SUMMARY OF MEMORANDUM ON
CHICAGO TRIBUNE REFUND

The attached memorandum, based primarily on the file record of the case, concludes that the implications of impropriety in its handling are without foundation. The Chicago Tribune imported newsprint paper which was entitled to free entry, if it possessed the characteristics of paper chiefly used in the printing of newspapers at the time of the passage of the Tariff Act of 1930. The Bureau, after investigation of independent sources, found that at that time there was in such use a class of newsprint paper having an ash content ranging from 2% to 6-1/2%. It accordingly modified a previous finding that the ash content of free newsprint paper did not exceed 2% and directed refunds in the amounts of $79,072.64 and $87,627.18 to be paid the Tribune Company. Exceptions to this action were taken by the General Accounting Office on procedural grounds and did not impugn the finding on ash content. The

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exceptions raised questions of law which were fully considered in conference by the Chief Counsel of Customs, the Assistant General Counsel in charge of Customs, and the General Counsel of the Treasury and were held to be without substance. The refund was accordingly paid.

On January 23, 1942, an employee of the General Accounting Office intimated that someone in the Bureau of Customs had been improperly influenced in the matter and that he intended to cause court action to be instituted in the case, if possible. Such court action could be taken only by the Department of Justice. The Attorney General has advised the Treasury Department in a formal opinion that the Comptroller General is without jurisdiction to review the acts and decisions of the Secretary of the Treasury and the Collectors of Customs in the performance of their statutory duties.

Recently two newspaper men have inquired about a scandal connected with a refund paid to the Chicago Tribune. They were assured that there was no scandal and the case was outlined to them.

HC/fn
5/11/42

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Regraded Unclassified

MEMORANDUM

Chicago Tribune Refund

The following extract from a letter was communicated to the Secretary by the President for investigation on May 7, 1942:

> "I understand that within the last two years, the Customs Bureau picked up an item running well over a million dollars in additional pulp tax due by the Chicago Tribune on the importation of pulp paper which had not come up to the grade permitted under the free importation provisions. What happened in the Customs, according to my tale, sounds at least a little screwy. As a matter of fact, I understand that the Regulations or the Law were later fiddled with to purge the Chicago Tribune situation. This latter information I cannot vouch for, but that there is something to look into I am confident. I thought you might want to pass it along. If I pass it along, it will probably die because it would get into the very hands of the people who might have acted with less than propriety."

(1) An examination of the file discloses that on July 22, 1939, the Collector of Customs at Chicago submitted to the Bureau of Customs for decision the question whether newsprint paper containing more than 2% ash content was "standard newsprint paper" within the meaning of paragraph 1772 of the Tariff Act of 1930,

and as such, entitled to free entry. The paper had been imported by the Chicago Tribune and was entered for consumption at the Port of Chicago. The Collector was of the opinion that the paper was entitled to free entry.

(2) Title II, sec. 201, par. 1772 of the Tariff Act of 1930 provides that "standard newsprint paper", when imported into the United States, shall be exempt from duty. The phrase "standard newsprint paper" first appeared in the Tariff Act of 1922, and the Secretary of the Treasury, for the purpose of carrying out the provisions of the Act, provided a series of tests and standards for determining what standard newsprint paper was. T.D. 39778, T.D. 40996, T.D. 44317, T.D. 45128, T.D. 45418(4), and T.D. 49874. This practice (but not the particular tests and standards) was approved by the United States Customs Court of Appeals. T.D. 43358. One of the standards so established was that the ash content should not be more than 2%. T.D. 40996.

(3) In response to the Chicago Collector's request for a ruling, the Bureau held, by letter dated

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August 10, 1939, that because the merchandise under consideration had an ash content in excess of 2% it was not entitled to free entry under paragraph 1772.

(4) The matter was re-opened in November, 1939, by counsel for the Tribune Company and by counsel for the Import Committee of the American Paper Industry. A statement was submitted by these counsel asserting that from time to time newsprint paper has been made with fillers producing an ash content ranging from 2 to 7% and that the chief use of such paper has been for newspapers. The statement also asserted that at least one domestic mill in 1930 and the years immediately prior thereto manufactured newsprint paper with an ash content of approximately 6 to 6-1/2%, and that such paper was used almost solely for printing a newspaper. The mill referred to was identified as that of the International Paper Company, located at Livermore Falls, Maine. The paper was developed specially for the New York Daily News, but was subsequently sold in comparatively small quantities to other New England

Regraded Unclassified

newspapers for special purposes. As an independent check, the Bureau of Customs consulted the Public Printer, who confirmed that the ash content of newsprint paper manufactured by the International Paper Company for the New York Daily News and other newspapers (including Christian Science Monitor, Boston Post, and Atlanta Constitution) prior to 1930 had an ash content ranging from 3.3% to 8.2% Copies of the New York Daily News for March 1, 1930, and April 1, 1930, were analyzed by the chief chemist of the Customs laboratory in New York. His analysis showed that the ash content ranged from 4.48% to 5.95%.

(5) On November 29, 1939, the following anonymous telegram, addressed to the Commissioner of Customs and signed "A Publisher", was received:

> "HAVE YOU ASKED THE MANAGER OF THE AMERICAN PAPER ASSOCIATION WHY HE AND HIS CUSTOMS EXPERTS HAVE NEVER REPORTED TO YOU OR ANY OTHER OFFICER AS TO THE NEWSPRINT NOW BEING IMPORTED BY THE CHICAGO TRIBUNE AND THE NEW YORK NEWS AND HAVE YOU HAD YOUR CHEMISTS EXAMINE IT"

(6) On March 19, 1940, the Commissioner of Customs stated, in a letter to the Collector at

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Chicago, that after a careful consideration of the entire record the Bureau was satisfied that at the time of, and immediately prior to, the passage of the Tariff Act of 1930 a class of newsprint having an ash content ranging from 2% to 6-1/2%, but conforming in all other respects to the specifications for standard newsprint paper as published in the Treasury Decisions cited in paragraph (2) hereof, was chiefly used in the printing of newspapers. The Commissioner, therefore, ruled that newsprint having an ash content up to 6-1/2%, but conforming in all other respects to the specifications of standard newsprint paper, as previously defined, was entitled to entry free of duty under paragraph 1772 of the Tariff Act. This ruling was published as T.D. 50120(4).

(7) In a letter dated May 11, 1940, the Chicago Collector of Customs advised the Commissioner of Customs that exceptions had been taken by the Investigator in Charge, Customs Field Audit, General Accounting Office, against the liquidation and reliquidation of the importation of standard newsprint paper which had been the subject of the Bureau's

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ruling of March 19, 1940. The Collector stated that two checks in refund were drawn on April 30, 1940, in the sum of $79,072.64 to cover refunds under liquidation, and $87,627.18 covering re-liquidations. Because of the exceptions, the Collector retained possession of both checks. The Collector enclosed a memorandum from the Investigator in Charge, General Accounting Office, setting forth the grounds of his exceptions.

(8) The exceptions involved matters of law and were referred to the Legal Division of the Treasury Department for study. The exceptions did not go to the merits of the case, but involved questions of procedure. That is to say, the General Accounting Office did not question the findings of the Bureau with respect to the ash content of newsprint in use immediately prior to the passage of the Tariff Act of 1930, but questioned the authority of the Department to authorize the liquidations and re-liquidations. The exceptions were considered in conference by the Chief Counsel of Customs, the Assistant General

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Counsel in charge of Customs, and the General Counsel of the Treasury Department, and were held to be without substance. Accordingly, a telegram, signed by the Acting Secretary of the Treasury, was sent to the Chicago Collector instructing him to release both checks to the Tribune Company. A letter, signed by the Acting Secretary of the Treasury, was also sent to the Collector setting forth the grounds upon which the Department felt obliged to disregard the exceptions. A copy of this letter was also sent to the Investigator in Charge of the General Accounting Office. This action apparently closed the matter.

(9) At the beginning of the year 1942, the Assistant Secretary of the Treasury in charge of Customs and the Assistant General Counsel of the Treasury in charge of Customs had a conference with the Comptroller General. For some time past, correspondence between the General Accounting Office and the Treasury Department, relating to Customs matters, had been marked by an acerbity which it was thought wise to eliminate, if possible. It was agreed at the conference

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with the Comptroller General that steps looking to that end should be taken. Accordingly, a further conference was held on January 23, 1942, attended, on behalf of the Treasury Department, by the Assistant General Counsel in charge of Customs, the Commissioner of Customs and one of the latter's assistants. Two employees of the General Accounting Office, but not the Comptroller General, attended the conference. During the conference, the Chicago Tribune case came up and one of the officials of the General Accounting Office intimated that some one in the Bureau of Customs had been improperly influenced in the matter. He stated that he intended to cause court action to be instituted in the case, if possible. The results of the conference, including the intimation of improper influence, were reported to the Assistant Secretary in charge of Customs and the General Counsel for the Department of the Treasury.

There have been two inquiries from newspapermen on the matter. About two weeks ago, the head of the Washington Bureau of the Chicago News said that he

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had a message from his office asking him to inquire about a story that there was a scandal connected with a refund in a large amount, said to be a million dollars or more, to the Chicago Tribune on imports of newsprint and that the rumor was that a Civil Service official of the Bureau of Customs had been "reached". He was assured that there was no scandal connected with the matter and the case was outlined to him. A few days later there was a quite similar inquiry from a Washington columnist who was given the same information.

Conclusion

It appears from the file record that the implications of the communication quoted at the beginning of this memorandum are without foundation. Any court action contemplated by the General Accounting Office could be instituted only by the Department of Justice. The Attorney General has advised the Treasury Department that the Comptroller General

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has no authority to review determinations of Collectors of Customs with respect to quantity, value and classification of imported merchandise, or the duties applicable thereto, affecting the liquidation of import entries, or to review the acts and decisions of the Secretary of the Treasury and the Collectors of Customs in the performance of their statutory duties. Op. No. 131, vol. 39, June 24, 1940.

HC/fn
5/11/42

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THE WHITE HOUSE
WASHINGTON

May 7, 1942.

PERSONAL AND CONFIDENTIAL

MEMORANDUM FOR

H.M.Jr.

A good friend of mine sent me the following:

"I understand that within the last two years, the Customs Bureau picked up an item running well over a million dollars in additional pulp tax due by the Chicago Tribune on the importation of pulp paper which had not come up to the grade permitted under the free importation provisions. What happened in the Customs, according to my tale, sounds at least a little screwy. As a matter of fact, I understand that the Regulations or the Law were later fiddled with to purge the Chicago Tribune situation. This latter information I cannot vouch for, but that there is something to look into I am confident. I thought you might want to pass it along. If I pass it along, it will probably die because it would get into the very hands of the people who might have acted with less than propriety."

