



UNITED STATES FLEET

March 12, 1942

Dear Mr. Secretary:

I have your very kind note of March 10th and wish to thank you for writing it.

It is good to know that people with responsibilities like yours have confidence in my capacity - I shall need the confidence in the months of rough going that lie ahead.

With sincere appreciation - and with all good wishes, I am

Sincerely yours,

Ernest J. King

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

March 10, 1942

Dear Admiral King:

This is just to send you my heartiest congratulations on your new appointment.

Every time you are assigned to greater and more responsible duties it brings real satisfaction to those who know you and admire you as I do.

I truly believe that the country will have reason to congratulate itself on your appointment.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Admiral Ernest J. King,
Navy Department,
Washington, D. C.

FK/cgk

By Messenger



THE COMMANDANT OF THE UNITED STATES COAST GUARD
WASHINGTON

March 12, 1942

My dear Mr. Secretary:

I warmly appreciate your congratulations and the sentiments which went with them. While I personally feel honored upon the nomination, I can not escape the feeling that it is just as much a tribute to the Service which was built up to such high standards while under your jurisdiction. I am happy in the thought of your continued interest.

Sincerely yours,

A handwritten signature in cursive script, likely reading "R. M. W. A. S. C. G.", which stands for Robert M. W. A. S. C. G., the Commandant of the United States Coast Guard.

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

190

Waesche To Be Vice Admiral

March 11, 1942.

Rear Admiral Russell R. Waesche, commandant of the Coast Guard, was nominated today by President Roosevelt for promotion to the rank of vice admiral in the Coast Guard, which now is operating as part of the Navy.

The President also nominated Coast Guard Captains Stanley V. Parker and Edward D. Jones to be rear admirals.

Capt. Freeland A. Daubin and Capt. Robert M. Griffin were nominated for promotion to the rank of rear admiral in the Navy.

My dear Admiral Waesche:

It is always a pleasure when someone once associated with the Treasury Department goes forward to new honors. As you know, I have not lost my interest in the Coast Guard, and I therefore was very much pleased to hear of your promotion to the rank of Vice Admiral. I want to congratulate you upon it, and upon your conduct of your difficult office during these trying days.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral R. R. Waesche,
Commandant of the United States Coast Guard,
Washington, D. C.

H.M.C.

By Messenger

Each 3:50

GEF/dbs

190

Waesche To Be Vice Admiral

March 11, 1942.

Rear Admiral Russell R. Waesche, commandant of the Coast Guard, was nominated today by President Roosevelt for promotion to the rank of vice admiral in the Coast Guard, which now is operating as part of the Navy.

The President also nominated Coast Guard Captains Stanley V. Parker and Edward D. Jones to be rear admirals.

Capt. Freeland A. Daubin and Capt. Robert M. Griffin were nominated for promotion to the rank of rear admiral in the Navy.

My dear Admiral Waesche:

It is always a pleasure when someone once associated with the Treasury Department goes forward to new honors. As you know, I have not lost my interest in the Coast Guard, and I therefore was very much pleased to hear of your promotion to the rank of Vice Admiral. I want to congratulate you upon it, and upon your conduct of your difficult office during these trying days.

Sincerely,

(Signed) H. Morgenthau, Jr.

Vice Admiral R. R. Waesche,
Commandant of the United States Coast Guard,
Washington, D. C.

H. M. C.

By Messenger

Perch 3:50

GEF/dbs

MAR 12 1942

Dear Leon:

I read your letter of March 2, 1942, with great interest. The letter reached us the day before I appeared before the Ways and Means Committee to present the Treasury tax program.

Like you, I am disturbed, and have been disturbed for a long time, by the threat of inflation. I gather that you think our recently submitted program which, of course, was designed to carry into effect the President's Budget Message of January 6, 1942, is insufficient and needs to be supplemented by a drastic compulsory saving program to yield 3 or 6 additional billions of dollars. This would mean a total program of approximately 14 or 15 billions of dollars, including additions to social security.

Since we have already submitted our suggestions to Congress it is scarcely feasible for the Treasury a few days later to present a new and different program. It might be helpful, however, if you would appear before the Ways and Means Committee and give the Committee the benefit of your ideas on the subject of inflation and the need of vigorous measures for its prevention.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Leon Henderson,
Administrator,
Office of Price Administration,
Washington, D. C.

*M. M. C.**By Messenger March 3:50**File to Thompson*

REP:RTM
3/10/42

March 12, 1942

Dear Bob:

Thank you for your letter of
March 10th.

Your cooperation in receiving
the men from the Fisher Body plant
at Pontiac is much appreciated and
I am delighted to know that they are
to have a share in the defense work.

Yours sincerely,

(Signed) Henry

Hon. Robert P. Patterson,
Under Secretary of War,
War Department.

File n m c.

By Messenger

Recd 3:50

193



THE UNDER SECRETARY OF WAR
WASHINGTON

*Photocopy to
Mr. Nichols
2/12*

March 10th, 1942.

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

Dear Henry:

The men from the Fisher Body plant at
Pontiac called on me yesterday.

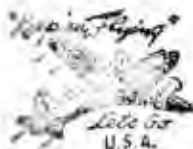
You will be pleased to know that the
mounts for the 90 mm. antiaircraft gun are to be
made at this plant. The announcement will be made
today or tomorrow. I cannot say whether this work
will enable the plant to work at full capacity, but
I am sure that it will be a large operation and that
it will afford employment to a considerable extent.

With best regards, I am

Sincerely yours,

Robert P. Patterson,
Under Secretary of War.

rpp:lm



CONFIDENTIAL

MAR 12 1942

Dear Rex:

This will acknowledge receipt of your letter of March 3, 1942, enclosing copy of proposal dated February 20, 1942, from the Commandant of the Tenth Naval District at San Juan, Puerto Rico, to the Secretary of the Navy, contemplating the erection of a prophylaxis station for use of Army and Navy personnel on a site in Puerto Rico believed to be under the jurisdiction of the United States Treasury Department.

The property in question was originally held by the Office of the Supervising Architect of the Treasury Department. This organization subsequently became the Public Buildings Branch of the Procurement Division and later the Public Buildings Administration of the Federal Works Agency, and is now in the process of being set up under the new National Housing Agency. Negotiations leading to the transfer of the lot in question should be conducted with this agency by the Navy Department. Mr. John B. Blandford has recently been designated Administrator.

In an effort to pave the way for expeditious handling of this matter, I have had the proper personnel in Mr. Blandford's office approached and acquainted with the purpose outlined by Mr. Hoover, and am pleased to inform you that I have been given assurance that the property in question will be made available to the Navy Department promptly upon receipt of an official request from that Department. In order to expedite further these negotiations, I have in a communication today acquainted Secretary Knox with the procedure to be followed for acquiring the property, furnishing him with a copy of your letter and Mr. Hoover's memorandum, the original of which should already be in the Navy Department.

Sincerely yours,

(Signed) E. A. Tamm

Honorable R. G. Tugwell,
Governor of Puerto Rico,
San Juan, Puerto Rico.

WBR:um/10
2-11-42

Wm L. Sullivan
Taken to airport - Given
for Mail 9/10

LA FORTALEZA
SAN JUAN, PUERTO RICO

OFFICE OF THE
GOVERNOR

March 3, 1942

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

Dear Mr. Morgenthau:

I am enclosing memorandum from Headquarters of the 10th Naval District, in connection with a transfer of a parcel of land from the jurisdiction of the Treasury Department to the Navy Department for the purpose of construction of a prophylaxis station for use by the Army and Navy personnel.

The need for such a station is extremely urgent and the Insular Government is doing everything possible to begin construction of the station as soon as the needed parcel of land is transferred to the Navy.

May we have your cooperation in obtaining an early decision on this matter.

Sincerely yours,

(signed) R. G. Tugwell

R. G. Tugwell
Governor

Henry:

Thanks for anything you can do on this. I'm told many a sailor will be saved from these diseases if we hurry.

Rex F.

HEADQUARTERS
THIRD NAVAL DISTRICT
SAN JUAN, PUERTO RICO

ED10/W1-13
(1942)

/ed

February 20, 1942.

From: The Commandant.
To : The Secretary Of The Navy.
Via : (1) The Chief of the Bureau of Medicine and Surgery.
(2) The Chief of the Bureau of Yards and Docks.
Subject: Transfer of parcel of land from jurisdiction of the
Treasury Department to the Navy Department.
Enclosures: (A) Description of subject parcel of land in mun-
cipality of San Juan.
(B) White print of plan of Federal Property Lot
located in San Juan, Puerto Rico.
(C) Copy of plan of Proposed Army-Navy First Aid
Station, San Juan, Puerto Rico.

1. Enclosure (B) is a plan of a lot located in San Juan, Puerto Rico, lying between Recinto Sur and Comercio Streets, belonging to the United States and under the jurisdiction of the United States Treasury Department. This lot is now entirely unoccupied and unused except as a parking lot for automobiles of Navy personnel and others.

2. There is shown by diagonal red lines on enclosure (B) the parcel which it is desired to have transferred to the jurisdiction of the Navy Department, and enclosure (A) is a description of this parcel shown in diagonal red lines.

3. Enclosure (C) shows the front elevation and floor plan of the proposed first aid station to be erected on the parcel referred to in paragraph 2 hereof.

4. The materials and equipment for this first aid station have been provided for by the Governor of Puerto Rico, and arrangements have been made whereby the labor for construction will be furnished by the Work Projects Administration. The maintenance and operation of the proposed station will be under personnel of the Navy. The station is to be available to both Army and Navy personnel.

HEADQUARTERS
TENTH NAVAL DISTRICT
SAN JUAN, PUERTO RICO

WD10/N1-13
(1942)

/ed

February 20, 1942.

Subject: Transfer of parcel of land from jurisdiction of
the Treasury Department to the Navy Department.

5. Due to the high rate of venereal infection in the San Juan area, the need for a station of the sort proposed as a convenient place for prophylaxis, is regarded as urgently needed for the protection of the military and naval forces in the San Juan area.

6. It is recommended that the transfer from the Treasury Department to the Navy Department of the parcel referred to in paragraph 2 hereof be obtained, or that said parcel be otherwise made available to the Navy Department for the purpose of the proposed first aid station.

J. H. HOOVER

Treasury Department
Division of Monetary Research

199

Date March 11, 1942 xx

To: Secretary Morgenthau

From: Mr. White *HPW*

- (1) Attached is a letter for your signature informing Under Secretary of State Welles that this Department is willing to organize a small mission to Honduras.
- (2) You will note that the letter indicates that you will approach the Farm Credit Administration and the Board of Governors of the Federal Reserve System to suggest that they each name a member to the mission.
- (3) In order to solve the problem of staff for this purpose, we would not want to send this mission to Honduras until the Cuban Mission has largely completed its work.

MR. WHITE
Branch 2058 - Room 214½

MAR 12 1942

My dear Mr. Welles:

Reference is made to your letter of March 7, 1942, informing me that the President of Honduras has recently been authorized by the Honduran Congress to obtain a loan from the United States which would, in part, be used for the establishment of a National Bank. I note also that it is the belief of your Department that before there is any undertaking to assist the Honduran Government in the establishment of such a bank, the banking needs of Honduras should be carefully studied by qualified experts and you therefore inquire whether this Department could undertake, at its earliest convenience, the sending of a small technical mission to Honduras to make such a study.

This Department, in the interest of cooperating in this Government's policy of friendly assistance to other of the American Republics, will try to arrange a small mission for the above purpose. Following your suggestion, an effort will be made to include in this mission an expert from the Farm Credit Administration. We shall also inquire into the possibility of having someone from the staff of the Board of Governors of the Federal Reserve System added to the mission.

Sincerely yours,

(Signed) E. Morganthau, Jr.

Secretary of the Treasury.

Honorable Sumner Welles,

Acting Secretary of State,

WMC
Signal file to Br. 11-11
By Messenger *V. 11-11*
3:50

FAS:esh
3/11/42

Please return to Department office



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
7D

March 7, 1942

My dear Mr. Secretary:

The President of Honduras has recently been authorized by the Congress of that country to obtain a loan of \$15,000,000. The Minister of Honduras at Washington has indicated to this Department that the principal purposes for which this loan is desired, in the order of their urgency, are the construction of the Honduran section of the Pan American Highway, the establishment of a National Bank and the development of a national plan of public roads. A credit for highway construction is already being considered by the Export Import Bank.

With respect to the establishment of a National Bank the Government of Honduras has indicated that it may wish to make such a bank the sole bank of issue and to have it devote itself to both general banking operations and the extension of agricultural mortgage credits. At the present time there are but two banks in Honduras both of which are
privately



The Honorable

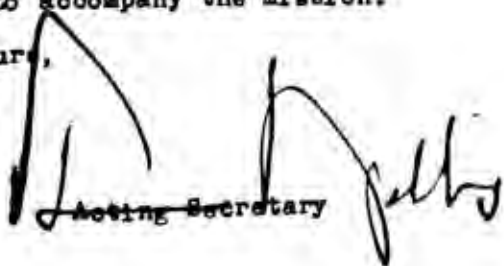
Henry Morgenthau, Jr.,

Secretary of the Treasury.

privately owned and possess the note issue privilege.

It is the belief of this Department that before there is any undertaking to assist the Honduran Government in the establishment of a National Bank the banking situation and needs of Honduras should be carefully studied by qualified experts. I would accordingly be grateful if your Department could undertake at its earliest convenience the sending of a small technical mission to Honduras to make such a study. In view of the emphasis which the Government of Honduras has placed on the agricultural credit functions of the proposed bank the Treasury Department may wish to consider the advisability of requesting an expert from one of the agricultural credit agencies of this Government to accompany the mission.

Sincerely yours,


Acting Secretary

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose Statement No. 24 - Aircraft Despatched
- for week ended March 10, 1942.

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

March 12, 1942.

STATEMENT NO. 24

AIRCRAFT DESPATCHED FROM THE UNITED STATES

DURING WEEK ENDED

MARCH 10

	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERY FOR USE IN CAN.
Macobra	U.K.	U.K.	63		
<u>ENDING</u>					
ton III	Russia	Basrah	4		
	U.K.	U.K.	5		
<u>VALIDATED</u>					
erator II	U.K.	U.K.		2	
<u>MISS</u>					
tyhawk	Canada				2
MARTIN					
more	Middle East	Port Sudan	11		
<u>BEVAN</u>					
alist II	India	Bombay	9		
<u>GREEN</u>					
ture I	U.K.	U.K.	8		
ture Bomber	U.K.	Canada en route		1	
<u>AMERICAN</u>					
ting	U.K.	U.K.	4		
<u>WEE</u>					
Stinson O 49	U.K.	U.K.	1		
TOTALS			105	3	2

British Air Commission
Mar 12th, 1942.

*Photostat to
Mr. White
3/13/42 -*

Willard Hotel,
Washington, D.C.,
March 12, 1942.

Dear Mr. Secretary,

When you saw the Ambassador and myself recently you were good enough to express your continuing interest in proposals which affected our dollar position. I have not thought it right to trouble you with minor matters in this connection, but we are now putting forward to OLLA a request for their acceptance under lend-lease of our sugar purchases in the Caribbean. The sum involved is very substantial and may amount to \$51½ millions. It is possible that shipping difficulties may compel some reduction in this programme, but in any case the sum involved is not likely to be less than say \$33 millions. Our proposals are supported by the Department of Agriculture.

I will let you know how the matter proceeds.

Yours sincerely,

F Phillips

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

* Copy of Mr. Brand's letter of March 12 to Mr. Stettinius is attached.

March 12, 1962

Mr. E. H. Steinhaus, Jr.,
Land-Lease Administrator,
515 22nd Street, N. W.,
Washington, D. C.

Procurement of Caribbean Sugar under Land-Lease

Dear Mr. Steinhaus:

Towards the end of last year, during the visit of Sir William Roob, the Director of the Ministry of Food's Sugar Division, a series of discussions were held in Washington between representatives of the State Department, the Surplus Marketing Administration, the Agricultural Adjustment Administration, the Office of Foreign Agricultural Relations, the Office of Production Management, and British and Canadian representatives. These discussions were concerned with the procurement of Caribbean sugar for the United States, the United Kingdom and Canada, and any other allied countries whose requirements might have to be met out of Caribbean supplies. After a survey of the supply and shipping possibilities, as well as of the requirements of the United Kingdom and Canada for sugar (exclusive of molasses) in non-British Caribbean countries, agreement was reached concerning the machinery of procurement and allocation as between the different countries whose requirements have to be met.

In regard to San Domingo and Haiti, it was agreed that the British Ministry of Food should immediately proceed to negotiate for the purchase of the entire 1962 crop of those two countries, estimated at between 400,000 and 450,000 tons for San Domingo and 20,000 to 25,000 tons for Haiti.

In regard to Cuba, it was agreed that the United States Government, through the Defense Supplies Corporation, should negotiate for the purchase of the entire 1962 Cuban crop, and that this was subsequently to be divided between the United States, the United Kingdom and Canada. After making allowance for inevitable reductions, owing to a tight supply position, and for the procurement by the United Kingdom of the entire San Domingo and Haiti crop, the requirements for Cuban sugar of the United Kingdom and Canada (which co-ordinate its purchases with

T. E. H. Stebbins, Jr.

March 12, 1942

those of the United Kingdom) were stated at 400,000 long tons. It was agreed that to this quantity there should be added the quantities of sugar which had been or could be shipped from the United Kingdom to Russia in the months prior to the making of the raw sugar crop in Cuba. At present these shipments amount to approximately 55,000 long tons, thus making the total British requirements for Cuban sugar approximately 455,000 long tons. According to Surplus Marketing Administration letter No. 301 of March 5, 1942, this quantity is considered available for the United Kingdom.

Since this agreement was reached, contracts have been signed, both by the Defense Supplies Corporation for the entire 1942 Cuban sugar crop, as well as by the British Ministry of Food for the purchase of the entire 1942 crop from San Domingo and Haiti, the price in each case being 2.65 cents per lb.

The above mentioned discussions coincided with the Congressional hearings on the Second Lend-Lease Appropriation Bill. There was at that time considerable uncertainty about the lend-leasing of foodstuffs procured in countries other than the United States. Since then, however, the Department of Agriculture has recommended in a number of instances the procurement of foodstuffs from countries other than the United States, and lend-lease regulations covering such procurement have been approved by the Office of Lend-Lease Administration.

As you are well aware, the British dollar position has become particularly difficult since the fall of Malaya, and we are anxious to obtain approval for the procurement of Caribbean sugar by the United Kingdom under lend-lease. The Department of Agriculture is prepared to recommend that British requirements for Caribbean sugar should be brought under lend-lease, and provision has been made accordingly in the estimates recently submitted for the Third Lend-Lease Appropriations which have now been passed by Congress.

The maximum total amount of money involved would be approximately as follows:

Cuba	455,000 tons	\$27,000,000
San Domingo	400,000 tons	\$24,000,000
Haiti	20,000 tons	\$1,200,000
	25,000 tons	\$1,500,000

We are accordingly filing a programme for a total amount of 930,000 tons of Caribbean sugar (at an estimated cost of \$51,500,000), representing the portion of Cuban sugar available for the United Kingdom, plus the 1942 San Domingo and Haiti sugar crop bought by British Ministry of Food in agreement with the American authorities.

It is, however, impossible to state how much of these maximum quantities and dollar amounts would, in the outcome, in fact, be involved in British Lend-Lease regulations. Between 100,000 and 150,000 tons out

-5-

Mr. F. R. Steinhaus, Jr.

March 12, 1962

of the 1962 Cuban crop are provisionally earmarked for Canada and any supplies which go to Canada will involve a reduction in the total of British Lend-Lease requisitions. Furthermore, in view of present rapid changes in shipping possibilities, there will have to be continuous re-allocation of sugar supplies. As far as Cuban sugar is concerned, the present shipping situation is such that we do not think it would be fair for us to ask for more than 250,000 tons at the present time. Arrangements are at present being made for the shipment of Australian, and possibly Fiji, sugar to the United States of America. This sugar will be consigned to the Federal Surplus Commodities Corporation, but its ultimate destination and, therefore, any consequential re-allocation of Caribbean supplies remain to be arranged. The necessity to meet Russian requirements may also involve changes in the original allocation of Caribbean sugar.

We would, therefore, propose, if you are agreeable, to follow up the programme with requisitions for:

255,000 tons Cuban sugar
450,000 tons San Dominican sugar
25,000 tons Haitian sugar

These requisitions could then be handled in much the same way as the requisition for Icelandic fish and fish products, that is, payments would be made against vouchers in respect of actual cargoes of Cuban, San Dominican or Haitian sugars consigned to the United Kingdom. There would, no doubt, be various technical matters concerning payment instructions, documentation, outturn reports and settlement of final differences which would require discussion between the appropriate officials.

We should, of course, be very happy to discuss any points with you.

Yours sincerely,

R. M. Brand
HEAD, BRITISH FOOD MISSION

RMB:lp

PARAPHRASE OF TELEGRAM SENT

TO: American High Commissioner, Manila, (Fort Mills),
Philippine Islands.

DATE: March 12, 1942, 1 p.m.

NO.: 30.

The following is from the Secretary of the Treasury
for Mr. Sayre.

We are in receipt of your communications of January 21
and January 27, also supporting data.

WELLES
Acting
(VL)

C
O
P
Y

DEPARTMENT OF STATE

WASHINGTON

In reply refer to
FE 855.51/843

March 12, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of a paraphrase of telegram no. 155, dated March 11, 1942, from the American Consulate, Algiers, Algeria, concerning a shipment of gold to France.

Telegram No. 148 was sent to the Secretary of the Treasury in this Department's letter of March 9, 1942.

Enclosure:

From Consulate, Algiers,
no. 155, March 11, 1942.

copy:kma

C
O
P
Y

211

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate, Algiers, Algeria

DATE: March 11, 1942, 4 p.m.

NO.: 155

Reference is made to telegram no. 148, sent by the
Consulate on the 9th of March, 1942.

A plane to France today lifted five hundred kilograms
of gold.

COLE

copy:kma

March 12, 1942

Mr. Liversy

D. W. Bell

Will you please send the following cable to the American Commissioner,
New Delhi, India, as the reply to his No. 55 of February 25, 1 p.m.:

"From Treasury.

The contents of your No. 55, February 25, 1 p.m., have been
passed on to the appropriate British official in Washington, who
is communicating with London. You will be advised of any further
developments."

FD:dm:3/12/42

C
O
F
YDEPARTMENT OF STATE
WASHINGTONIn reply refer to
FD 102.1/5420

March 12, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram No. 186, dated March 12, 1942, from the American Consulate, Bombay, India.

Telegram No. 68 to the American Consul regarding the procedure for the negotiation of checks drawn on the Treasurer of the United States was transmitted to the Secretary of the Treasury in this Department's letter of March 2, 1942.

Enclosure:

From Consulate, Bombay,
No. 186, March 12, 1942.

Corg:bj:2-13-42

CB

GRAY

Bombay

Dated March 12, 1942

Rec'd 1:55 p.m.

Secretary of State,
Washington.

188, March 12, 5 p.m.

Department's 68 to Calcutta.

Total amount of United States Treasury checks cashed by National City Bank of New York at Bombay and delivered to this Consulate is \$2,025.02. Bombay branch of National City Bank of New York desires confirmation when payment is effected. Arrange in this, and in future transactions, for the National City Bank of New York at New York to advise its Bombay branch when payment is effected. Inform Treasury.

DONOVAN

WSB

Copy:bj:3-13-42

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

Rio de Janeiro

Dated March 12, 1942

Rec'd. 9:28 a.m., 13th

Secretary of State,
Washington.

BSB, March 12, midnight.

The Bank of Brazil has refused the request of the Enskilda Bank of Stockholm to authorize the agents of Swedish ships in Santos to utilize approximately \$10,000 of the special account of the Finnish Government with the Bank of Brazil (see my telegram no. 670, March 3, 6 p. m.) to supply Swedish ships at Santos.

It appears that the Swedish Bank is trying to purchase Brazilian products for Finland.

INFORM TREASURY.

CLIFFERY

KDS

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 12, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£32,000
Purchased from commercial concerns	£ 2,000

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

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

Canadian dollar	11-7/8% discount
Argentine peso (free)	.2361
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2820
Cuban peso	7/32% premium

There were no gold transactions consummated by us today.

No new gold engagements were reported.

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

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

We made no purchases of silver today.

COPY NO. 13

BRITISH MOST SECRET

(U.S. SECRET).

OPTEL NO. 90.

Following is a supplementary resume of operational events covering the period 5th-12th March.

1. NAVAL.

TIRPITZ which left Tromsheim with almost certain intention of attacking a convoy to Russia put in to Narvik after the attack by our naval aircraft. No attack was made on the convoy which arrived safely. An Italian convoy of four ships reached Libya. About 40 U-boats were operating during the week including those on outward and homeward passage the main concentration was still in the Western Atlantic and Caribbean Sea. Others were off Freetown and there was renewed activity in the Hebrides-Rockall-Iceland (C) area. Weekly shipping losses which include Dutch Ships scuttled at Java to avoid capture were heavy. Shipping losses for February so far reported were 83 ships totalling about 471,000 tons. About half this total was British tonnage. 28 of the ships were tankers, 11 being British. Most of the casualties occurred on the Atlantic seaboard of North America and in the West Indies and were due to Submarine attack. Losses in the Far East and Pacific were mainly caused by aircraft and surface craft during the final attacks on Singapore. Four ships were sunk by Japanese Submarines in the Indian Ocean. During the week ending 11th March 887 ships were conveyed. Imports into Great Britain amounted to 627,000 tons including 137,000 tons of oil.

2. MILITARY.

LIBYA. There are indications that the enemy intends to organize a defensive position based on a line running from Gail Derna to Mekill.

BURMA. During the fighting in the Pegu area our troops inflicted severe casualties. Part of our force that was surrounded only succeeded in breaking out after repeated attempts. One Division of the Chinese fifth Army is about to move into the Toungoo-Pyu area and a Division of the sixth Army has almost completed its concentration in the northern area. These Divisions are about equal in strength to a British Brigade group in France. Movement of German troops to Russia continues but is presumably counterbalanced by others returned for rest and refit although little evidence of this received. Estimated strength still 27 German Divisions.

BALKANS. No signs of imminent military move against Turkey. German strength here unchanged.

RUSSIA. Russian position improved during the week. Their severe pressure on many sectors, successfully maintained in spite of difficult weather conditions, at a time when the Germans urgently need to withdraw forces in preparation for the spring, is satisfactory feature.

1. AIR OPERATIONS.

WESTERN FRONT. Large forces of night bombers were sent to Essen where a total of 336 aircraft dropped 397 tons of H.E. and nearly 700,000 incendiaries. Some Lancasters took part for the first time. Fifteen aircraft were lost.

LIBYA. Our fighters maintained offensive patrols over forward areas and also provided protection for shipping. Enemy operations were mainly directed against our aerodromes for which purpose fighter bombers were largely used.

MALTA. Our aerodromes were again repeatedly and heavily attacked. Naval aircraft from Malta and also Beauforts from Libya made successful attacks on an isolated ship and a convoy on the Italy-Libya supply route.

