Detroit, Mich. I enjoyed reading the news stories about your visit to Detroit. Your address, courtesy and excellent common sense made a tremendous hit with our people. I am sending you a paper-weight I hope you enjoy using. Please do not bother to answer. I know how busy you are.

Dr. Noble Younkin, Decatur, Ind. April 25, 1942, I will have a \$5,000 deposit check due which I offer to our Govt. as an outright gift as an example to 5,000,000 other citizens who can do likewise - no Bonds accepted in lieu of same. October 28, 1942, I will have \$2,500 due, which I wish to offer as a gift to our Government as an example to 10,000,000 citizens who can do likewise. The above constitutes 40 years of saving. God in his great wisdom has given us our beloved President and his official family. * * * I crave no publicity - being an American citizen is enough. "United we stand - divided we fall". Sacrifice now. Of what use are Bonds and money if we fail? Wake up America! * * * Freely America made it possible that I could save, and freely do I offer to repay.

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E. L. Heavner, President, Local Union #2999, United Mine Workers of America, Wendel, W. Va. Just a short time ago we heard your radio address. You told in your address how important all steel, iron, copper, or any other scrap material was to national defence. Immediately after your address Local Union #2999 organized a committee to gather all scrap material around the mine in which we work. Then we went to our mine superintendent and he was 100% with us in our move, and later we taken it up with the mine owner who is Mr. G. E. Bailey. He bitterly denied us of any scrap or junk of any kind. His reply was the Government had set a price on junk as nothing. He said when the Government wanted it bad enough, they would pay something for it. We understand that the Government has a committee whose duty is to locate all scrap material. We would be very glad if you would send a man to the Wendel Coal Co., Wendel, W. Va., where he will find tons of unused material. We will insure you as organized labor our very best cooperation.

Carl E. Rosenfeld, San Francisco, Calif. Three years ago today, at Hamburg, Germany, the United States Consul granted my family and me the visa which made it possible for us to come to America and escape Nazi persecution. No words and no expression can convey to you, Mr. Secretary, the gratitude which we feel. We are buying Defense Stamps to the limit of our ability, and on this anniversary which means so much to us, we are sending you the attached token (check for \$5.00) merely to let you know that we are grateful. We don't want any receipt. We don't even ask for an acknowledgment. * * * My income is still far below the point which calls for an income tax payment. Let the enclosed check serve instead. I want to pay, I want to give. I want to support everything which the American Flag stands for.

Gifts of various sorts continue to come in. They range from checks to a collection of sea-shells pasted up in a patriotic design. Among the checks are a number for amounts from \$50 to \$500, raised by organizations which have held dances, or other cooperative fund-raising affairs. Private individuals continue to send everything from a dollar up. One gift for \$1,000 was from a California woman who said she could not do anything useful because of inexperience and ill health, but could contribute this, in addition to paying her income tax in full now.

The Mexican patriot whose letter was abstracted some weeks ago sent in another check for \$200.

It seemed to me that the pictures of unusual gifts as shown in "Life" for the past week, would probably stimulate others. (I also thought that some of the more amusing and out-of-the-ordinary gifts might have been included, or these might be used some other time.) We have not, however, had any great outpouring of further oddities, but a few letters, etc., are listed below.

James J. Leon, Auctioneer, Bridgeport, Conn. On page 11 of the March 2nd edition of "Life" there is depicted articles received by the government and turned over to the "Donations to the United States for National Defense" fund. It is suggested that some of these articles, if auctioned at meetings of patriotic and other civic organizations, would bring more than their intrinsic value. This suggestion emerges from my experience in auctioning articles donated to charitable organizations. I am the official auctioneer of the Bankruptcy Court in Connecticut, and have had many years of experience in this work and would be glad to amplify this suggestion if you are interested.

Mrs. Chas. A. W. Handy, Clarksburg, W. Va. You will find \$5 in gold in this funny little package. This coin and a gold watch have been lost since 1927. I am glad I found the package after all these years, but it is a crime if I would throw the coin away and say nothing about it. I hope you can use it, but what will happen to me now????? If you call for all gold, you may have the watch. Please accept this in the free spirit I am sending it to you. I shall wait your reply.

H. Silfverston, Stock and Dairy Farmer of Duluth, Minn., sent in a box marked, "Money for Defense", which contained \$57.50 in pennies.

M. Marquardt, Golconda, Ill. Enclosed find 3 coins, lot of silver in this Drei Mark. (German coin) The half dollar and dime were made in the year 1864, when the U. S. Navy won a successful Naval engagement from Japan. Trusting that these coins bring plenty to help defeat the Axis, Very truly yours, M. Marquardt. P.S. I enjoy parting with my cherished keepsakes to win this war.

For your information.

March 6, 1942.

To: Archibald MacLeish

From: Alan Barth

EDITORIAL OPINION
ON THE WAR:
DISCOURAGEMENT

Pattern

The press has developed a formula for recounting the progress of the war in the Pacific. As the St. Louis Post-Dispatch puts it, "The news from Java is uncomfortably reminiscent of the announcements that have come in past months and weeks from Crete, Borneo, Malaya and Singapore Island."

Each contest for a new stronghold starts out with editorial assurances that here, at last, a resolute stand will be made. The strategic importance of the position is stressed. The preparations and the determined spirit of the defenders are dramatized. When the assault occurs, early headlines announce that the Japanese have been repulsed with terrific losses. Then come wry admissions that landings have been made. Hope is sustained, however, by tales of individual heroism and by suggestions that allied reinforcements may arrive. And at last comes the acknowledgment that the enemy has secured air and naval dominance, that he has

overwhelming superiority in numbers and equipment, that key defense points have been surrendered and that distance forbids the sending of help to the defenders.

It would be difficult to devise a formula better calculated to promote discouragement. The public is freshly disarmed against each new misfortune. In the case of Java, the unfortunate effects were compounded by advance press notices that American troops had arrived and that the United Nations were ready to match the Japanese on sea and in the air. The quick loss of Java was feared by many commentators; it seems to have been genuinely expected by no more than a few.

This latest in the unbroken series of allied defeats in the Pacific has brought in its train a disheartenment deeper than that produced by the shock of Singapore. There are few signs which can properly be interpreted as defeatism. But there is a manifest feeling of frustration, a loss of confidence in leadership.

On the part of those sharing the policy views of the Administration, this frustration takes the form of demands for new and younger blood in the posts of authority. The swelling editorial chorus on this score is headed by Walter Lippmann who refers to the President's Cabinet as "markedly over-age." Citing as models the youthfulness of governmental

chiefs in other crucial times, he asserts that "Mr. Roosevelt's most urgent task is to renovate his administration by rejuvenating it."

It should be noted that this criticism is rarely directed at the President himself. Confidence in his understanding of the war and of the basic strategy requisite for victory continues on a high level. Only the handful of neo-isolationists assail him personally -- and then, paradoxically, on the ground that he disregards the counsel of the experienced military experts around him.

Offense

Recognition that defensive warfare is going very badly, in the Atlantic as well as in the Pacific, has intensified editorial eagerness for the inauguration of offensive tactics. "It is agonizing," says The New York Herald-Tribune, "to watch a further phase of the fatal process whereby the United Nations continue to stand on a far-flung defensive, watching their vital but nowhere adequately held positions falling one by one under concentrated attack, without launching the offensive stroke of their own which would pin the enemy down; and the lay strategist becomes almost frantic in his insistence upon the virtues of the offensive ..."

In almost every section of the press there is ardent enthusiasm for the "eagle" policy enunciated by President Roosevelt and for Secretary Stimson's pledge that "We will seize every opportunity for counterattack." The Chicago Daily News calls this "the only kind of promise the people want from their leaders today" and The Indianapolis Times goes so far as to say: "When raiders appear off California, we should be worrying about offensive Alaskan bases to attack Japan."

In the light of such prevailing views as these, the reorganization of the army was greeted with general approval as a streamlining of operations for offensive action. The step was criticized only as not going far enough; joint command over land, sea and air forces is widely advocated.

Russia

There was a good deal of disappointment among editorial writers over the Russian failure to announce sensational victories on the Red Army's anniversary. Lacking these, the commentators have tended to discount the day-to-day claims advanced in Soviet communiques. They see that strategic positions, especially in the South, are still in German hands and doubt that the anticipated Spring drive of the Nazis can be arrested. Nevertheless, most of them now recognize that the whole course of the European struggle hangs upon Russian

resistance and urge the utmost assistance from this country and Great Britain. There are the beginnings of a renewed clamor for an invasion effort by British and American troops, either through Norway or Italy.

At the same time, speculation is growing over the possibility of aid from Russia in the fight against Japan. Frequent rumors that the Japanese will attack Siberia give rise to hopes that the Russians will seize the initiative -- at least to the extent of granting bases for American bombers.

France

Press comment on the Riom trials illustrates the total absence of American confidence in the Vichy Government. Scarcely a commentator regards them as anything save a drum-head procedure and a travesty on French justice.

The transfer of the Dunkerque to Toulon added to editorial distrust of Vichy. "Does anyone think that once the Dunkerque is ready for action her guns will be fired on our side?" the Camden Courier asks scornfully. And there is equal apprehension over Madagascar. Recognition of Free French control over New Caledonia was generally endorsed, although there was some disposition to deride the State Department's legalistic justification of its step as diplomatic boondoggling.

In the main, the newspapers have ceased shouting "appeasement" about our dealings with the French; they merely reiterate somewhat wearily that we had better be on the alert for some sudden stab in the back.

In this context, the British air raid on factories around Paris was generally approved as one of the hard necessities of war. There was sympathy for the French and, indeed, a tendency in news stories to dramatize civilian suffering. But the dominant feeling was one of satisfaction that the British had forced a showdown with Vichy -- and, above all, that they had struck a real blow at the enemy.

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For your information

March 3, 1942

To Ferdinand Kuhn, Jr.

From Joseph Melia

EDITORIAL COMMENT ON TAXES:
SO FAR, SO GOOD

The press agrees with the Treasury that total war requires total taxation. Almost without exception, editorial writers commend Secretary Morgenthau for aiming at such a realistically high tax goal. And as reflected by their initial reaction to his specific tax proposals, they find no cause to complain over the recommendations to double personal income taxes and drastically increase the taxes on corporate profits.

This agreement with the Treasury's tax policy, however, is somewhat of the "yes--but" variety. While they do not call for a trimming of the suggested new tax schedules, many newspapers throughout the country angrily attack the Treasury for refusing to broaden the tax base. They insist that the anti-inflationary aspects of the new tax program will be endangered unless a general levy on sales is imposed or exemptions lowered. There is also widespread opposition to the Secretary's recommendation to tax the income from state and municipal securities and to make mandatory the filing of joint returns.