Would you have someone you trust look into it and let me know?

F.D.R.

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May 13, 1942

Telegram received from Mr. L. A. Warren,
President, Safeway Stores, Inc.

In accordance with request for daily report, sales Saturday May 9th show no significant trend attributable to general maximum price regulation.

Regraded Unclassified

May 14, 1942.

Harold Graves and Norman Thompson

Secretary Morgenthau

I wish you would look over the various teletypes we have, particularly in Customs. I know we have some that we do not even use at a $10. minimum. It seems to me, we might take some of these and put them in the 10 most important States for War Bonds. Please make a quick study of this situation. For instance, I know at Nogales, they practically never use the teletype, and maybe in other departments of the Treasury, there are teletypes. We ought to be able to pick up 10 teletypes within the Treasury and assign them to the War Bond Section for the 10 key States at once. Please report to me on this without any undue delay. See Thompson's memo of 5/14/42 -

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TREASURY DEPARTMENT

256

INTER OFFICE COMMUNICATION

DATE May 14, 1942.

TO Secretary Morgenthau

FROM Mr. Thompson

Mr. Irey has arranged for the release of ten teletype machines from the following offices:

Secret Service:	Atlanta, Ga.
	Philadelphia, Pa.
	Fort Hunt, Va.
	Chicago, Ill.
Customs:	Nogales, Ariz.
	Bottineau, N. D.
	St. Paul, Minn.
	San Pedro, Calif.
	San Ysidro, Calif.
Narcotics:	Houston, Tex.

Mr. Graves has been notified of the above, and his Staff is arranging for the transfer of the machines to the principal field offices of the Savings Bond organization.

H.M.Jr.

O.K. H.M.J.

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5/14/42

OFFICE FOR EMERGENCY MANAGEMENT

For the current fiscal year (1942), funds available to the Office for Emergency Management aggregate $190,500,000. This includes a direct appropriation of $121,500,000 to "Salaries and Expenses, Office for Emergency Management", and allocations from the President's Emergency Fund and other sources of $69,000,000, or a total of about $190,500,000. (See statement attached.)

According to the printed budget, $4,326,000 of the $121,500,000 directly appropriated is allocated to the Office of Liaison Officer (Mr. Wayne Coy), who heads the central administrative office of the Office for Emergency Management.

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OFFICE FOR EMERGENCY MANAGEMENT
APPROPRIATIONS, ALLOCATIONS AND CONTRACT AUTHORIZATIONS FOR SALARIES AND EXPENSES, FISCAL YEAR 1942

Direct appropriations:	
Public Law 150 7/3/41 (Second Deficiency) 1942	$36,500,000.00
2nd Sup. 282 10/28/41, 1942	10,000,000.00
3rd Sup. 353 12/17/41, 1942	13,012.00
3rd Sup. 353 12/17/41, 1942-43	75,000,000.00
Total appropriations	121,513,012.00
Allocations from Emergency Funds for the President: 1/	
Unexpended balances, 1940-42	8,289,198.24
Public Law 28 4/5/41 (I.O. Appn. Act, 1942) 1942	13,119,834.00
Public Law 353 12/17/41 (3rd Sup.) 1942-43	23,607,472.00
Defense Aid:	
Unexpended balances	89,961.68
Allocations	889,604.00
Total allocations	45,996,069.92
Contract authorizations:	
Public Law 150 7/3/41	3,000,000.00
Public Law 28 4/5/41	20,000,000.00
Total contracts	23,000,000.00
GRAND TOTAL AVAILABLE	190,509,081.92

1/ Determination of availability for salaries and expenses requires analysis of allocation letters.

Regraded Unclassified

MAY 14 1942

Dear Mr. Somers:

Further reference is made to your letter of April 27, 1942, relative to H. J. Res. 295, "Providing for the procurement of raw natural rubber from sources in the Western Hemisphere".

The Treasury Department recommends against enactment of the measure in its present form in view of the appropriation provision in section 1, which authorizes the sum of $250,000,000 to be appropriated "out of any unexpended amounts of the stabilization fund established by section 10 of the Gold Reserve Act of January 30, 1934, or out of the gold reserve established by section 2 of the Gold Reserve Act of January 30, 1934".

This Department feels that the contemplated plan should not be financed with funds now comprising the Stabilization Fund, which was established by Act of Congress on January 30, 1934, and extended by subsequent acts of Congress specifying definite periods for its continuation. The Stabilization Fund is a potent instrument in facilitating the solution of the complex international economic problems with which we are now confronted and can perform a great service in the promotion of general economic recovery in the post-war period. In view of the present critical international situation and the value of the Stabilization Fund in such periods, the Treasury Department recommends against depletion of the fund in the manner contemplated by H. J. Res. 295.

The Treasury Department also recommends against the alternative provision of the authorization to appropriate funds out of the "gold reserve established by section 2 of the Gold Reserve Act of January 30, 1934". Since all the gold held by the Treasury (with the exception of approximately $24,000,000 in the Treasurer's working balance) is already allocated for specific purposes, an appropriation of any portion of such gold would require a general appropriation to reimburse the gold account so charged, or would operate to change the structure of the monetary reserves of the country which the Treasury Department deems inadvisable for the purpose specified.

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The foregoing views of the Department are not intended to reflect any opposition to appropriate legislation designed to increase our supplies of raw natural rubber. However, the Department believes that such legislation should contain appropriation provisions of the same general character as those regularly incorporated in legislation providing for the procurement of strategic materials.

In view of the need for expedition, it has not been possible to secure Budget clearance of this report.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Andrew L. Somers, Chairman,
Committee on Coinage, Weights, and Measures,
House of Representatives,
Washington, D. C.

File to Thompson
Photo file N. M. C.

FH:nlf 5-9-42

(Original sent to Mr. Bernard's office for mailing)

Regraded Unclassified

SEVENTY-SIXTH CONGRESS

[illegible], N. Y., CHAIRMAN
CHAUNCEY W. REED, ILL.
AUGUST H. ANDRESEN, MINN.
ROBERT LUCE, MASS.
E. HAROLD CLUETT, N. Y.
LEONARD W. HALL, N. Y.
FRED C. GARTNER, PA.
FREDERICK C. SMITH, OHIO

SAM. C. COHEN, CLERK

House of Representatives U. S.

Committee on Coinage, Weights, and Measures

Washington, D. C.

April 27, 1942.

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

My dear Mr. Morgenthau;

Enclosed is a copy of H.J. Res.295 which is before this Committee for consideration.

The Committee would very much appreciate a report from your Department on this legislation. It is quite likely that the Commitee will consider the Resolution next Monday or Tuesday.

Sincerely yours,

Andrew L. Somers

Andrew L. Somers, Chairman.

LEGISLATIVE [illegible]
File -- [illegible]

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77TH CONGRESS
2D SESSION

H. J. RES. 295

IN THE HOUSE OF REPRESENTATIVES

MARCH 16, 1942

Mr. FADDIS introduced the following joint resolution; which was referred to the Committee on Coinage, Weights, and Measures

JOINT RESOLUTION

Providing for the procurement of raw natural rubber from sources in the Western Hemisphere.

Whereas it is of the utmost importance that the United States supplement its supply of raw rubber in order to enable our workers to go to and from their daily work on our farms and in our mines and mills; and

Whereas raw rubber would be of more practical value to the United States in time of this emergency than much of the gold we now hold; and

Whereas there is raw rubber in South and Central America which can only be made available within a reasonable time by extraordinary effort; and

Whereas there are in other parts of the world many persons who are acquainted with the acquisition and preparation of raw

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rubber who can be organized and employed in exploiting the raw rubber in Central and South America: Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby authorized to be appropriated, out of any unexpended amounts of the stabilization fund established by section 10 of the Gold Reserve Act of January 30, 1934, or out of the gold reserve established by section 2 of the Gold Reserve Act of January 30, 1934, the sum of $250,000,000 for the purpose of securing the services of, from whatever part of the world they can be procured, persons having the experience, physique, knowledge, and ability to bring into the possession of the United States as much of the natural rubber as is possible of the nations in Central and South America with whom the necessary arrangements can be concluded.

SEC. 2. That for the purpose of carrying out the provisions of this joint resolution there shall be established under the War Production Board a bureau for the procurement of raw American rubber and that this Board be endowed with all the powers necessary to carry out the provisions of this joint resolution: *Provided,* That the chief of this bureau must be a man who has been a successful producer of raw rubber in the region of the East Indies, that the field forces of all grades must be men who have had experience in the produc-

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tion of raw rubber either in the East Indies or in Central or South America.

SEC. 3. There are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to provide for the transportation, maintenance, rotation, and storage within the United States or any of its Territories or possessions of any materials acquired under the provisions of this joint resolution.

SEC. 4. The Department of State is hereby authorized and directed to carry on whatever negotiations are necessary with any foreign nation to assist in or to further the purpose of this joint resolution.

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Treasury Department
Division of Monetary Research 263

Date May 15 19 42

To: Secretary Morgenthau

From: Mr. White

The original of this report is appended to prepared letter to the President.

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SECRET
264

May 14, 1942

Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the ten-day period ending April 30, 1942

1. Exports to Russia

Exports to Russia as reported during the ten-day period ending April 30, 1942 amounted to nearly $51,000,000 as compared with approximately $67,000,000 during the previous ten-day period. Motor trucks and land planes were the two principal items. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China during the period under review amounted to about $2,827,000, of which military equipment accounted for more than ninety percent. (See Appendix D.)

No exports to Burma were reported.

3. Exports to France

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

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Switzerland and Sweden amounting to $223,000 and $155,000, respectively.

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5/16/42

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STRICTLY CONFIDENTIAL
265

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

July 28, 1941 to April 30, 1942.

(In thousands of dollars)

	July 28 to Mar. 31	Period ended April 30	Period ended April 30	Total Domestic Exports
U. S. S. R.	$320,881	$66,850	$50,958	$448,689
Free China	65,821	5,335	2,827	73,693
Burma 2/	11,557	639	-	12,196
France 3/	6	-	-	6
Occupied France	2	-	-	2
Unoccupied France	28	-	-	28
Spain	2,845	4	5/	2,849
Switzerland	7,690	2,093	223	10,006
Sweden	17,472	19	155	17,646
Portugal	8,408	255	51	8,793
French North Africa 4/	6,283	5/	-	6,283

Treasury Department, Division of Monetary Research May 12, 1942.