4-11-44

- 2 -

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF AIR
ATTACKS ON ENEMY TERRITORY IN EUROPE

PARIS. Eye witnesses report very heavy damage throughout Renault Works except in one department and the adjacent Salomon Works gutted. Severe criticism of German High Command by Nazi party authorities owing to unprotected condition of factory. Majority of PARIS public express great satisfaction and surprise that attack had not been made before.

KIEL. Photographs taken 2nd March show considerable repair work in progress in GNEISENAU.

MANNHEIM. During one of the February 1942 raids a petrol tanker barge exploded and sank, other barges were hit and several cranes were badly damaged in the docks.

BRITISH MOST SECRET

(U.S. SECRET)

REF. No. 8/

Information received up to 7 A.M., 12th March, 1942.

1. NAVAL

12th. One of H.M. Destroyers was damaged in collision off DUNGENESS. Another of H.M. Destroyers escorting a convoy to RUSSIA has sustained ice damage. The following ships have been reported lost by enemy action in FAR EAST:- One gun boat, one armed trader, one boom defence vessel, five auxiliary minesweepers and five M.L.'s.

On 7th a U.S. steamship of 4,600 tons was sunk by U-boat off CUBA and on 11th a British steamship of 7,000 tons was sunk in FREETOWN area, passengers and crew being landed. A Panamanian tanker of 10,000 tons has been damaged by gun fire and torpedo in the CARIBBEAN but is now in port, whilst a Brazilian steamship of 5,000 tons has been sunk off the American Atlantic Coast.

2. MILITARY

BURMA. 17th Indian Division, 7th (U.K.) Armoured Brigade and 82nd Indian Infantry Brigade are continuing their withdrawal up the RANGOON-FRAME Road. Formations are intact but heavy casualties have been sustained. Demolitions carried out in RANGOON on 7th were extensive. A Chinese Division has arrived in the PYIN O O THASHE area and anti-tank, pioneer and engineer units have passed through MAYMYO towards the south, the troops creating a very good impression. The final echelon of a further Chinese Division is moving south from LASHIO.

FAR EAST. Air reconnaissance reports Japanese troops landing from eleven transports at IAE (North East coast of NEW GUINEA).

RUSSIA. The Russians are continuing to attack strongly at several points North and East of SMOLENSK.

3. AIR OPERATIONS

WESTERN FRONT. During night 10th/11th 11 R.C.A.F. and 11 R.A.A.F. aircraft took part, 1 R.C.A.F. and 1 R.A.A.F. aircraft missing.

LIBYA. 9th/10th. 7 Wellingtons attacked BENGAZI Harbour obtaining a possible hit on a ship. 12 Blenheims and Hurricanes attacked a large concentration of aircraft on MARTUBA landing ground.

NEW GUINEA. 8th/9th. PORT MORESBY was attacked by 11 heavy bombers, the runway being damaged.

4. GERMANY

The following are recent indications of the drive to meet the labour shortage in GERMANY.

- 2 -

(a) Demands have been made on BELGIUM and FRANCE to provide between them 600,000 additional workers for GERMANY.

(b) Youths may now start their labour service at the end of their 17th instead of 18th year.

(c) 200,000 schoolboys have been released from school before the end of their school year for work in armament factories. Regulations dated 7th February under which fines may be imposed for breach of discipline in factories are part of the endeavour to get the fullest use of existing labour resources.

TREASURY DEPARTMENT

221

INTER OFFICE COMMUNICATION

DATE March 12, 1942.

TO Secretary Morgenthau

FROM Mr. Kamarch

SUBJECT: Summary of Intelligence Reports.

Great Britain - Home Opinion

The British Home Intelligence report for the week ending March 2 states that morale is still low. "Disquieting signs of an increasingly questioning mood coupled with doubt as to the worthwhileness of the struggle" are cropping up. What people desire above everything else is an offensive attitude on the part of the fighting forces, instead of continued retreat and defense.

The attitude of the Government toward India is being discussed more critically and widely than ever before. There is genuine sympathy for Indian aspirations and demand for generous action.

There is a feeling of disappointment over "America's inactivity" despite intense public admiration for MacArthur. Working class critics say: "Lend-Lease means that after the war we shall have to work for America for nothing."

(C.O.I. Cable, March 10, 1942)

France - Home Opinion

Because of fear of the effect on French opinion of a break between Vichy and Washington, and because of American pressure, it is generally felt in France that Vichy is trying to avoid sending supplies to Rommel. (That is, it is fear of the French people's reaction to a break with the U.S., and not the shipment of American supplies to North Africa, which acts as a brake on Petain's collaboration with the Germans.)

(C.O.I., March 9, 1942)

Germany - Home Propaganda

German home propaganda takes the line that "the British Empire is being taken care of by Japan. Germany's only serious enemy is Russia and when she is beaten, the rest will be easy, though not of necessity short. America is too weak to help. Production in America is inadequate to replace the huge losses and is propaganda bluff." When prophesying the results of the coming spring

- 2 -

offensive, great caution is being displayed.

(C.O.I. Cable, March 9, 1942)

Other European Countries

(According to the available sources, there is a general feeling in most European countries that the decisive crisis in the war will occur this Spring.)

(a) Italy

Mussolini's paper, the Gazzetta del Popolo, writes: "Stalin is ready to throw into the battle a formidable army and Germany also is preparing its own army. In the two camps, the war factories are working day and night. The sun of the Russian spring will see the greatest battle of all times."

(FFC, Foreign Broadcast Monitoring Service, March 7, 1942)

(b) Turkey

The official Turkish radio, broadcasting in Turkish to its own people, summarizes the situation:

"Reports trickling out of Germany do not present a very bright picture of the internal situation. Low morale, due to a continuance of Soviet resistance, is all-pervading.

"However, it is obvious now that everything depends on the outcome of the spring offensive.

"If Germany is able to crush Russia by the end of next summer, German morale will have been saved. But should the fighting continue through September, many people are of the opinion that Germany will not be able to continue the struggle."

(FFC, Foreign Broadcast Monitoring Service, March 6, 1942)

NUMBER 22

223

SECRET

COORDINATOR OF INFORMATION

THE WAR THIS WEEK

March 5-12, 1942



Printed for the Board of Analysts

Copy No. 6

Secretary of the Treasury

MARCH 5-12, 1942

SECRET

Coordinator of Information

THE WAR THIS WEEK

The collapse of Java finds Japan in virtually complete possession of the "great barrier" extending from Burma to New Guinea. She faces now the most crucial decision since the war began—the choice among strategic alternatives, which may well condition the whole future course of the war in the Far East. Is Japan to be content with the relatively inexpensive conquest of Burma and the protective screen of the Melanesian islands, a strong defensive position? Or will she proceed from that defensive position to play for the highest stakes in a field where the alternatives are Australia, India, and eastern Siberia? Current analysis of Japan's position in aircraft and shipping would seem to indicate caution. But her successes to date and the general temper of her policy suggest the more adventurous course.

In the Mediterranean theater the ominous pause continues, but preparations, as indicated by the accompanying map, seem to foreshadow early action. Here the Axis again is faced by alternatives—Egypt, Syria, Turkey—but the complexities of the situation are such as to make forecasting in the highest degree hazardous.

Finally, on the Russian front, the Soviets have recently made unquestioned progress, thrusting irregular salients into the German line and infiltrating behind enemy positions. But the Russians have yet to win the decisive advantage which would come with a genuine disorganization of any part of the German front.

SECRET

The Conquest of Java

With the establishment of three beachheads on the accessible northern shore of Java and the rapid attainment of supremacy on the sea and in the air, the Japanese swept on to the reduction of Java at a speed disconcerting even to seasoned military observers. Apparently only seven or eight days separated the initial landings from the final collapse of Bandoeng. And the Japanese go so far as to claim the unconditional surrender of the defending forces—said by them to number 93,000 Dutch and 5,000 British and American troops.

Spearhead and Encirclement

The Japanese again employed tactics which have become completely familiar, isolating and surrounding the enemy at key points by the use of rapidly moving spearheads. In the east one spur of the spearhead operating from Rembang promptly bisected the island and its east-west communications system, while a second spur moved on the naval base at Soerabaja.

In the west, a twin spearhead rapidly encircled the capital at Batavia. The government had only time to order a hasty program of demolition before it fled to Bandoeng. Finally, a central spearhead, based on Indramayu bay, reached and apparently surrounded Bandoeng, center of Allied military operations. This city's position on the Preanger plateau (2,400 feet) was believed to be distinctly defensible.

The fate of forces remaining on the islands is still in doubt, with the Netherlands government claiming that guerrilla warfare is continuing. With only one practicable avenue for evacuation—the port of Tjilitjap on the south shore of Java—apparently few escaped.

SECRET

Coordinated Offensive on New Guinea

One of the principal characteristics of the present Japanese offensive has been its unremitting and wide-ranging character, forcing the enemy constantly to disperse his forces and often to submit to the element of surprise. On the same day as the Dutch announcement of the fall of Bandoeng, the Japanese renewed their distant attacks on bases in Melanesia. Bombing raids, then two landings were made on the northeastern coast of New Guinea at Salamaua and Lae. A third landing followed at Finschafen on the same shore. And despite a heavy Australian air assault on Wednesday, which sank seven or more transports, Japanese reinforcements continued to arrive.

The design of Japanese strategy in this area is transparent. By occupying Salamaua and Lae, the Japanese have halved the flying time of bombers to Port Moresby, 150 miles distant on the southern shore of New Guinea. Moresby occupies a position of strategic command over the shipping lane through the Torres Strait and likewise would constitute a base for Japanese bombers striking at northeastern Australia. Its early occupation is probably to be expected, and troop transports have already been reported in this general area.

This step will probably be only the first in a series by which the Japanese will attempt to acquire a line of bases in the Melanesian islands, which screen the northern and eastern shores of Australia. Here the objective might be either the isolation of Australia, through the interruption of Allied supply lines, or an eventual attack on Australia itself. Newspaper correspondents report that civil defense preparations in Australia vary according to the distance from the Netherlands Indies—Brisbane is blacked out and entrenched, Sydney is "browed out," and Melbourne shows few outward signs of civil defense preparations.

SECRET

New Caledonia and the Free French: Strategy and Politics.

At the southeastern extremity of Melanesia lies the island of New Caledonia, whose strategic and political situation has suddenly given it new prominence. New Caledonia went over to the Free French shortly after the Armistice of June 1940, and full support was given by the New Caledonians to the declaration of war on Japan by the French National Committee in London (following Pearl Harbor).

With the enlargement of the Japanese menace, the American government formally recognized the sovereignty over New Caledonia of the French National Committee in London and prepared the way for effective American cooperation with the Free French on the island. Specifically it was recognized that the French island possessions in the Pacific area were "under the effective control of the French National Committee in London" and that the American government would cooperate "with no other French authority" in that area (public statement of the High Commissioner of New Caledonia, February 28).

New Caledonia has a landlocked harbor at Port Noumea which offers a sheltered anchorage to vessels of all sizes. The docks, however, can accommodate only ships clearing 24 feet or less. The shelter for sea planes is excellent.

The island also has great mineral wealth, and is for its size perhaps the richest area in the world in terms of the amount and variety of commercial minerals available for exploitation. In 1939 more than 49,000 tons of nickel ore and 9,300 tons of nickel matte were exported. The increasing importance of the island in Japan's economy is indicated by the fact that shipments of nickel ore to the Japanese rose from 13,400 tons in 1937 to 39,400 tons in 1939. Before the inception of the Free French movement in New Caledonia, the Vichy regime had agreed to sell the total nickel output

SECRET

to Japan, whereas the Free French have allotted the entire output to the United Nations.

From the extensive reserves of chromite in New Caledonia more than 39,000 tons were exported in 1939, nearly half of that amount going to the United States (slightly more than ten percent of our total imports of chromium). A very reliable source reports that the producers of chrome had earlier been hesitant to increase the output in the fear that stocks might fall into Japanese hands at a time when they considered the defense of the island inadequate.

The Japanese Shipping Position.

Although competent military observers still envisage the possibility of an early attack on Australia's main defenses—the southeast sector—further investigation of the Japanese shipping position would now appear to provide additional support for the view that Japanese objectives in this area may be limited to the interruption of Allied supply lines.

Although Japanese losses in merchant tonnage thus far in the war have been roughly offset by new acquisitions, her estimated tonnage available March 1, 1942, was thought to be fully occupied. According to the tentative figures so far assembled, only that margin of ships which might be released as a result of dwindling operations in active battle areas could be devoted to new operations.

Spelled out statistically, the total estimated tonnage, 6,250,000, minus tonnage requiring repairs (normal repairs as well as those arising from damage in action), would amount to 5,600,000 tons. Of this tonnage, according to information assembled by the Economics Division of the Coordinator's office, 3,200,000 tons, it is estimated, are absorbed in necessary inter-island shipping about Japan, trade with China and Manchuria, and the supply of military

SECRET

forces in China. Another 50,000 tons are used for such essential civilian services as ferrying. It is estimated that 2,200,000 tons are being utilized to supply expeditionary forces in the southwestern Pacific, and another 300,000 tons are in use as naval auxiliaries. The total, 5,750,000 tons, actually exceeds the tonnage available, and this situation means that the deficit can only be made good by drawing upon stock-piles rather than imports for current production.

If it is assumed that the Japanese are able to consolidate their gains in the southwest Pacific and withdraw a considerable number of troops, there might be available from the 2,200,000 tons in use in this area a total of 1,500,000 tons for new operations. But if this shipping were devoted to an offensive against Australia, the great distances to the cities in the southeast probably would permit an expeditionary force of fewer than 200,000. And Japan would risk the entire marginal merchant tonnage available to her.

Japanese Air Losses

Another factor which may be a deterrent to far-ranging Japanese ventures is seen in their losses in the air. Although military observers have revised upward their former production estimate of 400 planes per month (now thought to be nearer 500), only some 300 to 325 of these are believed to be front line planes. In three months of war, it is estimated that approximately 1,800 planes were lost, about half in combat and half in other operations (largely accidents and forced landings). With a total air strength of some 5,000 planes, of which fewer than 4,000 are available for front-line operations, the Japanese air fleet, at this relatively high rate of expenditure, would disappear in from 14 to 16 months.

One possible explanation for high Japanese plane losses

SECRET

has been suggested by an American formerly associated with the Japanese branch of a large and famous rubber company. During his stay in Japan prior to the war, no orders had come from the Japanese for self-sealing gasoline tanks. And he thinks it unlikely that older Japanese planes were equipped with such tanks.

The Fall of Rangoon

A new development appeared in the fighting in Burma this week when American-built tanks, which could not be used in the earlier jungle fighting, were committed in a battle in the open Ayeyar country, 60 to 70 miles northeast of Rangoon. The resulting check to the Japanese advance proved, however, only temporary. The invaders, after occupying points on the railroad north of Pegu, infiltrated across to the north of Rangoon to encircle the city. Meantime, Japanese landings on the shores of the Bakir and Rangoon rivers threatened to isolate British units defending Pegu.

To escape this trap, the British evacuated all southern Burma, after extensive demolitions at the ports of Bassein and Rangoon. Their new defensive position is reported as running roughly from the Chittagong district of India to the northern border of Thailand. Against them, the invaders appear to have been using two divisions in the Pegu area, a third in reserve near Moulmein, and a fourth which they are reported to be moving up to supporting positions from bases in Thailand.

North of the Pegu area the logical objectives of the Japanese are Mandalay, Bhamo, and finally Myitkyina. If they can take Myitkyina, they will effectively sever the last practicable land route from India to China (see *The War This Week*, Feb. 12-19, 1942). The tremendous stake involved in the

SECRET

conquest of the Mandalay-Myitkyina area—isolation of China from India—suggests that the Japanese probably will throw heavy reinforcements into this area, if it proves necessary.

Tightening of Sino-American Military Relations

Meanwhile, the informal Sino-American military alliance has been further implemented by the appointment of Lieutenant General Joseph Stillwell, U. S. A., as Chief of Staff under Chiang Kai-shek. While the Magruder mission, announced last August, was sent to expedite lend-lease aid to China, the Stillwell mission is obviously concerned with active military operations in China, as well as with supplying China across India and Burma.

In the event the Japanese take northern Burma, the presence of this considerable body of American officers and men in China would buttress the Generalissimo's policy of active collaboration against Japan. General Ho Ying-chin, Chinese Chief of Staff, has been viewed by some as a possible appeaser, who might try to supplant Chiang once appeasement became a political possibility. Ho Ying-chin's relationship to General Stillwell has not been reported.

A full-fledged Chinese military mission is also coming to Washington under General Hsiung Shih-hui, a fifty-year-old veteran of Sun Yat-sen's revolution. General Hsiung graduated from the Japanese Staff College in Tokyo and has been in charge of Kiangsi province for ten years past, where he has fought both communists and Japanese. His experience in Kiangsi, which is half surrounded by Japanese occupied territory, should clearly be of value in mapping future operations.

SECRET

Chinese Interests in Malaya and Singapore

Newspaper editorials continue to appear in Chungking, exhorting Anglo-Americans to greater effort in the war in Asia. These appeals are of course grounded in self-interest, nowhere better illustrated than in the dismay which followed the final debacle at Singapore. Here Chinese concern over the quality of Allied defense sprang from a direct and vital interest even more close and more personal than that of England.

The population of Singapore and Malaya is predominantly Chinese—a young and vigorous immigrant group, strongly knit together by nationalist organizations, and intensely patriotic. For years their contributions in money have flowed steadily to the support of the nationalist cause in China. The Central Government of China has maintained constant contact with them through its National Overseas Affairs Commission. The appearance in Chungking of the slogan, "Defend Singapore," reflected this same self-interest and so, no less, do the reiterated promises of Chinese leaders that the fall of Singapore or of Rangoon will not diminish China's war effort.

The one major result of recent disasters, according to this view, has been to put China on a plane of moral equality with the Anglo-Saxon powers. The white man, having lost an empire in which the Chinese had become important—although barely recognized—partners, now remains an ally, but is no longer superior.

The Moslem Issue Bedevils India

In Mr. Churchill's statement to the House of Commons that Sir Stafford Cripps was going to India in an effort to obtain the acceptance by nationalist and Moslem leaders of a plan for India's political future worked out by the British

SECRET

government, the Prime Minister did not specify the nature of that plan. It may be a long time before he feels in a position to make a definite announcement. Meantime reports from New Delhi indicate that despite a tremendous newspaper build-up, pessimism about Britain's intentions has begun to set in. But the nationalist position remains unchanged. Pandit Nehru has made that as clear as crystal by his statement at Allahabad that nothing except Indian freedom "will make a vital difference or move our millions to effective action."

Nehru further gave assurances that his party, if placed in power, would give "all reasonable and possible protection to minority groups." But rumor had it that Moslem objections to a Hindu-controlled India would prove to be the chief obstacle to Sir Stafford's conciliatory efforts. A recent study prepared in the Coordinator's office indicates, however, that the Moslem League in demanding Pakistan (the division of India into separate Hindu and Moslem states) may not voice the opinion of a majority of Indian Moslems. For instance, in the 1937 elections for the provincial legislative assemblies, out of 482 Moslem seats, League candidates won only 108. Furthermore, several of the most prominent Moslems in India have publicly withdrawn their support from Mr. Jinnah and repudiated Pakistan. Finally, many observers feel that even Mr. Jinnah is using Pakistan as a bargaining point and will ultimately settle for a less drastic solution.

The scanty reports of Chiang Kai-shek's meeting with Mr. Jinnah, during the former's recent visit to India, indicate a reciprocal lack of favorable impressions. And it is also possible that the British government, which once leaned on the Moslem League as the only group on which it could rely to oppose the Congress party, may now feel that Mr. Jinnah's

SECRET

support has become less essential. On the other hand, many Britishers prefer to uphold the Moslems against the Hindus because they think the former make better soldiers. And reports from Afghanistan indicate that Nazi agents are doing their best to spread the idea of Pakistan along India's north-west frontier.

The Mediterranean Prepares for Spring

A highly placed observer of the European scene has predicted that a Mediterranean campaign of broad scope will begin before April 1 or early in that month, preceding a closely related campaign in Russia. Whether the Axis attack will be through Egypt, through Turkey, or through Syria via Cyprus, he does not feel in a position to judge. But certain stray indications—Bulgarian precautions against bombing, an effort to put Italian capital ships in service for actual operations, and reports from German informants that an assault on Turkey is intended for March—lead him to believe that one phase of the campaign may be an effort to seize the Dardanelles and Bosphorus so that Italian warships can get through to the Black Sea. Thus far, however, the eastern Mediterranean remains ominously quiet.

Although activity on the Libyan front has again been restricted to air operations—with the capture of enemy positions in Fezzan (southern Libya) by the Free French appearing as the only dramatic military event of the week—nervousness is apparent in Turkey and in areas occupied by the forces of the United Nations. Mystery still veils the bomb explosion which almost killed German Ambassador Franz von Papen in Ankara. While the Turks maintain that the man carrying the explosive material was a communist born in Yugoslavia, and only a naturalized Turk, there remains some anxiety that the Nazis may use this incident as a pretext for aggression.

SECRET

The Axis Line-up in the Mediterranean

The accompanying map indicates the formidable military, naval, and air strength that the Axis has concentrated in the eastern Mediterranean. The figures shown are, of course, simply estimates by the most competent American military authorities and may be subject to further correction. It should also be borne in mind that the units mentioned are of very uneven strength.

The Italian divisions in Sicily and Italy, for instance, are of uncertain value, and should be considered as a "potential reserve," not likely to be thrown into the struggle at any very early date. Italian divisions in Libya, while impressive in number, are reported as greatly depleted in strength—not at all to be compared with Rommel's Panzer divisions, which are now estimated to be three in number. Axis air strength in these areas is not only very considerable but much of it is of superior quality. To this the constant raids on Malta—which last month piled up a record score of 433 civilian casualties—bear eloquent witness.

The Italian fleet presents a special problem. Despite terrific losses in cruisers—notably in the battle off Cape Matapan on March 28, 1941—that fleet still presents a formidable threat to British sea power in the Mediterranean. Reports concur, however, in stressing the lack of fighting spirit in the Italian navy, and it appears to be impossible to get definite evidence on the state of repair of the two new battleships *Littorio* and *Vittorio Veneto*, severely damaged by the British in earlier engagements.

In the Balkans and Greece, the calibre of German and Italian divisions is difficult to judge. The Bulgarian army is probably not to be taken too seriously. So far it has not seen action, but the Germans might use it in an attack on Turkey. The Turks, who have equipped their large army

SECRET

in a most miscellaneous fashion, and whose navy and air force are extremely weak, would, in case of invasion, probably be obliged to fall back on their rugged terrain and their famous fighting spirit for the defense of Asia Minor.

The German mountain division on Crete is no doubt an elite force. This and the powerful Axis air force in Crete and Greece are a constant threat not only to the Turks—whom advanced Axis bases in the Aegean islands also threaten—but to the Free French in Syria and to the British in Egypt. These last have not been content to remain on the defensive, however, and during the last week their planes have raided Axis-held islands in the Aegean, and even the city of Athens itself.

In the 21-month old succession of Axis offensive and Allied counter-offensive in the Mediterranean, the next move appears to be with the forces of the Axis, strongly poised for the attack.

The Russians Make Fresh Gains

On the Russian front this week the Soviets have made clear-cut and definite gains. They advanced to points west of the Volkhov river in the region south of Leningrad, and at Staraya Russa they were continuing the two-week old encirclement of units of the German Sixteenth Army. Above all, west of Moscow, their capture of Sychevka and Yukhnov, coupled with their previously established salient at Velizh, constitutes a definite threat to the German Rzhev-Vyazma-Smolensk defensive area—prime bases for the renewal of a Nazi offensive in the spring.

The Russians, moreover, claimed further advances on Smolensk, and maintained that they had reached the outskirts of Orel, Kursk, and Kharkov. The German High Command countered with the contention that they had repulsed Soviet attacks east of Kharkov. The Nazis further

SECRET

claimed that the pockets of Germans left behind the Russian line of advance represent "island fortresses" which have often been able to stab the Red Army in the back and hinder its movements. According to the Nazis, these fortresses—provisioned almost exclusively by air—are intended to accelerate a German spring offensive once it is launched.

Meantime the Nazis are reported to be circulating in Stockholm a strange story to the effect that Hitler has concocted a plan for immediate peace with Russia on the basis of the evacuation of all Soviet territory and a return to the status quo of June 22, a story which might be designed to induce Japan to attack Russia. More substantial reports indicate that the Russians have been putting pressure on their British allies to recognize the boundary of June 22—including, of course, the annexation of the Baltic states. According to observers in London, Sir Stafford Cripps has maintained before a select gathering of 300 members of parliament that Russia would regard such recognition as the acid test of Britain's attitude and as an indication that the Anglo-Saxon powers were not trying to interpret the Atlantic Charter in an anti-Russian sense. The Soviets, Cripps implied, will make no further territorial demands.

The British Air Raid on Paris

Technically the recent British raid on Parisian industrial suburbs can be considered a success. Operating with perfect visibility and in bright moonlight, 249 planes (of which all but two returned safely) dropped 462 tons of high explosives, including 26 bombs of 4,000 pounds each.

French eyewitnesses agree that the damage to the announced objectives of the air attack was very great. One said it completely destroyed the Salmson plant and also all parts of the Renault works except the tank department

SECRET

(located on an adjoining island in the Seine) which was only slightly damaged. Estimates of civilian casualties run from about 250 to 400 killed and from 1,000 to 2,000 injured—an unavoidable result, since the Renault plant is set in a thickly settled suburb, Boulogne-Billancourt, where workmen's quarters crowd near the factory buildings.

British and American press comment justified the raid on the basis that the plants bombed were working for the Germans. Despite the Vichy contention that French factories have produced no war equipment for Germany directly, the Allied claim appears to be justified. The British have captured German planes equipped with Renault engines, Renault tanks have been discovered on the Russian front, and the ministry of economic warfare maintains that Parisian plants are making 40-man transport planes for the invasion of England.

Nazi-influenced publicity in Europe and North Africa has ignored the damage to industrial objectives and played up the civilian fatalities. Uninfluenced French utterances, however, have been characterized by sadness rather than anger for the most part. The keynote was struck by the preacher of the funeral sermon in Notre Dame, who shuddered, apparently ambiguously, at the responsibility which weighs upon those who have contributed to multiply such catastrophes throughout the world.

Now that the bombardment of French industry has begun and the Nazis have made out of it what capital they can, it would be difficult to suppose that attacks will not continue. Because of its nearness to British bases, its concentrated industry, and its lack of anti-aircraft defenses, Paris represents an unusually favorable target for the RAF. And for the next few weeks, flying weather too will favor Paris as against more distant targets farther east.

SECRET

Crisis in Brazil

The Axis submarine offensive has sunk probably five Brazilian ships in the last three days, has caused President Vargas to assume sweeping emergency powers, and has brought Brazil measurably nearer war. Behind these developments, and probably intimately connected with them, are two ominous reports received by Vargas: (1) that some one hundred and fifty Condor and Lati pilots, who formerly operated in Brazil, are now training in France to fly large bombers, and (2) that certain well organized and armed Japanese colonists, led by Japanese army officers, were prepared to attack vital spots in and around the great industrial city of São Paulo, while the Germans farther south staged a simultaneous series of uprisings. As a result of these critical developments, observers here expect Brazil to ask the United States for active support.