Yes--

As yet, editorial writers express no doubt that we can and must increase taxes by nine billion dollars this year to check inflation and help finance the war. Drastic levies on business and personal incomes are recognized and accepted as inevitable, and the increases recommended by the Treasury have not yet been questioned except by the financial writers, who assure their readers that Congress will not enact such increases into the law. "No one can foresee exactly what effects a tax bill of this severity will have upon the national income," says the New York Times editorially. "But as an objective it must be approved, however painful the tax rate it necessitates." Raymond Clapper in his widely syndicated column declares, "A lot of high-priced lawyers have been hired to come to Washington to ease down the taxes for somebody. The best way to deal with all such arguments will be to say 'no' without even listening." Even such an ultra-conservative, anti-Administration newspaper as the St. Louis Globe-Democrat is "ready and willing" to shoulder the burden. "America will pay the freight!" it exclaims, while the Scripps-Howard chain editorializes: "The grim fact is that, although the proposed new taxes may seem unbearably heavy, we'll still be passing the major share of the burden on to future years--to year.

when those who come back from 'over there' will have to help pay. In such times no civilian safe at home can rightly complain about high taxes as such."

--But

While the press finds no fault with the proposed new tax rates as such, it is widely argued that the Treasury's proposals are based too much on the ability-to-pay tenet and too little on restraint-of-inflation principles. "This means," says the Boston Herald, "that millions of Americans, possibly half of our population, will continue to pay no income taxes at all ... This seems neither fair nor wise, because it is in this lower income group, which spends virtually every cent it receives that the possibility of inflationary buying will be greatest." Similarly, the Christian Science Monitor argues: "By far the major volume of purchasing power at this time is going out not to persons of wealth or of medium means but is flowing out through defense employment to millions of persons in the lower wage-earning levels. To impound some of this purchasing power and prevent it from bidding for civilian goods in competition with the war effort is an object of major importance, but it does not appear to figure very largely yet in the Treasury plans."

These comments reflect the opinion of an important section of the press. It is recognized that the new taxes as proposed by

the Treasury would go a long way toward drawing off excess purchasing power. But to close the inflation gap further, many newspapers demand that Congress dig deep into incomes at all levels. Some recommend lowered exemptions. The Christian Science Monitor and the Washington Post advocate enforced savings.

By far the majority of the "but" commentators, however, strongly urge a general levy on sales. Even such a good friend of the Administration as columnist Ernest Lindley advocates a sales tax, claiming the Treasury's tax proposals would be "only mildly anti-inflationary at a time when the most severe methods are needed to prevent a disastrous inflation."

Profits and Loopholes

Previously fearful that the Treasury would use the new wartime taxes "as a cloak to advance dubious social experiments," the editorial pages, as yet, have found no reason to get excited over the proposals to tax corporate profits. The Secretary is widely complimented for what the Philadelphia Inquirer calls "wisely restraining himself from renewing certain of his favorite projects," such as making invested capital the exclusive base for excess profits taxes. The recommendation to abandon the capital stock tax is also applauded. "But less fortunate," says the New York Herald Tribune, reflecting the attitude of most newspapers, "is Mr. Morgenthau's insistence on such pet ideas as the taxation of income from state and municipal securities and mandatory joint

(income-tax returns for husband and wife." (Editorial comment is not yet available from the community-property states and large oil-producing areas.)

Labor

The Treasury's tax proposals were made public too late for the weekly labor press yet to take any editorial stand. But Charles M. Kelley, a columnist widely syndicated in both the CIO and AFL press, this week prominently features the statement made by the Executive Secretary of the Railway Labor Executives endorsing the Treasury's tax policy. The statement commends Secretary Morgenthau for "the courage he displayed in maintaining his stand" in opposing a sales tax or lowered exemptions.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 6, 1942

TO Secretary Morgenthau
FROM Mr. Kamarek

Subject: Shipment of Planes to British Forces

1. In the week ending March 3, 1942, a total of 113 combat planes (no trainers) were shipped to British forces.

2. Fewer trainers are being shipped in 1942 than in 1941. In 1941, trainers made up almost 30 percent of the total shipments. In 1942, trainers consist of around 15 percent of the total. On the other hand, the average number of combat planes shipped has increased: around 340 a month in 1942, compared to 275 a month in 1941.

3. Another new plane type is mentioned in this week's report: the Lockheed Ventura. The Ventura is a two-motor reconnaissance bomber and will be used by the Coastal Command. Little information is available on this plane as it is a newly developed type: its prototype first flew in 1941.

Table A - Shipments by Area

	Week Ending March 3, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	2	5	1,129
Heavy bombers	0	0	104
Naval patrol bombers	1	8	110
Pursuit	70	291	602
Army Cooperation	0	21	52
Trainers	0	0	24
Total to the United Kingdom	73	325	2,021
<u>To the Middle East</u>			
Light and medium bombers	3	99	429
Heavy bombers	0	0	5
Pursuit	0	149	997
Army Cooperation	6	12	12
Trainers	0	8	150
Total to the Middle East	9	268	1,593
<u>To the Canadian Forces</u>			
Light and medium bombers	3	4	58
Naval patrol bombers	0	11	19
Pursuit	0	28	70
Trainers	0	125	1,299
Total to the Canadian Forces	3	168	1,446
<u>To the British Pacific Forces</u>			
Light and medium bombers	18	35	130
Naval patrol bombers	0	0	27
Pursuit	10	10	178
Trainers	0	0	105
Total to Pacific Forces	28	45	440
<u>To the Forces in Russia</u>			
Light and medium bombers	0	29	73
Pursuit	0	0	49
Total to Russian Forces	0	29	122
<u>Total</u>			
Light and medium bombers	26	172	1,819
Heavy bombers	0	0	109
Naval patrol bombers	1	19	156
Pursuit	80	478	1,896
Army Cooperation	6	33	64
Trainers	0	133	1,578
Totals	113	835	5,622

Table B - Shipments by Types

	Week Ending March 3, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
Bell Airacobra	40	106	260
Boeing B-17	0	0	20
Boston III	0	13	52
Brewster Buffalo	0	0	168
Cessna T-50	0	86	634
Consolidated Catalina	1	19	156
Liberator	0	0	89
Curtiss Kittyhawk	10	189	571
Tomahawk	0	0	593
Douglas Boston I and II	0	0	82
Boston III	0	16	455
Fairchild 24 R-9	6	24	46
Glenn Martin Baltimore	4	102	170
Maryland	0	0	150
Grumman Martlet II	0	5	46
Lockheed Hudson	18	37	856
" Lightning	0	3	3
" Ventura	4	4	4
North American Harvard II	0	47	944
Mustang	30	175	255
Pittsirn Autogiro	0	0	5
Vought Sikorsky Chesapeake	0	0	50
Witte Stinson-049	0	9	13
Grand Total - All Types	113	835	5,622

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Table C

Plane Shipments to the British By Weeks

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy bombers</u>	<u>Naval patrol bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
Weekly Average of shipments in 1941	32	2	3	27	1	28	92
January 6, 1942	24	0	5	30	4	9	72
January 13, 1942	3	0	2	58	0	42	105
January 20, 1942	8	0	0	14	0	60	82
January 27, 1942	24	0	1	100	5	13	143
February 3, 1942	9	0	3	10	4	4	30
February 10, 1942	33	0	3	59	0	4	99
February 17, 1942	12	0	2	41	7	0	62
February 24, 1942	33	0	2	86	7	1	129
March 3, 1942	26	0	1	80	6	0	113
Total shipments since January 1, 1941 to date	1,819	109	156	1,896	64	1,578	5,622

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 6, 1942

TO: Secretary Morgenthau

FROM: Mr. White

Subject: Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the 8-day period ending February 28, 1942.

1. Exports to Russia

Exports to Russia, as reported to the Treasury during the eight-day period ending February 28, 1942 amounted to more than \$28,000,000. Landplanes accounted for nearly \$12,000,000 of this total. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China during the period under review amounted to approximately \$2,900,000. Landplanes accounted for more than 75% of the total. (See Appendix D.)

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

3. Exports to France

No exports to Occupied France were reported during the period under review. Exports to Unoccupied France amounted to \$26,000.

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A.

STRICTLY CONFIDENTIAL
NOT FOR PUBLICATIONSUMMARY 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 28, 1942

(In thousands of dollars)

	July 28 to Feb. 10	Period ended February 20	Period ended February 28	Total Domestic Exports
Free China	\$121,472	\$ 26,174	\$ 28,063	\$ 175,709
Burma 2/	41,982	4,853	2,921	49,756
France 3/	10,499	583	-	11,082
Occupied France	6	-	-	6
Unoccupied France	2	-	-	2
Spain	2,637	2	146	2,785
Switzerland	6,818	115	183	7,116
Sweden	13,280	569	5/	13,849
Portugal	5,697	548	80	6,325
French North Africa 4/	6,283	-	-	6,283

Treasury Department, Division of Monetary Research

March 5, 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.
- 5/ Less than \$500.

APPENDIX B

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Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 28, 1941 - February 28, 1942
(Thousands of Dollars)

	Exports to Free China	Exports to Burma 3/	Exports to U.S.S.R.
July 28 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		986
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	1		1,023
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,281 2/		5,217
Sept. 15 - Sept. 20	3,822 2/		752
Sept. 22 - Sept. 27	110	449	2,333
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	4,484
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	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
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 4/	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28 5/	2,921	-	28,119
Total	52,359	9,969	176,118

1. These figures are in part taken from copies of shipping manifests.
2. Figures for export 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.
4. Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.

Treasury Department, Division of Monetary Research

March 7, 1942

APPENDIX C

Principal Exports from U. S. to U.S.S.R.
as reported to the Treasury Department
during the eight-day period ending
February 26, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 28,119
Principal Items:	
Landplanes (bombers)	11,698
Military tanks (light)	1,711
Motor trucks and chassis	1,465
Military tanks (medium)	1,180
Brass and bronze plates and sheets	1,141
Pork, canned	871
Military tank parts and accessories	821
Explosive shells and projectiles	692
Wool cloth	674
Milling machines	592
Aircraft parts and accessories, n.e.s.	566
Light reconnaissance cars	469
Landplanes (pursuit, interceptor and fighter)	450
Isopentane (blending agent)	419
Marine engines	362
Sole leather	340
Wheat flour	262
Trinitro toluene (T.N.T.)	208
Relief supplies - hospital	206
Copper wire (insulated)	205
Leather boots and shoes	201
Engine parts and accessories	176
Machine guns, sub-machine guns or parts	171
Other ammunition	159
Tin plate	154
Vacuum tubes	154
Relief supplies - clothing	151
Lathes	143
Toluene	141
Metallic containers (drums)	128

Treasury Department, Division of Monetary Research March 6, 1942

APPENDIX D

Principal Exports from U.S. to Free China
 as reported to the Treasury Department
 during the eight-day period ending
 February 28, 1942

(Thousands of Dollars)

TOTAL EXPORTS

\$ 2,921

Principal Items:

Landplanes (pursuit, interceptor, and fighter)	2,340
Refined copper	286
Printed matter (bank notes)	247
Landplanes (partial shipment)	47

Treasury Department, Division of Monetary Research

March 6, 1942

Treasury Department
Division of Monetary Research

Date... March 6, 1942 ...19

To: Secretary Morgenthau
From: Mr. White
Subject: Cuba

We now have a copy of the Cuban decree appointing Finance Minister Garcia Montes and Minister of the Presidency Lopez Castro members of a mission to discuss in Washington the \$55 million Export-Import Bank loan and the proposed Central Bank.