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

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

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

4/ Includes Morocco, Algeria, and Tunisia.

5/ Less than $500.

JMWerl 5/12/42

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APPENDIX B

Exports from the U. S. to Free China, Burma and U.S.S.R. as reported to the Treasury Department July 28, 1941 - April 30, 1942 (Thousands of Dollars)

	Exports to Free China	Exports to Burma 3/	Exports to U.S.S.R.
July 28 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		986
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	1		1,023
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,281 2/		5,217
Sept. 15 - Sept. 20	3,822 2/		752
Sept. 22 - Sept. 27	110	449	2,333
Sept. 29 - Oct. 4	1,225	684	323
Oct. 6 - Oct. 11	5,312	1,157	6,845
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	403	5,623
Oct. 27 - Nov. 1	4,772	58	4,484
Nov. 3 - Nov. 8	1,672	342	4,552
Nov. 10 - Nov. 15	2,851	88	2,677
Nov. 17 - Nov. 22	1,228	1,021	3,581
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10 4/	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28 5/	2,921	-	28,119
Mar. 1 - Mar. 10	2,879	23	32,509
Mar. 10 - Mar. 20	8,058	3	28,556
Mar. 20 - Mar. 31 6/	2	2	42,435
Apr. 1 - Apr. 10	4,836	447	51,698
Apr. 11 - Apr. 20	5,335	639	66,906
Apr. 21 - Apr. 30	2,827	-	50,958
Total	$76,296	$11,083	$449,180

1. These figures are in part taken from copies of shipping manifests.
2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.
6. 11-day period.

Treasury Department, Division of Monetary Research May 14, 1942
IBF/ers 5/14/42

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APPENDIX C

Principal Exports from U. S. to U. S. S. R. as reported to the Treasury Department during the ten-day period ending April 30, 1942

(Thousands of Dollars)

TOTAL EXPORTS	$ 50,956
Principal Items:	
Motor trucks	6,424
Landplanes - bombardment	4,800
Dried egg products	3,037
Lard	2,275
Landplanes - pursuit, intereceptor and fighter	1,930
Sausage, canned	1,841
Other aircraft parts and accessories	1,798
Military tanks - medium	1,761
Iron and steel sheets and strips	1,757
Pork, canned	1,653
Explosive shells and projectiles	1,231
Military tanks - light	1,223
Copper wire, insulated	966
Aircraft engines	962
Armor plate	844
Tires and inner tubes	754
Steel bars	721
Aircraft engine parts and accessories	664
Diesel marine engines	655
Relief supplies - clothing	629
Pork, pickled or salted	626
Metallic cartridges	592

Treasury Department, Division of Monetary Research May 14, 1942

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5/14/42

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APPENDIX D

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the ten-day period ending
April 30, 1942

(Thousands of Dollars)

TOTAL EXPORTS	$ 2,827
Principal Items:	
Military equipment	2,653
Road rollers	88
Auto replacement parts	44
Medicinal chemicals	16
Vitamines and vitasterols, n.e.s.	10
Photographic apparatus and supplies	10

Treasury Department, Division of Monetary Research May 14, 1942

ISP/efs
5/14/42

Regraded Unclassified

May 14, 1942

Files

Mr. Dietrich

With reference to my memo of May 8 relating to the shipment of 99 cases of gold bullion from the U.S.S.R. which was expected to arrive at Argentia, Newfoundland, about May 9, Mr. Crumpho informed me today that the Soviet Embassy had received confirmation from Moscow that this shipment was consigned to the Federal Reserve Bank of New York and that it was insured by the Soviet Government.

I mentioned to Mr. Crumpho that the Federal Reserve Bank of New York had cabled the State Bank of the U.S.S.R. relative to the payment of the express charges of $16,763.69 and that the State Bank had instructed the Federal to debit its account with this amount.

FDtvw:5-13-42 (2)

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DEPARTMENT OF STATE

WASHINGTON

In reply refer to
FD 893.51/7483

May 14, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 556, dated May 13, 1942, from the American Embassy, Chungking, China, transmitting a message for the Secretary of the Treasury from Mr. Adler.

Enclosure:

From Embassy, Chungking,
no. 556, May 13, 1942.

eh:copy
5-15-42

Regraded Unclassified

May 14, 1940

Mr. Livesey

Mr. Dietrich

Will you please send the attached cable to the American Embassy, London, "For Cassidy from the Secretary of the Treasury".

Dietrich

Regraded Unclassified

To: L. W. Gaseday
American Embassy
London, England

From: The Secretary of the Treasury

In answer to your No. 2297 of April 30 and No. 2614 of May 13.

Answer already sent by airmail.

Savings stamps are issued by the Postal Savings System and are redeemable in cash or accepted in payment for War Savings Bonds at any time at United States Post Offices.

TMK:EP 5/14/42

Regraded Unclassified

TELEGRAM SENT

NMC PLAIN

May 14, 1942

AMEMBASSY,

LONDON (ENGLAND)

2157, Fourteenth

FOR CASADAY FROM THE SECRETARY OF THE TREASURY

QUOTE. In answer to your 2297 of April 30 and no. 2614 of May 13.

Answer already sent by airmail.

Savings stamps are issued by the Postal Savings System and are redeemable in cash or accepted in payment for War Savings Bonds at any time at United States Post Offices.

HULL
(FL)

FD:FL:BM

Regraded Unclassified

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DEPARTMENT OF STATE
WASHINGTON

May 14, 1942

In reply refer to
FD 845.51/222

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch no. 490, dated April 27, 1942, from the American Consulate, Bombay, India, concerning information requested by the United States Treasury regarding gold and silver position in India, as requested in telegram no. 133 of April 16, 1942, sent at the request of the Treasury Department.

Enclosure:

From Consulate, Bombay,
no. 490, April 27, 1942.

Copy:bj:5-14-42

Regraded Unclassified

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DEPARTMENT OF STATE
WASHINGTON

May 14, 1942

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From Consulate, Bombay,
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Copy:bj:5-14-42

Regraded Unclassified

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BY AIR MAIL

AMERICAN CONSULATE

No. 490

Bombay, India, April 27, 1942

SUBJECT: Information Requested by the United States Treasury Department Regarding the Gold and Silver Position in India

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to refer to the Department's telegram No. 133 of April 16 (1942) 7 PM, requesting certain information regarding the gold and silver position in India, data concerning the budgetary position of the Government of India, and various other economic information such as indices of production, foreign trade, and so forth. Very little of this information is available in published form and I accordingly addressed a letter to Sir James Taylor, Governor of the Reserve Bank of India, requesting that the Consulate be supplied with as much of this information as the Government of India might feel inclined to release. Sir James replied under date of April 25th as follows:

> "Will you please refer to your letter of the 25th, regarding the gold and silver position in this country? As you will appreciate, the Reserve Bank is merely the agent of the Government of India in all matters regarding silver. I should therefore have to obtain their approval before communicating any information beyond that contained in the ordinary published returns. I shall let you know as soon as I hear from them, but I have no doubt that they will agree to put as much information at your disposal as they can."

Some time will undoubtedly elapse before a reply is received from the Government of India. It should also be pointed out that statistics of foreign trade are available only in a restricted form. Moreover, the compilation of a weekly telegram of this nature will be an extremely difficult task for this Consulate in its present understaffed condition. However, every effort will be made to supply the desired data but delays may result because of the foregoing reasons.

Respectfully yours,

Howard Donovan
American Consul

102.1
HD-esg

In quintuplicate to the Department by air mail
Confirmation copy of the Department by sea mail
Copy to the office of the Personal Representative of the President of the United States, New Delhi - Copy to Consulate General, Calcutta
Copy:imc:5/11/42

Regraded Unclassified

276

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Tehran, Iran

DATE: May 14, 1942

No. : 154

Informal agreement on financial matters has now been reached by Iranians and British along lines indicated in Legation's telegram 137 of May 3 with provision that the rial be pegged at 130 for selling and at 128 for buying, sterling exchange being free but dollar still controlled, with cross rate between the dollar and pound being maintained. Conversion of sterling into gold for Iranian purchases of dollars would be guaranteed by the British and it is also expected that forty per cent of unused sterling balances would be convertible into gold.

The full text of the draft agreement has been sent to London by telegraph by the British Legation here with request for instructions concerning certain minor points which have not been fully agreed upon. It is the expectation that the new exchange rate will go into effect within a few days and that the formal agreement will be signed soon after. When the agreement has been signed it will be presented to the Majlis in open session, but no difficulty in obtaining ratification is expected by the Prime Minister.

DREYFUS

Copy:bj:5-16-42

Regraded Unclassified

COPY NO. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 159

Information received up to 7 A.M., 14th May, 1942.

1. NAVAL

Five of our motor torpedo boats and motor gun boats intercepted a large ship off BOULOGNE yesterday and an engagement ensued with her escort. An enemy torpedo boat was possibly torpedoed. One M.T.B. last seen pressing home her attack is presumed lost and the other 4 ships returned to harbour damaged. The enemy ship is reported to have reached BOULOGNE.

One of H.M. Minelayers arrived at MALTA on 10th and unloaded an important cargo. She was slightly damaged by near misses while in harbour but left again as planned. Two more British ships totalling about 8500 tons were sunk in a further attack on 12/13 on the outward HALIFAX convoy. Three other British ships and one Dutch, total tonnage about 16,000 reported torpedoed in Western Atlantic between 10th and 12th. One small British ship damaged by aircraft and beached at SOUTHAMPTON on 12th.

2. MILITARY

BURMA. The withdrawal of our forces across the CHINDWIN at SHWEGYIN was carried out in the face of greatly increased enemy pressure. We suffered severe losses in guns, armoured vehicles and mechanical transport. An attempt to envelop our forces was repulsed.

3. AIR OPERATIONS

WESTERN FRONT. 13th. 3 Wellingtons bombed objectives in the RUHR.

13th/14th. 4 Hudsons and 2 Beauforts were sent to attack shipping off the Norwegian coast. In the AALESUND-STATLAND area a 6,000 ton ship which was ashore was hit and left a total wreck and a 5,000 ton ship was hit and left listing heavily.

LIBYA. 12th. 8 long range Kittyhawks and 4 Beaufighters intercepted 20 Ju 52's and 3 Me 110's north of DERNA. 13 Ju 52's and 2 Me 110's were destroyed and the remaining 7 Ju 52's were either probably destroyed or damaged. 1 Beaufighter is missing.