Axis Undercover Activity Continues in Latin America

Although the severance of relations with the Axis, which eighteen of the twenty Latin American nations undertook before and after the Rio Conference, has on the whole hampered Axis conspiracy and propaganda, these activities have obviously not ceased, and in many cases they are carried on with considerable freedom.

In some of the American republics Axis diplomats have already departed. As a result of decisions reached before the Conference, all Axis representatives from Mexico, Cuba, Haiti, and the Central American states are now at White Sulphur Springs in the United States. Some of the foreign delegations have left Colombia and the Dominican Republic. In Chile and Argentina, on the other hand, where relations with the Axis have not been broken, Axis diplomats operate with full facilities.

Elsewhere in Latin America the Axis staffs await transfer

SECRET

either to the United States or directly to their respective countries, enjoying nearly everywhere, meanwhile, some freedom of movement with only slight surveillance. Arrangements have been made with Ecuador, Peru, and Bolivia for the early removal of Axis diplomats to the United States. Brazil has recently imposed special restrictions on the Japanese staff in retaliation for similar measures taken by Tokyo against the Brazilian mission, but the German and Italian staffs still come and go as they please.

The problem of exchanging diplomatic delegations is at best difficult, and it has been deliberately made more so by the Axis countries, which seek to delay the return of their staffs as long as possible. Where Axis diplomats have been removed, the Spanish legation or Vichy mission frequently serves as a coordinating center for illegal Axis operations. In Mexico, which has never recognized the Franco regime in Spain, the Portuguese legation serves the same purpose, although the Spanish Falange maintains a large and effective clandestine organization. The Mexican Government has lately taken steps to curb Nazi activities more effectively. Known agents, nevertheless, circulate with comparative ease. Although Cuba is at war with the Axis, its courts have shown a disturbing tendency to release Axis agents apprehended by the police. Throughout Latin America, the Church in general continues to play a pro-Axis role, and is apparently not discouraged from doing so by the temporal governments.

Chile Fights Shy of a Break With the Axis

Contrary to the impression of many observers in the United States (an impression fostered in large part by the American press and by the undue optimism of Rossetti, the outgoing Chilean foreign minister), recent developments in Chile indicate no strong possibility of a Chilean break with the Axis in the near future. The two determining factors in

SECRET

Chile's foreign policy continue to be the popular anxiety over Chilean security (in view of the failure of the United Nations to stop the Japanese in the Pacific and to control German submarine activity in the Atlantic), and the specific attitude of President-elect Rios regarding the course which Chile should pursue.

Although Rios will not be inaugurated until April 2, he already exerts powerful influence on the government, and appears to be a "strong man." Soon after his election he declared his opposition to a break with the Axis powers, intimating that he thought Chile's problems could be met in other ways. He opposed a special session of Congress to consider the Rio Agreements, and the Ministry of Interior has in fact recently announced that no special session will be called. Ratification of the agreements cannot possibly be had, therefore, until later in the spring, and will very likely be postponed beyond that.

The Chilean protest to the Axis, February 27, against the sinking of Brazilian and Venezuelan ships was perhaps a compromise measure, representing the present limit to which the Chilean Government cares to go. Rios has selected as his foreign minister Ernesto Barros Jarpa, an eminent lawyer and statesman friendly to the United States. It is thought here, however, that the appointment may be an attempt to obtain the support of conservative elements, and that in any case it will not hasten a decision to break with the Axis.

Rios realizes that Chile needs economic assistance to raise her low standard of living, but he deprecates what many Chileans have regarded as Rosetti's obsequious trading of political concessions to the United States in return for economic benefits. Rios' attitude reflects the fact that there is no widespread support in Chile for a break with the Axis. The only important person who has made an unequivocal public statement in favor of a break is Gonzales Vedela, former minister to Vichy; and the only newspaper consistently of that persuasion is the Communist journal, *El Siglo*.

RESTRICTED

MID 319.1
 Situation
 8-11-41

No. 656 M.I.D., W.D. 11:00 A.M., March 12, 1942.

SITUATION REPORTI. Pacific Theater.

Philippines: No change in the situation to report. Burma: Thai troops are reported active in northern Thailand. The British forces were awaiting an attack from the south at Prome and Toungoo. Australasia: A Japanese Invasion Fleet, which is reported to be moving toward Port Moresby, was attacked on March 11 by Australian bombing planes. Japanese aircraft bombed Port Moresby on March 11. A Tokyo broadcast acknowledges the loss of three Japanese ships sunk, and six others damaged as a result of Allied bomber attacks on Japanese convoys off New Guinea.

II. Western Theater.

There is nothing to report.

III. Eastern Theater.

Fighting continues on the southern and central fronts. There is no change in the general situation. (A situation map will not be issued this date.)

IV. Middle Eastern Theater.

Press reports ground action in this theater is confined to patrol activity supported in some cases by air fighters. The aerial bombardment of Malta continues. Conflicting reports continue to be issued regarding the naval action north of Misurata March 10.

RESTRICTED

March 13, 1942

TO: Mr. Sullivan
Mr. Paul

FROM: The Secretary

Last night, at 6:30, on Baukage's time, Crawford of P M took his place. Please get a copy of what Crawford said. He was particularly good on the interpretation of taxes. He would be excellent to use to present out side of taxing State and Municipals.

Submitted 3/16.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 13, 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 18, 1942, and will mature June 17, 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 16, 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 18, 1942, provided, however, any qualified depository will be permitted to make payment by credit for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its district.

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.

SEVENTY-SEVENTH CONGRESS

ROBERT L. DOUGHTON, R. C., CHURMAN

THOMAS H. COLLIER, N. Y.
JOSE CRUICK, TENN.
JOHN W. BRYNE, JR., WIS.
WESLEY C. DIERKE, IND.
FRANK H. BUCK, CALIF.
RICHARD M. CUNNINGHAM, MD.
JOHN D. DINGELL, MICH.
A. WILLIS ROBERTSON, VA.
PATRICK J. BOLAND, PA.
MILTON H. WEST, TEX.
RAYMOND E. MCKINNON, ILL.
KURT W. HALL, WASH.
ARTHUR D. HEALEY, MASS.
A. L. FORD, MISS.

ALLEN Y. TREADWAY, MASS.
FRANK CROWTHER, N. Y.
HAROLD KATTECH, WASH.
DAVID A. RICE, N. Y.
ROY D. WOODRUFF, MICH.
THOMAS A. JENKINS, OHIO
DONALD H. McLEAN, N. J.
BERTRAND W. GEARHART, CALIF.
FRANK CARLSON, WASH.
WILLIAM J. JARRETT, PA.

NATHAN K. GREEN, CLERK
MARION T. MCCALLISTER, ASST. CLERK

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.

March 13, 1942

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

Dear Mr. Secretary:

I appreciate very much your kind letter of March 12th expressing your thanks to the other Members of our Committee and myself for the manner in which we handled the Public Debt Legislation.

I wish to assure you that it is always a pleasure to cooperate with you in any matters in which you and your Department and our Committee have a mutual interest.

Thanking you for your many courtesies and with my kind personal regards, I am

Very sincerely yours,


R. L. Doughton

RLD:d

MAR 14 1942

My dear Mr. Chairman:

I want to take this opportunity to thank you and the members of your Committee for the courtesy which all of you extended to me and the other representatives of the Treasury in connection with the consideration by the House of our Public Debt legislation.

I also want to congratulate you on the manner in which you handled the bill on the floor of the House. The vote on the measure - 387 to 0 - is a well deserved tribute to the Ways and Means Committee and its able chairman.

Sincerely yours,

(Signed) E. C. Kerensky, Jr.

Secretary of the Treasury.

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

H.M.C.

cc - Thompson

By Messenger D. Reed 3:15

LJB:ims
3/11/42

READING COPY OF STATEMENT READ BY
SECRETARY MORGENTHAU BEFORE SENATE COMMITTEE ON FINANCE
ON INCREASE IN DEBT LIMIT

3/13/42

The bill H. R. 6691, now before you for consideration, would raise the limitation on the power of the Treasury to issue public debt obligations under the Second Liberty Bond Act, as amended, from sixty-five billion dollars to one hundred twenty-five billion, and provides greater flexibility to enable the Treasury to conduct its war financing operations. I am glad to have this opportunity to discuss with this Committee the situation with respect to the public debt.

It is urgent that this bill be promptly enacted. The balance of our borrowing authority at the end of February, 1942, was about one billion four hundred million dollars. 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 February, 1941, I appeared before your Committee in support of a bill to increase the total borrowing authority from forty-nine billion dollars to sixty-five billion dollars. It appeared at that time that a limitation of sixty-five billion dollars 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.

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 twenty-eight and a half billion dollars in appropriations, contract authorizations, and recommendations. The war program now exceeds one hundred forty 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 eighteen billion six hundred million dollars and, in addition, that the Treasury will be required to advance to governmental corporations approximately three billion dollars to finance their activities.

On the basis of these estimates the public debt on June 30, 1942, will amount to seventy billion six hundred million dollars. The estimated deficit in the fiscal year beginning July 1, 1942, after taking into consideration contemplated additional budgetary revenues of seven billion dollars from new tax legislation, will amount to thirty-five billion, four hundred million dollars. We will also be required to raise four billion four hundred million dollars for governmental corporations, principally to meet defense expenditures by the Reconstruction Finance Corporation.

The estimated increase in the public debt for the fiscal year beginning July 1, 1942, based on these estimates, will thus be thirty-nine billion eight hundred million dollars and leave us with a public debt on June 30, 1943, of one hundred ten billion four hundred million dollars.

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. 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 which are needed in order to facilitate the Treasury's 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.

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 in payment of any taxes imposed by the United States any obligations of the United States which are redeemable upon demand of the owner.

This, in effect, can now be accomplished by the holder of such demand 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.

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.

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.

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.

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. It would only result in confusion if the Treasury were to issue its stamps at the same time that the Postal Savings System is selling 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 four billion three hundred million dollars 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 three hundred million dollars a month. In the month of December we sold five hundred million dollars, in the month of January over a billion dollars, and in the month of February approximately seven hundred million dollars. 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. At the present time more than 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.

-000-

March 13, 1942
12:07 p.m.

HMJr: Hello.

Operator: Lewis Douglas.

HMJr: Hello.

Lewis Douglas: Yes, Henry. How are you?

HMJr: I'm alive.

D: (Laughs)

HMJr: And kicking.

D: Well, I'm kicking; I'm not quite alive.

HMJr: Lewis.....

D: Henry, can you do it on April the eighth?

HMJr: No, no.

D: Well, I was afraid of it.

HMJr: I want to thank you for thinking of me.

D: Well, I'd have loved it, Henry, if you could.

HMJr: But it's.....

D: I know why.

HMJr: It's very nice, but I don't think I'd better take on anything like that just now.

D: All right, sir. I understand thoroughly, and I'm disappointed.

HMJr: But thanks for the compliment.

D: (Laughs) All right, Henry.

HMJr: Okay.

D: Hope I see you soon.

- 2 -

HMJr: I will. I've just been testifying and all that.
I'll give you a ring next week.

D: All right. Fine, Henry.

HMJr: Thank you.

D: Good-bye.

March 13, 1942
12:08 p.m.

HMJr: Hello.

Edward R.
Stettinius,
Jr:

Hello, Henry.

HMJr: How are you?

S: Good.

HMJr: I wondered if anything had happened before I went to Cabinet on this question of coordination on transportation?

S: Bob Patterson had a meeting in his office yesterday.....

HMJr: Yes.

S:on the whole business.

HMJr: Oh, did he?

S: At three o'clock.

HMJr: That was good.

S: And he had the Maritime fellows there, and the War Department fellows there.....

HMJr: Yeah.

S:and I don't know what the final result is, but he tackled it immediately after you brought it up.

HMJr: Well, I'll call him.

S: I would call - Henry, if I were you, I would call him and say you heard he had a meeting and that he made good progress and that it is being solved.

HMJr: Good. I'll call him.

- 2 -

S: That thing was most helpful yesterday.

HMJr: Was it?

S: Yeah.

HMJr: Good.

S: And we're getting - we're working now on a coordination of the entire thing.

HMJr: Good.

S: And I'll be talking to you again in another few days about the whole business.

HMJr: Will you? And there's one thing which was mentioned that I think that I might suggest, I think you ought to take up. You know, Bob said they got nowhere with the oil coordinator, on oil machinery or gasoline machinery.

S: Well, hell, we've been taking that up weekly.

HMJr: Yeah.

S: We've been telling Harry Hopkins about that weekly.

HMJr: Well, if you want me to barge in there, I'm perfectly willing to.

S: Well, Henry, boy, listen.

HMJr: Yeah.

S: If you want to take a crack there at Cabinet meeting today.....

HMJr: Yeah.

S:you're on awful safe ground. You're on awful safe ground just to raise the.....

HMJr: Well, I'd have to have the facts.

S: Just for you to say that you had had a discussion

- 3 -

on the Russian protocol, and one of the items that you understood had bogged down completely was the matter of some machinery for processing manufacture of oil, petroleum.

HMJr: Well, I'd have to have more than that, because Harold Ickes would know more about it than I did. I think I'd better be prepared a little bit better.

S: Do you want a private memorandum?

HMJr: Yes.

S: For next week?

HMJr: Yes.

S: All right, old boy.

HMJr: And then I'll take it up with the President.

S: Thank you, Henry.

HMJr: Thank you.

March 13, 1942
12:12 p.m.

HMJr: Hello.

Operator: Mr. Patterson.

HMJr: Hello.

Robert
Patterson: Hello.

HMJr: Henry talking.

P: Yes, Henry.

HMJr: I hear you had a meeting yesterday afternoon,
and I wondered if you'd care to tell me what
the results were.

P: Well, I'm still bogged down on that, but I hope
to see some daylight today.

HMJr: You do.

P: Yes. Somervell does not agree with Douglas -
Lew Douglas with.....

HMJr: Where the hell is Lew Douglas in this?

P: He represents Land.

HMJr: I see.

P: He represents Land, and Turney represents Eastman.

HMJr: Yeah. Are you going to mention it at Cabinet?

P: Well, I'm not sure I'm going. I think perhaps
the Secretary will be back.

HMJr: Oh, I didn't know that.

P: I'm not sure. He's not in yet.

HMJr: Well, I'm not going to bring it up.

P: No.

HMJr: But I mean, as long as you're handling it, I
won't mention it.

- 2 -

P: Yeah. Well.....

HMJr: But if you did go, you might think it over about mentioning it.

P: Yeah.

HMJr: Because I think it ought to be solved, don't you?

P: Yes, indeed.

HMJr: Yeah.

P: Yes, indeed.

HMJr: Right.

P: All right, Henry.

HMJr: Thank you so much.

P: Thank you. Good-bye.

March 13, 1942

4:35 pm

RACIAL PROBLEMS

Present: Mr. Graves
Mr. Kuhn
Mr. Odegard

H.M.JR: Gentlemen, sit down. I haven't got a long time to make a speech, but what I have got to say I have thought a long time about, and that is this. I am sorry to say that some time in the not too distant future unless this administration does something about our negro problem, we are going to have race riots in this country. Now, I am just as confident about this as I am that six months from now or very much sooner they are going to be hanging with their tongues out for some kind of propaganda picture to keep us going in this war against the Germans particularly, and I have kept throwing out suggestions and suggestions. One is this idea of starting with a community sing where negroes could come, and I just don't feel that I am getting any place, see.

MR. GRAVES: Did you get any response from Mr. Duffus about that?

H.M.JR: Well, Mrs. Morgenthau was over there, and she said that she had a very pleasant meeting. She was there with them.

MR. GRAVES: Both of them?

H.M.JR: I don't know whether Duffus was there. They had somebody there from RCA.

- 2 -

MR. GRAVES: Yes.

H.M.JR: But just so that the record is straight, I am not seeing you because Mrs. Morgenthau complained or anything, because she said that Mahan couldn't treat her nicer. So it isn't a result of that. It is something that I heard at Cabinet. That is what has got me so upset. They just take it perfectly for granted that we are going to have race riots, and I know nobody is doing anything about it.

MR. ODEGARD: We are having them.

H.M.JR: Now, I think that we in the Treasury again through Defense Bonds can make a contribution by showing the way. I think we can do much more. One thing Mrs. Morgenthau did tell me, which she pointed out to Mahan, went all through this next magazine issue, there isn't a single picture of a negro in the whole thing. They have a little piece about it, but there isn't a single photograph anywhere of a negro.

MR. GRAVES: "Our America."

MR. KUHN: There is one.

MR. GRAVES: Pickens' picture is in it.

H.M.JR: No, there is not.

MR. KUHN: Yes, we saw it.

MR. ODEGARD: Pickens' picture is in with the article, but in the group of children, that is what they resent. They resent being set aside.

H.M.JR: That is what she said. Now, look, you have got enough brains. If you disagree with me, tell me so, see, but if you don't, let's go somewhere and let's start - give me a community sing in New York. What I want to know is, what the hell is the drag that this Lucy Monroe has on us? Now, one thing that I can't

- 3 -

understand, in Baltimore she is managed by a paid representative of the National Democratic Committee. Did you know that?

MR. GRAVES: No.

H.M.JR: Well, she is. This man who takes care of her is the paid radio man of the National Democratic Committee. Well, he is. And they told Mrs. Morgenthau they have got to wait until Lucy Monroe gets back before they can do anything.

MR. KUHN: Well, that--

H.M.JR: Now, there is something wrong, see.

MR. KUHN: Irrespective of Lucy Monroe, you can have somebody there who can arouse singing in the people.

H.M.JR: Well, my God, out of the whole country, Ferdie--

MR. ODEGARD: Well, you have people who are professionals.

H.M.JR: Well, we don't have to sit on our behunkus waiting for Lucy Monroe to come back, but that is what they are doing. Now, the broad picture is what we are interested in. I would like to make a contribution to my country by doing something for the negroes, see, and this is the only little idea I have had, is a community sing, which is, I suppose, so big, and the problem is so big (indicating larger.) and I want you three fellows to put your brains on it, and we have got to do something, and if we set the way and the others do it better again, God bless them, and they can take it over. Now, am I crazy, Peter?

MR. ODEGARD: I think not, decidedly not.

H.M.JR: As I say, this thing - and only one other thing I would like to do. This little thing

- 4 -

I would like my way. I want to charge ten cents for the people to come in.

MR. GRAVES: To that sing?

H.M.JR: Yes.

MR. GRAVES: You mean ten cents in money?

H.M.JR: In cash.

MR. GRAVES: Not stamps?

H.M.JR: In cash, to defray the expenses. Now again, this is silly. I was Conservation Commissioner of New York State, and we had a toboggan slide down mount something-or-other at Lake Placid. I forget the name of the mountain. And who would think that anybody would pay ten cents to go look at it in the summer time when the grass was growing. I took in enough ten cent pieces in the summer time from tourists to more than pay for the maintenance of the run and the big expenses in the summer time. And they came there and paid ten cents to look at it, and paid for my watchman, kept people from getting hurt, people from hurting the run, and we were able to maintain it. Now, I would like to try one - it cost four or five hundred dollars here, cash out of pocket. If you had had ten cents, you would have broken even.

MR. GRAVES: That is right. Much more.

H.M.JR: Well, there would have been enough to start another one. Now, let me try one my way with just a dime.

MR. KUMN: At the stadium?

H.M.JR: Wherever it is. I don't want to get into detail. I don't want to be looking at the tree and lose sight of the forest, but I do want to do something for the negroes.

- 5 -

MR. ODEGARD: Mr. Secretary, your idea isn't, as I understand it, to have separate community sings for negros?

H.M.JR: No, Harold told me I am--

MR. ODEGARD: That is precisely what the negro doesn't like.

H.M.JR: No.

March 13, 1942
4:41 p.m.

HMJr: Hello.

Robert
Patterson: Hello.

HMJr: Hello, Bob.

P: Henry?

HMJr: In person.

P: General Somervell reports that he came to a complete agreement this afternoon with Jerry Land and with Eastman.....

HMJr: Yes.

P:whereby this whole business of traffic at the ports will be coordinated under Army direction with their cooperation, and says that the congestion at Philadelphia will be relieved.

HMJr: Well, that's fine. That's a little bit better than doing it on April 1, isn't it?

P: Yeah.

HMJr: What?

P: Yeah, I think so.

HMJr: Well, I'm delighted. I'm going to keep sending a man up there once a week until.....

P: Yes, indeed.

HMJr:I see.

P: Yes.

HMJr: And I'll send you a copy of what he reports.

P: Yes, I'd like to see it. Thank you, Henry.

HMJr: I thought that meeting was good.

- 2 -

P: Yeah. I think it clarified things a great deal.

HMJr: It was a sort of a - everybody got rid of a grudge or something.

P: Yeah. I think it clarified things a good deal.

HMJr: Well, if it did nothing else but this traffic thing, that would be worthwhile.

P: Yes, indeed.

HMJr: What?

P: Yes, indeed.

HMJr: Yeah.

P: That's right.

HMJr: Thank you so much.

P: Good-bye.

HMJr: Good-bye.

March 13, 1942
4:55 p.m.

HMJr: Hello.

Operator: Miss Tully.

HMJr: Hello.

Grace
Tully: Hello, Mr. Secretary.

HMJr: I wanted through you to give a little memorandum to the President.

T: Yes, sir.

HMJr: He asked me to get together everybody that had anything to do with Lend-Lease for Russia.....

T: Yes.

HMJr:and give them the works.

T: Yeah.

HMJr: Well, we had everybody together yesterday morning.

T: Yes.

HMJr: A very good meeting.

T: Yes.

HMJr: And I'm able to report this much progress.

T: Yes.

HMJr: It developed there was fight as between General Somervell and Jerry Land and Eastman as to who should handle the traffic to the ports.

T: Yes.

HMJr: Because there's been all this congestion in not getting the cars to the ships, you see.

T: Yes.

HMJr: And they said they were going to have it settled

- 2 -

by April first.

T: Uh huh.

HMJr: I told them they had to do it in twenty-four hours.

T: Yeah.

HMJr: And Patterson just called me up and said that they've come to an agreement, and General Somervell is going to handle all traffic to the ports and Maritime and Eastman are satisfied.

T: All right, fine.

HMJr: So that's at least a little something done.

T: I should say so.

HMJr: What?

T: I should say so.

HMJr: And tell him I'm keeping after it.

T: All right, fine.

HMJr: Thank you.

T: Thank you very much, Mr. Secretary.

BRITISH EMBASSY,
WASHINGTON, D. C.

Dear Mr. Morgenthau.

I do thank you
is to kind of you
I send me the
book about Washington
and I know that I
am going to be very
much interested in it.
Thank you very

1959
times for every home.

Your wonderful gift
is the most of all
you have to do, to
remember about it.

I'm very sincere

Truly Halifon

OFFICE OF LEND-LEASE ADMINISTRATION
Five-Fifteen 22d Street, NW
Washington, D.C.

March 13, 1942

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

My dear Mr. Morgenthau,

Thank you for your letter of March 9th.
I appreciate your giving consideration to my
request for the transfer of Lawrence J. Bernard
even though you were not able to give your
approval.

Sincerely,

/s/ Thomas B. McCabe

Thomas B. McCabe
Deputy Administrator

MAY 11 1942

Dear Mr. McCabe:

I have your letter of March 2, 1942, in regard to the transfer of Lawrence J. Bernard, Assistant General Counsel of the Treasury Department.

While I appreciate the need in your organization for people with government experience, I find that the situation in the Treasury is such that the services of Mr. Bernard cannot be dispensed with at this time.

I have talked the matter over with my General Counsel who tells me that Mr. Bernard has decided, after consideration of all aspects of the matter, to remain in the Treasury.

Sincerely yours,

(Signed) E. K. Townsend, Jr.

Secretary of the Treasury.

Hon. Thomas B. McCabe,
Deputy Administrator,
Office of Lend-Lease Administration,
Five-fifteen 22d Street, N. W.,
Washington, D. C.

EHF:vls - 3/7/42

By Memorandum *Hunger*

File in 1-26

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

March 2, 1942

My dear Secretary Morgenthau:

If agreeable to you, I would like to request the transfer of Lawrence J. Bernard of your Office.

We have need for top administrative personnel—particularly those who are familiar with and have had experience in the Government—for service here in Washington and in the field. It is our thought to get a small number of such top personnel for an intensive training here, so that they can perform the functions required either in the Washington office or in the missions abroad.

We are exceedingly reluctant to ask for a person of Mr. Bernard's experience and qualifications, but, if you can see your way clear to release him, we will be most appreciative.

Sincerely yours,

Thomas B. McCabe

Thomas B. McCabe,
Deputy Administrator.

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

March 13, 1942

My dear Commissioner:

Our Defense Savings Staff in New York recently sought the cooperation of WPA bands in connection with rallies that had been planned to push the sale of Defense Bonds and Stamps. The WPA authorities there were anxious to be helpful, but cited a rule forbidding them to use their bands for fund-raising activities.

I am writing, therefore, to ask your help in this matter, on the assumption that such a rule cannot possibly apply to the raising of funds for the Government. The WPA bands would be of immense assistance to our program and I sincerely hope that some way may be found to make them available to us.

It will be greatly appreciated if you will send word to your New York people that the bands are free to play on behalf of Defense Bonds and Stamps.

Sincerely,

(Signed) E. Morgenthau, Jr.

Commissioner Howard O. Hunter
Work Projects Administration
1734 New York Avenue
Washington, D. C.

H. O. Hunter
E. Morgenthau, Jr.

FW:blb 3/13/42

"FOR AMERICA WE SING"

268

Blue Network Program
In Behalf Of
The United States Treasury Department

SPONSOR Blue Network For United States Treasury Department

DATE OF BROADCAST March 16, 1942

DATE OF RECORDING

DAY Monday TIME 9:30-10:00 PM EDT

CHAIN OR STATION Blue Network

MUSICAL DIRECTOR Dr. Frank Black

PRODUCER AND AUTHOR Frank Hummert

CONTRACTOR OF PRODUCTION Blue Network

APPROVED BY

SPECIAL SUBJECT UNITED STATES TREASURY
MATTER: DEPARTMENT
DEFENSE BONDS AND STAMPS

ARTISTS: Rose Hampton
Lansing Hatfield

Musical production is property of the United States Treasury Department and is being used under special arrangements by the Blue Network.

May not be broadcast, rebroadcast, or made into a picture or stage play, and no individual may be named in writing, or any performance thereof.

March 13, 1942

1 (COLD) "FOR AMERICA WE SING"! ... With Rose Bampton
 2 and Lansing Hatfield as tonight's stars!
 3
 4 BUSINESS: 3 THEME UP AND OUT...
 5
 6 (COLD) In behalf of the United States Treasury Department
 7 the Blue Network presents ...

8 " FOR AMERICA WE SING"

9 The program of the United States of America -
 10 (PAUSE) - inspired by the promise of all and every one
 11 of us .. to do our share .. our part .. our all .. for
 12 Our Country -- with the help of God.

13 BUSINESS: 12 ORCHESTRA UP WITH SIGNATURE MARCH....

14 (OVER MUSIC) Here again is America's own 48-star musical
 15 production ... "FOR AMERICA WE SING" ... presented in the
 16 interest of United States Defense Bonds and Stamps.