As I suggested before, Finance Minister Garcia Montes would no doubt appreciate the opportunity of a brief conference with you. I shall of course continue to discuss with him the progress made on the proposed Central Bank.

MR. WHITE
Branch 2058 - Room 214

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 6, 1942

TO Secretary Morgenthau
FROM Mr. White
Subject: Mission to Honduras

1. The Honduran Government has requested a loan from the U. S. Government for several purposes, including the establishment of a national bank of issue which would also serve as a mortgage bank.
2. This Honduran problem is likely to be very similar to that of Cuba, on which our Technical Mission has been working.
3. The State Department has told the Hondurans that no credit to aid in the establishment of a national bank could be extended until proper studies had been made and that, therefore, a small mission would probably be sent to Honduras. The Honduran Minister was delighted with this proposal.

The State Department has informally told me it was hoped the Treasury Department might be willing to undertake such a mission. This is not a good time to spare staff for such a purpose but the State Department feels that this is the only way to handle the Honduran matter.

4. I understand Mr. Welles is writing you to request your cooperation. We could, if necessary, send a small mission to Honduras for a short time, for which we would be responsible but which might include a man from the Farm Credit Administration and one from the Federal Reserve Board.



TREASURY DEPARTMENT

WASHINGTON

March 5, 1942.

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

My dear Mr. Secretary:

I have the honor to acknowledge the receipt of your letter of February 19, 1942, (File RA), and the enclosure referred to therein, relative to the manufacture of coins for the Peruvian Government.

The matter has been submitted to the Director of the Mint and an estimate of the cost of manufacturing the coins of the new alloy is being prepared and will be transmitted to you at an early date. I state at this time, however, that the facilities of the Mint will be available for this coinage.

Two questions arise in connection with your request, the answers to which I do not believe fall under the jurisdiction of this Department, namely, the procurement of the metals for the coinage, and the manufacture of part of the order in the Royal Mint in London.

Enclosed, for your information, is a copy of a letter addressed to Mr. Don Juan Chavez, D., Commercial Counsellor, Peruvian Embassy, Washington, D. C., from the Central Reserve Bank of Peru, which was delivered to the Director of the Mint by Mr. Chavez. Also, there is quoted below an excerpt from a letter to the Director of the Mint from Mr. Dudley Coleman, retired Superintendent of the Melting and Refining Department, United States Mint, Philadelphia, Pennsylvania, who has recently been in Peru at the request of the Peruvian Government for the purpose of lending technical advice in connection with re-opening the Mint there:

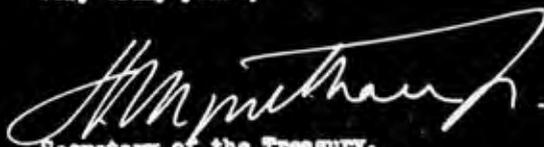
* * * I believe the Peru Mint officials were satisfied with my efforts and report. * * * The pressing problem at their Mint now is to find and receive about 20 tons of electrolytic copper - if you can assist them in this effort, how they would rejoice, resume active coinage and appreciate more than ever the real meaning of the Good Neighbor Policy.*



The Honorable,
The Secretary of State,
Washington, D. C.Page 2

Mr. Chavez last week informed the Director of the Mint that he was leaving for Lima on February 27th, and while there would discuss the coinage problems of his country. He stated that when he returned he would renew discussion of the subject with officials here.

Very truly yours,



Secretary of the Treasury.

Enclosure.

The original of this letter was sent directly to the... and was translated... as in the... far...

CENTRAL RESERVE BANK OF PERU

Lima, January 26, 1942.

Mr. Don Juan Chavez D.,
Commercial Counsellor,
Peruvian Embassy,
Washington, D. C.

Dear Sir:

Coinage

We have the pleasure of acknowledging the receipt of your favors Nos. 5-3-5/Q-295 and 5-3-3/Q-302 of January 20 and 23, respectively, in which you advise us of the results of an interview with Mr. Howard of the Treasury Department in regard to new possible alloys to be substituted for the old ones in coinage.

The new alloy of 50% silver and 50% copper suggested by Mr. Howard, which is confirmed by the press communication which you sent us with the second of your aforementioned letters, is nothing but our present light silver coin of One Sol and One-half Sol.

These coins weigh 25 and 12½ grams, respectively, and their fine silver content, therefore, is 12½ and 6¼ grams for each.

Considering the price of silver in New York, the content of this metal in a One Sol coin, with our exchange at 6.50, represents 0.9919 Sol to which we must add the cost of the copper, of the coinage, of its transportation to Peru, maritime and war insurance, which represents for this coin an intrinsic value above its face value.

In regard to coining One-half Sols equal to the present nickel-brass coin, which weighs 7½ grams instead of 12½, this is not possible for two reasons: First, because the Government lacks an authoritative law and second, because it would not be possible for two silver coins of the same value but with different sizes and weights to circulate at the same time.

But the problem seems to be solved with the adoption of a copper and zinc alloy from which the nickel will be left out. Effectively, our present "nickel-brass" coin--as it was baptized by the Royal Mint of London--has a content of 70% copper, 29% zinc and 1% nickel.

From the Press Bulletin 29-77 it appears that the United States desires to reserve for national defense nickel, in the first place, and tin, in the second place, attributing less importance to copper and none at all to zinc. Under these conditions, while Mr. Howard talks to you about a copper and zinc alloy in the proportion of 80 to 20, more or less, we would propose another one exactly equal to that of our Half-Sol coin, which is 70 to 30, and if possible to increase the proportion of zinc, without running the risk of a brittle coin, we think that we would meet with the desire of the United States Government and that we will obtain a coin as white as possible, which on aging does not become as black as our One and Two Centavo coins, which are made of pure copper.

Now, as you surely know, the Half-Sol coin is in reality a metallic note, as is indicated by the legend given on its back; it is issued by the bank under the same conditions as its paper notes with the sole approval of a Supreme Decree, so that a change in its alloy alone would require the consent of the Government.

We would be grateful if, on the receipt of the present letter, you would be so kind as to obtain a reply from the Treasury Department in regard to the possibility of coining the 4 million pieces requested by our Embassy from the State Department, at the request of our Department of Foreign Relations, but with an alloy of 70% copper and 30% zinc, increasing if possible the proportion of zinc, provided this higher proportion improves the appearance of the coin without decreasing its resistance and malleability.

As the Treasury Department has spoken several times about the supply of our metals required for the coinage requested, which amounts we do not quote as they are already given in our previous correspondence in regard to this matter, we take the liberty of insisting upon the fact that this country exports to the United States infinitely larger quantities of copper and zinc than those required for this purpose. We could remit right now the exact amounts of electrolytic zinc and of copper, requesting for the latter metal to be refined over there. There is likewise the possibility of our acquiring copper from Chuquibambilla, which produces it electrolytically, but we hope we won't be obliged to proceed in this shape if the monetary authorities of that country intend, as we believe, to give us its frank co-operation in this matter.

But there is for us another problem requiring just as urgent solution as the one we have just dealt with, and this is the coinage of our Five, Ten and Twenty Centavo pieces.

These coins have the following characteristics:

<u>Denomination</u>	<u>Diameter</u>	<u>Weight</u>
5 Centavos	17 mm	3 grams
10 "	20 mm	4 grams
20 "	24 mm	7 grams

The composition of these coins is:

Copper - 75% Nickel - 25%

As you will understand, being given the proportion of nickel contained therein, it is useless to pretend that they will be coined in the United States; the solution of adopting an alloy equal or similar to the one that we think can be used for the One-half Sol, that is 70% copper and 30% zinc, would run the risk that the 20 Centavo coin on aging might be mistaken for the copper Two Centavo, and the Ten Centavo might be mistaken for the One Centavo.

If there were no other possible alloy to take the place of the present copper-nickel, which matter we beg you to consult about with the competent authorities, there may be, who knows, a way of avoiding this confusion, and this might be the adoption of the perforated coin. In this case, do you believe it possible to make the coinage in one of the United States Mints?

Naturally, once this problem of a technical character is solved, there would remain to solve the legal problem, as the copper-nickel coins of Five, Ten and Twenty Centavos are issued by the Government and not by this Bank, in virtue of an authoritative law which will have to be modified. In this case the Government, naturally, would formulate the respective request through the diplomatic channel in order to reach the Treasury Department.

In order to complete this information we add that the first coinage of the aforementioned coins were made in the Philadelphia Mint.

Even though you, personally, surely remember all the coins which we have mentioned in this letter, we deem it advisable to send you a few samples of the same in order to facilitate your conversations with the officials of the Treasury Department.

The coins enclosed with the present letter are as follows:

- 4 light silver One-half Sol coins
- 4 Twenty Centavo coins
- 4 Ten Centavo coins
- 4 Five Centavo coins

- 4 One Centavo coins) Of the new thinner type which is
- 4 Two Centavo coins) being coined at present.

- 1 One Centavo coin) Of the ancient type which is no longer coined and
 - 1 Two Centavo coin) which is sent only for the purpose of showing the
- dark color which they assume.

We are not sending you nickel-bronze Half-Sol coins, as we have done so before.

We thank you again for your kind co-operation in this matter and we are signing ourselves

Your affectionate and obedient servants,

CENTRAL RESERVE BANK OF PERU

(sgd) Two illegible signatures.

DEPARTMENT OF STATE

Washington

In reply refer to

%

February 19, 1942.

My dear Mr. Secretary:

There is enclosed a copy of a letter dated February 13, 1942 received in the Department from the Commercial Counsellor of the Peruvian Embassy concerning the desire of the Peruvian Government to have certain coinage effected through the Treasury Department and the Royal Mint of London. The general question of coinage, and the Peruvian case in particular, has been the subject of considerable discussion among officers of this Department and officers of the Division of Monetary Research in the Treasury Department and the Office of the Director of the Mint.

The Commercial Counsellor of the Peruvian Embassy has stated orally that his Government is anxious to have this coinage effected as soon as possible and that he has been asked to handle the matter on an urgent basis. I should appreciate receiving at your early convenience the views and comment of the Treasury Department on this subject, with particular reference to the possibility of making available the coinage facilities requested and the desire of the Peruvian Government to have part of the work done by the Royal Mint of London.

Sincerely yours,

(sgd) CORDELL HULL

Enclosure:

From Commercial Counsellor
of the Peruvian Embassy,
February 13, 1942.

The Honorable

Henry Morgenthau, Jr.

Secretary of the Treasury.

PERUVIAN EMBASSY

Commercial Counsellor
5-3-3/N-2031010 Vermont Avenue, N. W.
Washington, D. C.

February 13, 1942

Mr. James Wright
Division of the American Republics
Department of State
Washington, D. C.