MALTA. Between 3.30 p.m. 12th and 2 p.m. 13th about 25 bombers with fighter escort attacked. Our fighters destroyed 5 enemy aircraft, probably destroyed 2 and damaged 4. 2 Spitfires were lost, one pilot safe.

BURMA. 12th. Four Fortresses bombed MYITKYINA. 13th. 4 Hudsons attacked AKYAB destroying 2 aircraft on the ground.

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COPY NO. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 165

Following is supplementary resume of operational events covering the period 7 - 14th May, 1942.

1. NAVAL

21 attacks were made upon enemy submarines during the week, 10 by surface craft, 10 by aircraft and 1 by submarine. There was a resumption of U-boat attacks on convoy routes in Mid Atlantic and North of the CAPE VERDE ISLANDS. Shipping losses were again heavy. Out of 20 ships reported attacked by U-boats 9 are known to have been sunk. Losses during April so far reported were 105 ships, totalling 571,253 tons. About 38% of this tonnage was British and included 30 tankers of which 6 were British. This total although about 100,000 tons less than March was the 4th highest since the war started. U-boats accounted for about 70% mainly in the Western Atlantic. The tonnage of ships damaged by enemy action was also heavy. During the week ending 13th May, 1,087 ships were convoyed. Imports into the United Kingdom by ships in convoy during the week ending 9th May amounted to 692,000 tons and included 110,000 tons of oil. It is reported that ADMIRAL SCHEER is at NARVIK where she will be joined by LUTZOW when the latter is worked up. Three ships totalling about 8,000 tons reached BENGHAZI, this is the smallest total for some weeks.

2. MILITARY

RUSSIA. The German attack in the CRIMEA has succeeded to the extent that the Russians may be obliged to abandon the KERCH PENINSULA. In the KHARKOV sector, the Russian attack is being made in considerable strength.

LIBYA. The enemy's tanks and armoured cars are still being kept for the most part east of the DERNA-MEKILI line. Axis strength is being steadily built up and although Rommel's forces are not yet at full establishment, he is probably sufficiently ready to undertake an offensive should the strategic situation demand it of him.

BURMA. In the North West the British troops from the MANDALAY area are now West of the CHINDWIN on the KALEWA-TAMU road. Owing to the low capacity of the ferry, nearly all the tanks and most of the guns had to be abandoned and destroyed. In the North East MYITKYINA and LUNGLING have fallen to the Japanese but Chinese forces still remain further South and one formation is reported to be advancing Northwards to try to recapture MYITKYINA.

3. AIR OPERATIONS

WESTERN FRONT. Day - 91 Squadrons of fighters were employed in escort to bomber operations and sweeps over enemy occupied territory. There was no reaction by enemy fighters except on one day when one was destroyed.

Night - Owing to unfavourable weather, only one attack was carried out by Bomber Command. The objective was WARNEMUNDE and the Heinkel factory there. 283 tons of H.E. and incendiaries were dropped. Severe enemy opposition from searchlights, anti-aircraft artillery, night fighters and balloon barrage was met. In anti-shipping operations, it is estimated that about 60,000 tons of enemy shipping were damaged in home and Norwegian waters. 238 sea mines were laid.

MALTA. Air raids were again on a reduced scale. The total amounted to 2-4 bombers escorted by fighters some of them bomb-carrying. The enemy losses heavy while our own were much lighter than previously.

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

ROSTOCK. In addition to the damage at the Heinkel works and other industrial plants already reported, recent photographs show that about 130 acres of the old town including nearly 1,000 houses have been devastated mainly by fire. There are two other areas of destruction by fire outside the old town. A complete stoppage is reported of all war supplies to DENMARK via ROSTOCK-WARNEMUNDE and the train ferry

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COLOGNE. Photographs 6th show a locality not previously covered. Two large shops in the Citroen works have been gutted as well as the corner of a large shop in the Humboldt Deutz Motor Works.

WARNEMUNDE. Photographs 9th show damage to Heinkel works assembly hall, aerodromes unserviceable, seaplane station damaged, direct hits on two large dock buildings, serious damage to railway station and extensive destruction among commercial and residential property.

HAMBURG. The local press states that on the nights 3rd and 4th May, almost all bombs fell in densely populated residential districts. Photographs on 7th [illegible] show extensive damage in the harbour area as well.

GENERAL. The ROSTOCK attacks have caused nervousness in all Baltic towns especially STETTIN where A.R.P. and defence measures have been strengthened. Occupied Territory - Direct hits on quays, dockyard buildings, railway communications, locomotive sheds, coking plants, oil depots, etc., during daylight attacks are confirmed by recent photographs of DUNKIRK, LE HAVRE, DIEPPE, ZEEBRUGGE, BRUGES and FLUSHING.

5. OPERATIONAL AIRCRAFT BATTLE CASUALTIES

METROPOLITAN AREA

British	In the Air
Bombers	28
Fighters	8
Coastal	5
Total	33

Enemy	Destroyed	Probably Destroyed	Damaged
Bombers	7	3	5
Fighters	4	Nil	9
Total	11	3	14

MIDDLE EAST (including MALTA

British	In the Air	On the Ground
Bombers	4	Nil
Fighters	21	1
Total	25	1

One crew and 9 pilots are safe.

Enemy	Destroyed	Probably Destroyed	Damaged
Bombers	34	23	39
Fighters	25	17	28
Miscellaneous (includes Junkers 52)	13	3	7
Total	72	43	74

Of the above totals, 13 were destroyed, two probably destroyed and five damaged by A.A.

FAR EAST

British and Allied	In the Air	On the Ground
Bombers	2	1
Fighters	1	Nil
Others	1	2
Total	4	3

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Enemy	Destroyed	Probably Destroyed	Damaged
Fighters	3	5	3
Miscellaneous	24	Nil	Nil
Total	27	5	3

NOTE: No account is taken of enemy aircraft destroyed on the ground in any theatre or of British Naval Aircraft casualties.

6. HOME SECURITY

Estimated civilian casualties for week ending 0600/13.

Killed	24
Seriously wounded	57

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281

NUMBER 31 SECRET

COORDINATOR OF INFORMATION

THE WAR THIS WEEK

May 7–14, 1942

Printed for the Board of Analysts

Copy No. 6

The Secretary of the Treasury

Regraded Unclassified

Coordinator of Information

THE WAR THIS WEEK

American sea and air forces lashed out at the Japanese this week in the northern reaches of the Coral Sea to win a victory in which they sank or damaged 21 naval vessels. Although Japanese naval units finally retired from the scene of the battle, the enemy has apparently continued the occupation of the Solomon Islands. Moreover, the availability of naval reinforcements makes it perfectly possible that the Japanese will shortly attempt to renew their forward movement in this area, possible prelude to an assault on Australia.

In Burma continuing Japanese successes carried them northward to Bhamo and Myitkyina and effectively closed the last of the practicable alternative land routes from India to China. At the same time they drove up the Burma road into China and struck northwestward toward India, bombing Imphal and Chittagong. This simultaneous interest in three primary sectors of the war—Australia, China, and India—left some confusion in the minds of observers as to where the Japanese would strike the next serious blow.

In the west the Germans launched an offensive action in the Crimea and claim to be moving rapidly on Kerch. Despite the impressive nature of this thrust, observers were inclined to believe it was still part of the process of "cleaning up" preliminary to the main offensive, rather than actually a part of that more ambitious drive. A recapitulation of this process during the past few weeks reveals that the Nazis have pretty well eliminated existing Russian salients and

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now find themselves less than a hundred miles from Moscow. A current situation map prepared for this issue focusses attention on the somewhat limited accomplishments of the Russian winter offensive, and suggests the extent to which even reliable organs of the American press have distorted this picture.

Meanwhile, the declining intensity of the attacks on Malta may mean that the Germans are husbanding air strength for the offensive in Russia and that during the period of that drive the control of the sea lanes to Tripoli will be of less importance to them. At the same time, as the ice goes out of the White Sea and an increasingly larger flow of lend-lease supplies can be directed to the port of Archangel, the Nazis have intensified their attacks on the Arctic sea route.

The Battle of the Coral Sea

In the Battle of the Coral Sea the Japanese suffered a serious naval setback, sustaining heavy losses while the American forces appear to have won the battle at relatively light cost. The two Japanese aircraft carriers put out of action—one sunk and another probably a total loss—may have been among Japan's newest and largest, carrying upwards of 60 planes, although there is as yet no official word on this. In addition, the loss of two heavy cruisers—one sunk and one damaged—is a serious blow. As for light cruisers, the recent action apparently leaves the Japanese with only seven which are afloat, and a number of these—including one in the Coral Sea—probably have been put out of action temporarily.

The Mission of the Japanese Task Force

The action in the Coral Sea was precipitated when a naval task force was sighted on May 4 moving toward Tulagi

Harbor in the Solomon Islands. This may have been an operation aimed ultimately at the invasion of Australia itself, but the immediate purpose appears to have been the establishment of a secure base on the Japanese east flank, designed to protect an attack on Port Moresby. The occupation of this port on the Papuan coast of New Guinea would protect the rear of any attempted invasion of northeastern Australia. Moreover, it would eliminate an advanced Allied air base which is close enough to Japanese bases in Northeast New Guinea to supply fighter support for bombers.

The Action and the Results

While light Japanese forces were concentrated in Tulagi Harbor, the initial Allied air attack was made, resulting in the sinking of a light cruiser, two destroyers, four gunboats, and a supply ship, and damage to other ships. On May 5 and 6 aerial reconnaissance in the Coral Sea located two aircraft carriers, seven cruisers, 17 destroyers, 16 unidentified warships, two submarines, one submarine tender, and 21 transport or supply ships.

On May 8 American units made contact with this Japanese force near the small Louisiade Islands, southeast of New Guinea. In the resulting engagement the American forces sank or damaged both carriers and four of the seven cruisers. On Monday, May 11, it was announced that two Japanese submarines had been sunk in the Coral Sea area, raising the total of Japanese ships sunk or damaged in this action to 21.

Meanwhile the Japanese probably have succeeded in setting down light occupation forces on Tulagi, Gavutu and Makambo Islands in the Solomon group, although this has not been confirmed. Control of these islands, which command Tulagi and Gavutu Harbors in the southeastern Solomons, would allow the Japanese virtually to dominate these islands. Harbors at the opposite end of the chain

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have been under Japanese control for several weeks. Newspaper dispatches report that seaplane tenders have landed some stores and equipment also in the Louisiade Archipelago.

Since the Japanese appear to have stepped up air operations against both Port Moresby and Horn Island, off northeastern Australia, further naval action at an early date is perfectly possible. The Japanese can always move naval units rapidly southward to the New Britain region from the Truk area in the Carolines, where reports indicate that they have assembled notable naval strength.