17 Featured artists on tonight's performance are
 18 Rose Bampton, leading dramatic soprano, and Lansing Hatfield,
 19 baritone, of the Metropolitan Opera, with Dr. Frank Black,
 20 in the music and melodies of a Mighty Country -- Your
 21 Country, Your America.

22 BUSINESS: 21 ORCHESTRA....SIGNATURE MARCH "FOR AMERICA WE SING"....

23
 24
 25
 26
 27

ANNOUNCER:

(OVER MUSIC) Now - we present our stars -

Rose Bampton and Lansing Hatfield, with the entire
cast in a feature production of music from our own
Southland, in which you will hear the colorful...
"Mardi Gras" from Ferde Grofe's "Mississippi Suite",
"Go Down Moses", "Kingdom Coming", and the heart-
touching... "Deep River".

ORCHESTRA: "MARDI GRAS"

HATFIELD
& CHORUS: "GO DOWN MOSES"

ORCHESTRA
& CHORUS: "KINGDOM COMING"

BAMPTON
& CHORUS: "DEEP RIVER"

ANNOUNCER:

(OVER MUSIC) Dr. Frank Black gives you the...
"King Cotton March".

ORCHESTRA: "KING COTTON MARCH"

ANNOUNCER:
to Music

Hats off to the laboring men of America -- to the C.I.O.
and the A.F. of L. who, in just a few weeks, have invested
millions of dollars in Defense Bonds. The locals of the
American Federation of Musicians in two short months have
bought seven hundred thousand dollars worth of Defense Bonds.
The followers of thrifty Ben Franklin, the pressman of the
Chicago Printing Union, have signed up for forty thousand
dollars worth. New York locals of the A.F. of L. have raised
nine hundred thousand dollars, and they're out to make it

ANNOUNCED:
outlet

fifty million dollars. And the G.I.O. is matching that. They want to pay for another battleship Arizona, to take the place of the Arizona sunk at Pearl Harbor. Workmen, everywhere -- sign up to buy Bonds through a Payroll Savings Plan...and do it now!

ADDRESS:

ORCHESTRA...SIGNATURE MARCH....

OUTCER:

(OVER MUSIC) And now, we bring you two everlastingly lovely Scottish airs! First - the Chorus and Orchestra in the traditional ... "Blue Bells Of Scotland", and then Lansing Hatfield, of the Metropolitan Opera, will sing ... "Flow Gently, Sweet Afton".

ORCHESTRA
& CHORUS:

"BLUE BELLS OF SCOTLAND"

HATFIELD
& CHORUS:

"FLOW GENTLY SWEET AFTON"

UNCER:

(OVER MUSIC) America's greatest martial music reflects the determination of a Mighty American people to win this war! Dr. Frank Black gives you John Philip Sousa's immortal march ... "The Stars and Stripes Forever".

ORCHESTRA

"THE STARS AND STRIPES FOREVER"

UNCER:

(OVER MUSIC) Today more than ever before do we realize the precious value of our American heritage -- as 130 million of us are free to worship God as we choose - to pray for His divine strength and guidance without which there can be no real victory or true freedom.

ANNOUNCER:
Con. (Vid)

To close tonight's performance of "FOR AMERICA WE SING",
we present Rose Bampton, leading dramatic soprano of the
Metropolitan Opera, singing the inspiring "Ave Maria" ...
followed by the hymn ... "All Hail The Power Of Jesus
Name" with the Chorus and Orchestra.

BAMPTON "AVE MARIA" (Bach-Gounod)
ORCHESTRA
& CHORUS: "ALL HAIL THE POWER OF JESUS NAME"

direct segue to
ORCHESTRA
& CHORUS: "THE STAR SPANGLED BANNER"

* * * * *

ANNOUNCER:
to Music

Millions of Americans have the opportunity this
week to go on record as to the amount of sugar their
families need. From this week on, it's share and share
alike. Well, that's the way you want it to be, don't
you? Isn't that the kind of world we're fighting for?
A world in which no one grabs it all and no one goes
without. That kind of world is worth fighting for.
And the fight is worth paying for. That's why the
Payroll Savings Plan is so popular. Under the plan,
every working man and woman, every payday, can join in
and invest in Defense Bonds. If you haven't a Payroll
Savings Plan at the place you work, ask your boss or
your union representative to get it going.

ORCHESTRA...SIGNATURE MARCH..."FOR AMERICA WE SING"....

YOUNGER:

(OVER MUSIC) The United States Treasury Department
thanks the distinguished artists who gave their talents
to this performance - Rose Bampton, Lansing Hatfield,
Dr. Frank Black, and the Blue Network.

"FOR AMERICA WE SING" will be on the air
next Monday night at this same time, 9:30 P.M.,
Eastern War Time, with Margaret Daum, celebrated
soprano of radio and concert stage, and Conrad Thibault,
distinguished baritone, as its stars.

This is Larry Elliott speaking and bidding you
good night.

ANESS:

THEME UP AND OUT....

YOUNGER:

This is the Blue Network.

This program came to you from New York.

March 13, 1942

TO: HAROLD N. GRAVES

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 nine business days of March were \$232,100,000, a decrease of 35 percent from the receipts for the first nine business days of February. Sales for the first nine business days of February totaled \$357,003,000, and for the corresponding period in January were \$295,087,000.

SERIES E BONDS

Sale of Series E Bonds for the first nine business days of March were \$134,882,000, a decrease of 31.3 percent from the sales during the first nine business days of February. Sales during the first nine business days of February totaled \$196,359,000, and for the same days in January were \$189,896,000.

2/15/42
LWS
3/16/42

SPECIAL

Rand McNally and Company, map engravers and publishers, sent out more than 18,000 letters to banking institutions urging their adoption of "The Victory Club Participlan". Samples of the promotion material to be used in this campaign are attached.

PAYROLL SAVINGS

Fifty-seven percent of the nation's industrial payroll employees now have the Payroll Savings Plan available to them. This includes 17,373,204 of the country's estimated 30,400,000 industrial workers.

All but 2,205 firms with more than 500 employees have installed Payroll Savings Plans to date. The Plan is now available to the employees of the other 70 percent, or 5,187 firms.

BANKING AND FINANCE

Four representatives of the Defense Savings Staff spoke at the conference of Investment Bankers in Chicago on Thursday, March 5, and Friday, March 6. Their talks were primarily in connection with the activities of Security Dealers in promoting the sale of Bonds and Stamps. One hundred forty-nine security dealers' representatives have been designated to devote virtually all of their time to this work.

RETAILERS

Attached is the promotion material being distributed by the National Cash Register Company in its nationwide campaign to place Defense Stamp displays on all cash registers in the country.

EDUCATION

The first of a series of "Sharing America" leaflets, designed for classroom use in schools, are now being distributed. Four other publications - two for elementary and high school pupils, one for college professors and deans, and one in dramatic playlet form for use by high school pupils, are being prepared.

Representatives of the Education Division addressed the following clubs at the Convention of the American Association of School Administrators: Department of Physical Instruction, National Education Association; National Association of Secondary School Principals; Association of California Junior College Presidents and Secondary School Heads; and the Department of Home Economics, National Education Association.

The Department of Home Economics, National Education Association, passed a special resolution including Defense Savings as an important part of the emergency program for education.

BUSINESS PUBLICATIONS

To date, a total of 373 business publications have advised that they will use our latest Payroll Savings Plan advertisement in forthcoming issues.

BUSINESS PUBLICATIONS (Continued)

The March issue of AMERICAN BUSINESS is an example of the combined advertising and editorial support which important business publications are providing the Defense Savings Program. This publication has a total audited circulation of 20,300, of whom 14,196 are either presidents, vice presidents, or general managers of large corporations.

COMPANY PUBLICATIONS

A sample of our March mailing (copy attached) for April release was sent to 1900 company publications.

RELIGIOUS PRESS

A meeting of Defense Staff representatives and members of the newly formed Advisory Religious Press Committee will be held in Washington. Members of the Advisory Committee are: Donald Sheehan, Director of Public Relations, National Catholic Welfare Conference; Bernard Postal, President, American Jewish Press Club and Editor of B'NAI B'RITH NEWS; and John L. Fortson, Director of the Public Relations Commission of the Federal Council of Churches.

(Religious Press clippings attached.)

COLLEGE PRESS

A representative of the Press Section addressed editors in the annual meeting of the Columbia University Scholastic Press Association in New York, furnishing ways and means by which these publications could aid in the Defense Savings Program.

COLLEGE PRESS (Continued)

(News clippings and program attached.)

To date 304 replies have been received from college publications in response to our first mailing. All promised wholehearted cooperation.

PRESS

The cooperation of all book publishing houses was solicited in letters sent out this week. Following receipt of information, the Book-of-the-Month Club has already adopted our suggestion to reproduce a Minute Man on all book jackets, and similar cooperation by all publishing firms to carry our message to millions of book readers throughout the nation, is expected.

RADIO

Effective immediately, all Defense Savings copy sent to radio stations is being curtailed considerably. Daily announcements to all radio stations are being cut from five to three. All Minute Man copy is being stopped. Appeals to women are being reduced by 50 percent. Foreign language and farm announcements are also being cut by one-half.

The National Broadcasting Company has arranged to carry from seven to nine Minute Men weekly on network sustaining programs. Similar broadcasts are scheduled by the Columbia Broadcasting System and the Blue Network, and tentatively by the Mutual Broadcasting System.

RADIO (Continued)

Through the nation, 405 radio stations now have established Payroll Savings Plans for their employees. Of these 308 report 100 percent membership.

Sixteen prominent band leaders advise that members of their orchestras have signed up 100 percent in Payroll Savings Plans. Other band leaders are establishing similar plans and all are publicizing their undertakings in their radio broadcasts.

A description of "The Treasury Star Parade" transcription series is attached. Also attached is an example of newspaper publicity on these broadcasts of this series.

The "American Album of Familiar Music" program of Sunday, March 8, was given over to the Treasury Department on behalf of income taxes. Assistant Secretary John L. Sullivan delivered a one-minute address during this program. Incidentally, recordings of five-minute talks by Mr. Sullivan were sent to all radio stations on March 4, 5, and 6.

Attached are three articles from the current issue of BROADCASTING MAGAZINE describing radio activity in behalf of the Defense Savings Program.

Here are outstanding examples of local station exploitation in promoting sale of Defense Bonds and Stamps show:

RADIO (Continued)

Station WIOD, Miami, Florida, on certain days devotes 19 hours daily to sales of bonds through telephonic pledges. On Saturday, February 21, listeners purchased \$100,000 worth of bonds. The total raised thus far is \$1,500,000.

Periodically, radio stations stage broadcast "battles" to determine which one can sell the larger amount of Defense Savings Bonds in their communities. In four such radio "battles" a grand total of \$1,251,328 was reached.

In Tulsa, Oklahoma, radio station KTUL and the First National Bank of Tulsa sponsored prominent civic organizations in competition, urging them to outdo each other in selling Defense Bonds. In one regular half hour broadcast sales totaled \$240,000. These competitive broadcasts are held twice weekly on Tuesday and Thursday. In two weeks sales netted \$692,000.

SPORTS

Major League Baseball has adopted a seven point War Program. The Defense Savings Program is featured in two of their seven undertakings. First on their list is:

"The Program calls for every league and club official to allot as high a percentage as possible of income to the purchase of Defense Bonds, from 10 percent scaling upward. This phase of war effort will enroll 100 percent of all league and club employees, umpires, players, scouts, office and operating employees, to the limit of their ability to pay."

SPORTS (Continued)

Point Number Seven of their Program states:

"Ball parks to fly Defense Bond Banners on their flag-poles; players to wear Physical Fitness emblems on their uniforms; officials and players available for speaking and morale work with the Physical Fitness department of the Civilian Defense Committee."

NEWSREELS

The Defense Savings Staff Newsreel Crews operated this week in communities in Indiana, Illinois, Oklahoma, Arkansas, Mississippi, Oregon and Washington.

Special newsreel shots in connection with the Pledge Campaign were made of State Administrators in Oklahoma and Pennsylvania.

STAGE AND SCREEN STARS

Ray Bolger made a personal appearance in behalf of the Defense Bond and Stamp sale in Allentown, Pennsylvania, on March 12.

Simone Simon made a personal appearance in the same community on March 16.

Tyrone Power, Janet Gaynor and Cornelia Otis Skinner were guest stars at the New York State Defense Savings Workers Committee Meeting at the Waldorf Astoria Hotel in New York City on March 6.

MAGAZINES

As the result of negotiations conducted by Fred R. Sammis, Fan Magazine Consultant for the Defense Savings Staff, the entire women's group of magazines of Fawcett is using as a full-page ad, the Treasury's poster "You Buy 'Em, We'll fly 'Em". This group of publications includes: HOLLYWOOD, MOTION PICTURE, MOVIE STORIES, ROMANTIC STORIES, SCREEN LIFE, and TRUE CONFESSIONS.

Mr. Sammis, our Consultant, has just been named Executive Editor of Photoplay Magazine, one of the largest and most influential of the movie fan publications.

NEWSPAPER CARRIER PLAN

Newspaper carrier boys of 843 daily newspapers -- more than one-half of the nation's total daily news publications -- as of March 12, have sold 159,662,705 ten cent Defense Savings Stamps or their equivalent in Bonds or Stamps of higher denominations (Detailed chart showing sales in relation to population attached.) (Issue of Newspaper Boys for Defense paper, published by Treasury Newspaper Advisory Committee also attached.)

*Secretary of the Treasury
Henry Vanquetham Jr. for General Brown 4/13/42*

HANDLING 50,000 BONDS A MONTH

283

ON MARCH 22 the Federal Reserve Bank of New York General Electric an issuing agent for United States Savings Bonds, Series E (payroll-deduction type), the importance of this step becomes obvious when it is realized that the company is handling one of the largest volumes of United States Bonds of any private U.S. concern. Latest figures indicate more than 100,000 employees have authorized payroll deductions alone, involving more than \$20,000,000 in annual maturity value.

Handling bond business represents a tremendous and costly

load added to G-E routine—a load which the Company has been glad to assume as its share of that phase of the Victory Program. The Bond Office in Schenectady has many extra employees working two shifts to handle approximately 50,000 bonds each month. To make addressograph plates alone requires the services of two shifts of 12 operators each.

Pictures on this page illustrate some of the steps which must be taken by the Company in order that an employee-subscriber by payroll deduction will get his bonds promptly and that proper records will be kept.



1. Here an employee makes out an authorization for payroll deductions toward the purchase of a bond. Forms go to her payroll office, are there checked for correctness, recorded, and sent to the Bond Office at Schenectady, where they are checked again and sorted.



2. Nameplates are prepared and checked against authorizations, lists are prepared and checked, and authorizations are returned to payroll offices. More than 60 extra employees are required to check and sort the authorizations, prepare addressograph plates, etc.



3. At the end of each month payroll offices review deduction cards, list employees and bonds due them, and send the list to the Bond Office, which orders the bonds from the Federal Reserve Bank, checks them upon receipt, and performs other routine checking operations.



4. Names and addresses are imprinted on the bonds together with date of issue. It is estimated that an average of 50,000 bond pieces will have to be prepared each month. Duplicate bond stubs are imprinted simultaneously with the original bonds.

5. Bonds and stubs are separated and run through a machine which imprints the date, G-E name, and address on them at the rate of 15,000 impressions an hour. Stubs are then photographed for record, and bonds are checked against records and folded for mailing.



6. Together with a notice to the employee, bonds are next automatically enclosed and sealed in envelopes, which are boxed and shipped to payroll centers, where they are distributed to employees. Finally, bond stubs are sorted and sent to the Federal Reserve Bank.



3/10

Analysis of Exposure to Payroll Savings Plans
March 7, 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.....	5,224	7,277	72
(3) Other firms with 100 to 499 employees.....	<u>11,878</u>	<u>26,865</u>	<u>44</u>
(4) Subtotal - large firms.....	17,260	34,309	50
(5) Firms with less than 100 employees.....	<u>22,887</u>	*	*
(6) Total business organizations.....	40,147	*	*
II. Governmental organizations.....	*	*	*
III. Grand total.....	<u>40,147</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.....	13,353,643	*	*
(3) Other firms with 100 to 499 employees.....	<u>2,614,267</u>	*	*
(4) Subtotal - large firms.....	17,241,170	*	*
(5) Firms with less than 100 employees.....	<u>604,357</u>	*	*
(6) Total business organizations.....	<u>17,845,527</u>	<u>30,400,000 1/</u>	<u>59</u>
II. Governmental organizations			
(1) Federal Government.....	*	1,700,000 1/	*
(2) State and local governments.....	<u>898,048</u>	<u>2,700,000</u>	<u>33</u>
(3) Total governmental organizations.....	*	<u>4,400,000</u>	*
III. Grand total.....	<u>18,743,575</u>	<u>34,800,000 1/</u>	<u>54</u>

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

March 13, 1942

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. 28	Mar. 7		Jan. 10	Feb. 28	Mar. 7
Alabama.....	17	95	104	285	6	33	36
Arizona.....	15	35	39	58	26	60	67
Arkansas.....	22	33	37	142	15	23	26
Northern California.....	160	420	436	489	33	86	89
Southern California.....	495	668	679	1,171	42	57	58
Colorado.....	64	105	107	170	38	62	63
Connecticut.....	100	246	255	622	16	40	41
Delaware.....	0	0	0*	84	0	0	0
District of Columbia.....	8	26	36	152	5	17	24
Florida.....	42	104	112	139	35	75	81
Georgia.....	56	94	98	589	10	16	17
Idaho.....	19	26	26	50	38	52	52
Illinois.....	48	225	916	2,252	2	37	41
Indiana.....	0	310	321	556	0	53	55
Iowa.....	4	92	97	271	1	34	36
Kansas.....	114	272	272	272	42	100	100
Kentucky.....	75	102	106	312	24	33	34
Louisiana.....	0	97	119	384	0	25	31
Maine.....	3	42	46	198	2	21	23
Maryland.....	32	99	111	405	8	24	27
Massachusetts.....	53	544	557	1,523	3	36	37
Michigan.....	137	528	585	1,022	13	52	57
Minnesota.....	181	351	356	399	45	88	89
Mississippi.....	30	49	51	143	21	34	36
Missouri.....	0	342	371	664	0	52	56
Montana.....	22	35	35	39	56	90	90
Nebraska.....	6	70	77	123	5	57	63
Nevada.....	8	14	14	24	33	58	58
New Hampshire.....	7	66	68	145	5	46	47
New Jersey.....	171	273	300	869	20	31	35
New Mexico.....	12	31	31	35	34	89	89
New York.....	505	1,484	1,603	4,239	12	35	38
North Carolina.....	29	149	157	499	6	30	31
North Dakota.....	4	7	8	29	14	24	28
Ohio.....	0	675	772	1,739	0	39	44
Oklahoma.....	29	136	145	345	8	39	42
Oregon.....	21	164	174	317	7	52	55
Pennsylvania.....	713	1,393	1,441	2,032	35	69	71
Rhode Island.....	49	124	138	224	22	55	62
South Carolina.....	13	56	61	174	7	32	35
South Dakota.....	5	16	16	19	26	84	84
Tennessee.....	0	79	79*	448	0	18	18
Texas.....	74	175	184	1,375	5	13	13
Utah.....	13	26	26*	111	12	23	23
Vermont.....	30	48	51	63	47	76	81
Virginia.....	31	146	164	338	9	43	49
Washington.....	71	181	200	328	22	55	61
West Virginia.....	0	47	58	272	0	17	21
Wisconsin.....	0	207	222	680	0	30	33
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>11,172</u>	<u>11,927</u>	<u>26,917</u>	<u>13</u>	<u>42</u>	<u>44</u>

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

March 13, 1942

* Data are for February 28, inasmuch as no March 7 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. 28	Mar. 7		Jan. 10	Feb. 28	Mar. 7
Alaska.....	9	42	43	76	12	55	57
Arizona.....	15	19	19	19	79	100	100
Arkansas.....	6	16	16	18	33	89	89
Northern California.....	114	143	146	196	58	73	74
Southern California.....	123	158	158	165	75	96	96
Colorado.....	22	23	23	32	69	72	72
Connecticut.....	97	142	146	185	52	77	79
Delaware.....	2	2	2*	28	7	7	7
District of Columbia.....	12	24	26	52	23	46	50
Florida.....	18	31	33	66	27	47	50
Georgia.....	35	51	52	143	24	36	36
Idaho.....	8	9	9	10	80	90	90
Illinois.....	277	384	398	634	44	61	63
Indiana.....	41	109	111	180	23	61	62
Iowa.....	9	37	38	53	17	70	72
Kansas.....	16	32	32	32	50	100	100
Kentucky.....	19	37	40	70	27	53	57
Louisiana.....	0	24	31	85	0	28	36
Maine.....	42	54	54	54	78	100	100
Maryland.....	40	99	100	154	26	64	65
Massachusetts.....	41	256	261	370	11	69	71
Michigan.....	305	320	325	333	92	96	98
Minnesota.....	87	101	102	105	83	96	97
Mississippi.....	12	15	15	28	43	54	54
Missouri.....	0	136	147	147	0	93	100
Montana.....	4	5	5	5	80	100	100
Nebraska.....	28	34	36	41	68	83	88
Nevada.....	3	5	5	5	60	100	100
New Hampshire.....	17	27	28	28	61	96	100
New Jersey.....	185	224	227	238	78	94	95
New Mexico.....	5	6	6	6	83	100	100
New York.....	435	799	807	1,350	32	59	60
North Carolina.....	49	103	104	168	29	61	62
North Dakota.....	0	1	1	1	0	100	100
Ohio.....	285	444	470	557	51	80	84
Oklahoma.....	22	38	38	62	35	61	61
Oregon.....	51	69	69	69	74	100	100
Pennsylvania.....	336	521	532	625	54	83	85
Rhode Island.....	58	73	73	90	64	81	81
South Carolina.....	27	60	66	96	28	63	69
South Dakota.....	3	4	4	4	75	100	100
Tennessee.....	4	22	22*	106	4	21	21
Texas.....	36	51	58	187	19	27	31
Utah.....	8	10	10*	14	57	71	71
Vermont.....	10	12	12	13	77	92	92
Virginia.....	41	80	87	95	43	84	92
Washington.....	44	53	55	74	59	72	74
West Virginia.....	2	34	41	67	3	51	61
Wisconsin.....	84	135	137	137	61	99	100
Wyoming.....	0	1	1	1	0	100	100
Alaska.....	0	3	3*	3	0	100	100
Railroads.....	98	109	109	115	85	95	95
Total.....	3,185	5,187	5,333	7,392	43	70	72

March 13, 1942

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

* Data are for February 28, inasmuch as no March 7 report was received.

Regraded Unclassified

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
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	-
7	211	none-closed	25,630	625
8	none-closed	none-closed	25,630	-
9	344	500	25,786	-
10	123	500	26,163	-
11	192	300	26,271	-
12	157	300	26,414	800

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

March 13, 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 Ten Business Days of March, February and January 1942
(March 1-12, February 1-12, January 1-12)
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	\$ 37,321	\$ 44,448	\$ 64,225	-\$ 7,127	-\$ 19,777	- 16.0%	- 30.8%
Series E - Banks	<u>108,361</u>	<u>169,873</u>	<u>173,341</u>	- <u>61,512</u>	- <u>3,468</u>	- <u>36.2</u>	- <u>2.0</u>
Series E - Total	145,682	214,322	237,566	- 68,640	- 23,244	- 32.0	- 9.8
Series F - Banks	19,329	28,386	24,880	- 9,057	3,506	- 31.9	14.1
Series G - Banks	<u>84,525</u>	<u>141,624</u>	<u>98,495</u>	- <u>57,099</u>	<u>43,129</u>	- <u>40.1</u>	<u>43.8</u>
Total	<u>\$249,536</u>	<u>\$384,331</u>	<u>\$360,940</u>	-\$ <u>134,795</u>	\$ <u>23,391</u>	- <u>35.1%</u>	<u>6.5%</u>

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

March 13, 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
7	3,480	11,586	1,586	6,328	19,499	15,066	1,586	6,328	22,979
9	4,967	18,636	3,944	8,488	31,068	23,604	3,944	8,488	36,035
10	2,804	5,719	1,365	4,162	11,246	8,523	1,365	4,162	14,050
11	3,156	10,002	1,533	7,287	18,823	13,158	1,533	7,287	21,979
12	2,686	8,114	1,133	5,504	14,750	10,800	1,133	5,504	17,436
Total	\$ 37,321	\$108,361	\$ 19,329	\$ 84,525	\$212,215	\$145,682	\$ 19,329	\$ 84,525	\$249,536

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

March 13, 1942.

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

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



TREASURY DEPARTMENT

WASHINGTON

March 13, 1942.

OFFICE OF
CHIEF, INTELLIGENCE UNIT
BUREAU OF INTERNAL REVENUE

My dear Mr. President:

I deeply appreciate your personal letter of March 9, in which you commend the Intelligence Unit on the twenty-third anniversary of its organization under my leadership.

Unpopularity resulting from our persistent effort to collect taxes due the Government is not of very great concern either to you or to me. Doing your duty as you see it, regardless of public clamor or criticism, is especially characteristic of you, and I am glad that I may share with you even in a small way duties which may bring criticism of this nature.

I am grateful for the wholehearted and enthusiastic support which has been so generously given the Intelligence Unit by you and Secretary Morgenthau during the nine years we have served under your direction. This support has contributed in great measure to any success which has come to us.

The individual officers of our organization will be thrilled to know of your expression of pride in the accomplishments and reputation of our Unit.

May I express to you the appreciation of my associates, as well as my personal gratitude, for your thoughtfulness.

Very sincerely yours,

Hon. Franklin D. Roosevelt
The White House.

THE WHITE HOUSE
WASHINGTON

March 9, 1942

Personal

Dear Mr. Irey:

On March fifteenth neither you nor I are particularly popular. On this coming March fifteenth we will be unpopular with more millions of tax payers than ever before. Since we are to be companions in misery, I feel I should take a moment to tell you of my pride in the work of the Intelligence Unit.

It has just come to my attention that twenty-three years ago this coming Friday, March thirteenth, you organized the Intelligence Unit under my old friend, Dan Roper, who at that time was Commissioner of Internal Revenue. As the years have gone by, the Intelligence Unit has become a shining mark not only of incorruptibility but what is just as important, of A-1 efficiency.

I know how much quiet pride you have in the reputation of the Unit. I am taking this opportunity to let you know I share in that pride. I hope you will let your staff know of my feeling.

Very sincerely yours,

Franklin D. Roosevelt

Honorable Elmer L. Irey
Chief
Intelligence Unit
Bureau of Internal Revenue
Washington, D. C.

MEMORANDUM FOR THE SECRETARY.

March 13, 1942.

Mail Report

Needless to say, taxation letters led all the rest during the past week. They were received at the rate of several hundred a day, and taking a representative group, divided in the following proportion: General letters of comment, usually with a critical approach, but not violently so - 240. Of these, at least 10% urged Government economy, and almost as many spoke of the labor policy. In addition, there were 25 letters on the subject of economy alone, to 16 urging taxation of Labor Unions. There were 43 letters for the sales tax, as against 14 strongly opposed to it. 10 workers felt abused by the new taxation schedule, and 2 farmers. 85 "white collar" or lower bracket office employees sent bitter protests. There were 55 abusive, anonymous communications; 18 anonymous ones that were critical, but not violent. There were 7 reports of tax evasion; 14 requests for a lottery; and about 75 protests in letters and telegrams of the 5% cabaret tax.