Dear Mr. Wright:

As a result of the decision that has been taken by the United States authorities to prohibit the use of nickel for most civil as well as for minting purposes, our Government has decided to abandon the alloy that had been used in the minting of coins of 1/2 sol, i. e. 79% copper, 20% zinc and 1% nickel and adopt a new one of 70% copper and 30% zinc unless a greater proportion of zinc could be used without affecting the inflexibility of the coins.

The Peruvian Government is desirous of having 8,000,000 of these coins minted at the Royal Mint of London which has taken care of this coinage on previous occasions and the British Embassy will probably communicate with the United States authorities in order to obtain their agreement to the use of the quantities of copper and zinc needed for that purpose.

On the other hand the Peruvian Government is also interested in having 4,000,000 of these coins minted by one of the Mints of the Treasury Department with this same alloy. Furthermore, my Government is also desirous of having minted by the Treasury Department coins of 5¢, 10¢ and 20¢, the diameters and weights of which are 17 millimeters, 20 millimeters and 24 millimeters and 3, 4 and 7 grams, respectively. The alloy used for these coins up to the present time has been 75% copper and 25% nickel but I understand that this has to be abandoned. It is therefore suggested that the same alloy of 70% copper and 30% zinc to be used in the minting of the 1/2 sol coins, be used as well for the above-mentioned coins.

The coins needed would then be the following:

4 million units 1/2 sol
4 million units 5 cent coins
2 million units 10 cent coins
1/2 million units 20 cent coins

-2-

Before the definite order for the minting of these coins can be given through this Embassy by the Banco Central de Reserva to one of the Mints of the Treasury Department, I believe it would be advisable to know if the quantity of metals required for these orders can be obtained in the United States.

Will you be kind enough to let me know what procedure should be followed in order to secure those metals. As you are undoubtedly aware, large quantities of copper are sent by Peru to the United States but not in a sufficiently refined percentage to be used for that purpose. Zinc is also exported in large quantities and I understand in a percentage sufficiently refined.

Some time ago, I presented to the then OPM a PD-1 application for the copper, zinc and nickel needed in the minting of a quantity of those coins and this application has not been decided upon due to the scarcity of nickel. I will fill in a new application for the quantity of refined copper and zinc needed for that purpose should you consider it advisable that I do so.

Thanking you for your kind attention to this matter, believe me

Yours very sincerely,

(sgd) J. CHAVEZ

JG/mab

318

DEPARTMENT OF STATE

FINANCIAL DIVISION

March 6, 1942

Our Code Room has asked for a repetition
of garbled groups.

C
O
P
YDEPARTMENT OF STATE
WASHINGTON

March 6, 1942

In reply refer to
FD

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of Section I of telegram No. 190, dated March 5, 1942, from the American Embassy, Chungking, China, transmitting a message from Mr. Adler for the Secretary of the Treasury.

Enclosure:

From Embassy, Chungking,
No. 190, March 5, 1942.

Copy:lc:3/6/42

PARAPHRASE OF TELEGRAM RECEIVED

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 Adler. It is a strictly confidential message marked TF-18.

(1) On March 3 at the Board meeting Hall Patch said that he had received a cable from the Bank of England that (?) (?) 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 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 Wanting and the Board should finance the import of these. Even before the regular new route is established from Burma and India (?) (?) 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 (?) (?) which it enjoys afford an instrument which will be convenient for the use of the loan. (End of Section I)

GAUSS

Copy:bj:3-6-42

C
O
P
Y

221

DEPARTMENT OF STATE
WASHINGTON

March 6, 1942

In reply refer to
FD 012.3/6267

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of telegram No. 23, dated February 12, 1942, 5 p.m., from the American Embassy, Vichy, France, transmitting a message from Morgan & Cie., Chatel-Guyon, France, to J. P. Morgan and Company, Inc., New York, regarding the possible appointment of French or German custodians for principal American interests in the occupied zone of France, and copies of the Department's telegram No. 144, dated March 3, 1942, 6 p.m., transmitting the reply of J. P. Morgan and Company, Inc.

Enclosure:

From Embassy, Vichy,
No. 23, February 12, 1942.

To Embassy, Vichy,
No. 144, March 3, 1942.

Copy:bj:3-7-42

HRL

GRAY

(Paris)
Vichy

Dated February 12, 1942

Rec'd 5:43 p.m.

Secretary of State,
Washington.

23, February 12, 5 p.m.

Arragon of Morgans Bank requests following message be transmitted to Morgan, New York, and it is believed that in view of its contents Department will find it of interest:

"Following is report on status question of French and/or German custodians for principal American interests in Occupied Zone.

JOURNAL OFFICIEL December 14, 1941 published law of August 2, 1941 providing for appointment by French courts of administrateurs provisoires for any property in foreign ownership if for any reason owners can not assure good administration.

On December 19 Barnaud, French Delegate to and President of Franco-German Economic Relations Commission personally charged with this question, informed us French Government intended to avail of this law, despite its somewhat imperfect applicability, and to appoint administrateurs

-2-

provisaires for four American banks and principal American-owned industrial companies with hope this might avoid appointment of commissioners by occupying authorities, stating he wished if possible obtain approval of representatives of American interests concerned. Same day French Foreign Office informed Embassy of Government's intentions. I made full reservations.

During January and early February discussions were carried on mostly in Paris with Barnaud, Treasury, production the ministry, counsel and several American owned companies. On February 5 Peason - Didion being absent on rest for few days Meynial whose interzone pass had just been renewed came to report necessity immediate firm attitude if appointment of administrateurs provisoires was to be avoided. Therefore, knowing Peason - Didion holds same views, saw Barnaud February 7 and informed him in order reserve all American rights we could not approve even tacitly. Barnaud stated he had now less confidence such appointments by French authorities would avoid appointment occupying commissioners and in view our feelings which he said he understood proposal would be dropped; if revived later he would first consult us. He believes occupying authorities have prepared list commissioners for principal American companies but will not make appointments unless and until some similar measures are taken in the United States with respect German-owned companies. Measures already adopted in the United States appear interpreted by occupying authorities as taken with respect to persons not property.

-2-

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-3-

We will inform principal American-owned companies of our views.

Would be glad know if you concur and to receive any suggestions".

We requested information of the Foreign Office several days ago concerning the intentions of the French Government in this regard and were informed by the competent official that he had no recent information as to his Government's plans in this regard but will endeavor to inform us.

LEAHY

GW

Copy:lc:3/7/42

(COPY)

225

TELEGRAM SENT

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

March 3, 1942

6 p.m.

AMEMBASSY,

VICHY, (FRANCE).

144.

Your 23, February 12, 5 p.m.

FROM MORGAN FOR ARRAGON.

No suggestions but we thank you for your complete
advice.

WELLES
Acting

Copy:bj:3-7-42

TREASURY DEPARTMENT

228

INTER-OFFICE COMMUNICATION

DATE March 6, 1942

TO Secretary ¹⁰⁰⁻²⁰⁰⁰⁰³ Morgenthau
 FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£51,000
Purchased from commercial concerns	£34,000

Open market sterling was again quoted at 4.03-3/4. There were no reported transactions.

The Canadian dollar discount widened to close at 11-5/8%, as compared with 11-1/2% yesterday.

The Cuban peso, which was offered at a premium of 3/16% last night, improved slightly to a final quotation of 7/32%.

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

Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Venezuelan bolivar	.2805
Uruguayan peso (free)	.5295

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Mexico shipped \$1,958,000 from Mexico to the Federal, to be earmarked for its account.

In London, spot and forward silver were again priced at 23-1/2d. The United States equivalent was 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.

-2-

The report of February 25 received from the Federal Reserve Bank of New York, giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$3,133,000, a decrease of \$463,000 in the short position since February 18. Net changes were as follows:

<u>Country</u>	<u>Short Position February 18</u>	<u>Short Position February 25</u>	<u>Change in Short Position*</u>
England **	\$ 527,000 (Long)	\$ 903,000 (Long)	- \$376,000
Europe	2,385,000	2,374,000	- 11,000
Canada	506,000 (Long)	694,000 (Long)	- 188,000
Latin America	137,000 (Long)	74,000 (Long)	+ 63,000
Japan	160,000	160,000	-
Other Asia	2,257,000	2,242,000	- 15,000
All Others	<u>36,000 (Long)</u>	<u>28,000</u>	+ 64,000
Total	\$3,596,000	\$3,133,000	- \$463,000

* Plus sign (+) indicates increase in short position, or decrease in long position.
 Minus sign (-) indicates decrease in short position, or increase in long position.

**Combined position in registered and open market sterling.

CONFIDENTIAL





UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

March 6, 1942

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

Dear Henry:

The attached is the General
Directive of BBC for the week of March
1 to 8.

Sincerely,

William J. Donovan

Attachment

1. German propaganda is concentrating on: 227

a. Bolstering the morale which is flagging in the Vassal countries and Germany.

b. Promoting disunity among the Allies and putting a damper on the rising morale in the occupied countries. They are saying that the Americans and British are sunk in selfish sloth beset with alarm over Bolshevism and are not capable of helping themselves or of aiding Russia. They also assert that the Russians being faced with disaster are clamoring for aid. Destruction of these Nazi pictures should be given close attention.

2. We look upon the Russians as a great Ally, as pursuing an ideal with wholehearted sacrifice and as a mighty fighting nation. We are true allies, being neither disloyal nor distrustful. We will not allow our strategy to be determined by jealousy or fear of Stalin and we have not the slightest intention of allowing Russia to fight our battles. Russia's reasons for non-belligerency in the Far East are appreciated by us.

3. In the meantime we are doing four invaluable services for Russia.

a. German forces in Libya are being diverted.

b. Holding Middle East bastion and keeping the Persian supply route open.

c. Keeping the Northern supply route open.

d. Occupying the Japanese to keep her from an assault on the Russians.

4. This week a high level of British projection should be reached, and also an effort to project America to war the German picture of a spineless decadent disunited nation capable only of blustering big talk. United States offensive spirit accented and desire to hit the enemy this year, if possible in the Spring.

5. The infectious spirit of attack must be communicated to our European friends, but must qualify that we must grit our teeth and face a prolongation of the war, if despite all our efforts, the enemy achieves substantial successes. If Germany is successful in the Spring it will mean another winter of war for Europe and in Asia a prolonging of Japanese terror. The final issue could not be affected. Show ruthlessly and clearly this week the choice which lies before all Europeans: To allow Hitler to prolong the misery for another winter or aid the Allies in ending it this year.

6. Something more positive than mere release from the Nazi grip must be promised in order to stimulate the Europeans to take big risks to defeat Hitler this year. The closer we approach the war crisis the more need there is for talk of peace. This is for operational reasons and not simply from a vague desire to emit hot air about Utopia. We must paint a convincing and attractive picture of what peace in Europe would mean.



UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

March 6, 1942

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

Dear Henry:

The attached is taken from the
British PWE General Weekly Directive.