Imbroglio in New Caledonia

Concomitant with these serious Japanese threats in the Coral Sea area, political difficulties have arisen to plague the Free French rulers of New Caledonia, and the High Commissioner there has been suspected even of playing deliberately into the enemy's hands. The trouble arose apparently as a result of popular distrust of D'Argenlieu, the High Commissioner. Governor Sautot had been recalled to Free French headquarters in London in what General de Gaulle later termed a purely routine administrative move, but he refused to leave, apparently at popular behest. He was then arrested by the High Commissioner, along with four prominent members of his administrative council. The upshot was a general strike of all workers, and some mob violence.

Somewhat enigmatically, the High Commissioner himself has now been arrested and will soon leave the island, according to a reliable report, but the status of Governor Sautot remains in doubt. With American troops now bolstering the defenses of New Caledonia, which occupies a position of great current strategic importance, the situation is one of unusual delicacy.

The Japanese Advance in Burma

In northern Burma the Japanese drive has swept on to envelop strategic Bhamo and Myitkyina, thus cutting the last of the practicable alternative land routes from India to Yunnan and leaving only air transport as a means of travel and supply. In the northwest the Japanese continue to push the British back on Kalewa along the route to India. On the Burma road, however, the Chinese caught an overextended Japanese mechanized column which had advanced as far as Chefang, some 25 miles inside China. Subjecting the column to annihilating artillery fire, the Chinese forced the Japanese to withdraw, lifting the immediate threat to Paoshan, important station on the India-Burma air route. Press reports indicate, however, that the Japanese have already recovered, and with reinforcements they now seem to be moving forward once more in Yunnan.

Meanwhile Chinese units, previously isolated at Taunggyi and virtually given up for lost, have fought their way north and captured Maymyo. Using tactics reminiscent of the fighting in China, they threatened the Japanese rear as the latter were drawn into the artillery trap at Chefang. It is reported that the Japanese, now reinforced, are attempting to retake Maymyo.

Reaction in Chungking

Although the Generalissimo has lost some prestige as a result of the collapse in Burma, and some defeatism has appeared in Chungking, no faction is strong enough to oust Chiang, and it is generally believed that he will continue the fight against Japan, according to a very reliable and highly placed source. The Chinese still do not believe that the Japanese can conduct a major invasion of Yunnan at this time, in view of the weather and terrain, and there is no

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indication of a major Japanese move from Indochina, our source concludes.

Chiang is reported to have told his Army Council that he blamed the Burmese debacle in part on lack of cooperation from British military leaders. But the Generalissimo insisted that Japan has now reached the high-water mark of her effort and cannot maintain her present drive much longer. The coming months will be hard he added, but China will come through. Meanwhile, if Russo-Japanese hostilities break out, he expects a renewal of fighting on the Hunan or Chekiang sectors.

Indian Defense Again

With the Japanese in control of Burma and with the bombing of Chittagong and "a small country town in Eastern Assam" (identified by the Japanese as Imphal), the defense of India has become something more than an academic question. General Wavell has already announced the reorganization of the Army into three mobile commands, and General Brereton has suggested that American air forces will play a significant part in the defense of the peninsula.

Apparently the British and American commanders are experiencing few hindrances arising from the Congress party's objections to foreign control of Indian defense. One well placed British observer recently returned from India suggests that the defense of the peninsula is primarily a professional matter and that the failure of the Cripps' mission has actually made little difference. If the Congress had accepted Cripps' proposals, it would have helped chiefly in securing better air-raid precautions throughout India, and perhaps in limiting the number of strikes in industrial plants, and in stiffening public morale.

Stressing the friendly note on which the conferences between Cripps and the Congress leaders closed, our observer suggests that back of all the issues on which the negotiations broke down was the solid fact that Britain was already committed to India's defense. The Indian leaders knew that if Britain should win, her offer would in effect still be open. On the other hand, if Japan should win, the Indians could explain that they had not cooperated with the British. What was really at stake in the negotiations over the defense issue was, then, the implicit issue of whether or not India should be given a position in which she could, if she so desired, make a separate peace.

Our observer concludes that when the opportunity arises, some Indian leaders—besides those like Rajagopalachariar already pledged to cooperation in the war effort—may take a stand for armed defense. Nehru certainly has no illusions about the effectiveness of non-violent non-cooperation as a weapon against Japan, and he is definitely anti-Japanese. Moreover, Gandhi's lieutenant, Ghose, has actually advocated cooperation with the British. Communist elements, many of whose leaders are still in jail, favor vigorous prosecution of the war. And many younger men, sons of wealthy parents and university graduates, show strong sympathy toward Russia.

For the present, at least, apathy rather than enthusiasm or hostility to the British seems to characterize the Indian defense effort. Latest reports on India's morale indicate general pessimism, among both official and native groups. Nor is there any apparent readiness to adopt a scorched-earth policy in the event of a Japanese invasion.

Attack in the Crimea

While it is as yet too early to draw conclusions about the current Nazi attack in the Kerch peninsula, it is probable

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that this movement, far from being the long-awaited "spring offensive," is simply a continuation of local efforts to straighten the German lines in preparation for a concerted attack later on (*The War This Week*, April 30–May 7, p. 15). Here, and in the parallel attacks in the Donets area, the Nazi ground troops have apparently had the aid of strong air concentrations. According to a Soviet press source, they have even used gas.

The accompanying map suggests the success of German local attacks during the past few weeks. Although the lines and shaded areas are based simply on competent estimates rather than on specific reports, they do indicate that the Nazi attacks have already gone far to wipe out the more advanced Soviet salients established last winter. To the north, the Germans have apparently drawn their lines tighter around Leningrad, and may even have relieved the beleaguered 16th Army at Staraya Russa. In the center, the Soviet pincers north and south of Smolensk have largely disappeared, and the Nazis still stand less than 100 miles from Moscow. To the south, the Germans have apparently succeeded in relieving the almost-encircled city of Kharkov (where the Russians claim to have launched an offensive of their own), and their line remains anchored at Taganrog on the shores of the Sea of Azov.

In sum, then, the significant net gains of the Russians after a winter of ostensibly unremitting counter-offensives, are first, the reconquest of Rostov and large areas of the Crimea and the Eastern Ukraine; second, the relief of Moscow, including the capture of Mozhaisk; and third, a large scale infiltration in the Valdai Hills area, apparently lightly held by scattered German units.

The distribution of Nazi strength on the map is likewise an estimate. Some of the figures may already be out of date. For instance, there may be by now a greater concentration on

the southern front than the map shows (most of the "allied" units are apparently operating in this area; German communiqués point out that Rumanian troops are participating in the attack on the Kerch peninsula). Nevertheless, it is probable that the Nazis, even if they do decide to throw their main weight into a southern offensive, cannot leave merely a small holding force against Moscow. The length of the Russian front is so great, and the Soviet army so large, that a stripping of one sector to permit the concentration of overwhelming force in another area—as envisaged in the original Von Schlieffen plan for attacking France—would here appear to be out of the question.

Ordeal in Leningrad

In the Leningrad sector, it is the Russians who will probably suffer most from the spring thaw. Here a series of Soviet attacks have apparently failed to relieve the city. And soon the ice will be out of Lake Ladoga—thus eliminating Leningrad's chief supply line, the railroad laid this winter across the lake itself.

A report from Kuibyshev suggests that before the completion of this line, the food shortage in Leningrad had reached critical proportions. And even after the new link went into service, while workers had enough to eat, babies and non-essential people in general starved in large numbers. A report from Helsinki, ostensibly based on the testimony of deserters and prisoners-of-war, adds further details: evacuation and death have lowered the population of Leningrad from about 3.2 million to an estimated 2.5 million this spring.

Of approximately 150 large factories in the city, the report continues, the Russians have transferred from a third to a half inland, many to the Ural area. Those remaining have endeavored to maintain their output by lengthening the

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working day to even as much as 18 hours. But bombardment and a shortage of raw materials, electricity and fuel, coupled with the poor physical condition of the workers, have greatly reduced production.

A lack of adequate bomb shelters, the report concludes, has been responsible for many civilian casualties. Nevertheless, a service of 70 airplanes has maintained the city's hospitals. Now, with the ice going out of Lake Ladoga, Leningrad is girding itself for the coming summer ordeal, although apparently the Russians are confident that they can continue to supply the city by establishing a boat service across the lake.

Will the Germans Use Gas?

Prime Minister Churchill's speech, with its clear warning to the Germans about the use of chemical warfare, corroborates suspicions expressed by several neutral sources. The Turkish ambassador to Berlin, for example, is evidently of the opinion that Hitler will not scruple to employ gas—and bacteria also—on the Russian front. But the German army leaders are hesitant and would consent to the use of these methods only as a last resort.

Other observers believe that the recent Nazi propaganda line—including Hitler's reference to British use of "new means" of warfare—indicates a readiness to employ gas. In Russia, they point out, weather and terrain are favorable, and the Germany army and chemical industry are well prepared; the latter has been working at high pressure in anticipation of the coming summer.

It may be that Nazi preparations for using gas are responsible in part for the current delay in launching an eastern offensive. A more plausible reason for that delay, however, is the spring flooding of the rivers in Central and Southern

Russia. One report maintains that the Don, in one area where it is normally a mile across, now forms a lake 30 miles wide.

Spring Comes to the Arctic Ocean

The battle for the supply routes to Russia continues with redoubled intensity. In a recent engagement, the Germans had one destroyer sunk, and another damaged, while the British lost the light cruiser *Edinburgh* and five supply ships from two convoys—of which, according to Allied reports, 90 percent of the supplies reached Russia in safety. Such losses suggest that both sides regard the northern supply route as a most critical theater, in which they are willing to suffer inordinately heavy damage.

The months of early summer are the least unfavorable of the year for naval or air action, according to a study recently prepared in the Geographic Division of the Coordinator's Office. While weather conditions are relatively adverse all year round, both for convoys and for their attackers, in winter northerly gales and long hours of darkness make naval operations unusually difficult and air activity often impossible. In summer, the dense fogs characteristic of the season would apparently favor the escape of Allied convoys from air reconnaissance. On the other hand, the long hours of daylight would be of considerable aid to attacking planes.

The Opening of Archangel

About the middle of this month, the White Sea port of Archangel will be substantially free of ice. A study prepared in the East-European Section of the Coordinator's Office suggests some of the implications of the opening of Archangel as a terminus for American and British convoys.