10 Philadelphians sent indignant letters enclosing a page from the Philadelphia Inquirer with a very nasty story about the abandonment of a CCC Camp. The story was given first-page display, with pictures of a great number of automobiles left to rust; clothing burned, etc. Some of these letters spoke of the taxation program; others of the Bond sale campaign, and they ranged from penciled notes on cheap paper, to letters from heads of large firms.

The general mail remained about the same, with letters pro and con on Bond sales, etc. There is considerable resentment, apparently, of the assumption that people as a whole are complacent, and the tendency is to return the compliment, with interest, so far as Government officials go. Congress is not quite as unpopular as it was last week, but there are still evidences of resentment and a feeling that, as a whole, Congressmen lag behind the country in their prosecution of the war effort.

See Page 15
Page 18

gy. Forbush

- 1 -

GENERAL COMMENTS ON TAXATION

Miss Marion R. Hogg, Scarsdale, N. Y. Would you be good enough to call your Albany dogs off me? I keep getting bills from Albany saying that I owe them rising amounts on my 1940 income. (Describes case.) * * * The Govt. did send me a refund but I returned it, and have a letter from Victor Self acknowledging receipt of the check and saying that it had been cancelled. I have written two long letters to Albany, sent them the block number of my original check, and the carbon copy of the letter which Mr. Self very kindly sent me. But all I can get from Albany is more bills and more interest charged on them! * * * I am enclosing a carbon copy of the second letter which I sent to Albany, and it seems to me that anybody with a slight knowledge of English and math could look the matter up and see where the mistake was.

Chas. R. Long, President, Chester Times, Chester, Pa. I wish to acknowledge your letter to the Chester Times in which you request that this newspaper should comment editorially upon the necessity of taxpayers meeting their liabilities as early as possible this year. The Chester Times would be only too glad to comply, but unfortunately, is unable to do so. The Chester Times suspended publication on November 5 last, after the Newspaper Guild of America, through its Philadelphia Chapter, called a strike after breaking off negotiations for a contract between the Chester unit and the Times management. The Chester Times agreed to many of the major principles involved. * * * The chief issue which precipitated the strike was the closed shop proposal, on which the Guild insisted, despite the fact it had negotiated various contracts in recent months which the open shop permitted. * * * The Chester Times in its 65-year old history, always has supported the Government, editorially and in its news columns. It has fought for many of the steps of progress which are now law. It is the only daily newspaper in the county and therefore possesses an unusual degree of leadership. * * * But its effectiveness and worth are paralyzed

- 2 -

by the strike and the 310,756 residents of the city and county in these perilous wartimes are unable to gain any intelligence of local defense measures, of blackouts, etc. The local industrial area is one of the most important in the U. S. today, with its hundreds of millions of dollars worth of defense orders. We sincerely believe the closed shop issue should be shelved for the duration, and we are patriotic in declaring this.

Bernard J. O'Connell, Lawyer, Philadelphia, Pa. At the present time I am setting aside a sum each month and depositing it in the bank to meet the income tax to be paid next year on this year's income. I receive no interest on the deposit and it occurs to me that there is no reason why this deposit should not be made directly with the Collector of Internal Revenue and credited to my account. Should the amount be insufficient on the filing of the return, the balance can then be paid; or, if it should be an overpayment, it can either be credited on the next year's income tax or refunded. I know that the Treasury is selling bonds at a slight rate of interest, which can be used for the same purpose, but it is too much of a nuisance to buy them, the return is too small, and in any event, you have to pay income tax on the interest and the whole thing is not worth while.

Karl P. Harrington, Middletown, Conn. In reading your statement yesterday concerning the changes to be expected in the new tax law, I wonder if in referring to "pension trusts", you contemplated removing Carnegie "retiring allowances" from the non-taxables? These retiring allowances, arranged many years ago, are still available for a few of the older generation of college teachers, a notoriously underpaid class. * * * Such of these beneficiaries as still survive in old age have but few years to live, no appreciable opportunity to add to their income, and the certainty of expensive illness and death for themselves and wives in the near future. Their income cannot increase, as does that of the ordinary laboring man in these days, but grows practically less as inflation inexorably advances. * * * For men of this type, it would be cruel and needless hardship at the close of life to be taxed materially on this slender income, on which by thrift and economy of expenditure they may manage to finish their lives without incurring other debts till the final day comes.

- 3 -

John W. Rust, Lawyer, Fairfax, Va. * * * During my eight years in the Virginia State Senate I studied the question of taxation, and I am of the opinion that the only manner in which the United State Government can obtain the necessary funds for the prosecution of the war is by a general sales tax. As you probably know, Virginia is practically out of debt, and has followed the "Pay as you go" plan, and I feel that this is a sound policy for the United States Government. * * * I know of no fairer tax than a general sales tax which is based upon the money you spend. If one person desires to pay \$100 for a suit of clothes, he pays a large tax, and if another person desires to pay \$10 for a suit, he pays a tax in the same proportion. If the continued heavy burden of taxes is to be carried over years to come, it will be a detriment to future generations. * * * At the present time, a great many of the laboring men are making more money than professional men, and are wasting every dollar of it by spending it in the most lavish manner, and their spending should certainly be taxes. * * *

Louis H. Parrot (Life Insurance), Boston, Mass. It is my belief that you can block a hole by which many millions of dollars are ducking taxation through this Retirement Income Pension Plan. A certain number of these Corporations are to be commended; however, many of these plans are being put in force by Corporations mainly to take care of their executives, using enough of their employees to legalize the plan, and enable them to live up to the letter of the law. This method accomplishes two things. (1) The plan is nontaxable - whereas (2) if it were paid to the stockholders in the form of dividends, the Government would receive their share of the income. * * *

Robert R. Appel, Attorney-at-Law, Lancaster, Pa. I wish to congratulate the Government of the United States for the very fine job it is doing in financing the War. Defense Bonds, regulation "W", and increased taxes in all respects meet with my approval. All American citizens should feel great pride in the fact that our Government has profited by the mistakes made in financing the last War. * * * You propose to increase income, estate and gift taxes. My suggestion is that these taxes be increased two, or if necessary, three times, but that the increase be evidenced by non-interest bearing certificates of deposit, maturing in ten or more annual installments, commencing at a fixed period, one year or more after the war is over. (Other suggestions.) * * * It makes me very happy to feel that I may write to you in this way with perfect propriety, and I hope that forevermore a private citizen of this country may send his ideas to his public servants with full confidence that they will receive the attention they merit.

Louis K. Forberger, N.Y.C. While our great country and the overwhelming majority of its people are straining all their physical and material efforts to overcome our enemies, it grieves me and makes me fighting mad to know that one group of men and women workers fail to make any income tax returns. I am referring to the many thousands of waiters and waitresses in the hotel and restaurant industry. Failure to make any return is invariably explained with the reason that employers actually pay them less than \$750. I have spent my whole adult life in this industry as a worker and as an executive. This daily contact enables me to state the fact that tips range from \$15 to \$60 per week. * * * Not more than 20% of these people earn less than \$1,500 annually. There are over 10,000 members in the several locals organized in New York City alone, and half as many working in open shops. There is a million dollars collectable in this city alone! * * * I am an American, 59 years of age, and a manager of a very busy restaurant on Times Square. I am sorry that I cannot enlist to fight, but I am eager to help in the way I know I am able to. If you find any merit in what I have had to say, I ask you, Mr. Secretary, to refer me to the proper person to see here in New York City.

- 5 -

A. H. Eichholz, Long Island, N.Y. When the State won't permit deduction of the Federal income tax, and I thus have to pay State income tax on the income tax I've paid the Federal Government, isn't that the double taxation forbidden in some part of the Constitution? And as the Federal Government, of course, is the country, while a State is only part of the nation, can't the Federal Government stop such double taxation on the part of the State, insisting that Federal income taxes can be deducted when paying State income tax? * * * Why can't the tax experts work out a simple and practical method for a tax on gross income, thus bringing the Government the revenue necessary to operate it and at the same time avoiding these terribly complicated income tax forms, avoiding all the minute detail they require? It's done, as a method, with Social Security. I just can't see why one couldn't state he earned so much, gross, during a year. The gross income tax would be whatever it would be. The tax would be figured in one minute. No deductions of any kind, other than OTHER TAXES PAID - property tax, etc., and it would all be a great relief. It certainly would save enormous sums of money for keeping millions of tax records, investigations, and so on. * * *

Mrs. Henry Bryant, Waukesha, Wis. The Treasury is to be congratulated on the simplified income tax return, Form 1040A.

Terry Staples, Saugerties, N. Y. If there is not a complete elimination of all non-defense expenditures, you will not have any support from me for your new tax measure. Also, if you make joint returns compulsory, I will get a divorce.

Favorable Comments on Taxation

Percy W. Darby, Vice President, The Marine Trust Company, Buffalo, N.Y. I received a letter today from a young woman for whom I have prepared income tax returns for a number of years, usually amounting to about \$300.00. This year the figure is \$1,212.00, and the comment on this increase is in such a loyal spirit that I am passing it on as a pattern for the folks who are complaining about the amount of their tax: "This year I'm sure I can pay \$1,212, and if the Government uses the money wisely, I am happy to pay it. Next year with falling sales and rising taxes, things may be harder, but one has to live from hour to hour. Already we all want so much less than we did three months ago. There is a real pleasure in making what one has do." I am sure that the majority of our people have this same attitude.

Mrs. Raymond J. Ferguson, Hartford, Conn. The enclosed clipping expresses so well my and many other persons' opinion on this great question of taxation. Each day as one reads and hears over the radio the billions spent and to be spent, respect and almost awe is felt for the persons responsible for the planning. Nevertheless, there are a few questions in Mr. and Mrs. Average Citizen's mind. As one of these, may I express a few of my thoughts? I am so very thankful that thus far, there has been no general sales tax. It surely is not a fair or equitable tax. I hope we may always avoid it. (Remainder of letter somewhat unfavorable.)

John P. Davenport, The University Club, Buffalo, N.Y. Please accept my wholehearted support for the Treasury Department's 1942 taxation proposal. It may seem like a heavy schedule to the rank and file, but I believe deeper thinkers will readily agree that a sound taxation program in times so critical is the best protection against inflation. * * * I urge you strongly to maintain your beliefs on this matter. * * *

V. B. Glisson, Pritchardville, S.C. In my section of the country we heartily approve of your tax recommendation. Now about snuff and chewing tobacco - the dirtiest habits on earth. In fact, all kinds of foolish things. A general sales tax would be even better. * * *

- 7 -

Mrs. Sidney J. Beaum, Newark, N.J. Your proposed tax Bill to Congress is both sound and equitable, and if followed by that body, would be a step forward in the right direction. An excess profits tax on invested capital will do much to control profiteering. I was pleased to see that your department did not advocate a general sales tax.

Charles F. Watkins, Detroit, Mich. I want to commend you for your remarks before the Taxation Committee when you asked them not to incorporate the withholding tax in their bill. You were right in telling them that the voluntary plan is working satisfactorily. If the Committee will come right out and say definitely that there will be no payroll withholding tax, there will be a rush on the part of public employees to buy Bonds. If we buy the Bonds and then Congress follows with the withholding tax, we will be sunk. We won't have anything left to live on. There are 7,000 school teachers in Detroit alone who will be 100% for Bonds. It is the uncertainty that delays. * * * I come from a large family up in the Thumb of Michigan, where they grow good boys like Frank Murphy. All of our folks voted over and over for Frank's father for Prosecuting Attorney. I started out in 1896 by voting for Wm. J. Bryan. We all come honestly by it. I watched your father's career as U. S. Ambassador to Turkey. He was a busy man. It was nice of Mrs. Morgenthau to come to Detroit. She justly deserved a fine welcome.

Samuel L. Bodek, Yonkers, N.Y. I write this letter to tell you of the "New Spirit" that has sprung up since "Pearl Harbor". It is the spirit of the "Taxpayer" who in the past felt uncomfortable when tax time came around, but who in the present feels that they are doing their part in this all out effort. I can tell you this because of my position as a Practicing Public Accountant. * * * That we are creating a new spirit in our clients, a spirit that it is wonderful to pay taxes, and that they are making a down payment on their liberty and to make a better world for them and their children. * * * After the 15th of March we hope that the computation of taxes collected will be optimistic, and I want to assure you that if my country calls for more taxes, I will be on the front line seeing that they get them.

Charles F. Stickney, Daytona Beach, Fla. The attached clipping from the local morning paper greatly increases my already high regard for your position, re taxes. ("Low Incomes Taxed Enough"-H.M.Jr.) * * * You have the second toughest job in Washington, and whatever the outcome of the tax problem is, I shall always have a high regard for your stand, as per enclosed clipping. I have voted a straight Republican ticket for 49 years, but I am now behind "My President" 100% for the duration, and after.

H. L. Prince, Charlotte, N.C., I like your tax program and I want you to continue to insist on higher taxes. It is not fair to my children to pass such huge national debts on to them when we could be paying much of them now. I am a member of a labor organization but I do not approve of the attitude taken by our various union officials, and I think you do not. The union officials who preach "the least work for the most money" are the most despicable type of saboteurs I ever heard of. * * * There is no reason why I should have had a holiday on Feb. 22, and there is no reason why I should work only 40 hours per week. My group of employees could very well absorb enough work to release 20% of our workers for the armed forces, or other war work, and we would like to do it for straight pay, not time and one-half or double time. Paying too much for anything is waste, whether it is material or labor. We must have a revision of our labor laws, and a definite labor policy if we are to hope for this Administration to ever have the full confidence of the general public. Mr. Morgenthau, please use your influence to help bring about such an adjustment. The CIO and AFL are not too big to handle if we begin at the top.

Unfavorable Comments on Taxation

Albert E. Barnett, Nashville, Tenn. (Copy of letter addressed to the President.) * * * According to radio and newspaper announcement of Mr. Morgenthau's new proposals to Congress, my tax next year will be not wholly to pay for the defense costs, but also to keep me from spending foolishly and thus helping create inflation. * * * There are multitudes who will be financially benefitted by this defense program. * * * I will not make a cent on it. It will cost me my older boy, just turned twenty, will increase the cost of living for my family, and will probably cause salary reductions due to the vanishing of income from endowed funds. I have a bank loan of \$1,150, a mortgage on my house, and obligations for insurance that I may have to drop. When Mr. Morgenthau talks about taxing me to prevent foolish spending, I should like to invite him to try to discharge my obligations on my annual income. * * * Last week, I was in the office of another salaried friend. He remarked that he was that date dropping a \$5,000 endowment insurance policy, the quarterly premium for which was \$65.00. He is a man with four children and his health is precarious. His reason for doing this was that the addition of income tax and the promised steep increase in tax schedules would make future payments on his insurance impossible. * * * It is unjust that this man should be taxed out of his insurance when there are corporations profiting so heavily from war contracts that dispassionate investigation sets as high as 251% as the measure of their net take. * * * I have no word of criticism of so-called non-defense spending. When people never friendly to the New Deal, such as Harry Byrd and his ilk, begin to howl for a reduction in non-defense spending, I immediately begin to suspect that this is about the only spending the Government is doing that is apt to benefit the masses of the people. * * * The Congressman who votes a tax Bill on the American people predicted on the reasoning attributed to Morgenthau in the press and radio yesterday and today, is going to face an irate constituency. My own feeling is that an increase in so-called non-defense spending, even including Mayris Chaney, is distinctly preferable to reduction. I thought the attack on Mrs. Roosevelt at this point was dastardly and brutal and un-American. * * * The people are getting somewhat suspicious

- 10 -

that those "Dollar-a-Year" men so generously loaned to the Government are being permitted not only to get fat contracts for their companies and the inside track in the matter of priorities, but that they carry a weight at the council table when tax schedules are being fixed that the little man cannot stand, and for which his only relief will be his ultimate revolt at the polls. * * *

C. H. MacVey, Canton, N.Y. * * * The millions of other Americans who have to pay the bills have a right to demand that the Government spend this money intelligently, and that they immediately eliminate all public spending not necessary for the winning of this war. On a recent trip to Washington I was utterly disgusted at the prodigal spending of public funds for useless purposes. * * *

K. H. Hostins, Anchorage, Ky. I am writing you to ask why you do not demand that the Unions - A.F.L. & C.I.O. pay their share of Federal Income Taxes the same as any business, large or small, partnership or corporation. * * * I understand they are the largest depositors nationally at this time. Also A.F.L. and C.I.O. do not even have to report their income -- if this is true, it certainly is a shame. I know of no one in the Administration in Washington who has the nerve to demand that such existing condition be corrected at once, without fear or favor or politics, except you, Mr. Morgenthau. Also I advise that a national sales tax at the source be collected. Let all pay in this emergency -- this is not time for politics -- so inform the Ways and Means Committee.

Leslie Lacroix, Evansville, Ind. (Copy of letter addressed to Congressman John W. Boehne, Jr.) * * * The suggested income tax is unfair to salaried people because they are the only ones whose income is definitely known and who pay 100 per cent of the tax. Those in business, the professions, farmers, etc., not on a salary, whose income is not fixed and is difficult to ascertain, do not pay as much in taxes under the income tax plan as a wage earner. * * * Now as to a sales tax being hard on poor people. If Secretary Morgenthau is referring to those on Relief, W.P.A., C.C.C., N.Y.A., Food Stamp Plan, etc., his statement overlooks the

fact the Government takes care of these people anyway. As to the rest of us; in my judgment there is no tax fairer than a sales tax. You pay as you buy and in proportion to the amount you buy. The farmer, the doctor, the lawyer, the wage earner, business man, or politician will pay the amount of the tax when and as he buys, and you will not have disputes as to the amount of tax due under the income tax plan, with some taxpayers settling with the Treasury on a 50, 70 or 80% basis - such as a U. S. Senator from Pennsylvania recently did. * * *

Clifford Mecouch, Asbury Park, N.J. Because of greatly increased food prices, and the increase in the cost of living generally, it is impossible to pay income taxes out of current income. Instead it was necessary to drop \$3,000 of life insurance and realize the cash value in order that I can pay 1941 income taxes. * * * In the name of Almighty God, and for the sake of America, STOP PLAYING POLITICS with taxes and give us a direct sales tax of 10, 15 or even 20%, if necessary, to raise war funds. Keep away from the asinine withholding at source plan, thereby keeping a large percentage of earnings from being thrown back into the country's business structure. * * * What we need in Washington is First - Taxation on an honest basis; Second - Discontinuance of boondoggling with the billions being handled; Third - A FIVE BILLION reduction in non-defense expenditures, and elimination of about 90% of the various Commissions now set up whose efforts overlap and nullify the actions of each other; Fourth and last - A law passed by Congress making it an act of sabotage to cause to be called or to call a strike for the duration, or an alternative law that will permit the boys being called into service the same right to strike as is accorded labor misled by subversive, Communist, Racketeer Leaders that they are unwilling or unable to dethrone. * * *

Comments on Present Emergency

Myrion Isaac Velozquez, Rio Piedras, Puerto Rico.
I have the pleasure of sending you my first dollar rec-
eipte working. I am in 8th grade at Hawthorne School.
I earned these money helping mother when she come of
school. I send you this dollar with much joy, and I
think that all the childreom shall give his first dol-
lar recite working for the nacional defence. With all
the respects, (Signed) Myrion Isaac Velozquez.

Russell Whitebear, Secretary, Tribal Council, Crow Agency,
Montana. (Letter addressed to the President and referred
to us by the White House.) The General Council of the
Crow Indians on January 6, 1942, adopted a Resolution,
the purport of which was to assist you in your war effort
by turning over \$10,000 of their Tribal funds, now in the
Treasury of the U. S., and any and all natural resources
on the Crow Reservation to use as you saw fit, without
any charge, for the duration of the war. This includes
oil, bentonite, coal, and any other deposits which are
now known to exist here. This Resolution was presented
to you through the Commissioner of Indian Affairs, and to
date we do not know whether you received same or not, and
in the event same has been dispatched to you, will you be
so kind as to let us know so the information may be passed
on to the Tribal Council.

J. H. Stagg, Beaumont, Texas. (Telegram) Stop all soil
conservation and parity payments. The Army and Navy need
it more than the farmers. I think the farmer should help
support the Government, and not the Government support the
farmer. From a cattleman and rice farmer.

Mrs. Olive Simpson, Detroit, Mich. Information has reached
me to the effect that you feel rationing of all consumers'
items is essential now. If this is the truth, I wish to
state as an observer and social worker that this would be
the most constructive movement the Administration could put
into effect. * * *

- 13 -

A. Rogers Mielly, Houston, Texas. * * * People of this nation as a whole are not complacent as charged by many people in Washington, who are not familiar with the facts. Perhaps leadership is lacking in some quarters, and without leadership that sets the pace, I truly ask in all sincerity what are the people supposed to do? One day we are asked to save razor blades, and tooth paste tubes, and the next day we learn that the Govt. is not ready to make use of 10,000 tons of old street car rails which one can observe in Houston each morning when going to work, for it is buried in the street pavement. * * * We also get considerable gossip down here, which does no one any good, such as the information disseminated by Peggler, and others. First we hear that Henderson is going to stop the sale of some commodity because it's a critical material, and immediately the price goes up, and the rush is on. We also hear that Mr. Welles wants Mr. Hull's job, and so and so. We understand that the President is difficult to deal with, and every one must get on with Harry Hopkins if he wants the President to act favorably on any project or proposal. If any business was operated the way our affairs are in Washington, and the leaks got out to the employees, it certainly would be too bad. In conclusion, I want to say as one good American Citizen in Texas, that we know we are at War, and we want to pay our just tax as it becomes due. * * * Tell us what to do and we will do it, and last but not least, cut out some of those columnists in Washington who keep everyone upset.

J. Brooks Mellor, Severna Park, Md. * * * At times I am so mad that my weakened heart is affected when I think of the criminal negligence that has pervaded some of the Departments in Washington. We had all the money in the world to buy up wheat, corn, cotton and the things of which we had a superabundance, but no one gave a thought to the purchase of the things we had not, and on which we were absolutely dependent such as rubber, tin, manganese. Today you frankly tell the people how much greater taxes will be and this is, of course, to be expected, but how can we do it. * * * Every dollar I earn is earned by the use of a car, and I could not earn a cent without one. 90% of all money after a careful check of last year's disbursements went to others who are absolutely dependent on a car to make their living. * * * I may be presumptuous, but it

- 14 -

certainly seems to me that if the right kind of commission headed by Mr. Sumner Welles were at once dispatched to Brazil, and that country made to see the importance of rubber shipped to us, that regardless of the cost of the rubber, it would be forthcoming immediately from the Brazilian Jungles where we formerly got it.

Eagle Foundry Company Employees, Belleville, Ill. We, the undersigned employees, use this method of calling to your attention the effect that curtailment of materials, caused by the Defense Program, will have upon the lives of the workers of this community. * * * The Management of the Eagle Foundry Company called upon us, and through a personal explanation, worked out a plan which they were willing to handle, in regard to the purchasing of Defense Stamps and Bonds, by taking out a portion of our salary each week. Every worker has purchased at least one Bond, and the prospects are that these workers would buy more Bonds, if permitted to work. We have supported the President's National Red Cross Relief Fund 100%. This firm has been manufacturing stoves, (both heating and cooking) some for Civilian, and a large amount for Defense Housing Projects, and if given materials could give their employees steady work. * * * We urge you to do whatever you can to help us in this matter, and will greatly appreciate any service you or your Department can give us.

W. C. Simons, The Lawrence Daily Journal-World, Lawrence, Kansas. I have before me your undated circular letter in which you ask the cooperation of the Journal-World in trying to secure early payments of income tax. Everyone wants to do his or her part in aiding the United States to win the war, but the one thing that hangs like a millstone around the neck of everyone is the attitude of the Administration towards organized labor. Why in the name of heaven the Administration does not expect of labor the same sacrifices that are made by everyone else, I don't know. It simply doesn't make sense to send our boys into the army where they will have to work twenty-four hours a day for \$21 a month, and then pay other men exorbitant wages to furnish the supplies that the soldier needs. * * * If it is possible for you to exert some helpful influence along

this line, it would be the most popular thing with the masses that could possibly occur, outside of complete victory over our adversaries. As far as the Journal-World is concerned, it has done everything possible to aid the Government, and will continue to do so.

George W. Miller, President, The Detroit - Wayne County Tool & Die Council, Detroit, Mich. Our country is engaged in the greatest tooling program in the history of the world. The national interest requires that this program now be completed with utmost dispatch. Yet this gigantic and important tooling program is proceeding in the most unorthodox and inefficient manner. There is absolutely no planning or coordination in the tooling effort. It is proceeding on the theory: "Every man for himself". The result: Chaos and confusion. This, we believe, is the greatest weakness of our War effort. * * * We would not write complaining about these matters, if we did not believe something could be done about it. We submit herewith a Tool Procurement Plan which we believe will go a long way in the direction of reducing the time necessary to re-tool the Automobile Industry. We ask you to study it. Get the opinion of experts (not corporation men), and if possible have the Government put the plan in operation. We suppose that by this time you are wondering why we have submitted this plan to you, the Secretary of the Treasury. We shall be frank in our answer. This plan was drafted early in December, 1941, and on December 29, 1941, was submitted to the now defunct Office of Production Management, together with other U.A.W. - C.I.O. proposals. It got the usual O.P.M. run around. A management group in Detroit, announced in the public press that they were adopting some of the proposals (without reference to source) on a voluntary basis. While this attests the soundness of our plan, never-the-less it was a futile gesture. * * * We are sending this letter and plan to you, Mr. Secretary, because certain recent events have created a very high respect for you among the rank and file of our Union. You are known here as a man who gets things done. Short on Words, long on Action. It is known that you will take an interest in problems in relation to the War Program, outside of your jurisdiction, when there is a sound basis for so doing. * * * If our presentment of this plan fails to arouse any interest in you, please do not refer it to the people who have been kicking it around. Just throw it in your waste basket. If it contains merit, we shall be glad to come to Washington and explain it at length.

- 18 -

Favorable Comments on Bonds

Richard Roy Readely, Mount Vernon, N.Y. I am not too well acquainted with the Government in the respect that I didn't quite know who to write. I am thirteen years old and realize I'm a bit too young to fight, and I want to do something. I have bought a \$25 Bond already and am starting on a second, but I felt I would like to do something more than just buy them, and that's why I have written to you. I should very much like to sell Bonds and Stamps. I would be very grateful to you if you would send me a certain amount of Bonds and Stamps each month for me to sell. Upon receiving the Bonds and Stamps I will mail you the money of the ones I had sold of previous shipment.

Mrs. Antonette Kalal, Roy, Mont., submits a poem to aid the sale of Defense Bonds --

I

I wish I could do something grate,
As not to live in vain,
To save our dear democracy
Made dictators act humane.

II

Naw the are wild like jungel wolf's
Just destroy dont care how.
Day come when we call them to acaunt,
I wish it could be don naw.

III

I will buy all the BONDS I could,
When ever possibili
To save our freedom our country,
Wake up wake up brotherhood.