Sincerely,

WJ
William J. Donovan

Attachment

1. Strategy: (a) Russia: Soviet heavy attacks intended to bring relief to Leningrad are proceeding satisfactorily. From Velizh to Staraya Russa there is heavy fighting. Large bodies of Germans isolated by Russian break-through to Vitebsk-Leningrad Railway. In confused fighting west of Moscow several fortified centers have also been isolated by Russians. German counter-attack in Ukraine reaching Losovoya; while Russians are approaching Chuguyev. It should be pointed out that stabilization on Russian front nowhere near being achieved; despite desperate costly counter-attacks, Germans still being thrown back in various sectors. Emphasize that the respite so urgently needed for preparing a spring offensive is not being given to the Germans. Commit Hitler to spring offensive, pointing out his dilemma: if no offensive is tried, preparations will be inadequate; whichever his choice, he must reckon with an enemy with far greater resources. Besides, the new Soviet levees will be well-equipped, because Russia not only is still receiving large quantities of Anglo-American war material, but also has made good the bulk of her loss in productive capacity. Also mention element of surprise will be lacking in any offensive this time.

(b) Far East: In Burma further retreat may be expected, as Sittang River has been crossed by Japanese at several points, isolating on east side considerable number of our troops. At present Japanese hold greater part of Southern Sumatra, and are seriously threatening Java. Reiterate the temporary character of Japanese victories, all of which

are dependent upon a control of the seas which she must inevitably lose. Heavy Japanese naval losses should be pointed out. Denial of Manila Harbor for Japanese use due to MacArthur's splendid stand in the Philippines also should be mentioned.

(c) Libya: Link again Russian and Libyan fronts, repeating that Nazi reinforcements, a heavy toll of which are being exacted by Royal Navy and Air Force, are sent there at sacrifice of German forces on Russian front.

2. Propaganda policy: (a) We must always maintain a confident, buoyant optimism in our propaganda. But no damage will be done by telling Europe some of the recent vigorous, constructive criticism voiced by the home public.

(b) Complete realization by European listeners that Europe is where Germany's fate is being decided. We should emphasize how Germany's difficulties are being accentuated by our own acts.

(c) Our job is to make use of the following methods to relieve and strengthen Russian armies: (1) direct aid with implements of war via Persia and northern Russia. The massing of German ships in Norway indicates effectiveness of northern route. Britain's Battle of the Atlantic thus finds its counterpart in Russia's Battle of the Arctic. (2) Russia has been relieved of both Luftwaffe and Nazi armored divisions by situation on Libyan front. (3) Germany has been forced by us to keep large portion of her air force in West. More German forces will be kept in West by recent commando raid, which may be made to appear to the Nazis as the first of a series.

(d) The demand for stronger offensive action against Germany so as to help break up by every available means her impending spring offensive should be reflected in our propaganda this week. To help Russia both directly and indirectly in every way possible is our object, and we are going out ourselves to do it.





UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

235

March 6, 1942

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

Dear Henry:

The attached is a summary taken
from the Weekly News Guidance of the British
Ministry of Information.

Sincerely,

Bill
William J. Donovan

Attachment

SECRET

SECURITY INFORMATION

There are two Japanese divisions in Burma, four in Java, and others are available in Malaya, Siam and Indo-China to be used as reinforcements. The Japanese division consists of twenty thousand men. We are thus at a serious numerical disadvantage which we are unable to reinforce. 236

Russia's offensive is being stiffly resisted. It is believed that there are still a number of German fortified posts remaining behind the Russian forward lines. It is now clear that Stalin intended his references in the Red Army Order of the Day for external, not home consumption. Home propaganda by the Russians shows no abatement of incitements to hate and destroy the enemy. Britain will stress that the best method of beating the Germans quickly is to send material assistance to the Russians.

The increase in losses of merchant ships is due partly to German submarine activity in the Atlantic and partly to losses in the Pacific. German production of submarines is high, but the rate of destruction is believed great enough to cause them difficulty in providing enough trained crews. When an adequate convoy system comes into effect for the United States Atlantic seaboard coastwise traffic, the situation is likely to improve.

Until further construction is available, our Mediterranean naval position will be difficult since available strength is occupied in safe guarding the vital Atlantic Arctic supply routes. We are now unable to prevent reinforcements from reaching Rommel.

Here are some facts to correct exaggerations on German naval strength. Germany has one battleship, the Tirpitz. There are no sister ships under construction; two pocket

-2-

battleships, the Lutzow and the Admiral Scheer; two battle cruisers, the Gneisenau and the Scharnhorst; two eight inch cruisers, Hipier and the Prinz Eugen; four six-inch cruisers, two of which are used for training, one aircraft carrier and one eight-inch cruiser which is not yet complete.

The sea war is in a critical phase and its seriousness should not be concealed. In all aspects of the war strategy, shipping is the vital factor. It is the key to Russian supplies, Far East reinforcements and the impracticability of a British invasion of the continent in the near future.

British propaganda will stress the fact that American and British production will be large enough to make good.

TREASURY DEPARTMENT

238

INTER OFFICE COMMUNICATION

DATE March 6, 1942

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

Conditions in Germany

All the evidence is to the effect that the Germans have, so far, not been able to secure any sizeable food supplies from their Russian conquests. Owing to the destruction of farm equipment, live stock, lack of labor and other factors, it seems unlikely that anything like normal production can be secured out of the Russian areas before 1943.

(M.E.W., Report of Joint Intelligence Committee Meeting, November, 1941.)

According to a British study, which has just become available, the German war administration is still very effective and very efficient. This efficiency must be maintained for the German economic system is working at such a strain that only the most comprehensive control can prevent serious difficulties. All labor reserves are used, living standards are approaching those at which reduction in output sets in, machines are wearing out, and there is tremendous pressure on the price system.

There are signs that some deterioration has already crept in. Administrative standards are lower the further one goes from the central authority, and particularly in the occupied countries. Corruption is present in all forms, from favoritism in the distribution of profitable positions to direct bribery. In spite of all the energy of the Price Control, prices of manufactured goods continue to rise slowly.

(M.E.W., "Administrative Problems of the German War Economy," July, 1941)

British Home Intelligence Report

There has been a partial recovery of morale in England, but lack of confidence "in the higher direction of the war" continues in spite of the Cabinet changes. However, there is special satisfaction that Moore-Barbizon and Margesson are out. (These are both, of course, "men of Munich.") Cripps enjoys universal approval. Relief is felt that, at last, a man has shown up who should be able to take some of the strain off Churchill's shoulders and who could succeed him, if necessary. It is hoped that his presence in the Cabinet will mean a closer and more productive relationship with Russia.

There is growing anxiety over India. The impression is current that Churchill personally is responsible for British slowness in making a move to meet Indian demands. As far as the British defeats in the Far East are concerned, scathing comparisons are made to McArthur's defense of the Philippines. Confidence in the Navy remains high. There is a very noticeable and wide-spread scepticism about the leadership of the Army. Considerable disappointment is voiced that the prophecy that "Germany was going to be decisively bombed this year" has not proved true.

(British Home Intelligence Report, Week Ending February 23; C.O.I. Cable, March 2, 1942)

German Intelligence

[The concentration of German warships at Trondheim, Norway, with its threat to the northern supply route to Russia, may be connected with recent developments in the shipment of American supplies to Russia. The concentration of German ships at Trondheim occurred in the last week of February. According to our export statistics, the movement of armaments to Russia first began in any considerable volume in the latter half of February. In February, our exports to Russia totalled \$68,000,000, compared to \$108,000,000 for the whole preceding five months. In the military material included in the February exports, there were 250 military planes (two-thirds bombers), 230 tanks (mostly light), and 600 armored cars. If the mobilization of the German naval striking force at Trondheim was mainly motivated by a desire to threaten the supply route to Russia, it was nicely timed to coincide with the first considerable shipment of armaments to Russia.]

OF POSSIBLE INTERESTInterception of Night Bombers

(The actual techniques used in intercepting night bombers are still wrapped in secrecy. How radio location is used for this purpose is illustrated by the following report of an actual combat.)

On a totally dark night a raider was discovered by the radio location apparatus and a night fighter assigned to him. The fighter was told to flash his weapon and a "blip" (indication on the oscilloscope showing his location) was obtained at once. The pilot was informed that the enemy bomber was below, so he dove down in several steps of 500 feet. Then, the enemy was located above and to the left. The fighter climbed slowly about 500 feet, closed to 100 yards, and caught a silhouette which definitely identified the plane as an enemy heavy bomber. The fighter fired his guns and saw white flames appear in his adversary after the first burst. The bomber dove and crashed into the sea.

(U.S. Air Information Bulletin, No. 2)

Russian Ramming Tactics

When all their ammunition is expended, Russian airmen still attack their enemy by attempting to ram him. The technique attempted is to cut off the enemy's tail with their propellor. If the Russian pilot is skillful and lucky, his opponent is destroyed, while only his propellor is damaged. The Russian plane attempts to reach safety by gliding to an airfield.

(U.S. Air Information Bulletin, No. 2)

RESTRICTED

MID 319.1
Situation No. 650 M.I.D., W.D. 11:00 A.M., March 6, 1942.
8-11-41

SITUATION REPORTI. Pacific Theater.

Philippines: No changes to report. Burma: Clashes on a small scale between ground forces are reported. Java: According to a Netherlands Indies communique, the Japanese have both air superiority and numerical superiority on the ground. The enemy advance continues, and Surakarta, Bojonegoro, Krawang, Purwakarta and Tangerang have fallen. The press reports an official Japanese claim of the occupation of Batavia. Japanese aircraft heavily attacked and bombed the city of Bandoeng on March 5. Australia: A small scale air attack was made against Darwin, and over southern New Guinea enemy reconnaissance missions were active.

II. Western Theater.

Bad flying weather over the continent curtailed R.A.F. activity.

III. Eastern Theater.

Fighting is reported at various points along the front with no important changes indicated officially. The German Air Force bombed Moscow and Sevastopol on March 5. (A situation map will not be issued this date.)

IV. Middle Eastern Theater.

Heavy rain prevented ground activities. There is no report of activity in the air.

RESTRICTED

March 7, 1942

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Mr. Bell's Office
 March 7, 1942
 10:15 A.M.

Present:

For Treasury: Mr. Bell
 Mr. Viner
 Mr. B. Bernstein
 Mr. Southard
 Mr. Friedman

For State: Mr. Hamilton
 Mr. Luthringer
 Mr. Hiss

Mr. A. M. Fox

The Chinese reply on our draft Agreement was discussed. The State Department said that they were concerned about having to report to Congress in the future and by the precedent which might be established. Representatives of the Treasury pointed out that this loan would not necessarily become a precedent and that the attitude shown by members of the Congressional Committees indicated that detailed reports to Congress would not be necessary. It would be sufficient to have a statement on the loan in the Secretary's Annual Report.

It was agreed that there would be many opportunities in the future for the United States to make suggestions relating to the Chinese war effort. All agreed that political and military, rather than financial, considerations were of paramount importance.