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Since late December, convoys bound for Russia have used the port of Murmansk, open all through the winter with the occasional assistance of an icebreaker. Besides its freedom from ice, Murmansk has at least two advantages over Archangel: first, it is nearer to Britain and the United States; second, its port facilities may be adapted to more varied shipments, since in the years before the outbreak of war, Archangel was important chiefly as an export point for lumber.

On the other hand, Murmansk is far more exposed to enemy attack. Already the Finns have cut the Murmansk-Leningrad railroad south of Soroka. Shipments this winter have had to go over the new railroad from Soroka along the southern shore of the White Sea to Obozerskaya, the junction with the railway from Archangel south to Vologda and Moscow. Furthermore, the capacity of Murmansk is considerably smaller than that of Archangel—about 90,000 to 120,000 tons per month for the former, and possibly 290,000 tons for the latter.

In short, it seems likely that from now on, the Soviets will use both ports. Despite German bombing of the railway south from Murmansk, its capacity is probably still adequate to keep the port clear—that is, barring further damage from the air. Even in that event, the Russians are used to making rapid repairs on this railroad, having at least once rebuilt a ruined bridge in as little as a day and a half.

The railroad south from Archangel, coupled with the river facilities of the Northern Dvina, can probably keep clear the port of Archangel and the neighboring ports of Bakaritsa and Ekonomiia. Furthermore, south of the junction with the Murmansk railway system at Obozerskaya, the Russians have very nearly completed the double-tracking of the line, making a bottleneck at this point unlikely. In fact, the chief limiting factor in the whole Russian supply problem may be not so

much the capacity of the Soviet ports and railways, as the amount of shipping which Britain and the United States make available for this route.

The Intentions of the Finns

A further argument in favor of the continuing use of Murmansk is the comparative quiescence of the Finnish army. A report from Helsinki suggests that the Germans, fearing a Finnish collapse, will not ask the Finns to take Soroka this summer. (Once in possession of Soroka, the Finns would control the railroad connecting Soroka with the Archangel-Vologda-Moscow line, thus making Murmansk useless as a port of entry.) The Nazis feel, according to the report, that if they are victorious over the main Soviet army, the Russian forces in the north will be obliged to withdraw of their own accord.

Meantime, in the Kiestinki sector, the spring thaw is apparently working considerable hardship on the Finnish and German troops. Adequately supplied with food and ammunition, they are, however, unable to evacuate their wounded over the soggy roads to their rear, and must rely on airplanes to bring in medical supplies. The Russians, on the other hand, have adequate all-weather roads in this area, the report concludes.

French Reactions to the Descent on Madagascar

The British descent on Madagascar appears to have provoked two rather different reactions in metropolitan France. The official attitude of Laval's government was hostile, and both Pétain and Darlan sent messages of encouragement to the resisting French troops. On the other hand, reports suggest that the popular reaction in France was one of understanding tinged with a feeling that the act was inevitable.

The De Gaullists are a case apart. The relatively calm attitude of the French public fully justified the exclusion of

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the Free French from the attack, it is felt in British government circles. But in the De Gaullist camp, reports picture great disappointment and distinct resentment, a sentiment not mollified by current negotiations at Martinique. In any event, observers are contrasting the notably different French popular reaction in the case of Madagascar and in that of the earlier joint British-Free French invasion of Syria. A more recent British announcement that the Free French are to assist in the administration of Madagascar may allay to some extent initial De Gaullist resentment.

Laval's Difficulties

The Germans are already contriving difficulties for Laval and are now once again tacitly supporting renewed Italian claims to the cession of Nice and Corsica, according to reports which lend some color to the continuing rumors that one of the Parisian collaborationists may presently replace the new Vichy premier.

Meanwhile it is said that the Germans are offering Laval the repatriation of a sizeable number of French prisoners for the return of General Giraud, who is still at Vichy and not, as some newspapers have reported, in the hands of the Germans or the Swiss. The Nazis appear to be considerably disturbed about the plans of the General, who is reported to be as anti-German as ever and as being "happy to work with the United States."

In North Africa recent reports picture certain high French officials as still hopeful that Pétain may hold out against Axis pressure and that North Africa may yet reënter the war on the Allied side (with the help of the United States), whatever may happen in metropolitan France. To accomplish this end, however, continued American economic assistance is essential, these officials insist. The seriousness of North

Africa's economic plight is reflected in a recent statement by General Nogues that the Moroccan government is seeking an exchange with metropolitan France of food products for certain commodities needed in Moroccan industry. The General emphasized the importance of haste and declared that "minutes are precious."

Respite for Malta

In one 72-hour period this week the defenders of Malta shot down 101 attacking planes, according to Allied press reports. Coupled with a continuing let-up in air raids over the island, perhaps indicating a shift of Axis strength to the Eastern Front, the current success of Malta's defenders may presage a respite for the coming months. That such a respite would be more than welcome to the island was apparent in an official British announcement that three-quarters of the buildings in Valetta are now uninhabitable.

Yet if the Axis is to continue the neutralization of Malta, steady bombing attacks will still be necessary. Of course if the Nazis had decided to attempt the capture of the island, they might have ended this drain on their resources once for all. Now, with the sinking of three British destroyers by German bombing, it is apparent that the Axis still has a powerful air fleet in the Mediterranean, and that Malta may be enjoying only a temporary respite after all.

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APPENDIX I

THE CONSEQUENCES OF MALNUTRITION

A case study of the effects of inadequate diet, strictly enforced by effective rationing, has just been received from Belgium, and it will hardly encourage those who look forward to the day when the United Nations might count upon assistance through internal revolt of peoples under Nazi control. Rather this study suggests that the rationing of conquered Europe might serve the German effort to maintain order more effectively in the long run than will Nazi firing squads. Moreover, it is particularly among the urban middle and lower classes that the spirit of revolt is likely to become progressively weaker, as food conditions demand that more and more commodities become subject to rationing.

Today there is no country in which all consumption is rationed. Rationing is generally introduced for specific commodities as shortages develop. The percentage of total calories provided by rations varies from virtually none in Portugal to some 90 percent in Germany. Hence, legal rations can nowhere be used as the sole measure of consumption.

Nor does the existence of a rationing system mean that the system works. Certain groups may fare better than others—notably the rural producers who can withhold their product, and the well-to-do who can purchase in the black market. This frequently means that adequate quantities are not available for the urban consumer in the lower income brackets. Indeed, many such people receive even less than the rationed amounts of particular foods.

From the beginning of the war, there has been a gradual extension of the number of countries with some degree of rationing. More important is the ever-lengthening list of commodities to which control is applied. There is reason to believe that for most countries the extent of control will become more severe, and the opportunities to obtain free supplementary foods will become more and more limited. Rations will therefore comprise progressively larger percentages of the total consumption of citizens in any country.

Belgian rations are on a scale similar to those in force elsewhere in Europe. It is not likely, moreover, that the nutrient values supplied by these rations will be markedly increased in the future. Hence it is worthwhile to examine the effects—physical and mental—of consumption at the level prescribed. The particular observations reported are from a Belgian prison, where for many months the inmates are known to have been fed nothing more than the legal rations. Such a stark view of rationing enforced in its complete rigor suggests some of the results which prolongation of the war may bring for an ever-widening element of the population of Europe.

The legal Belgian rations provided the prisoners with diets of 1,500–1,850 calories, less than three-quarters the number of calories needed to sustain life when no physical activity is undertaken. The diet was unbalanced: it was markedly deficient in protein, mineral salts, and vitamins.

The first effect was hunger, so severe that the prisoners frequently became dizzy, subject to fainting spells, and temporarily blinded. The sensation of hunger was so acute that sleep was often impossible. In many cases these

effects were intensified by an inability to eat even the meager food allotments because of inordinate swelling of the submaxillary glands, and of the tongue, gums, and indeed the whole mouth. In such circumstances, adynamia is almost always present: the feet drag; climbing stairs is most painful; all processes which necessitate keeping the arms extended even for brief periods are performed with difficulty. Soon the nervous system is affected, so that motor control becomes yet more difficult. There is a numbness of the limbs which hinders all activity.

Urinary troubles arise and marked disorders in the alimentary canal develop. There are severe cases of constipation, and even more commonly diarrhea sets in and will not respond to treatment. This soon brings increased weakness and the loss of weight.

Indeed, loss of weight is general and progressive, from about one month after the rationed diet is instituted. The organism exhausts its store of fats; then the muscular tissues deteriorate. All bones become more prominent. Losses of 50 and more pounds during one year are common; and there are cases of weight reduction to the extent of 50 percent.

Actually, this weight loss is concealed to some degree by "famine oedema", which occurred among some 90 percent of the inmates receiving no food other than rations. This is a condition in which liquid which cannot be eliminated accumulates in the body. Though it is usually localized in the lower limbs, it sometimes spreads and thus hinders breathing and circulation (the oedema disappears quickly if sufficient quantities of Vitamin B_1 are administered).

Despite the suffering accompanying these dietary deficiencies, death by starvation appeared to be painless. Without additional symptoms, many of the prisoners passed away during sleep.

Cases of such malnutrition are undoubtedly to be found throughout Europe today. There are as yet, however, few areas where the bulk of the inhabitants must live on such curtailed dietaries. From all the evidence, it appears that such conditions prevail most nearly in Greece. Recent accounts (coming from Ankara) reveal a situation in many Greek cities not very different from that described above. These accounts tell the same story of weakness, sleeplessness, weight loss and oedemic conditions, alimentary and urinary disorders—and peaceful death.

Published reports of a survey among normal consumers in Belgium, from September 1940 to April 1941, again show conditions differing only in degree from those of the prisoners living solely on legal rations. Other studies give similar evidence of the results of malnutrition brought about by the First World War, according to an anlysis now in progress in the Bureau of Home Economics of the United States Department of Agriculture.

All these studies put considerable stress upon other than the physical effects of malnutrition. Investigators of the early 'twenties pointed out that there was a complete lack of mental aggressiveness among the hungry. During the present war, a state of apathy is regularly reported as characterizing the inhabitants of Greece. In the Belgian prison, the inmates were subject to states of acute depression: listlessness, lassitude, and lack of interest in life itself were common. The evidence clearly indicates that persons suffering from malnutrition are not desperate men readily moved to rash activity. Rather, they are apathetic and indifferent people who accept their lot without marked protest. Such men can scarcely be relied upon to assist the United Nations by fomenting internal revolt.