Charles Getchell, San Marino, Calif. It's awful hard for a boy to sit at home and read in the newspaper about the brave men on Wake Island, and the Bataan Peninsula

- 17 -

and not be able to help them. I'm only twelve years old, so I can't fight for Uncle Sam on the battlefield yet; but I'm going to join up as soon as I can. Right now, though I want to help Uncle Sam in a different way, by selling Defense Stamps. I know that the Government needs billions of dollars to build ships, tanks, and guns. I want to raise a share of that money by selling Defense Stamps. We can't let those gallant soldiers down. Please let me help.

Fred Addonizio, Ritz Hotel, Washington, D.C. I am taking the liberty of writing to you. I am quite sure if many others in my line of work also took this opportunity of expressing their true feelings, and gratitude, in which this wonderful country of ours is offering us employees in organized labor today, our sad war in which so many of our brave boys are fighting today, would be over very shortly. The point that I am getting at is this -- our country needs help badly at this present time; it is our sacred duty here at home to buy as many Defense Stamps as we can afford to buy. The question today is not how much we can afford to buy in Defense Stamps and Bonds; the question is - why can't you, Mr. Secretary, suggest to Congress to try and pass a Bill making it compulsory for men on defense projects to purchase Defense Bonds. Most men employed on these defense jobs earn from \$118 per week, plus overtime, which I would say amounts to about \$140 per week! * * * I pray to God in Heaven that such a Bill, if introduced to Congress, passes by a unanimous majority.

Franky Hober, Brooklyn, N.Y. I know you will think I am a pest, but I just had to thank you from my heart and from my "Help America" club. It was really swell of you to answer us. If you ever need us for anything, we are always there to help you. Each time I receive a letter from you, I get such a thrill. Our club is saving up money to buy Defense Stamps and First Aid Savings Kits. Our club is going on for a month; in that time we have an \$18.75 Bond, and we are learning First Aid from the Journal. Let me thank you again. From "Help America" President, Franky Hober. P.S. Our theme song is, "You're A Sap, Mr. Jap".

- 19 -

Unfavorable Comments on Bonds

Mrs. R. T. Bright, Dallas, Texas. * * * Some assurance that our buying of Defense Bonds is being matched by other defense efforts will do more to stimulate the buying of them than the best radio programs that could be put on every night in the week.

D. G. Fisher, Davenport, Iowa. Referring to current radio broadcasts, and your printed matter urging the purchase of Defense Bonds regularly from pay checks, I would like to know whether you and the employees of your office are doing this, and the approximate percentage. I would also like to know whether the members of the Congress and the Cabinet are so doing, and the approximate percentages.

Horace S. Archer, Tampa, Fla. I note from today's "Tampa Morning Tribune" that Major Benjamin H. Namm, a representative of your (our) Treasury Department has stated that it may become necessary for the Government to force people to buy Defense Stamps and Bonds! I would just like to inform you, Mr. Secretary, that if you, also the Administration from the President down, all those Senators, Representatives and yourself too, would stop playing politics, you would find that you - the Administration - would have the backing of the American people 100%. * * * Right here in Tampa there is a shipyard. Well, last week a man - "a free born American citizen" - who wanted to work, went out to the yard. Oh, yes, they could give him a job, but first, he would have to see a Union Labor Leader and get a card. Well, the man called on the Union Leader. "Oh, yes, we will give you a card, but it will cost you \$132.50. If you don't have the money to pay for the card, we will take it out of your wages, \$2 per day! * * * Now Mr. Secretary, what are you doing about taxing these Labor Unions? I did not read in Wednesday's papers that you made any mention of them when you were on the stand on Tuesday!

LUETZOW

John C. Lintzon, Mt. Vernon, N.Y. I just wish you to know I am discontinuing my monthly Defense Bond subscription because your Dept. refuses to give me an intelligent answer to my request regarding a Bond which was inadvertently destroyed. I have been corresponding with your "Fiscal Service", ref. CL-SS &ASB since November last, and am getting no where. * * *

How Bell - What's Why?



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

March 16, 1942

TO THE SECRETARY:

Regarding your note on page eighteen of the weekly memorandum of mail comments, there has been quite a bit of correspondence between the Public Debt Service and Mr. John C. Luetzow (not Lintzon) of Mt. Vernon, New York, regarding a lost bond.

That Division has been trying to get a description of the bond as well as the number in order that a caveat may be placed against the redemption of that bond in the Public Debt Service records. The number was just received from the Federal Reserve Bank on March thirteen, and a letter went out today advising Mr. Luetzow of the steps that will be necessary for him to take to secure a duplicate.

dwfB

FOR DEFENSE

BUY
UNITED
STATES
BONDS
AND STAMPS

For your information.

March 13, 1942.

To Archibald MacLeish

From Alan Barth

EDITORIAL OPINION
ON THE WAR:
THE DEMAND FOR ACTION

Urgency

Appreciation of the war seems to be shifting from an intellectual to an emotional level. American newspapers no longer chronicle events in the Far East as mere stages in a remote, though exciting, drama; they have lost some of the detachment of spectators, and have become participants. Accordingly, they are beginning now to portray the war as a real and vital and immediate concern of their readers. A genuine sense of the seriousness of the situation is seeping through news and editorial pages.

Awareness of danger has, of course, brought with it a strident demand for action. Many and varied, yet generally unspecific, are the formulae proposed. The commentators know only that they want desperately to hit back at the enemy; they are, for the most part, pathetically conscious that as armchair strategists they lack the information indispensable to the

determination of policy. Out of the frustration and impotence thus created, there surges, naturally enough, anger, impatience and discontent.

Only drastic action can assuage these feelings. "Scorch the comforts," The Washington Star admonishes. Mrs. Roosevelt, Walter Lippman and George Gallup urge full mobilization of all men and women in America. Donald Nelson's two strong radio pleas for increased production are fervently endorsed by the press. Every editorial page exhorts the public to serve and sacrifice - rarely telling it in more than the most general terms what services and sacrifices to render.

Regarding the battlefronts, there is a similar jangle of editorial pep-talking. The commentators are beginning to realize that offense and defense are not necessarily separable. "Having failed to send adequate reinforcements to Java in time to save that extremely valuable bastion," says The Washington Post, "the Allies must do everything in their power to make Australia impregnable..... The successful defense of Australia would make possible that ultimate offensive against Japan without which the war in the Pacific cannot be won."

But The Chicago Tribune, customarily the leading exponent of neo-isolationism, wants the offensive against Japan to be launched without delay. "World strategy," this newspaper reasons, in spite

of its normal hostility to Communism, "demands that Russia be given every aid to keep her in the war against Hitler." Asserting that the most effective supply route to Russia is closed by Japan, The Tribune argues: "By beating Japan we can see that supplies for Russia again move over the trans-Siberian railroad.

"The situation demands that we concentrate our strength against the Japanese.... It will be fatal folly if we fail to recognize that at this time she is our most dangerous enemy and the one by whose defeat we can contribute most to the eventual victory of our associates all over the world."

There is a rather widespread revival, on the other hand, of the hope that Europe can be invaded from the West. Continuance of the Russian counter-offensive, the Nazis' admission that they have suffered a million and a half casualties on the eastern front and the success of recent British air raids have led some commentators to suggest that the time has now come for British and American forces to attempt the opening of a new front in Europe. Even if the attempt fails, they reason, it can have great value in relieving the pressure of the anticipated Nazi spring offensive on the Russians. Whether or not this sort of thinking has any sound basis in the military realities, it seems eloquently indicative of the eagerness for drastic and dramatic action now.

Dupes

The Axis nations, prior to the outbreak of war, made a practice of freely distributing radio receiving sets to those peoples, particularly in "backward" countries, to whom they were desirous of addressing their propaganda. They felt no need, however, to go to any similar trouble or expense in such an "advanced" country as the United States. They relied upon the American press, because of its competitive nature and its zeal for the complete coverage of the news, to distribute their propaganda for them.

American newspapers, along with domestic radio stations, have, in fact, made themselves outlets for Axis "news" and have given it a currency and circulation far beyond the poor powers of short wave transmission to achieve. They have, moreover, put upon it the imprimatur of their own reliability and respectability, disarming Americans who would be prepared to discount it if it came to them directly via the short wave with its propaganda purpose undisguised.

During the past week, for example, American newspapers and radio stations have announced that American troops surrendered in Java. They received this "news" from Tokyo - without corroboration from any other source - and printed it freely

without further investigation. By disseminating this story, the American press helped unwittingly to spread discouragement and dismay, serving as an instrument in the psychological warfare of the Axis.

American front pages likewise publicized a Vichy version of the recent R.A.F. raid on Paris suburbs, highlighting the anguish and indignation of the stricken French yet virtually ignoring the contributions made by French industry to the German war machine. Planted Axis stories from Berne or Ankara or Stockholm often find their way to our front pages, confusing American readers with groundless gossip of enemy plans and projects.

In their editorial pages, most of the newspapers which thus serve as transmitters for the Axis line disparage and condemn it. They recognize its purposes and vehemently warn their readers to be on guard against rumors and propaganda. But they seem tragically off guard themselves. They fail to protect the public from the prime factor in Axis psychological strategy - the use of "news" as a weapon.

For your information.

March 13, 1942.

To Ferdinand Kuhn, Jr.

From Joseph Melia

EDITORIAL COMMENT ON TAXES:
THE COMPLAINTS GROW LOUDER

Throughout the country most editorial writers still find little reason to complain over the tax program proposed by the Treasury. But that important section of the press which demands a broadening of the tax base is growing steadily. Although still in the minority, these newspapers are becoming increasingly critical of the Treasury's tax recommendations.

They protest that while the "unorganized and already overburdened" middle-income group is being called upon to accept an even heavier tax load, the Treasury would continue to exempt the low-income wage earners and farmers who have had the greatest increase in inflationary spending power.

By their editorials and their headlines over prominently displayed news stories, these newspapers seek to create the impression that there is a widespread popular demand for a sales tax. They assure their readers editorially that Congress in all likelihood will heed this "public demand" and drastically alter the Treasury's tax program before enacting it into the law.

Recently there has also been a flurry of editorials questioning the wisdom of the Treasury's corporate income-tax proposals. The recommended corporate income tax rates "suggest caution" to the New York Times. "That they will mean the reduction or elimination of dividends by many corporations is clear," it declares. "But beyond that they may mean the serious weakening of corporate capital structures such as would bring severe penalties in a subsequent period of hard times."

The Washington Post denies that industry is "garnering vast profits while demanding that the universal sacrifices required by war be borne exclusively by labor." It asserts that it is "by no means certain that private industry would be able to support such a heavy (new) tax load without impairment of efficiency and consequent slowing down of war production." And The Richmond News Leader argues that the Treasury program would "increase corporation taxes to the point where many industries unrelated to war work will be crippled beyond the hope of even making necessary replacements."

The criticisms of the Treasury for not advocating a broadening of the tax base are mixed with fear, sympathy and hope on the part of the critics--fear that the suggested tax program would fail as an anti-inflation measure, sympathy because of the load it would impose on the white collar class, and hope that it will be drastically altered in Congress in answer to the "rising public clamor" for a sales tax or lowered exemptions.

Fear

The former New Dealer Ralph Robey, for example, in the current issue of Newsweek, states that the Treasury's recommendations on taxes "have no more relation to what must be done" to halt inflation than "night has to day." He lists what he considers to be the three "basic" weaknesses of the Treasury program as:

"1. It leaves some 50 per cent of the total national income untouched, except for the relatively insignificant changes in excise taxes.

"2. Fundamentally it is a program designed to tax potential savings, thereby hindering an expansion of production, while at the same time permitting the volume of purchasing power in the hands of those who will spend it for consumption to go on increasing under the impact of the war prosperity.

"3. Under this program the business units which would be hardest hit are those which economically are benefiting least from war prosperity."

He concludes that while business and the upper 10 per cent should be taxed higher than at present, the only tax system that would be effective in halting inflation must include either a sales or withholding tax without exemptions, or a combination of the two.

Sympathy

Frank R. Kent, persistently critical of the Administration, also advocates either an income tax with no exemptions or a sales tax. "Everyone who earns anything should carry a share of the tax burden," he writes in his widely syndicated column. "...Instead, the tendency of the new bill is toward the practical extermination of the upper and middle bracket incomes, already taxed to the point of diminishing returns, and a continued exemption of millions of the lower incomes..."

The New York Times is more explicit. "Few families in this class can relinquish a quarter to a third of income without some drastic retrenchment," the Times declares. "They will have to move to cheaper living quarters, give up some life insurance, take a son or daughter out of college or make some other big adjustment if they are to continue to live within their incomes." Similarly, the New York Herald Tribune argues: "A program which doubles the existing income taxes of one group in the economy one year and then redoubles them the next year overlooks the pertinent fact that a great part of the budget of a person in the middle income brackets consists of fixed charges which cannot be sloughed off in the same way that one can cut down purchases of civilian goods. The only way the average citizen can keep up such expenditures and pay income

taxes is to raise money through loans. When a condition obtains in which such borrowing becomes substantial the point of diminishing returns has been reached and it is time to look about for new sources of taxation. There is much evidence that under the Treasury program we are already at or near that point."

Hope

The widespread belief that Congress will drastically revise the Treasury's tax program in answer to "public clamor" for a sales tax is reflected by the Providence Journal. "It is clear" to the Journal that "the Treasury fears an eventual stampede to the sales tax." "Sentiment for such a levy," it reports, "is increasing among Committee members....There is a growing popular feeling in the country that the vast majority of citizens must expect to become contributors to the Federal Treasury on a scale that hurts. But the Treasury is patently resisting this popular mood, despite strong evidence that many among the smaller income groups would be willing tax contributors."

The Kansas City Star is even more hopeful. "The head of the Treasury has a rather persistent habit of submitting fanciful tax ideas that fail to register, either with Congress or a good part of the country," the Star declares. "It should be understood, too, that any tax program is at the outset largely a 'trading' proposition--

that is, you ask for a lot more than you expect to get. And when it comes to trading, Mr. Doughton's Ways and Means Committee of the House and Mr. George's Finance Committee over in the Senate know a fair assortment of tricks."

Liberal and Labor

Most of the Treasury's critics are consistently anti-Administration, but this week they were joined by that staunch New Dealer, The New Republic. This magazine complains that the Treasury's program is "timid," although "probably much better than the bill Congress will pass." It criticizes the measure because it would provide too little revenue, leave "enormous loopholes" for excess profits to escape, and fail to lower exemptions or provide for enforced savings. It recommends a 100 per cent excess profits tax and the lowering of personal income tax exemptions to \$1000 for married persons and \$500 for single.

The labor press still has not commented editorially on the tax program, apparently preferring to wait until the tax committees of the A.F. of L. and the C.I.O. have taken their stand on the Treasury's proposals.

MAR 13 1942

My dear Mr. Secretary:

In connection with the handling of matters requiring information to be obtained abroad and affecting the Treasury Department, especially those matters relating to customs, foreign funds control, and allied matters, it is the desire of this Department to station at the places indicated the following representatives of this Department:

Dolor Joseph Delagrave	-	Vichy, France.
Francis X. DiLucia	-	Madrid, Spain.
Charles E. Dyer	-	Berne, Switzerland.
J. Ray Olivera	-	Lisbon, Portugal.

A brief biographical outline covering the educational background and past governmental experience of each of the above employees is hereto attached.

It is requested that appropriate representations be made to the foreign governments affected looking to the accrediting of the employees mentioned to the respective United States Embassies and Legations. Should the assignments of these representatives meet with the approval of the foreign governments affected, it is further requested that such employees be accredited as attaches to our respective foreign missions and furnished with diplomatic passports to establish their status and facilitate their official travel abroad.

Sincerely yours,

(Signed) E. Hergenhahn, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of State.

G-fmm 2-26-42
WRJ-esb 2-28-42

U. M. C.
By Messenger *Simmons*
5-30

ASSISTANT SECRETARY OF THE TREASURY

March 4, 1942.

MEMORANDUM

To: Secretary Morgenthau
From: Mr. Gaston

I am attaching a letter to the Secretary of State for your signature as to the four men whom we propose to send to Europe. I informed David Bruce, of Donovan's office, that we could not consent to sending the men unless State would give them diplomatic passports. Bruce has talked to Assistant Secretary Shaw, who asked for a letter from us. Donovan has said that if State should turn us down on the passports, he himself will appeal to Hull, since he is extremely anxious that we send the men.

MS

Vessels at Philadelphia Loading Lend-Lease Materials for
Russia

March 9-13, 1942

STRICTLY CONFIDENTIAL

Nationality, rig, name of vessel	Date of arrival in port	*Nature of Lend-Lease cargo loading	Percent loaded	Expected date of departure	Cause of delay, if any, in loading or departure
<u>I. Vessels that were in port on March 9</u>					
Am. S/S Bayou Chico	Feb. 23	Foodstuffs, metals, trucks, miscellaneous	100	Sailed Mar. 10	
Am. S/S Zebulon B. Vance	Feb. 24	Foodstuffs, metals, trucks, miscellaneous	100	Mar. 13	
Am. S/S Winona	Feb. 25	Foodstuffs, metals, trucks, miscellaneous	100	Sailed Mar. 13	Delayed by fire.
Am. S/S Wacosta	Feb. 27	Foodstuffs, metals, trucks, miscellaneous	67	Unknown	Fire in boiler room. Indefinite delay expected.
Am. S/S Carlton	Feb. 27	Foodstuffs, machinery, trucks, heavy metals	90	Mar. 13	Broken cranes - cars not promptly placed.
Am. S/S Mormacaul	Feb. 28	Foodstuffs, metals, miscel- laneous	95	Mar. 13	Cars not promptly placed; lack of derricks.
Am. S/S Texas	Feb. 28	Foodstuffs, trucks, metals, miscellaneous	75	Mar. 14	Cars not promptly placed.
Am. S/S Alcoa Banner	Mar. 3	Foodstuffs, trucks, tin plate, miscellaneous	65	Mar. 16	Repairs.
Am. S/S Mormacrey	Mar. 4	Foodstuffs, machinery, miscellaneous	60	Mar. 15	Lack of cargo.
Am. S/S Syros	Mar. 5	Foodstuffs, metals, machinery, miscellaneous	33	Mar. 15	Lack of cargo.
Can. S/S Troubadour	Mar. 6	Foodstuffs, metals, machinery, miscellaneous	30	Mar. 15	Lack of cargo.
Am. S/S John Randolph	Mar. 6	Foodstuffs, trucks, machinery, miscellaneous	23	Mar. 14	Lack of cargo.
Belg. S/S Ville D'Anvers	Mar. 7	Foodstuffs, miscellaneous	11	Mar. 13	Lack of cargo.
Am. S/S Alamar	Mar. 7	Foodstuffs, machinery, metals, miscellaneous	55	Mar. 18	Repairs.
<u>II. Vessels that arrived in port since March 9</u>					
Am. S/S Massmar	Mar. 9	Auto parts	7	Mar. 21	
Am. S/S Hybert	Mar. 9	Oil, metals, foodstuffs	Undeter- mined	Unknown	
Russ. S/S Shchors	Mar. 13	Aluminum ingots	Undeter- mined	Unknown	

* Tanks loaded or to be loaded as top cargo on each of these vessels.

STRICTLY CONFIDENTIAL

Vessels in American Ports Loading Lend-Lease Materials for
Russia
March 13, 1942

Name of vessel	Port at which loading	Date of arrival in port	Date loading began	Per- cent sent loaded	Expected date of departure	Nature of cargo	Reasons for delay in loading if any
Am. S/S Zebulon B. Vance	Phila.	Feb. 24	Feb. 24	100	Mar. 13	Food, metals, trucks	
Am. S/S Carlton	Phila.	Feb. 27	Feb. 28	90	Mar. 13	Trucks, flour, canned meats	
Am. S/S Wacosta	Phila.	Feb. 27	Feb. 28	67	Unknown	Food, trucks, metals	Fire on ship March 8.
Am. S/S Alcoa Cadet	Boston	Feb. 27	Feb. 28	85	Mar. 15 or 16	Airplanes, tanks, foodstuffs	Repairs.
Am. S/S Mormacaul	Phila.	Feb. 28	Feb. 28	95	Mar. 13	Copper, auto bodies, foods	Lack of derricks.
Am. S/S Texas	Phila.	Feb. 28	Mar. 2	75	Mar. 14	Steel, flour, tin plate	Lack of cargo.
Am. S/S Yaka	Boston	Mar. 3	Mar. 4	99	Mar. 13	Airplanes, tanks	
Am. S/S Alcoa Banner	Phila.	Mar. 3	Mar. 5	65	Mar. 16	Foodstuffs, tin plate	Repairs.
Am. S/S Mormacorey	Phila.	Mar. 4	Mar. 4	60	Mar. 15	Flour, auto parts, steel	Lack of cargo.
Am. S/S Syros	Phila.	Mar. 5	Mar. 7	33	Mar. 15	Auto chassis, chemicals	Lack of cargo.
Can. S/S Troubadour	Phila.	Mar. 6	Mar. 7	30	Mar. 15	Flour, tin plate, auto parts	Lack of cargo.
Am. S/S John Randolph	Phila.	Mar. 6	Mar. 6	23	Mar. 14	Flour, auto parts	Lack of cargo.
Am. S/S Alamar	Phila.	Mar. 7	Mar. 8	55	Mar. 18	Flour, lard, autos	Repairs.
Belg. S/S Ville D'Anvers	Phila.	Mar. 7	Mar. 9	11	Mar. 13	Tin plate, wire	Lack of cargo.
Am. S/S Robert Wentley	New York	Mar. 9	Mar. 10	75	Mar. 13	Canned meat, auto parts	Lack of cargo.
Am. S/S Hybert	Phila.	Mar. 9	Mar. 12	Undeter- mined	Unknown	Oil, metals, flour	
Am. S/S Maesmar	Phila.	Mar. 9	Mar. 11	7	Mar. 21	Auto parts	
Rus. S/S Shchors	Phila.	Mar. 13	Mar. 13	Undeter- mined	Unknown	Aluminum ingots	

Vessels in American Ports Loading Lend-Lease Materials for
United Kingdom
March 13, 1942

Name of vessel	Port at which loading	Date of arrival in port	Date loading began	Per- cent loaded	Expected date of departure	Nature of cargo	Reasons for delay in loading if any
Br. S/S Empire Cougar	Baltimore	Feb. 12	Mar. 9	60	Mar. 18	Steel, cotton, airplanes	Repairs.
Br. S/S Dalcross	Phila.	Feb. 18	Feb. 19	95	Mar. 14	Auto parts	Repairs.
Br. S/S Empire Ptarmigan	Phila.	Feb. 19	Feb. 19	70	Mar. 18	Machinery, steel, food, oils	Lack of cargo; repairs.
Norw. S/S Henrik Ibsen	New York	Feb. 20	Feb. 20	95	Mar. 14	Steel, copper, food, machine parts	
Br. S/S Bosworth	Boston	Feb. 22	Feb. 24	100	Mar. 14	Tractors, oil, ammunition	Repairs in engine room.
Fan. S/S Spokane	Jackson- ville	Feb. 25	Feb. 27	65	Mar. 16	Foodstuffs, steel	Repairs.
Fan. S/S Leonatus	New Orleans	Feb. 26	Mar. 6	100	Mar. 13	Food, naval stores	Inability to obtain crew.
Br. S/S Badjestan	Charleston, S.C.	Feb. 27	Feb. 27	50	Mar. 14- 18	Steel billets, cotton, lumber, ammunition, food	Repairs.
Br. S/S Torr Head	Norfolk	Mar. 4	Mar. 5	100	Mar. 14	Steel, foodstuffs, lumber, propellers	
Br. S/S Queen City	New York	Mar. 4	Mar. 7	50	Mar. 17	Wire, wool, tires, ammunition	Discharging ballast.
Br. S/S Flowergate	Phila.	Mar. 4	Mar. 5	28	Mar. 24 or 25	Steel billets, wire	
Norw. M/S Kollbjorg	New Orleans	Mar. 5	Mar. 12	Undeter- mined	Unknown	Aviation gasoline	Repairs.
Dutch S/S Zypenberg	Baltimore	Mar. 5	Mar. 6	44	Mar. 19	Lumber, machinery, food, steel	
Br. S/S Everleigh	Phila.	Mar. 5	Mar. 7	91	Mar. 16	Autos, tanks	
Br. S/S Tyndareus	New York	Mar. 8	Mar. 9	75	Mar. 21	Copper	
Br. S/S Pacific Shipper	New York	Mar. 8	Mar. 11	5	Mar. 20	Rubber, machinery, airplane parts	Discharging ballast.
Am. S/S Steel Traveler	New Orleans	Mar. 8	Mar. 8	100	Mar. 13	Motor trucks	
Br. S/S Arabian Prince	New York	Mar. 8	Mar. 10	66	Mar. 19	Steel, machines, airplane parts	
Br. S/S Generton	Baltimore	Mar. 9	Mar. 10	54	Mar. 17	Locomotives, food, trucks	
Am. S/S Swiftlite	Galveston	Mar. 9	Not started	-	Unknown	Diesel oil	Pumping ballast.
Swed. S/S Axel Johnson	New York	Mar. 9	Mar. 10	25	Mar. 14	Machinery, food, chemicals	
Br. S/S Gloucester City	Phila.	Mar. 10	Mar. 10	25	Mar. 20	Steel, foodstuffs	Lack of labor.
Am. S/S Ponce de Leon	New Orleans	Mar. 10	Mar. 11	100	Unknown	Tin plate	
Norw. S/S Belinda	Galveston	Mar. 10	Mar. 12	100	Mar. 13	Kerosene	Bad weather.
Br. S/S Jamaica	New York	Mar. 10	Mar. 12	15	Mar. 17	Lumber, meats	Awaiting cargo.
Br. S/S San Demetrio	Baltimore	Mar. 11	Mar. 11	90	Mar. 13	Gasoline, alcohol	
Norw. S/S Laurite Swenson	New York	Mar. 11	Mar. 11	20	Mar. 15	Airplane parts, tools	
Swed. S/S Malaren	New York	Mar. 11	Mar. 12	20	Mar. 14	Food, steel, airplane engines	Repairs.