Mr. Hornbeck telephoned and spoke to Mr. Hamilton. Mr. Hamilton said that Mr. Hornbeck had expressed the desire to have a chance to report on the matter to Mr. Welles and had suggested the possibility of an exchange of letters. It was pointed out that neither Mr. Welles nor Mr. Berle had seen the Chinese reply to our draft Agreement. Mr. Welles had seen our draft Agreement and had commented favorably on it.

It was agreed that the best method would be for the Secretary to acknowledge by letter Dr. Soong's letter. Treasury representatives undertook to have a draft letter ready for transmittal to State by 2:00 o'clock the same day. On the following Monday the letter would be gone over by the Secretary and by the State Department; on Monday afternoon, Dr. Soong could be called in and informed of the latest developments; and by Tuesday, perhaps,

- 2 -

the Agreement could be ready for signature. It was pointed out that the coming Thursday is the anniversary of Sun Yat-sen and that it would be desirable to have everything ready for public announcement by that day.

March 7, 1942

Mr. Sullivan

Secretary Morgenthau

At Cabinet the Attorney General said that there will be destroyed 567,000,000 gallons of bootleg mash, and he asked why this couldn't be converted into industrial alcohol. He spoke as though the matter rested with him. Please look into this and let me know.

*Discussed at 1:30-3/9 - Sullivan will send in
in memo -
Follow up 3/10 -
see attached memo - finished -*

245

Not sent. Submitted to Welles on 3/7/42.
See Letter from Welles dated 3/9 and conv.
with Welles on 3/10/42

C O P Y

My dear Dr. Soong:

I was happy to receive your letter of March 3, 1942, indicating the Generalissimo's favorable reaction to the draft of the Agreement for financial aid to China and the points suggested by him as to details.

I wish to assure the Generalissimo through you of my complete concurrence with his comments and suggested changes and that I am prepared immediately to sign, on behalf of the United States, the Agreement in the form attached to your letter.

I feel sure that this Agreement will make possible in a spirit of mutual cooperation the strengthening of the financial and economic structure of China and thus further the strong bond of friendship between our two countries.

Very truly yours,

Secretary of the Treasury.

His Excellency
Dr. T. V. Soong
Minister for Foreign Affairs
Republic of China.

BB/ma - 3/7/42
Orig. to D. W. Bell
CC to: Mr. Hamilton (2), Messrs. White, Viner, Southard
Fox

STANDARD FORM NO. 14 A
APPROVED BY THE PRESIDENT
MARCH 10, 1925

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

247

TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

Official

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

U. S. GOVERNMENT PRINTING OFFICE

2-14117

MARCH 7 1942

MR EARL THACKER
HONOLULU HAWAII

DELIGHTED TALK TO BUDGE MARCH NINTH THREE P M WASHINGTON
TIME

HENRY MORGENTHAU JR

248

WUWE14 VIA RCA

F HONOLULU 27 MAR 6 1942

NLT HONORABLE SECRETARY HENRY MORGENTHAU

1942 MAR 7 AM 8 02

WASHDC

WILL IT BE CONVENIENT FOR YOU TO TALK TO ALEXANDER BUDGE

MON MAR 9 530 PM WASH TIME REGARDS

FAPL THACKER.

755AM MAR 7.

2:30

3 Wash Time

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250

March 5, 1942.

MEMORANDUM FOR THE SECRETARY:

Re: Harry Hopkins' inquiry about the voluntary
pay-roll deduction plan for Federal employees:

A voluntary payroll savings plan for Federal employees was adopted generally by the various departments of the Government last July.

Due to supposed legal obstacles, this was not, strictly speaking, a pay-roll deduction plan, but a "group agent plan, under which each participating employee turned over to his "group agent" a certain amount each pay day, to be used for the purchase of bonds or stamps.

Within the last few months, the Comptroller General has ruled that a straight pay-roll deduction plan would be legal for the Federal service. It is intended that the "group agent" plan will accordingly be superseded by the straight deduction plan being used by most private employers. Such a plan is now in effect in the Navy and Treasury Departments, the Works Progress Administration, the Federal Deposit Insurance Corporation, both Houses of Congress, and the Library of Congress. The War Department is committed to installing this plan as soon as the necessary forms can be secured, probably April 1. Other branches of the Federal service are expected to take similar action in the near future.

GRAVES.

THE SECRETARY OF THE TREASURY
WASHINGTON

March 7, 1942

Dear Harry:

Enclosed find a memorandum in regard to voluntary payroll deduction plan for Federal employees. You will see that we are getting this started in the Navy, Treasury and several other agencies.

Would you care to start the plan going among the White House employees?

I enjoyed very much having you for lunch and I hope you will do it soon again.

Yours sincerely,



Hon. Harry Hopkins,

The White House.

March 5, 1942

TO: Harold Graves

FROM: The Secretary

At lunch, Mr. Harry Hopkins asked me why we did not put in the volunteer payroll deduction plan among Federal employees. What is the answer on this?

I would like an answer tomorrow morning.

Number of Agents in Other Corporations and Investment Industry
 qualified to issue Series E Savings Bonds, by Federal Re-
 serve 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	-	-	-	-	-	-	-	-	-	12
17	12	-	27	-	1	-	-	4	65	8	-	1	118
24	15	2	61	22	13	-	1	21	83	15	4	3	240
31	17	14	90	28	27	1	3	32	101	19	8	11	351
Feb. 7	20	19	115	33	42	5	3	41	124	23	14	18	457
14	23	22	151	40	49	9	3	46	135	27	15	32	552
21	23	27	170	43	53	14	3	53	148	27	18	35	614
28	23	37	198	44	58	16	4	55	159	30	21	41	686
Mar. 7	25	50	234	46	59	17	4	56	174	31	25	42	763
Investment Industry													
Jan. 24	-	-	5	-	-	2	-	1	-	2	-	-	10
31	-	-	10	3	-	2	-	7	-	6	1	8	37
7	-	-	13	6	-	2	-	9	-	7	3	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
Mar. 7	-	1	17	7	3	2	-	16	-	8	3	8	65

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
4	171	500	25,251	-
5	200	500	25,551	625
6	210	500	25,841	-

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

March 7, 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 Five Business Days of March, February and January 1942
(March 1-6, February 1-6, January 1-6)
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	\$ 20,228	\$ 25,467	\$ 29,636	-\$ 5,239	-\$ 4,169	- 20.6%	- 14.1%
Series E - Banks	<u>54,304</u>	<u>98,234</u>	<u>64,904</u>	- <u>43,930</u>	<u>33,330</u>	- <u>44.7</u>	<u>51.4</u>
Series E - Total	74,532	123,701	94,541	- 49,169	29,160	- 39.7	30.8
Series F - Banks	9,768	19,116	9,881	- 9,348	9,235	- 48.9	93.5
Series G - Banks	<u>52,758</u>	<u>91,087</u>	<u>41,319</u>	- <u>38,329</u>	<u>49,768</u>	- <u>42.1</u>	<u>120.4</u>
Total	<u>\$137,058</u>	<u>\$233,904</u>	<u>\$145,740</u>	- <u>\$96,846</u>	<u>\$88,164</u>	- <u>41.4%</u>	<u>60.5%</u>

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

March 7, 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 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
5	3,869	10,448	1,680	11,870	23,998	14,317	1,680	11,870	27,867
6	4,179	10,696	1,759	10,825	23,279	14,875	1,759	10,825	27,458
Total	\$ 20,228	\$ 54,304	\$ 9,768	\$ 52,758	\$116,830	\$ 74,532	\$ 9,768	\$ 52,758	\$137,058

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

March 7, 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.

MAR 7 1942

Dear Mr. Crawford:

My attention has been directed to your remarks on the floor of the House Tuesday relative to my statement to the Committee on Ways and Means on the proposed tax measure.

I want to take this opportunity to thank you for these remarks.

Sincerely yours,

(Signed) E. Wergeselman, Jr.

Secretary of the Treasury.

Hon. Fred L. Crawford,
House of Representatives

EMC:jo
3/4/42.

*See M.M.C.
cc Foley*

CONFIDENTIAL - 2 (REDACTED) - H. H. H.
CONFIDENTIAL - 2 (REDACTED) - H. H. H.
CONFIDENTIAL - 2 (REDACTED) - H. H. H.

TAXES

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. CRAWFORD. Mr. Speaker, today, on March 3, 1942, I had the privilege of sitting before the Committee on Ways and Means and listening to the Secretary of the Treasury present what I think is an outstanding and courageous tax statement, consisting of 17 pages, with 13 additional pages of supporting charts and statistics. I regret that we have to incur obligations, but having incurred them, I am in favor of proceeding with the enactment of a \$24,000,000,000 or \$25,000,000,000 tax bill just as quickly as possible so we can proceed to adjust our lives to the new order and world we have entered.

March 7, 1942

Dear Archie:

Thank you for your letter of March 2 about the clearance of official speeches. As you know, I believe strongly in the value of the new procedure, and all of us at the Treasury will give it our complete cooperation. Incidentally, we have found your office most courteous and efficient in clearing Treasury speeches and in bringing those from other Departments to our attention whenever necessary.

Sincerely,

(H. M. C.)

Hon. Archibald Macleish
Director, Office of
Facts and Figures
Washington, D. C.

FK/hkb

3/7/42

H. M. C.
Copies to Thompson

OFFICE OF FACTS AND FIGURES

WASHINGTON

THE DIRECTOR

March 2, 1942

Dear Mr. Secretary:

By a White House directive dated January 29, 1942, high officials of the government were requested to submit proposed public addresses for clearance in advance of delivery and the Office of Facts and Figures was directed to undertake the actual work of clearance in cooperation with Mr. Stephen Early, Secretary to the President.

The Office of Facts and Figures has now had some weeks of experience in the clearance of addresses. It has had the fullest cooperation of the various departments and agencies. Its experience, however, has indicated that there is, in some quarters, a misunderstanding of the scope of the directive and of the function of the Office of Facts and Figures.

The White House directive covers public addresses only. The function of the Office of Facts and Figures is to submit proposed addresses to departments and agencies, other than the department or agency of the speaker, which may share responsibility for any aspect of the subject matter. The purpose of the submission is to avoid conflicting statements by high officers of government.

Officials affected are: the heads of departments and agencies and their responsible assistants - in the case of the departments, under secretaries and assistant secretaries; in the case of agencies and boards, those officers who correspond to under secretaries and assistant secretaries - i.e., the principal responsible assistants.

The procedures of the Office of Facts and Figures with regard to clearance of public addresses by such officials are as follows:

1. Where a speech involves matters within the responsibility of several departments or agencies, it will be submitted to the other departments or agencies concerned. Where these departments or agencies have no comments, the speech will be returned with an appropriate notation.

2. Where the speech involves matters within the responsibility of other departments or agencies and where questions are raised by one or more of these departments or agencies, OFF, through its deputies, will attempt to work out a solution of the questions thus raised, by consultation with the appropriate representatives of the departments involved. When a solution is arrived at, the speech will be returned with the statement that it has been cleared.