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APPENDIX II

JAPAN'S ECONOMIC GAINS IN THE PHILIPPINES

The economic resources which the Japanese have gained in the Philippines, while not vital to her war economy, are nevertheless of considerable strategic importance. In the case of iron, chrome, and manganese ores—commodities which Japan needs—the comparatively short haul from the Philippines will doubtless influence the Japanese to exploit these resources immediately. Although information on the demolition accomplished in the islands is by no means complete, it is not believed that "scorched earth" tactics have been very successful.

The Philippines offer Japan considerable resources in iron ore, which in the past has been one of her most critical needs. Annual production, averaging 60 percent iron content, has run about 1,250,000 tons in the islands. Some of the iron mines were reported to have been flooded and at least one was dynamited. But in the open pit mines of Mindanao, the area of greatest production, destruction is not practicable. A very large unexploited reserve will allow for considerable expansion in mining. The fact that the Philippine mines are nearer than those in Malaya, and that the Philippine ore is of high quality, may lead to intensified exploitation of these resources.

Philippine chrome is believed to be sufficient to fill the gap in Japanese requirements. Approximately 150,000 tons of medium grade ore (40 to 48 percent) were mined there annually prior to the Japanese occupation. The known reserves in Zambeles Province, on Luzon, are estimated at more than 10,000,000 tons, and they are easily accessible. In this area there was some destruction: at Santa Cruz, trucks were removed and the loading pier burned, and at Masinloc the pier was demolished and all equipment was removed.

With respect to manganese, an annual Philippine production of 60,000 tons of ore considerably improves Japan's position. The average content is 50 percent. Again the supply is nearer than that in Malaya. The largest and best deposits are on Busuanga, a small island about midway between Palawan and Mindoro. Smaller quantities of high-grade ore also are located on the island of Masbate. No information is available on demolition.

Japanese dependence on stockpiles to meet current requirements for copper will be to some extent relieved by requisition of the small Philippine output—about 9,000 tons of metal annually. Japan will also gain a monopoly control of hemp, more than 50,000 tons of which were ready for movement when the attack began last December. It is not known how much of this was destroyed, but in any case an annual production of 200,000 tons will become available to her.

Japan is nearly self-sufficient in sugar, but about 300,000 tons were milled, bagged, and awaiting shipment when the Japanese arrived, and annual production is about 1,000,000 tons. The Philippines' 280,000 tons of molasses per year will be useful to Japan for alcohol distillation, as a supplement for fodder, and also as a source for potash. Timber resources will augment the Japanese supply of this important product, and her requirements of copra and coconut oil will be assured.

Some reports indicate that trucks and passenger cars obtained in the Philippines already are being shipped to Japan for scrap. In the Paracale mining area in

Southern Luson the Japanese are said to have found 1,000 tons of drill steel, 500 tons of structural steel, and 1,000 tons of manganese balls ready to ship. And although a considerable amount of petroleum was set afire or used in military operations, there were on hand in the Philippines at the end of November 1941 about 1,100,000 barrels of stocks. A complete estimate of the amount of this which fell into Japanese hands is not yet available.

U. S. GOVERNMENT PRINTING OFFICE: 1942

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 14, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Summary of Military Reports

French Navy

The following lists the location of the French battleships and battle cruisers under control of Vichy:

Toulon

Strasbourg (26,000 tons, 13-in. guns), ready for action.
Provence (22,000 tons, 13-in. guns), ready for action.
Dunkerque (26,000 tons, 13-in. guns), being repaired, will not be ready for nine months.

Casablanca

Jean Bart (35,000 tons, 15-in. guns), still incomplete, has only one turret mounted.

Dakar

Richelieu (35,000 tons, 15-in. guns), one gun of her main armament out of action (is little more than a floating battery).

(U.K. Operations Report, April 30 - May 7, 1942)

Dakar

Reconnaissance over Dakar on May 10 showed no change in the French naval units in port. (That is, the French have at Dakar: the Richelieu, three light cruisers, three destroyers, and ten submarines.)

(U.K. Operations Report, May 13, 1942)

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(U.K. Operations Report, May 13, 1942)

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Philippines

According to the information available to our army, our forces on Mindanao have surrendered to the Japanese, the commander feeling that "the odds against him were too great." Mindanao was next to Bataan and Corregidor the main center of resistance to the Japanese in the Philippines.

(U.S. Military Intelligence Information, May 13, 1942)

R.A.F. Activity

Intelligence reports are to the effect that bombing damage in Cologne is such that the authorities can no longer clear the debris away quickly. The attempts to hide damage by erecting board walls have been abandoned.

In the raids on Rostock, twelve direct hits with heavy bombs were made on the Heinkel works. The walls of the largest assembly shop fell inwards and destroyed the planes on the production lines.

On February 16, in a raid on Kiel, a bomb fell on an assembly shed at the Marinewerft (naval dock) and killed most of the night shift there.

(U.K. Operations Report, April 30 - May 7, 1942)

German Air Force

(In spite of Hitler's speech threatening reprisals against the British, no strengthening of the German bombing force in the west for this purpose has occurred. Rather the western bombers were diverted from other uses.) In the first week of May, an average of 60 German bombers operated on three nights, making reprisal raids on towns in England. These activities caused a reduction in German mine-laying and anti-shipping operations.

(U.K. Operations Report, April 30 - May 7, 1942)

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'Voice of the Chief'

"The time has not yet come when it will be self-evident where I am and who I am. Until then, I can only tell these propaganda scribes that it is none of their concern.

"The way things are in Germany today no compatriot is safe any longer. Even the most faithful and conscientious citizen cannot be sure that he will not be dragged from his bed, and robbed of his freedom and his property, only because one of these shysters of the 'party community' is interested in having him disappear.

"Under this hypocritical pretense of so-called necessity of the state, government officials are discharged, judges are dismissed, compatriots are imprisoned, dispossessed and decapitated. This state interest is interpreted every time as best suits the private interest of the petty official in the community."

(Federal Communications Commission, May 12, 1942)

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May 15, 1942
4:10 p.m.

HMJr: Hello.

Operator: Mrs. Morgenthau calling.

HMJr: Okay.

Operator: Go ahead.

HMJr: Hello.

Mrs. Morgenthau: Hello, dear.

HMJr: You're on the loudspeaker.

M: I just gather you have your headache again.

HMJr: Yeah, how do you.....

M: What?

HMJr: Yeah. I had it all day.

M: Isn't that a shame.

HMJr: Henry's sitting here.

M: I see. Anyone else there?

HMJr: Just Henry.

M: Oh. Because you said I was on the loudspeaker, I thought maybe you had a room full of people.

HMJr: Well, I was expecting Mr. Ginsburg.

M: Oh. What about?

HMJr: Oh, I'm - of Henderson's office.

M: Oh, that Ginsburg.

HMJr: Yeah.

M: I thought you meant Ginsburg from the Army.

HMJr: No.

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M: General Ginsburg.

HMJr: No. Ginsburg of Ginsburg, Ginsburg, and Ginsburg.

M: I see. I was - does your head hurt you much?

HMJr: Oh, just - you know I've been eating honey. I may be allergic to it.

M: Maybe.

HMJr: Yeah, I'm going to stop it.

M: Everything we have is cooked with honey these days.

HMJr: Yeah. I've got to go back to the White House at five.

M: I see. I had a telegram from Margaret asking me when we were coming.

HMJr: Yeah.

M: And I thought I'd better phone her.

HMJr: Well, here's the point.

M: Yes.

HMJr: They're not sure about the weather yet for tomorrow.

M: At all?

HMJr: Well, they don't know. They may have to go in the morning.

M: I see.

HMJr: And I really don't think you can tell her yet whether we'll come for lunch or not.

M: Oh, I think the thing we ought to do, if I send a wire, I can't explain very well, can I? Don't you think the best is to phone her.....

HMJr: Yes.

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M: .....and tell her that - I can't phone her after seven, because we have to be at the Russian - so I thought I'd put in a personal call.

HMJr: Well, I'll know by the time I come home.

M: Is that terrifically expensive?

HMJr: No, we - I might know right now. Wait a minute, will you, because.....

M: All right.

HMJr: .....he was talking to Sinton right now. Just a minute.

M: All right.

HMJr: Hold on, please.

(Talks aside) What do you know about the weather, anything? Mrs. Morgenthau's on the line. Well, could he let us know tonight yet? Well, I don't - doesn't he normally go to bed earlier when he's going to fly? Can't somebody else do it? Why can't you call - well, let me just - stay on a minute.

(To Mrs. Morgenthau) Hello.

M: Yes.

HMJr: As it stands now, they don't think we can go in the morning.

M: They don't think we can go in the morning.

HMJr: No.

M: Do they think we can go in the afternoon?

HMJr: Well, that they don't - they won't know before ten-thirty tonight.

M: I see. Well, I think the thing for me to do is to call her. Don't you?

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M: .....and tell her that - I can't phone her after seven, because we have to be at the Russian - so I thought I'd put in a personal call.

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(To Mrs. Morgenthau) Hello.

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HMJr: As it stands now, they don't think we can go in the morning.

M: They don't think we can go in the morning.

HMJr: No.

M: Do they think we can go in the afternoon?

HMJr: Well, that they don't - they won't know before ten-thirty tonight.

M: I see. Well, I think the thing for me to do is to call her. Don't you?

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HMJr: Yes.

M: And just tell her that we can't go in the morning.....

HMJr: Yeah.

M: .....and that we hope to get off in the afternoon.

HMJr: Yeah.

M: Don't you?

HMJr: Yes, maam.

M: And I'll have to explain to her about the rushing away, otherwise she may be making plans and I think I ought to also tell her we won't be there for lunch.

HMJr: That's right. Okay.

M: And so I think the best is to put in a personal call and just tell her when we're ready to leave we'll wire.

HMJr: That's right.

M: What does it take us, about two hours, from here?

HMJr: But to her home will be about three hours.

M: Three hours.

HMJr: Two hours and a half.

M: Well, we wouldn't get there until after seven in any case.

HMJr: Yeah. Okay.

M: Oh, are you taking your dinner coat to New York?

HMJr: No.

M: No.

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HMJr: No.

M: Well, I'm taking my good drees.

HMJr: Yeah.

M: All right, darling.

HMJr: Okay.

M: Good-bye.

HMJr: Good-bye.

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May 15, 1942
4:16 p.m.

HMJr: Hello.

Operator: General Watson is on his way to Charlottesville.

HMJr: I beg your pardon. Gee whiz, this is terrible. Give me - what is Roberta's last name?

Operator: Barrett?

HMJr: What?

Operator: Barrett?

HMJr: Yeah - well, I - no, give me the Chief Clerk, what's his name?