(Continued)

Regraded Unclassified

Vessels in American Ports Loading Lend-Lease Materials for

United Kingdom
(Continued)

March 13, 1942

Name of vessel	Port at which loading	Date of arrival in port	Date loading began	Per- cent loaded	Expected date of departure	Nature of cargo	Reasons for delay in loading if any
Norw. S/S Alb. L. Ellsworth	Corpus Christi, Tex.	Mar. 11	Mar. 12	100	Mar. 13	Gas, oil	
Norw. S/S Fernhill	Baltimore	Mar. 11	Mar. 12	83	Mar. 18	Foodstuffs, machinery	Discharging ballast.
Br. S/S Ocean Liberty	Portland, Me.	Mar. 12	Mar. 12	partially	Mar. 14	Foodstuffs	

Vessels in American Ports Loading Lend-Lease Materials for
Destinations Other Than Russia and United Kingdom

March 13, 1942

STRICTLY CONFIDENTIAL

Name of vessel	Port at which loading	Date of arrival in port	Date loading began	Per- cent loaded	Expected date of departure	Nature of cargo	Reasons for delay in loading if any	Destination
Am. S/S Cathlamet	New York	Feb. 5	Mar. 9	90	Mar. 14	Tin plate, steel sheets	Drydock Feb. 5- Mar. 9.	Br.W.Africa
Pan. S/S Johnstown	New York	Feb. 9	Mar. 12	40	Mar. 13	Airplane parts	In drydock.	Br. India
Br. S/S Empire Hawk	Phila.	Feb. 16	Mar. 12	15	Mar. 20	Flour	Repairs.	Egypt
Dutch S/S Kita Tjandi	New York	Feb. 17	Feb. 17	100	Unknown	Trucks, auto parts	Awaiting sail- ing orders.	Br. India
Br. S/S Bernard	New York	Feb. 27	Mar. 4	75	Mar. 16	Steel, wire, ingots	Repairs.	Br. India
Br. S/S Tredianick	New York	Feb. 27	Mar. 3	50	Mar. 14	Machine parts, ammunition, steel	Bad weather - 2 days.	Br. India
Br. S/S Empire Wagtail	Phila.	Mar. 2	Mar. 9	45	Mar. 19	Steel billets	Repairs.	Br.Middle East
Br. S/S Harvattan	New York	Mar. 2	Mar. 2	98	Mar. 15	Steel, tractor parts, trucks		Egypt
Br. S/S Orfor	New York	Mar. 4	Mar. 7	55	Mar. 14	Steel	Discharging ballast.	Br. India
Br. S/S Appleadore	New York	Mar. 5	Mar. 5	95	Mar. 15	Auto parts, air- plane engines, medicinal stores		Egypt
Dutch S/S Flora	New York	Mar. 6	Not started	-	Apr. 4	Machines, cables	In drydock.	Curacao
Br. S/S Port Halifax	Newport News	Mar. 7	Mar. 9	65	Mar. 14	Planes, tin plate, oil	Repairs.	Australia
Am. S/S Courageous	New York	Mar. 8	Mar. 9	62	Mar. 14	Steel		Br.Ministry, Buenos Aires
Br. S/S Moorby	New York	Mar. 8	Mar. 12	5	Mar. 21	Tires, airplane parts, ammuni- tion	Discharging ballast.	Egypt
Swed. S/S Kirrebooks	Los Angeles	Mar. 9	Mar. 9	90	Mar. 14	Ammunition, guns, planes		Australia
Br. S/S Thursotank	New York	Mar. 10	Mar. 12	5	Mar. 13	Chains, cable	Discharging ballast.	Suez
Arg. S/S Buolia	San Fran.	Mar. 11	Mar. 13	-	Unknown	Aircraft engines, drugs		Australia

TREASURY DEPARTMENT

330

INTER OFFICE COMMUNICATION

DATE March 13, 1942.

TO Secretary Morgenthau

FROM Mr. Kamarek

Subject: Shipment of Planes to British Forces.

1. In the week ending March 10, 1942, a total of 110 combat planes (no trainers) were shipped to British forces.

2. Evidently, the British are concentrating some of their naval forces off India. This week's statement reports the shipment of nine Grumman Martlet fighters to India. The Martlets are designed for use from aircraft carriers. Presumably the British have, or will soon have, a carrier in the Indian Ocean.

3. A variation of the Lockheed Ventura reconnaissance bomber is mentioned for the first time this week. The Ventura I is designed primarily for long-distance reconnaissance; the Ventura Bomber is designed primarily for bomb carrying and carries more bombs and less gas than the Ventura I.

- 2 -

Table A - Shipments by Area

	Week Ending March 15, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	14	19	1,143
Heavy bombers	2	2	106
Naval patrol bombers	0	8	110
Pursuit	67	358	669
Army Cooperation	1	22	53
Trainers	0	20	24
Total to the United Kingdom	84	409	2,105
<u>To the Middle East</u>			
Light and medium bombers	11	110	440
Heavy bombers	0	0	5
Pursuit	0	149	997
Army Cooperation	0	12	12
Trainers	0	8	150
Total to the Middle East	11	279	1,604
<u>To the Canadian Forces</u>			
Light and medium bombers	0	4	58
Naval patrol bombers	0	11	19
Pursuit	2	30	72
Trainers	0	125	1,299
Total to the Canadian Forces	2	170	1,448
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	35	130
Naval patrol bombers	0	0	27
Pursuit	9	19	187
Trainers	0	0	105
Total to Pacific Forces	9	54	449
<u>To the Forces in Russia</u>			
Light and medium bombers	4	33	77
Pursuit	0	0	49
Total to Russian Forces	4	33	126
<u>Total</u>			
Light and medium bombers	29	201	1,848
Heavy bombers	2	2	111
Naval patrol bombers	0	19	156
Pursuit	78	556	1,974
Army Cooperation	1	34	65
Trainers	0	133	1,578
Totals	110	945	5,732

Table B - Shipments by Types

	Week Ending <u>March 10, 1942</u>	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
Bell Airacobra	63	169	323
Boeing B-17	0	0	20
Boston III	9	22	61
Brewster Buffalo	0	0	168
Cessna T-50	0	86	634
Consolidated Catalina	0	19	156
Liberator	2	2	91
Curtiss Kittyhawk	2	191	573
Tomahawk	0	0	593
Douglas Boston I and II	0	0	82
Boston III	0	16	455
Fairchild 24 R-9	0	24	46
Glenn Martin Baltimore	11	113	181
Maryland	0	0	150
Grumman Martlet II	9	14	55
Lockheed Hudson	0	37	856
" Lightning	0	3	3
" Ventura I	8	12	12
" Ventura Bomber	1	1	1
North American Harvard II	0	47	944
Mustang	4	179	259
Pitcairn Autogiro	0	0	5
Vought Sikorsky Chesapeake	0	0	50
Vultee Stinson-O49	<u>1</u>	<u>10</u>	<u>14</u>
Grand Total - All Types	110	945	5,732

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>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
March 10, 1942	<u>29</u>	<u>2</u>	<u>0</u>	<u>78</u>	<u>1</u>	<u>0</u>	<u>110</u>
Total shipments since January 1, 1941 to date	1,848	111	156	1,974	65	1,578	5,732

TREASURY DEPARTMENT

334

INTER OFFICE COMMUNICATION

DATE March 13, 1942.

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: The Shipping Situation
(charts attached)
returned

1. According to the preliminary figures, merchant marine losses in February increased sharply to almost 500,000 tons. These losses have been exceeded in only four months of the present war: June, 1940 (Dunkerque evacuation); March, April, May, 1941 (Axis Spring air and submarine offensive, evacuation of Greece and evacuation of Crete).

2. Losses in February were considerably greater than launchings. In spite of a continual increase in launchings, on balance over the past eight months, sinkings have been large enough to result in a small net decrease in the amount of shipping available. At the same time, demand for shipping has greatly increased.

3. The February sinkings bring the total of losses of Allied and neutral shipping in the present war to over 9,000,000 gross tons, or equivalent to half of the British pre-war fleet. If the Axis losses of over 3,000,000 tons are counted in, about one-fifth of the world's merchant shipping has been destroyed.

4. Experience has verified our conclusions of over a year ago. In our study of December, 1940, the points were made that the British shipping situation was not then critical. However, the British request that the United States increase its ship-building rate by at least 3,000,000 tons was judged to be reasonable. This was because a reserve of shipping was needed for a possible rise in losses, to meet new military and naval demands and "to supply possible continental allies." All of these contingencies have since occurred and are stretching the available shipping to the limit.

Military Intelligence in its study, furnished to the Treasury and prepared around the same time, on the other hand, concluded that the British would have a surplus of a million and a half tons over minimum requirements on December 31, 1941. Naval Intelligence refused to commit itself on the ground that the available data were insufficient.

March 15, 1949

Mr. Liversy
D. V. Bell

Referring to telephone conversation, will you please send the following cable to the American Consulate General, Sydney, Australia:

From Treasury.

With reference to cable No. 85 dated March 12 sent by the Commonwealth Bank of Australia, Sydney, to the Federal Reserve Bank of New York, the following procedure is suggested with respect to checks drawn on the Treasurer of the United States.

1. All United States dollar checks drawn on the Treasurer of the United States negotiated by the Commonwealth Bank of Australia are to be delivered to the American Consul General, Sydney, accompanied by a list in triplicate with complete description each check as follows: name of drawer; symbol number; check number; amount; payee's name; date of check.

Consular officer will carefully verify checks against list and advise Treasury by wire through State Department aggregate amount of checks delivered by bank. Upon receipt of this advice, Treasury will effect credit in corresponding amount to account of Commonwealth Bank of Australia, Sydney, with the Federal Reserve Bank of New York.

Consular officer should instruct Commonwealth Bank of Australia to use all possible diligence in identification of payee and determining validity of endorsements. The Commonwealth Bank of Australia should endorse checks as follows: Quote. Pay to the

-2-

order of Treasurer of the United States for credit of our account with the Federal Reserve Bank of New York. Signed Commonwealth Bank of Australia. Unquote. Treasury will look to bank only for usual guaranty under laws applicable in Australia.

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

2. Consular officer should make no arrangements for insurance as shipments will be covered by Government Losses in Shipment Act.

3. The designation of the Commonwealth Bank of Australia, Sydney, as a depository of public monies of the United States is hereby extended to carry out the procedure outlined in this telegram.

4. Please advise Commonwealth Bank of Australia, Sydney, and other United States Government officials appropriate parts hereof."

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

FD:dm: 3/13/43

Treasury Department 337
Division of Monetary Research

Date March 19 1942

To: Miss Chauncey

From: H. D. White

I think the Secretary will be interested in seeing this.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 13, 1942

TO Mr. White
FROM Mr. Friedman
Subject: Digest of cable for Fox from Mr. Adler.

1. Meeting of Chinese members of Stabilization Board and banking and financial experts called by Dr. Kung.
2. Dr. Kung stated that on the advice of New York bankers T. V. Soong had recommended:
 - (a) That the exchange rate be lowered to four cents;
 - (b) That loan be used as a guarantee to encourage new savings deposits in Chinese banks;
 - (c) That savings deposits be redeemable in foreign exchange after period of years;
 - (d) That Stabilization Board might be used to carry out (b) and (c).
3. Dr. Kung favored rate of five cents.
4. Dr. Kung said that the Generalissimo desired to have a stock market in Chinese Government securities opened in Chungking.
5. Dr. Kung opposed the unfreezing of Chinese assets in the United States.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China.

DATE: March 11, 1942, 10 a.m.

NO.: 218.

This is message TF-20 and is strictly confidential for Mr. Fox, care of the Secretary of the Treasury, from Mr. Adler.

1. It has been informally reported by Chinese members of the Board that a meeting of Chinese Board members and banking and financial experts was called by Dr. Kung on the 9th of March.

Dr. Kung stated that on the advice of New York bankers Mr. T. V. Soong had made the following recommendations:

- a. That the exchange rate be lowered to four cents;
- b. That the loan be used as a guarantee to encourage new savings deposits in Chinese banks;
- c. That such savings deposits be redeemable for about one, two, and three years in foreign exchange; and
- d. That the Stabilization Board be used possible as an instrumentality to carry out (b) and (c).

Dr. Kung regarded the reduction suggested in (a) as too precipitous and he was inclined to regard with favor a rate of five cents. Also, in connection with proposed dollar backed issues, there is inclination on his part towards using differential exchange rates. Nothing definite emerged from the

the meeting, the whole discussion being tentative.

2. Participants of the meeting were told by Dr. Kung that the Generalissimo desires to have a stock market in Chinese Government securities opened in Chungking. He added that if there is such development of a stock market, it should include a market in grain futures, if possible.

3. Head of Bank of Communications, Minister of Food, and newly appointed (?) Secretary of Central Bank argued strongly at the meeting for restoring free exchange market here and for unfreezing Chinese assets in the U.S. but these suggestions were opposed by Dr. Kung.

4. We have just received your cable of March 4 and your proposal (?) to the next meeting of the Board.

This is the end of the message from Mr. Adler.

GAUSS

C
O
P
Y

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

Yunanfu via Chungking & NR

Dated March 13, 1942

Rec'd 9:18 a.m.; 17th

Secretary of State,

Washington.

March 13, 4 p.m.

Reference my telegrams of November 19, 4 p.m.
and November 24, noon.

Rice price situation has again become acute in Kunming and Provincial Government has established a few retail depots where sales are fixed at \$465 per picul with poorest grade only now available there. Black market rate for better qualities is between six hundred and seven hundred dollars per picul. Chairman Lung Yun in a public speech has stated that speculators and dishonest merchants are chiefly responsible for the situation which is artificial. He has threatened severe punishment for profiteers and commercial sales are said to be closely supervised with consequent closure of many shops. With completion of new census, residence cards will be issued to populace for use in buying public rice.

PERKINS

WWC

Copy:bj:3-18-42

C
O
P
Y

March 13, 1942

Mr. Livesey

Mr. D. W. Bell

Will you please send the following cable to the American Embassy
Chungking, China:

"From Treasury:

With reference to cable No. 101, February 14, 2 p.m.
paragraph 4, please advise the Central Bank of China, Chungking,
that its designation as a depositary of public moneys of the
United States has now been extended to permit that bank to accept
deposits and maintain accounts to the official credit of United
States Army and Navy officials. Advise Lieut. General Stillwell
and other Army and Navy officials accordingly. Please bring to
the attention of the officials of the Army and Navy that their
local currency requirements should, so far as possible, be met
in accordance with cable No. 101, paragraph 6."

EDS:AD:ew

Copy:lc:3/13/42

TELEGRAM SENT

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

March 13, 1942

11 a.m.

AMEMBASSY

CHUNGKING, (CHINA).

170

FROM TREASURY

QUOTE With reference to cable no. 101,
February 14, 2 p.m. paragraph 4, please advise
the Central Bank of China, Chungking, that its
designation as a depository of public moneys
of the United States has now been extended to
permit that bank to accept deposits and maintain
accounts to the official credit of United States
Army and Navy officials. Advise Lieut. General
Stillwell and other Army and Navy officials
accordingly. Please bring to the attention of
the officials of the Army and Navy that their
local currency requirements should, so far as
possible, be met in accordance with cable no. 101,
paragraph 6. END QUOTE

WELLES
(Acting)
(FL)

FD:FL:ME

REQUIREDAIR MAIL

(In accordance with Department's un-numbered circular instruction of February 10, 1942, file No. 851.5 x 851.51)

No. 142

CUBAN HOLDINGS OF GOLD, SILVER AND
FOREIGN EXCHANGE AND RESERVE REQUIREMENTS

From:

Albert F. Nufer
Commercial Attache

American Embassy, Date of Completion: March 12, 1942
Habana, Cuba Date of Mailing: March 13, 1942

Approved:

Ellis C. Briggs
Charge d'Affaires ad interim

File No. 851.5 x 851.51
AFN/cd

Distribution:

Original and six copies to Department
One copy to Consulate General

No Central Bank
or Bank of Issue in Cuba

There is no central bank or bank of issue in Cuba, nor any private institution authorized to issue coin or currency.

Reserve Require-
ments of Commercial Banks

Commercial banks operating in Cuba must, according to Article 180 of the Cuban Code of Commerce, maintain cash reserves equal to at least 25 per cent of their total deposits*.

According to the Cuban Monetary Law of October 29, 1914 (as modified by Decree-Law No. 410 of August 10, 1934), the dollar is legal tender in Cuba; banks therefore carry deposits in United States currency and in Cuban currency**. On August 2, 1938, the Cuban Ministry of Finance (in an effort to bolster the then declining exchange value of the Cuban silver peso) issued a resolution requiring local banks to maintain

*The President of Cuba, in a message to Congress of February 7, 1942, recommended the enactment of legislation which, inter alia, would permit the reduction of the minimum reserve requirements of local banks from 25 per cent of their total deposits to 12-1/2 per cent. The corresponding bill was approved by the Cuban Senate on February 28, 1942, and is now before the House. Please see report No. 141 of March 5, 1942, "Financial Report for Fortnight Ended February 28, 1942".

**The theoretical Cuban monetary unit is the gold peso, which is of the same weight and fineness as the gold dollar. The Cuban silver certificate, which is the currency actually in circulation in Cuba, is guaranteed by one silver peso coins which are also of the same weight and fineness as our silver dollar.

maintain at least three-fourths of their legal cash reserves in Cuban silver pesos. The percentage of the reserves which banks were thus required to maintain in Cuban silver pesos was reduced to 56 per cent by a Resolution of June 24, 1941, while a subsequent Resolution issued on December 31, 1941, when the exchange value of the Cuban silver peso (due to a material improvement in economic conditions and an attendant increase in the demand for circulating media) was again more or less at par with the dollar, provided that thenceforth the banks' minimum cash reserves should be maintained in the legal tender currencies (dollars or pesos) in which the deposits were made*.

Required Reserves against
Notes (Silver Certificates) Is-
sued by the Cuban Government

The Cuban Government itself has from time to time during recent years issued silver certificates in an aggregate nominal amount of 79,478,712 pesos. Decree-Law No. 176 of April 28, 1934, which authorized the issue of silver certificates, provided that they were to be guaranteed by an equivalent amount of one peso Cuban silver coins (which were given unlimited legal tender value by Decree-Law No. 244 of May 22, 1934) deposited in the Cuban Treasury.

A total of 78,238,000 pesos in silver certificates

have

*Please see report No. 137 of January 7, 1942,
"Financial Report for Fortnight Ended January 3, 1942".

-3-

have been issued against silver peso coins and, pursuant to a law of December 30, 1939, an additional 1,240,710 pesos in silver certificates were issued against an equivalent amount of gold coin in the Treasury*.

Gold, Silver And
Foreign Exchange Holdings
of Cuban Government

On December 31, 1941, there were in the Cuban Treasury 79,230,000 pesos in silver coin (including fractional silver money) and 1,240,712 pesos in gold coin. Of these amounts, 78,238,000 pesos in silver coin and 1,240,712 pesos in gold coin represented, as previously mentioned, the coverage for the 79,478,712 pesos in silver certificates which the Cuban Government has issued to date.

As previously mentioned, the dollar has unlimited legal tender value in Cuba; moreover, a law of July 8, 1939 made, in effect, and with certain exceptions, dollar obligations payable in pesos and vice versa. For that reason, United States currency held or circulating in Cuba cannot be considered as foreign exchange. Therefore, although the Cuban Treasury on December 31, 1941, had a balance of 337,745 dollars in

* The gold coin in the Treasury against which the above mentioned 1,240,712 pesos in silver certificates were issued was calculated on the basis of 8886/10,000 of a gram of fine gold per peso, which represents the fine gold content of the theoretical Cuban monetary unit, i.e., the gold peso, as fixed by Decree-Law No. 410 of August 10, 1934.

- 4 -

in its so-called Exchange Stabilization Fund*, only a part of this amount, namely, 136,733 dollars, which were held abroad, i.e., on deposit with the Manufacturers Trust Company in New York, the Fund's fiscal agents, can properly be considered as the Cuban Government's dollar exchange holdings on that date. No sterling or other foreign exchange was held by the Cuban Government on December 31, 1941.

Foreign Exchange Held
by Commercial Banks and Other
Private Entities

Existing regulations permit the holding of foreign exchange by commercial banks and private individuals and concerns. As previously mentioned, however, United

States

*The Exchange Stabilization Fund was created by Decree No. 1358 of June 20, 1939, which required exporters of Cuban products to pay a certain percentage of the dollar proceeds from their sales abroad into the Fund, in exchange for pesos at par. In practice the decree was applied only to exports of sugars and syrups and the percentage which exporters of these products were required to pay into the Fund in exchange for pesos at par was originally fixed at 20 per cent, but increased to 30 per cent by Decree No. 2232 of September 12, 1939. The purpose of the Fund was primarily to assure the Government of an adequate supply of dollar exchange with which to meet its foreign debt obligations, as the peso at the time the Fund was created was at a substantial discount in terms of the dollar. As a result of the recent improvement in the exchange value of the peso, which is now at a slight premium over the dollar, the operation of the Fund has become unprofitable. The Government nevertheless does not propose to abolish the Fund, as it is felt that it will be a valuable adjunct to the central bank which Cuba proposes to establish, but an Administrative Order issued by the Ministry of Finance on February 25, 1942, reduced the amount of dollars which exporters of sugars and syrups must deliver to the Fund in exchange for pesos to only 1 per cent.

States currency circulating in Cuba cannot properly be considered as foreign exchange although dollar deposits by local banks with the parent concerns and correspondents abroad may be so considered. On December 31, 1941, the several banks operating in Cuba had a net total of 22,384,274 dollars on deposit with their parent concerns and correspondents abroad, which amount therefore represents their foreign exchange holdings on that date.

No data are available as to the dollar and sterling exchange holdings of private individuals and concerns. Some local business enterprises reportedly maintain dollar balances in the United States and it has been the custom for many years among certain well-to-do Cubans to place a part of their cash resources abroad. The amount of the foreign exchange thus held by private individuals and concerns has been estimated at from \$15,000,000 to \$20,000,000, although the actual amount may be considerably at variance with this estimate*.

The amount of sterling held by commercial banks or other private entities is believed to be insignificant. In former years part of the funds carried abroad by wealthy Cubans were placed in London, but it is understood that since the outbreak of the present war this practice has been largely discontinued.

*More accurate information on the dollar balances held in the United States by concerns and individuals in Cuba can doubtless be obtained direct from banks in the United States. It is understood that the United States Government is presently inquiring as to the nationality of the owners of deposits in American banks and if so, the information under reference can assumedly be obtained in the course of that investigation.

File No. 851.5 x 851.51
APR/cd

- 5 (a) -

Sources: Treasury contacts; banking contacts;
Ministry of Finance statistics; other
material on file in Embassy.

File No. 851.5 x 851.51
AFN/cd

Copy:eh:bj:3-23-42

PARAPHRASE OF TELEGRAM SENT

TO: American Commissioner, New Delhi, India

DATE: March 13, 1942, 11 a.m.

NO.: 50

Reference is made to telegram no. 58, sent on the 28th of February at 1 p.m. by the American Commissioner.

Following is a message from Treasury.

The appropriate British official in Washington has been given the contents of your telegram under reference. He is communicating with London. Any further developments will be made known to you.

WELLES
Acting
(FL)

C
O
P
YDEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD 740.0011 European War,
1939/19998

March 13, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of a paraphrase of an excerpt from a telegram dated March 7, 1942 from the American Consul Casablanca, Morocco, transmitting a message from Mr. Murphy.

Enclosure:

From Consul, Casablanca,
March 7, 1942.

Copy:lc:3/13/42

C
O
P
Y

353

PARAPHRASE OF EXCERPT FROM TELEGRAM

FROM: American Consulate, Casablanca, Morocco

DATE: March 7, 1942

A prominent French businessman, who recently arrived here, asked me yesterday why nothing had been done to prevent the flow of Polish and Belgian gold to Germany through Algiers and Marseilles. (Refer to my telegrams from Algiers) He stated that 205 tons of Polish and Belgian gold out of a total of 325 tons which were stored in Africa have been shipped already. He has information that three Lufthansa planes are now being made available by the Germans to ship the remaining 120 tons to Marseilles from Algiers.

Copy:bj:3-13-42

March 13, 1942. **354**

Note:

Approximately \$548,000 in gold is
being sold to De Surinaamsche Bank today.

F. D.

AIR MAIL

355

DE SURINAAMSCHE BANK N. Y.

Telegramadres: Bank.

PARAMARIBO, 6th November 1941.

The Federal Reserve Bank,
NEW YORK, N.Y.

Dear Sirs,

Some time ago we requested the Chase National Bank at your place to furnish us with some particulars regarding the possibility of purchasing gold bars and having them earmarked in order to strengthen the cover of the banknotes issued by our institution. In their reply the Chase National Bank intimated that we had to approach you directly in the matter, as your institution is the only one authorized to purchase and to earmark gold. The same information has reached us in the meantime from the Royal Netherlands Legation at Washington.

As the Board of Directors of our Bank has deemed it desirable to have under earmark gold to a value of \$530,000.- up to \$550,000.- for the purpose of partial cover of the banknotes issued by us, we should feel extremely obliged by your rendering us your assistance in buying gold under earmark up to the abovementioned amount. In the event our request would meet with no objections either from you or from the United States Treasury Department, to which we understand you have to apply for a licence, we shall be glad to receive your conditions for buying gold and holding same for our account under earmark.

For your information we may mention that our institution is the Central Bank for Surinam, in which capacity we have been operating since 1865 with the exclusive right to issue banknotes in this country.

Herewith we are enclosing a certified list of signatures engaging the Bank, whilst a copy of our by-laws and statutes are at your disposal at the Royal Netherlands Legation at Washington.

In the meantime we have authorized the Chase National Bank of New York, Pine Street Corner of Nassau, New York, to pay to you on your request up to \$550,000.- for the purchase of gold.

Thanking you beforehand for your co-operation and soliciting the favour of a reply by airmail at your earliest convenience, we beg to remain, dear Sirs

Yours faithfully,

DE SURINAAMSCHE BANK,

COPT - am - 4/13/42

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 13, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	\$34,000
Purchased from commercial concerns	\$84,000

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

The Canadian dollar discount widened to 12-1/16% by the close, as compared with 11-1/4% two weeks ago. The general easiness of the rate so far this month may reflect some liquidation of Canadian balances by Americans for tax purposes. It is also reported that some advance payments in Canadian dollars have been made since the beginning of March to holders of Canadian Pacific Railway bonds coming due on March 15. American holders may have been attempting to convert the funds received into U. S. dollars.

The Argentine free peso, which closed at .2361 yesterday, advanced to a final quotation of .2367 today.

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

Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2004
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2820
Cuban peso	7/32% premium

It was reported that one of the commercial banks in Portugal cabled its New York correspondents that it was no longer a buyer of dollars. It is not yet known whether this represents a general condition in Portugal or whether action has simply been taken by a single bank. Portuguese banks have been quoting a buying rate for dollars of 24.55 escudos, equivalent to \$.0407 for that currency.

The Federal Reserve Bank of New York purchased 355,000 Swedish kronor in New York at the rate of .2385-1/2 by order and for account of the Central Bank of the Uruguayan Republic. The latter advised that these kronor were being used to pay for imports into Uruguay.

- 2 -

In order to increase the Stabilization Fund's gold balance, we purchased \$2,000,000 in gold from the General Fund through the New York Assay Office.

No new gold engagements were reported.

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

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

We made no purchases of silver today.

**CONFIDENTIAL**

BRITISH MOST SECRET

(U.S. SECRET)

398

CPTEL NO. 85.

Information received up to 7 A.M. 13th March 1942.

1. NAVAL.

A Russian submarine was damaged by depth charges north MURMANSK on the 12th. On the 12th an Armed Merchant Cruiser intercepted a Spanish vessel 300 miles south of Cape Verde Islands.

2. MILITARY.

Libya. 11th. Normal patrol activity.

Burma. 10th. Our withdrawal up the Rangoon - Prome road has continued without enemy interference.

3. AIR OPERATIONS.

Western Front. 12th. Our Fighters destroyed an enemy aircraft off North Wales and set fire to a minesweeper near Dunkirk.

12th/13th. 135 aircraft were sent out. Kiel 68. Emden 40. Sea mining off German coast 26. Leaflets Rouen 1. 7 aircraft missing. At Kiel about 70% attacked. Weather good, slight haze. Bursts seen in shipyards and Naval barracks, fires started. Intense A/A and searchlights. Emden very few aircraft attacked. Almost complete cloud. Results unobserved. 13 R.C.A.F., 3 R.A.A.F. and 11 New Zealand aircraft took part without casualties.