It will be apparent that the above procedures cannot be followed without the submission of the full text some time in advance. OFF has generally been able to clear speeches within a period of a day, but two days' leeway should be provided, and greater leeway would be helpful. Three copies of minor speeches and six copies of major speeches are necessary to prompt clearance.

Faithfully yours,

Archibald MacLeish
Archibald MacLeish
The Director

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

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

March 7, 1942

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

Dear Mr. Morgenthau:

We are very grateful for the assurances conveyed in your letter of March 4, 1942 in regard to expediting Treasury Procurement items on the Russian program.

Our chief difficulty now is to cut through the red tape of paper work and documents in connection with these shipments. Mr. Mack is giving us his full cooperation in simplifying the procedure and has called me twice in the last few days reporting his activities in this regard. We have our fellows working with him and all the shipping people to simplify the procedure.

With kindest regards,

Sincerely,

Thomas B. McCabe

Thomas B. McCabe
Deputy Administrator



DEPARTMENT OF STATE
WASHINGTON

*Copy to: Mr. White ✓
Mr. Harbo
3/10/42
253*

In reply refer to
54

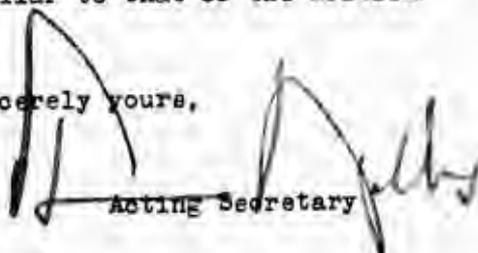
March 7, 1942

My dear Mr. Secretary:

There are attached hereto for your information a copy of a letter dated March 4, 1942 received from the Ambassador of the Union of Soviet Socialist Republics and a copy of my letter of reply dated March 5, 1942 relating to the establishment in the United States of a Soviet Government Purchasing Commission.

It will be noted that the Commission referred to will enjoy a status similar to that of the British Purchasing Commission.

Sincerely yours,


Acting Secretary

Enclosures:

1. From Soviet Ambassador, March 4, 1942.
2. From Acting Secretary of State, March 5, 1942.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

COPI

March 5, 1942

My dear Mr. Ambassador:

I have received your note of March 4 in which you confirmed your oral statements of March 2 that your Government has decided to create an official purchasing commission for the Government of the Union of Soviet Socialist Republics in the United States, and in which you asked that the Government of the United States extend to the commission all the privileges and courtesies corresponding to its Governmental status.

As I told you during the course of our conversation

of

His Excellency

Maxim Litvinoff,

Ambassador of the

Union of Soviet Socialist Republics.

-2-

of March 2, the Government of the United States is glad to welcome to this country the Soviet Government Purchasing Commission.

This Commission will enjoy a status similar to that of the British Purchasing Commission. It will be afforded the privilege of using confidential codes and such other facilities as are necessary to carry on its activities.

With my kind regards, believe me

Yours very sincerely,

SUMNER WELLES

Embassy of the
Union of Soviet Socialist Republics
Washington, D. C.

March 4, 1948

My dear Mr. Welles:

Pursuant to our conversation of March 2nd I wish to confirm hereby that a decision has been taken by my government to create an official purchasing commission for the Government of the U.S.S.R. in the United States.

This commission is to be known as the Soviet Government Purchasing Commission and is to consist of:

Major General A. I. Belcev,	President	
Mr. K. I. Lukashov,	Deputy President	
Rear Admiral M. I. Akulin,	Deputy President	
Mr. L. A. Kazin)	
Mr. I. A. Eremin)	
Mr. P. S. Seldiatov)	members
Mr. A. A. Rostarchuk)	

The Commission is authorized:- to make purchases, to conduct negotiations and consummate agreements with Governmental authorities and agencies of the United States in connection with financial, commercial, transport and other kindred matters; to place orders or otherwise fill requirements for the U.S.S.R. with the United States Government departments, divisions and agencies thereof as well as with private commercial entities, organizations and enterprises; to incur obligations on behalf of the Government of the U.S.S.R. pertaining to Lend-Lease supplies and services, loans and other credits granted by the United States Government to the Government of the U.S.S.R.; to execute any and all instruments which may be required in the premises.

-2-

Obligations incurred by the Purchasing Commission on behalf of the Government of the U.S.S.R. should bear the signature of the President or one of his Deputies and the signature of one of the members of the Commission.

The Government of the U.S.S.R. will appreciate it if the Government of the United States will extend to the Commission all the privileges and courtesies corresponding to its governmental status.

Sincerely,

MAXIM LITVINOFF
Ambassador

The Honorable

Sumner Welles

Acting Secretary of State

Washington, D. C.

AIH

PLAIN

Chungking via N.R.

Dated March 7, 1942

Rec'd 10:42 a.m., 8th

Secretary of State,
Washington.

202, seventh.

Following from ^{Adler}~~Adler~~ for Fox, Treasury Department:

"TF dash nineteen, reference your 144 of March 3, Board on January 20 informed Bank of China Red Cross could either hold a United States dollar account or convert its United States dollars into rupees and national dollars in accordance with its monthly requirements. On February 28 Bank of China informed Board that Red Cross was opening an account in Chungking and preferred the first alternative. This arrangement was confirmed by Board on March 3 and Evens informed me yesterday it was perfectly satisfactory. His inquiry due either to misunderstanding between him and Bank of China as to delays arising from transferring Red Cross account from Kunming to Chungking."

GAUSS

HPD

Dear Mr. Secretary:

I am enclosing herewith a letter addressed by Mr. J. S. Hall, Director of the Bureau of Engraving and Printing, to the Minister of the Treasury of Cuba, which has reference to the Cuban Minister's request that the Bureau engrave and print a certain amount of new peso currency.

This Cuban proposal arises directly out of recommendations made to the Cuban Government by the American Technical Mission to Cuba. If you consider it appropriate, will you please forward this letter to the Minister of the Treasury in Habana.

Sincerely,

(Signed) E. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Cordell Hull,
Secretary of State.

Enclosure

FAS:ech
3/6/42

Please file in M.C.
Please return to Secretary's office
file in Thompson
By Messenger *James J. ...*



TREASURY DEPARTMENT
BUREAU OF ENGRAVING AND PRINTING
WASHINGTON, D.C.

March 5, 1942

Dr. Oscar Garcia Montes,
Minister of the Treasury,
Ministerio de Hacienda,
Habana, Cuba.

Dear Mr. Minister:

This is in reply to your letter of February 17, 1942, in which you state that the Treasury Department of Cuba has decided to proceed with the engraving and printing of a total amount of 106 million pesos. I note that of this total amount it is planned to place two orders for immediate execution: Order No. 1 for 25 million pesos in denominations and number of units as given in your letter and Order No. 2 for 23 million pesos allocated as in your letter. I also note your Ministry wishes to know:

- (1) When this Bureau will be in a position to commence shipments of Order No. 1 and when such shipments can be completed;
- (2) When the Bureau will be in a position to commence Order No. 2;
- (3) What form of payment can be followed; and
- (4) Whether we have any suggestion concerning the medium of shipment.

It is not possible to give precise answers to the first and second questions until the Bureau can be informed exactly what changes must be made in the plates. On the assumption that the only changes to be made are those mentioned on page 1 of my letter of December 3 to Mr. Frank A. Southard, Jr. (which was forwarded to you through the Department of State), namely, changes in the two facsimile signatures, in the date of the law, and in the series date, the Bureau will probably be able to meet the delivery schedule outlined on page 4 of that letter. According to that schedule, partial deliveries could begin about two months after receipt of the order.

I have no suggestion to make at this time regarding the method of shipment. It is probably desirable to postpone selection of the medium of shipment until the first lot of notes is ready. As to form of payment, I believe it will be satisfactory for your representative in Washington to make payment against shipping documents, but I would prefer to leave the final determination of this matter until an actual order is received from the Cuban Treasury Department.

It should be made clear that the cost estimates contained in my letter of December 3 above referred to and which you have used in your letter of February 17 are based on our estimates of actual cost as of that date and do not contain any margin for profit. We would expect to hold to this basis of calculating our charges and consequently should our actual costs of filling your order be less or more than our estimates we would adjust our final charges accordingly.

Your order should, in addition to the information contained in your letter of February 17, provide precise instructions as to the changes desired in the notes and should also provide us with the signatures of the signing officers which are to appear on the notes. These signatures should be in black ink on white paper, and we should like to have each official sign two or three times on a sheet in order that we may select the signature that promises the best reproduction.

The Bureau of Engraving and Printing of the Treasury Department will be glad to give prompt consideration to definitive arrangements for the engraving and printing detailed in your letter of February 17 on receipt of a formal request by the Cuban Government to the Secretary of the Treasury through the Secretary of State.

Sincerely yours,


A. W. Hall,
Director.

INCOMING CABLEGRAM

Date: March 7, 1942

From: Buenos Aires

Federal Reserve Bank of New York

WCO

In order to increase our gold reserves please buy for our account gold bars for the equivalent of US \$4,000,000 keeping the gold bars earmarked for our account. Cable execution.

(Sgd.) Banco Central de la
Republica Argentina

(Received by telephone from Federal Reserve Bank of New York,
N. Y. 10:00 am March 9, 1942)

kmg

Treasury Department
Division of Monetary Research

273

Date... March 71942.

To: Secretary Morgenthau

From: H. D. White

Appended is a note in answer to
your inquiry with respect to the
changing silver situation in India.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 6, 1942

TO Mr. White

FROM Miss Beal

Subject: Silver Prices in India.

According to a recent report silver prices in Bombay (when converted into f.o.b. New York equivalents) were 55 cents per ounce for spot silver and 47 cents for one-month delivery.

Current high prices are the result of a hoarding wave which has developed in response to Japanese aggression in the Pacific. People are displaying a greater preference for silver than for rupee notes--a natural consequence of the rapid advance of Japanese forces. While the current annual rate of hoarding, about 200 million ounces, is no greater than that which prevailed in late 1939 and early 1940, the price ceiling formerly maintained by the Reserve Bank of India and the Government has been recently removed. There has been a disparity between Bombay and New York silver prices since November 1939 when India prohibited non-licensed silver imports. Until recently however the differential between New York and Bombay prices was limited by Reserve Bank of India and Indian Government sales and by licensed imports of silver.

The wide spread between spot and forward rates shows clearly that silver arbitrageurs are unwilling to sell spot and buy forward because of unsettled military and political situations.

(27)

EXCERPT FROM REPORT RECEIVED BY THE
SECRETARY

In all probability you are already posted on this, but if not I thought it might interest you to know that a considerable demand for silver has developed in India. According to our cable advices yesterday, the up-country off-take from the Bombay market is running around 600 bars (i.e. 660,000 ounces) per day. There seems to be a squeeze on spot silver, the price for which yesterday was 73-1/2 rupees per hundred tolas as against 68-5/8 rupees for March settlement silver.