Libya. 11th Tomohawks protecting shipping off Sidi Barrani shot down one enemy aircraft. Probably destroyed another and damaged two more.

Malta. 12th. 58 enemy aircraft attacked Taqali aerodrome damaging service buildings and motor transport and making numerous craters.

Burma. Blenheims bombed railway bridges south of Nyaunglebin. On the 10th enemy aircraft damaged railway yards at Letpadan Junction 10 miles north of Tharrawaddy.

RESTRICTED

MID 319.1
Situation
8-11-41

No. 657 M.I.D., W.D. 11:00 A.M., March 13, 1942.

SITUATION REPORTI. Pacific Theater.

Philippines: Nothing to report. Burma: The Chinese continue to build up their forces in central and eastern Burma to block the roads to Mandalay and the upper Burma Road. British forces withdrawing from Rangoon will extend the Chinese line to the west. Australia: Heavy air action occurred in the New Guinea area where the Japanese seem to be headed for airfields in central New Guinea in preparation for an assault on Port Moresby. Japanese vessels have been severely handled by Allied bombers.

II. Western Theater.

The Air Ministry reports that British bombers carried out a heavy attack on the north German Base of Kiel on the night of March 12-13.

III. Eastern Theater.

Hard fighting continues especially on the southern front. There is no change in the general situation. (A situation map will not be issued this date.)

IV. Middle Eastern Theater.

No change in ground situation. R.A.F. bomb attack Benghazi and Axis air forces continue aerial bombardment of Malta.

RESTRICTED

N. B. 8. 1

ADDRESS BUREAU OF SHIPS, NAVY DEPARTMENT
AND REFER TO NO.NAVY DEPARTMENT
BUREAU OF SHIPS
WASHINGTON, D. C.

ENCLOSURES

March 14, 1942

Hon. Henry Morgenthau.

Dear Mr Morgenthau:

I received word from Chicago yesterday that the Collector of Internal Revenue had accepted tax anticipation bonds held by me in payment of Mrs Kurfess and my tax due Mar 15.

I want you to know that I deeply appreciate your courtesy and above all the gracious way in which you took care of this matter. I shall remember it a long time as it saved me much worry.

Very respectfully
W J KurfessLieut. Comdr USNR
2120 16th St NW

S. B. 8-1

ADDRESS BUREAU OF SHIPS, NAVY DEPARTMENT
AND REFER TO NO.NAVY DEPARTMENT
BUREAU OF SHIPS
WASHINGTON, D. C.

ENCLOSURES

March 14, 1942

Hon. Henry Morgenthau.

Dear Mr. Morgenthau:

I received word from Chicago yesterday that the Collector of Internal Revenue had accepted tax anticipation bonds held by me in payment of Mrs. Kurtess and my tax due Mar 15.

I want you to know that I deeply appreciate your courtesy and above all the gracious way in which you took care of this matter. I shall remember it a long time as it saved me much worry.

Very respectfully

W J Kurtess

Lieut. Comdr USNR
2120 16th St NW

STRICTLY 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
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	-
7	211	none-closed	25,630	625
8	none-closed	none-closed	25,630	-
9	344	500	25,786	-
10	123	500	26,163	-
11	192	300	26,271	-
12	157	300	26,414	800
13	193	300	26,521	-

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

March 14, 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 Eleven Business Days of March, February and January 1942
(March 1-13, February 1-13, January 1-13)
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	\$ 40,003	\$ 47,158	\$ 72,127	-\$ 7,155	-\$ 24,969	- 15.2%	- 34.6%
Series E - Banks	<u>118,956</u>	<u>178,899</u>	<u>188,400</u>	- <u>59,943</u>	- <u>9,501</u>	- <u>33.5</u>	- <u>5.0</u>
Series E - Total	158,959	226,057	260,527	- 67,098	- 34,470	- 29.7	- 13.2
Series F - Banks	20,394	29,433	27,386	- 9,039	2,047	- 30.7	7.5
Series G - Banks	<u>89,532</u>	<u>146,008</u>	<u>110,439</u>	- <u>56,476</u>	<u>35,569</u>	- <u>38.7</u>	<u>32.2</u>
Total	<u>\$268,884</u>	<u>\$401,499</u>	<u>\$398,352</u>	- <u>\$132,615</u>	\$ <u>3,147</u>	- <u>33.0%</u>	<u>0.8%</u>

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

March 14, 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.

CONFIDENTIAL

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
7	3,480	11,586	1,586	6,328	19,499	15,066	1,586	6,328	22,979
9	4,967	18,636	3,944	8,488	31,068	23,604	3,944	8,488	36,035
10	2,804	5,719	1,365	4,162	11,246	8,523	1,365	4,162	14,050
11	3,156	10,002	1,533	7,287	18,823	13,158	1,533	7,287	21,979
12	2,686	8,114	1,133	5,504	14,750	10,800	1,133	5,504	17,436
13	2,682	10,594	1,065	5,007	16,666	13,276	1,065	5,007	19,348
Total	\$ 40,003	\$118,956	\$ 20,394	\$ 89,532	\$228,881	\$158,959	\$ 20,394	\$ 89,532	\$268,884

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

March 14, 1942.

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

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

Regraded Unclassified

March 14, 1942

Dear Mr. Seubert:

Thank you for your telegram of March 10, 1942, in regard to Dr. Robert E. Wilson.

I appreciate very much your help in making him available for service as a director of General Aniline & Film Corporation.

Sincerely yours,

(Signed) H. Wergenthau, JR.

E. G. Seubert, Esq.,
President,
Standard Oil Company of Indiana,
Chicago, Illinois.

EHF:vlb - 3/14/42

*Photo file n.m.c.
File to Thompson*

1212145 71 11 47

WELL 63/62 SER 1 EXTRA

CHICAGO ILL MAR 10 1942 948A

HENRY MORGENTHAU JR

SECRETARY OF THE TREASURY

REYURTEL NINTH. IN SPITE OF HEAVY LOAD DR. WILSON IS CARRYING
IN DEFENSE MATTERS WE ARE WILLING THAT HE DEVOTE HALF TO
TWO-THIRDS OF HIS TIME FOR THE FIRST MONTH TO GENERAL
ANILINE & FILM CORPORATION, WITH UNDERSTANDING THAT IF
POSSIBLE HE WILL BE REPLACED OR IN ANY CASE THE DEMANDS ON
HIS TIME WILL BE VERY MODERATE AFTER FIRST MONTH

E G SEUBERT PRESIDENT STANDARD OIL CO OF
INDIANA.

1141A..

P
H

T
R
E
A
S
U
R
Y
T
E
L
E
G
R
A
P
H
T
R
E
A
S
U
R
Y
T



OFFICE OF THE DIRECTOR

366

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

March 14, 1942

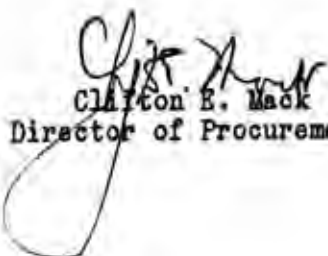
MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended March 14, 1942.

The transportation situation, likewise the matter of working out with the War Production Board the means whereby we will obtain deliveries in accordance with production allocation schedules are two major considerations.

As a result of your efforts, it is believed the transportation situation will be cleared up within the next day or two through the issuance of an Executive Order designating unified control.

The problem of obtaining deliveries as scheduled in allocations is being given most active attention.


Clifton E. Mack
Director of Procurement

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF MARCH 14, 1942

	Total	U. K.	RUSSIA	CHINA	ADMINISTRATIVE EXPENSES	UNDISTRIBUTED & MISCELLANEOUS
Allocations	\$932.0 (932.0)	\$607.6 (602.2)	\$195.6 (181.0)	\$ 49.3 (56.2)	\$.9 (.9)	\$ 78.6 (91.7)
Purchase Authoriza- tion (Requisitions)	\$780.3 (752.5)	\$549.1 (529.4)	\$184.8 (178.5)	\$ 43.1 (41.3)	-	\$ 3.3 (3.3)
Requisitions cleared for purchase	\$714.5 (689.6)	\$514.7 (504.2)	\$156.7 (144.0)	\$ 39.8 (38.9)	-	\$ 3.3 (2.5)
Obligations (Pur- chases)	\$670.6 (629.4)	\$489.8 (478.4)	\$143.4 (113.6)	\$ 35.0 (35.0)	.6 (.6)	\$ 1.8 (1.8)
*Deliveries to For- eign Governments at U. S. Ports	\$232.8 (222.0)	\$200.7 (195.2)	\$ 17.5 (12.7)	\$ 14.3 (13.9)	-	\$.3 (.2)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of March 7, 1942.

EXPLANATION OF CHANGESAllocations:

There was a net increase for the week in allocations of \$1531.23.

The allocations of United Kingdom and Russia increased \$5,407,956.29 and \$14,562,343.95, respectively.

The Chinese allocations decreased \$6,823,121.50, the funds reverting to undistributed allocations as a result of the cancellation of two requisitions for gasoline.

The Purchase Authorizations, Requisitions Cleared for Purchase, Obligations, and Deliveries to Foreign Governments at U. S. Ports show increases in total and with respect to each of the requisitioning governments.

For Miss Chauncey


369

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

March 14, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended March 4, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.



3/14/42

C
O
P
Y

Chauncey

370

FEDERAL RESERVE BANK
OF NEW YORK

March 12, 1942

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. E. D. White

I am enclosing our compilation for the week ended March 4, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy:vw:3-13-42

Strictly
Confidential

*For monthly breakdown see table prior to April 23, 1943.
**For monthly breakdown see table prior to October 8, 1941.

- (c) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (f) Includes \$4.3 million transferred to official Canadian account here.
- (g) Includes:
- (1) \$40 million received from R.F.C. as further advance on \$425 million loan secured by British-owned securities and direct investments in U. S. (Total extended so far - \$390 million.);
 - (2) \$7.4 million received from New York accounts of British authorized banks;
 - (3) \$1.3 million received from New York account of Bank de l'Indo Chine, Noumea, by order of Government of New Caledonia;
 - (4) \$2.5 million presumably representing proceeds of wool exports to U. S.

PERIOD	DEBITS									CREDITS									Net Incr. (+) or Decr. (-) in Balance
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits				
						For Own A/C	For French A/C												
First year of war (8/29/39-8/28/40)*	223.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9			
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	30.1	12.3	+ 4.5			
Second year of war (8/29/40-8/27/41)**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	51.2	62.9	18.3	+ 9.0			
Aug. 28 - Oct. 1 1941	23.1	-	23.1	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	- 7.9			
Oct. 2 - Oct. 29	27.4	-	27.4	19.7	11.9	-	-	7.8	- 17.7	8.2	5.5	2.7	8.0	5.9	2.1	+ 0.2			
Oct. 30 - Dec. 3	52.8	0.1	52.7	32.5	19.3	-	-	13.2	- 20.3	10.3	6.9	3.4	11.6	9.6	2.0	+ 1.3			
Dec. 4 - Dec. 31	47.7	-	47.7	22.2	17.3	-	-	4.9	- 25.5	3.9	1.8	2.1	2.8	6.2	2.6	- 1.2			
1942																			
Jan. 1 - Jan. 28	39.5	-	39.5	13.0	27.0	-	-	6.0	- 6.5	4.5	-	4.5	10.8	-	10.8	+ 6.3			
Jan. 29 - Feb. 25	34.1	-	34.1	35.7	12.4	-	-	23.3	+ 1.6	8.4	5.3	3.1	1.6	-	1.6	- 6.8			
WEEK ENDED:																			
Feb. 11	5.2	-	5.2	10.4	5.9	-	-	4.9	+ 5.6	1.5	-	1.5	0.1	-	0.1	- 1.4			
18	16.4	-	16.4	10.3	3.3	-	-	7.0	- 6.1	0.2	-	0.2	0.2	-	0.2	-			
25	4.9	-	4.9	5.9	2.7	-	-	3.2	+ 1.0	0.2	-	0.2	0.6	-	0.6	+ 0.4			
Mar. 4	8.1	-	8.1	52.4	2.6	4.3	-	45.5(a)	+ 44.3	2.1	-	2.1	0.4	-	0.4	- 1.7			

Weekly Average of Total Debits Since Outbreak of War

through March 4, 1942 \$ 7.8 million

* For monthly breakdown see tabulations prior to April 23, 1941.

** For monthly breakdown see tabulations prior to October 8, 1941.

(a) Includes nearly \$40 million representing proceeds of U. S. Government checks deposited by War Supplies, Ltd.

C
O
P
Y

374

6892

ELP

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

Rio de Janeiro

Dated March 14, 1942.

Rec'd 6:07 p.m.

Secretary of State,

Washington.

865, March 14, 3 p.m.

The legislation has seriously affected banking
and commercial transactions in Rio de Janeiro, Sao
Paulo and other banking houses. Government officials
will meet on Monday to draft the regulations. Inform
Commerce and Treasury.

CAFFERY

NK

Copy:bj:4-3-42

TELEGRAM SENT

PH

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

March 14, 1942

1 p.m.

AMERICAN CONSUL

SYDNEY (AUSTRALIA)

100

FROM TREASURY

QUOTE With reference to cable No. 53 dated March 12 sent by the Commonwealth Bank of Australia, Sydney, to the Federal Reserve Bank of New York, the following procedure is suggested with respect to checks drawn on the Treasurer of the United States.

1. All United States dollar checks drawn on the Treasurer of the United States negotiated by the Commonwealth Bank of Australia are to be delivered to the American Consul General, Sydney, accompanied by a list in triplicate with complete description each check as follows: name of drawer; symbol number; check number; amount; payee's name; date of check.

Consular officer will carefully verify checks against list and advise Treasury by wire through State Department aggregate amount of checks delivered by bank.

-2-#100, March 14, 1 p.m. to Sydney.

by bank. Upon receipt of this advice, Treasury will effect credit in corresponding amount to account of Commonwealth Bank of Australia, Sydney, with the Federal Reserve Bank of New York.

Consular officer should instruct Commonwealth Bank of Australia to use all possible diligence in identification of payee and determining validity of endorsements. The commonwealth Bank of Australia should endorse checks as follows: INNER QUOTE. Pay to the order of Treasurer of the United States for credit of our account with the Federal Reserve Bank of New York. Signed Commonwealth Bank of Australia. END INNER QUOTE. Treasury will look to bank only for usual guaranty under laws applicable in Australia.

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

2. Consular officer should make no arrangements for insurance as shipments will be covered by Government losses in Shipment Act.

3. The

-3-#100, March 14, 1 p.m. to Sydney.

3. The designation of the Commonwealth Bank of Australia, Sydney, as a depository of public monies of the United States is hereby extended to carry out the procedure outlined in this telegram.

4. Please advise Commonwealth Bank of Australia, Sydney, and other United States Government officials appropriate parts hereof. END QUOTE

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

WELLES
ACTING
(FL)

FD:FL:ME

378

Treasury Department
Division of Monetary Research

Date..... March 18, 19 42

To: Miss Chauncey

From: H. D. White

For the Secretary's files. I do
not think it needs to be brought
to his attention.



MR. WHITE
Branch 2058 - Room 214½

C
O
P
YDEPARTMENT OF STATE
WASHINGTONIn reply refer to
Eu 842.20 Defense/153

March 14, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and refers to his letter of May 19, 1941, transmitting a copy of despatch no. 1488 of May 17, 1941, from the American Legation at Ottawa with which was enclosed a certified copy of the note from the Secretary of State for External Affairs of Canada setting forth the guarantee of the Canadian Government to the Government of the United States of commitments, obligations and covenants which the Company, "War Supplies Limited," may give to any department or agency of the Government of the United States.

In order that the files of the Treasury Department may be complete on this subject, there is enclosed a copy of despatch no. 2624 of February 24, 1942, from the American Minister at Ottawa transmitting a certified copy of a further note from the Department of External Affairs regarding a supplemental agreement between War Supplies Limited and the Government of the United States.

Enclosure:

From the American Legation,
Ottawa, No. 2624, February 24,
1942, with enclosure.

Copy:ime
3/17/42

No. 2624

Ottawa, February 24, 1942

Subject: Transmitting certified copies of a note from the Department of External Affairs regarding supplemental agreement between War Supplies Limited and the Government of the United States.

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

In compliance with the Department's instruction no. 853, February 18, 1942, I have the honor to transmit four certified copies of Note no. 12, February 3, 1942, from the Department of External Affairs, regarding a supplemental agreement between War Supplies Limited and the Government of the United States.

Respectfully yours,

A true copy of the
original signed by:

Pierrepont Moffat

Enclosures:

Copies of Note.

824

RBJ:rcs

In quadruplicate

Copy:bj:3-17-42

DOMINION OF CANADA)	
)	
CITY OF OTTAWA)	
)	
LEGATION OF THE)	SS.
UNITED STATES OF AMERICA)	

I, J. Graham Parsons, Vice Consul of the United States of America at Ottawa, Canada, duly commissioned and qualified, do hereby certify that the annexed copy of Note no. 12, dated February 3, 1942, from the Secretary of State for External Affairs of the Dominion of Canada to the United States Minister to Canada, is a true copy of the original note in the files of this Legation, the same having been carefully examined by me and compared with the said original and found to agree therewith word for word and figure for figure.

IN WITNESS WHEREOF I have
hereunto set my hand and
affixed the seal of my
office, this 24th day of
February, A.D. 1942.

(s) J. Graham Parsons

J. Graham Parsons
Vice Consul
of the United States of America

Service No. 164
No fee prescribed.

DEPARTMENT OF EXTERNAL AFFAIRS - CANADA

Ottawa, February 3, 1942

No. 12

Sir,-

The Canadian Government has heretofore by instrument dated May 15, 1941, guaranteed to the United States Government all commitments, obligations and covenants which War Supplies Limited might give to any Department or Agency of the United States Government in connection with any contracts or orders which might be given to the said company by any Department or Agency of the United States Government and has agreed to waive notice of any change or modification which might be made from time to time in these commitments, obligations or covenants.

War Supplies Limited has, on January 24, 1942, entered into a supplemental agreement with the United States Government, which agreement modifies and is supplemental to the following designated contracts between such company and the Ordnance Department, Air Corps and Signal Corps of the War Department of the United States Government:

Ordnance DepartmentW. S. L. No.

72-19	DAW ord 13	3.7" Complete Equipments	\$30,000,000.00
72-13	DAW ord 16	6 Pdr. A.P. Shells	36,000,000.00
72-12	DAW ord 17	40 MM Shells	10,000,000.00
72-33	DAW ord 25	4.5" Barrels	3,000,000.00
72-28	DAW ord 27	.55" Ammunition	7,600,000.00
72-34	DAW ord 31	Lee Enfield Rifles	6,000,000.00
72-35	DAW ord 39	Boys Rifle Anti-Tank	5,000,000.00
72-105	W. ord 571	Shell E.E. 4.5" M.65	6,464,080.00

Signal CorpsW. S. L. No.

72-10	DAW 227 ac-27	Canadian G.L. Sets	\$24,000,000.00
-------	---------------	--------------------	-----------------

Air Corps

72-16	DAW 535 ac 215	AT-16 Aeroplanes, etc.	\$17,741,962.40
-------	----------------	------------------------	-----------------

Total			<u>145,706,042.40</u>
-------	--	--	-----------------------

and provides for the making of advance payments thereon.

The Canadian Government hereby consents to the execution of said supplemental agreement and the modification of the aforementioned contracts thereby and declares that its guarantee of the commitments, obligations or covenants of War Supplies Limited under such contracts including the commitments, obligations or covenants of such company assumed under such supplemental agreement shall remain in full force and effect and without diminution or change.

Accept, Sir, the renewed assurance of my highest consideration.

The United States Minister to Canada,
United States Legation
Ottawa, Canada.

/s/ W.L. Mackenzie King.
Secretary of State
for External Affairs

AF

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

Chungking via N. R.

Dated March 14, 1942

Rec'd 6 a.m.

Secretary of State,

Washington.

224, March 14, 9 a.m.

Following for Fox, care of Secretary of the Treasury from Adler:

"TF21.

One. Re your 147 of March 4, 2 p.m.

Board accepts your recommendation and asks you to transmit following message to Treasury. Board desires to express its appreciation to the United States Treasury for consulting with it on freezing cases involving China. The Board has no objection to the transaction referred to in the message of March 4 being licensed by the United States Treasury.

Two. Could you please cable details Treasury Order of February 25 in as far as it affects Chinese residents in America?

Two. Questions on which information particularly wanted:

(A) Definition of resident, and whether or not

term

-2- #224, March 14, 9 a.m. from Chungking via N. R.

term includes Chinese Government official, and

(B) Date from which a person's residence must commence in order to have his funds unfrozen."

G.L.USS

EDL

C
O
P
YDEPARTMENT OF STATE
WASHINGTONIn reply refer to
NE 882.515/34

March 14, 1942

STRICTLY CONFIDENTIAL

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and refers to a telephone conversation between Mr. Dietrich and an officer of the Division of Near Eastern Affairs on March 11, 1942, concerning the desire of the Treasury Department to obtain a copy of the Department's telegram no. 36 of March 5, 1942, to the American Legation at Monrovia, Liberia, with respect to the currency problem of that country.

A copy of a paraphrase of the telegram in question is transmitted herewith.

Enclosure:

Paraphrase of no. 36,
March 5, 1942, to
Monrovia.

PARAPHRASE OF CONFIDENTIAL TELEGRAM TO AMERICAN
LEGATION, MONROVIA, NO. 36, MARCH 5, 8 P.M.

STRICTLY CONFIDENTIAL.

The arrival of American forces in Liberia will raise a difficult paymaster and commissary problem, as you will realize. The Department would therefore welcome the receipt, as soon as possible, of your views and recommendations concerning the problem of currency in Liberia. The War Department wishes, if practicable, to introduce the use of United States currency for salary payments and local expenditures, and officials of the War and Treasury Departments and Firestone are now studying the various aspects of the matter. The Department would like to be informed particularly whether it would be opportune at the present time to open discussions with the Government of Liberia on the general question of monetary reform. Because of the need for secrecy, due to the military phase of the question, any approach to the problem from that angle should be handled in very strict confidence.

882,515/34

Copy:6j:3-15-42

LEGATION OF SWEDEN
WASHINGTON, DC

March 14, 1942

Re: Accounts designated "Mr. Wollmar Bostrom and
Mr. Harry Eriksson, acting jointly (property
of Sveriges Riksbank subject to disposal by
Mr. Bostrom, Minister of Sweden to the U.S.,
and Mr. Eriksson, Commercial Counselor of the
Swedish Legation in Washington, acting jointly)"

Federal Reserve Bank of New York,
33 Liberty Street,
New York, N. Y.

Dear Sirs:

We beg to inform you that in pursuance of the established policy to keep a certain proportion of Swedish foreign assets in gold, it has been decided to increase the gold holdings for Sweden's account in the United States by gold bars to the approximate value of \$25,000,000.

We should, therefore, be obliged if you would be good enough to increase the amount of gold you are holding for our account as designated above with fine gold bars to the approximate value of \$25,000,000 and debit the purchase price, at \$35 per fine ounce, plus 2.5 promille, to the dollar account which also bears the above designation.

Very truly yours,

Signed Harry Eriksson
 Commercial Counselor of the
 Swedish Legation

W. Bostrom,
Minister of Sweden

Received by telephone from the Federal Reserve Bank of New York, 2:00 pm
March 16, 1942

kms

INCOMING CABLEGRAM

Date: March 14, 1942

From: Bern

Federal Reserve Bank of New York

New York

#7.

In order to proportionate better our holdings of gold and devisen we beg you to earmark for our special earmarked gold account with you approximately \$20,000,000 fine gold debiting equivalent to the account of our Zurich office value today Stop Please cable details both parties.

(Sgd.) Banque Nationale Suisse

(Received by telephone from Federal Reserve Bank of New York, N. Y.
9:45 a.m., March 16, 1942)

amk

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 14, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£12,000
Purchased from commercial concerns	£ 4,000

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


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

Canadian dollar	12% discount
Argentine peso (free)	.2365
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2820
Cuban peso	7/32% premium

In connection with yesterday's report that one of the banks in Portugal had stopped purchasing dollars, another Portuguese bank cabled today that it was still a buyer of dollars against escudos. The New York bank that received this advice sold a small amount of escudos to another bank here at the slightly high quotation of .0413.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Central Reserve Bank of Peru was shipping \$462,000 in gold from Peru to the Federal for its account, disposition unknown.



BRITISH MOST SECRET.

(U.S. SECRET).

OPTEL NO. 86.

Information received up to 0700/14.

1. NAVAL.

A large vessel heavily escorted passed down the channel from East to West early this morning. An attack by Dover Coastal craft was beaten off. Later five of H.M. Destroyers attacked with torpedoes but no results have yet been reported. One of H.M. Submarines torpedoed and sunk a 7,000 ton escorted merchant ship off the Tunisian Coast on the sixth sustaining minor damage during the counter attack. On the twelfth, a small British vessel was sunk by mine off Aberdeen.

2. MILITARY.

Libya. 12th. increased enemy activity in area South of Tmimi.

Russia. The Russians are attacking North East of Kharkov.

3. AIR OPERATIONS.

Western Front. 12/13th. Correction - three New Zealand aircraft were among those missing. About eightyfour tons of bombs were dropped on Kiel and about thirtysix tons on Emden. 13th. Eleven Bostons attacked Hazebrouck Railway centre. The Fighter escort destroyed eight enemy fighters, probably destroyed four and damaged four. Six Spitfires are missing, one pilot safe. 13/14th. 188 bombers were sent out - Cologne 135, Boulogne 20, Dunkirk 19, leaflets Paris area 7, sea-mining 5, Dutch aerodromes 2. Four aircraft are missing and three crashed. Most of crews killed. Preliminary reports indicate a successful attack on Cologne in good visibility.

Malta. 13th. 25 enemy aircraft attacked Takali aerodrome causing further serious damage to service buildings and stores.

RESTRICTED

MID 319.1
Situation
8-11-41

No. 658

M.I.D., W.D.

11:00 A.M., March 14, 1942.

SITUATION REPORT

I. Pacific Theater.

Philippines: Nothing to report. Burma: A general line THARRAWADDY-TOUNGOO-SOUTHERN SHAN STATES is stable and inactive with the exception of a British counterattack in the NYAUNGLEBIN-SHEWEGUN area. Australasia: The R.A.A.F. attacked Gasmata, New Britain, and carried out reconnaissance operations over that island and New Guinea without the loss of planes. Japanese landings on additional Solomon Islands points are reported. The Australian Air Ministry reported that Japanese Navy fighters attacked Port Moresby on March 14. Other Japanese planes bombed a point 60 miles to the west of Port Moresby, near the Yule Island Mission. Grounded Japanese planes were damaged at Rabaul on March 12 by R.A.A.F. aircraft.

II. Western Theater.

British Air Ministry reported that R.A.F. bombers carried out a heavy offensive against the Rhineland City of Cologne during the night of March 13-14. A few German raiders appeared over Britain during the night of March 13-14.

III. Eastern Theater.

The Russians are continuing their attacks including the Crimea. The German High Command reports the repulse of all attacks with heavy losses particularly on the Kerch Peninsula. (A situation map will not be issued this date.)

IV. Middle Eastern Theater.

Situation remains unchanged.

RESTRICTED