Converting these prices at current nominal rate of exchange and estimated freight and war risk rates New York to Bombay gives a parity of about 55¢ per ounce f.o.b. New York for spot silver and 47¢ per ounce for March silver.

March 2, 1942

Harry White

Secretary Morgenthau

Please speak to me about this.

*Came back from 9:30
3/9/42 marked "Finished"*

EXCERPT FROM REPORT RECEIVED BY THE
SECRETARY

In all probability you are already posted on this, but if not I thought it might interest you to know that a considerable demand for silver has developed in India. According to our cable advices yesterday, the up-country off-take from the Bombay market is running around 600 bars (i.e. 660,000 ounces) per day. There seems to be a squeeze on spot silver, the price for which yesterday was 78-1/2 rupees per hundred tolas as against 68-5/8 rupees for March settlement silver.

Converting these prices at current nominal rate of exchange and estimated freight and war risk rates New York to Bombay gives a parity of about 55¢ per ounce f.o.b. New York for spot silver and 47¢ per ounce for March silver.

THE AMERICAN METAL COMPANY, LIMITED
61 BROADWAY
NEW YORK

HKH:AA

February 25, 1942

TELEPHONE BOWLING GREEN 9-1800
CABLE ADDRESS: EFFLUP, NEW YORK

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

Dear Henry:

In all probability you are already posted on this, but if not I thought it might interest you to know that a considerable demand for silver has developed in India. According to our cable advices yesterday, the up-country off-take from the Bombay market is running around 600 bars (i.e. 660,000 ounces) per day. There seems to be a squeeze on spot silver, the price for which yesterday was 78-1/2 rupees per hundred tolas as against 68-5/8 rupees for March settlement silver.

Converting these prices at current nominal rate of exchange and estimated freight and war risk rates New York to Bombay gives a parity of about 55¢ per ounce f.o.b. New York for spot silver and 47¢ per ounce for March silver.

Sincerely,

Harold



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
Eu 851.515/154

March 7, 1942

STRICTLY CONFIDENTIAL

My dear Mr. Secretary:

I have received your letter of February 27, 1942 concerning the possibility that the French gold at Martinique might be removed. This Department shares the concern expressed less the French Government might attempt to reship the gold from Martinique and has from time to time instructed the Consulate to exercise the right of inspection permitted under the agreement relating to the status quo in the Islands. Any movement of the quantity of gold stored there would be immediately reported. Under these circumstances and at the present stage of our relations with the French authorities it is not felt that

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

FOR DEFENSE

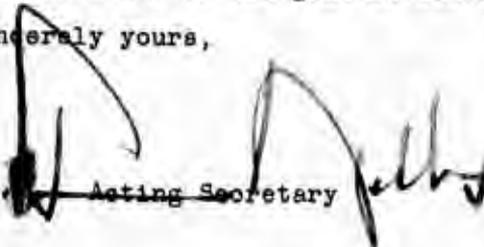


BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

-2-

that insistence upon a guard by United States officers could be made under the existing agreement. The Consul is, however, being instructed to endeavor insofar as is possible under the existing agreement to ascertain the exact value of the gold in storage.

Sincerely yours,



~~W. D. Kelly~~
Acting Secretary

C
O
F
YDEPARTMENT OF STATE
WASHINGTONIn reply refer to
FF 840.51 Frozen Credits/5580

March 7, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith paraphrases of telegram no. 791 of February 26 from the American Legation at Bern and this Department's reply, telegram no. 606 of March 5, concerning the transfer of \$3,200,000 from the account of the Swiss National Bank to the account of the Instituto Espanol de Moneda Extranjera.

Enclosures:

Paraphrases of
telegrams nos. 791
and 606.

Copy:lc:3/10/42

COPY
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Bern
TO: Secretary of State, Washington
DATED: February 26, 1942, 8 p.m.
NUMBER: 791

Paragraph three of Department's telegram no. 500, February 20 to the Legation, is referred to.

In confirmation of the Legation's 210, January 21, there has been iterated by the Bern Director of the National Bank informally the statement made by him during an informal January conference that a chance to retain its United States dollar position would be welcome if it could only be rendered mobile again by adding to and drawing from it for transactions which our authorities considered as not aiding our enemies. Thus, willingness to purchase in "dollars" has been expressed by the National Bank, including our Treasury draft sights fully replacing dollars to be sold in the last given transaction, such as for instance the transfer to the Spanish account of \$2,002,000.

During the January informal conversation the question of whether it would be willing to limit its dollar purchases to our Treasury drafts exclusively in such transactions was not raised by the National Bank.

The Swiss appreciate very much the sympathetic consideration by the Department of their request for the release to the Spanish account of the \$2,002,000 according to the Bern Director of the National Bank.

PARAPHRASE OF TELEGRAM SENT

TO: AMLEGATION, Bern
DATED: March 5, 1942, 11 p.m.
NUMBER: 606

Reference is made to the Legation's No. 791, 8 p.m.,
February 26.

On March 3 Assistant Secretary of State Acheson, during
a conference, handed the Swiss Minister the following
aide-memoire:

(Aide-memoire attached)

The Swiss Government is to be consulted directly by
its Minister or through Gautier concerning the understanding
mentioned in the last paragraph and the Department will, as
soon as possible, be informed.

COPY: dm: 3/10/42

AIDE-MEMOIRE

With reference to the application of the Swiss National Bank to transfer from its accounts in this country, certain United States dollars to the account of Instituto Espanol de Moneda Extranjera, the United States Government is happy to state that the appropriate licenses will be granted to permit the transfer of \$3,200,000 from the account of the Swiss National Bank to the account of the Instituto Espanol de Moneda Extranjera. It should be noted, however, that this action is to be taken because this Government is informed that this amount relates to services which were completed during the time that negotiations were being carried on between representatives of the Swiss Government and of the United States Government with respect to this question. Furthermore, it must be pointed out that the policy of the United States Government is

opposed

-2-

opposed to further transfers of this nature for similar purposes.

The licenses will be granted on the understanding that, once the transfer has been effected, the Swiss National Bank will make the necessary arrangements so that this Government will be able to purchase the counter-value in Swiss francs of \$2,200,000 and the British Government will be able to purchase the counter-value in Swiss francs of \$1,000,000. It is also understood that the purchase of Swiss francs by this Government will be effected either through the sale of official drafts or in such other manner as may be agreed upon by the parties concerned and that the purchase of Swiss francs by the British Government will be effected in such manner as shall be agreed upon by the parties concerned.

Department of State,

Washington.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 7, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£15,000
Purchased from commercial concerns	£22,000

Open market sterling held at $4.03\frac{3}{4}$. The only reported transaction consisted of £1,000 purchased from a commercial concern.

The Canadian dollar returned to a discount of $11\frac{1}{2}\%$ as compared with $11\frac{5}{8}\%$ yesterday. The Post Office was reported to have purchased 100,000 Canadian dollars.

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

Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Venezuelan bolivar	.2805
Uruguayan peso (free)	.5295
Cuban peso	$7\frac{1}{32}\%$ premium

There were no gold transactions consummated by us today.

No new gold engagements were reported.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE MARCH 7, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck

The attached C.O.I. Report on "The German Supply and Utilization of Rubber", I believe, should be sent on to the Division of Monetary Research.

Highlights of the study:

In the closing months of 1941, the German rubber situation was becoming increasingly severe. The forced sales of used tires from laid-up civilian cars were instituted.

To meet consumption demands in 1942, the Germans have a synthetic production of 100,000 tons. Based on 1941 consumption estimates, there remains a deficit of 50,000 - 100,000 tons. Stocks of raw rubber are exhausted. The deficit will have to be met from imports in Vichy French ships, using old tires from civilian cars, and making use of reclaimed rubber.

COORDINATOR OF INFORMATION

WASHINGTON, D. C.

March 4, 1942



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

My dear Secretary:

The Research and Analysis Branch of the Coordinator of Information takes pleasure in sending you a copy of the Report No. IC-16, THE GERMAN SUPPLY AND UTILIZATION OF RUBBER, in the hope that you may find it of interest. You will note that this document is classified as Confidential.

Sincerely yours,

William L. Langer
William L. Langer
Acting Director, Branch
of Research and Analysis

Attachment

RESTRICTED

MID 319.1
Situation
8-11-41

No. 651

M.I.D., W.D.

11:00 A.M., March 7, 1942.

SITUATION REPORTI. Pacific Theater.

Philippines: The enemy remains passive except for ineffectual aerial activity and artillery fire. Burma: Slight activity reported around Pegu. Java: No details to report concerning the enemy's advance. Japanese planes were in control of the air over Bandoeng, and the Soerabaya naval base was under continuous air attack. Australia: No new developments to report.

II. Western Theater.

Nothing to report.

III. Eastern Theater.

The Russians claim continued local successes along the general front. There is no change in the general situation. (A situation map will not be issued this date) The tempo of aerial warfare is reported increasing by the Russians.

IV. Middle Eastern Theater.

Press reports indicate bad weather is slowing activity in the coastal area of eastern LIBYA. Long range bombing of rear supply areas continues and MALTA has been under continued bombardment throughout the past month. A British communique from Cairo announces that an enemy garrison and other positions in the FEZZAN Sector (south of TRIPOLITANIA) have been captured by a Free French force after severe fighting.

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MID 319.1
Situation No. 652 M.I.D., W.D. 11:00 A.M., March 8, 1942.
8-11-41

SITUATION REPORTI. Pacific Theater.

Philippines: No change in the situation to report. Burma: Action continues, but there are no specific reports of progress by the Japanese. Java: The enemy continues to advance and now has large portions of the island under control. Australia: No new developments to report.

II. Western Theater.

R.A.F. bombers attacked the German Naval base at St. Nazaire, occupied France.

III. Eastern Theater.

The Russians continue their pressure along the front. The German High Command claims the repulse of Russian attacks east of Kharkov. (A situation map will not be issued this date.)

IV. Middle Eastern Theater.

No ground activity to report. R.A.F. fighter planes were kept busy intercepting German and Italian planes that have increased their activity against British positions and supply lines.

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MID 319.1
Situation No. 653 M.I.D., W.D. 11:00 A.M., March 9, 1942.
8-11-41

SITUATION REPORTI. Pacific Theater.

Philippines: No change in the situation to report. Burma: The Japanese have driven westward across the Rangoon-Mandalay road. Australasia: Japanese forces operating from the neighborhood of New Britain have begun landings on the northeast coast of New Guinea. Port Moresby, on the south coast, has been subjected to frequent bombing. The R.A.A.F. opened a heavy attack on March 9 on a Japanese invasion fleet which had landed enemy troops in New Guinea.

II. Western Theater.

The R.A.F. bombed a French War Factory at Poissy on March 8. On the night of March 8-9, British aircraft made the heaviest attack in many weeks on western Germany.

III. Eastern Theater.

The Russians claim continued successes on the Central front. There are no reported changes on the remainder of the front.

IV. Middle Eastern Theater.

The Italian High Command admits new British raids on March 8 against Axis-held islands in the Aegean Sea.

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