Operator: Forster?

HMJr: Forster.

Operator: Right.

May 15, 1942
4:17 p.m.

HMJr: Hello.

Operator: Mr. Forster.

HMJr: Hello.

Mr. Forster: Yes, Mr. Secretary.

HMJr: How are you?

F: Fine.

HMJr: Forster, you've got to help me out as my life saver.

F: (Laughs) Yeah.

HMJr: This morning I went in to see the President about where we could house some soldiers that

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guard the White House.....

F: Uh huh.

HMJr: .....and told him about a place here off the corner of the Treasury, which he said he didn't like.

F: Uh huh.

HMJr: So he said, "Go look at the square opposite the State Department." See?

F: Yeah.

HMJr: And he said, "If that's all right," - I had Watson in there - and he said, "If the Army likes that, they can have it, and I, as Commander-in-Chief, will tell Harold Ickes he should do it."

F: Uh huh.

HMJr: Now Watson's gone down to Virginia.

F: Yeah.

HMJr: And I'd like to get this thing cleared today. Now, could Norman Thompson walk this over to you?

F: Uh huh.

HMJr: And would you take - if you want to, you can check up with the President on it, but - I got a little plan and everything, but he said if it was all right with the Army, it was all right with him and he would order it done.

F: Uh huh.

HMJr: And I'd like to get it cleared still today.

F: Yeah.

HMJr: Should Norman bring it over to you?

F: Yeah.

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HMJr: See?

F: Yes, that'd be fine.

HMJr: Will you? It's for the soldiers that guard the White House. I've really got no business in this thing, but I'm right in it, anywey.

F: Uh huh. Yeah, I'll be on the look-out for him.

HMJr: Norman will bring it over himself.

F: All right.

HMJr: Thank you.

F: All right.

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May 15, 1942
4:21 p.m.

Mr. C. David Ginsburg: Hello, Mr. Secretary.

HMJr: How are you?

G: Very well, sir.

HMJr: Well, as near as I can make out, you're the boss today.

G: That's right.

HMJr: What?

G: King for a day.

HMJr: King for a day.

G: That's right.

HMJr: Listen, Mr. Ginsburg, when I went over to see the President today, I told him what a swell job Leon did for us on the Hill.

G: Yeah.

HMJr: Then I went on to say what a lousy press Leon got.....

G: It really was.

HMJr: .....and then how he got out a statement and the papers didn't carry it.

G: That's right.

HMJr: Now, the President asked me to get together for him the misstatements that the President - the papers made.....

G: That's right.

HMJr: .....and then to show just what papers did and didn't carry it. I mean - as far as I know, the New York Times, I think, was the only one that I saw. And he said he would use it as an example

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at his Tuesday's press conference.

G: Well, I'm sure we could do something.

HMJr: Now, the point is, it's really up to you to get that stuff together and send it over to Steve Early.

G: Fine.

HMJr: Not later than Monday night.

G: We'll be very glad to have it there.

HMJr: And the President said he would use it Tuesday, and he definitely wants it.

G: Well, that's very good.

HMJr: Now, may I forget about it?

G: Surely, and I'll get in touch with Steve and give him the material.

HMJr: And explain to him the circumstances.

G: Fine. I'll be very glad to do that.

HMJr: Thank you.

G: Thank you very much, Mr. Secretary.

HMJr: Good-bye.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 15, 1942.

TO Secretary Morgenthau

FROM W. H. Thompson

Forster tells me that the President instructed Marvin McIntyre to clear the barracks building project with Secretaries Hull and Ickes. Mr. McIntyre was unable to do this this afternoon but will take it up with them tomorrow.

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May 15, 1942
4:23 p.m.

HMJr: Hello.

Operator: Mr. White.

HMJr: Oh, yes. Hello.

Harry White: Hello.

HMJr: Harry.

W: Yes, sir.

HMJr: The President said to carry on our investigation in Argentine.

W: Yeah.

HMJr: To continue.

W: Yeah.

HMJr: See?

W: Yeah.

HMJr: And if the situation got bad enough, he personally would bring it to the attention of the various republics of South America.

W: I see.

HMJr: See?

W: All right.

HMJr: Continue our study.

W: Okay.

HMJr: Now, I think that you ought to send one of the very ablest men that you have to the Argentine.

W: All right. Well, we'll talk it over and we'll have a recommendation for you.

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HMJr: Right. And the other thing, your - the work of your life - I can't think.....

W: (Laughs) I hope not.

HMJr: What's the Latin word?

W: Magnus opus?

HMJr: Yes.

W: Well, it's hardly in that class, but anyhow.....

HMJr: Well, the first blush on it, the President liked it.

W: Yes. Well, that's good.

HMJr: And he wanted me immediately to give it to Hull, and I said, "No, I want you to study it and if you like it, it can only happen if you get behind it."

W: Yeah.

HMJr: "And then if you like it well enough, then I'm willing to take it to Mr. Hull."

W: I see. Very good move.

HMJr: So I thought you should know that.

W: That's a very good move. Well, we have some copies on that and we're ready to give it to him.

HMJr: All right.

W: Yeah.

Okay. Well, that's fine. Well, you think he may read it then over the week-end?

HMJr: I think the chances are excellent.

W: Well, that's good. All right. We'll get in touch - I'll get in touch with the lawyers on the other thing, and we'll have some sort of a

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recommendation prepared for you.

HMJr: Good-bye.

W: All right. Good-bye.

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Treasury Department
Division of Monetary Research

Date May 15 19 42

To: Mrs. McHugh

From: L. Shanahan

Mr. White took the original of this to the Secretary this morning.

The Secretary felt it was not adapted to his purpose, so did not use it.

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THE SECRETARY OF THE TREASURY
WASHINGTON

MEMORANDUM TO THE PRESIDENT

Proposal to Deal with Axis Activity in Argentina

1. Having in mind the growing evidence that Argentina is being used as the focal point for Axis activities in this hemisphere, I proposed to the Board of Economic Warfare at its meeting on May 7 that the Board consider the steps which might be taken to prevent the use of the American monetary system by Argentine nationals for purposes which would aid the enemy. I proposed specifically that consideration be given to extending foreign funds control to Argentina as it now applies to the four European neutrals. This would be done by the issuance of a Presidential Order simultaneously with the granting of a general license permitting legitimate Argentine transactions to be freely conducted.

After some discussion in the Board the Vice President appointed a committee consisting of State, Treasury, Commerce and the Board of Economic Warfare to report to the Board at its next meeting on May 21. The Treasury Department prepared the attached memorandum. At the committee's meeting on May 12 the following points were brought out: (a) There is considerable evidence of Axis activity in Argentina to our distinct harm; (b) the State Department opposes extending freezing control to Argentina in view of its possible effect on our Good Neighbor policy. It was unanimously agreed to present a report to the Board of Economic Warfare at its next meeting.

2. You may be interested in knowing how Argentina is being actively used by the enemy to undermine our war effort.

The Argentine Government has done nothing to prevent Axis funds from finding refuge in Argentina. The absence of effective control in Argentina has permitted it to be used by the Axis to cloak important economic and financial operations. We have numerous instances in which Argentine companies are holding large sums for Axis nationals or the nationals of

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SAVINGS
BONDS
AND STAMPS

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occupied Europe. While it is possible for us to ferret out a few of these companies and to freeze them on an individual basis, it is impossible to keep pace with the rapid maneuvers presently possible through Argentine companies without some over-all control.

Argentina is an agency for the transfer of Axis funds. Argentina is the one remaining country from which currency and securities stolen in Europe by the Axis can be disposed of. Argentine banking institutions have permitted transfer of funds to and from the Axis which the banking institutions of other countries have refused to handle. Remittances from Argentina provide the Axis with large sums in free exchange. In fact, the Brazilian Government expressed to the Argentine Government its concern regarding the transfer of funds to and from Axis countries through Argentina.

Argentina has recently concluded commercial and payments agreements with Spain and France which facilitate transfers to and trade with Axis Europe. We are informed by the British that two German agents carrying quantities of looted United States currency are enroute to Buenos Aires as members of the Spanish Commercial Mission.

It may also be pointed out that the Argentine Government has not broken off relations with the Axis; has taken suppressive action against the expression of views favorable to the United Nations and at the same time has freely permitted expressions in support of the Axis; has permitted Buenos Aires to become the center of Axis espionage and propaganda in Latin America; and the Acting President has selected several well-known pro-Nazis to act on his Advisory Council. In general Argentina has taken no effective steps to carry out the resolutions adopted at the Rio Conference.

3. We have received from other agencies supporting information concerning events and actions in Argentina which are inimical to our war effort. You may be particularly interested in memoranda from the Federal Bureau of Investigation and the Coordinator of Information, which are attached.

4. It should be emphasized that the proposal under consideration is aimed at preventing the use of the American monetary system for transactions by Argentine nationals on behalf of the enemy and that legitimate Argentine transactions would continue without restriction.

I am fully appreciative of the complex political considerations which, as the State Department has indicated, are involved in placing Argentina under general license. I venture to suggest,

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however, that our 18 Latin American neighbors that have taken the risk of breaking off relations with the Axis feel that it is about time for us to make some clear differentiation between them and Argentina which is persistently sitting on the fence waiting to see who will win the war and which is carrying on or permitting such extensive financial, economic and subversive activities on behalf of our enemies.

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Cabinet May 15, 1942.

THE WHITE HOUSE
WASHINGTON

Put President Quezon on the air for War Bonds.

Peter Odr. #1,00

White should send some extra good man to Argentina

Concrete barge - self propelled

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This was the agreement which was reached at the meeting held at the White House at 5:00 p.m., on Friday, May 15th, at which were present V.P. Wallace, Secretary Wickard, Secretary Morgenthau, and Senators Russell, McNary and Bankhead.

SENATOR RUSSELL OFFERED THE SENATE A NEW COMPROMISE IN THE DISPUTE BETWEEN THE FARM BLOC AND THE ADMINISTRATION OVER THE SALE OF SURPLUS AGRICULTURAL COMMODITIES.

IN CONNECTION WITH A LIMITATION IN THE $680,000,000 AGRICULTURE DEPARTMENT APPROPRIATION FOR 1943 PROHIBITING THE SALE OF GOVERNMENT OWNED OR CONTROLLED SURPLUSES AT BELOW-PARITY PRICES, RUSSELL PROPOSED THAT THE GOVERNMENT BE AUTHORIZED TO SELL GRAINS FOR FEEDING PURPOSES ONLY AS LOW AS 85 PER CENT OF CORN PARITY. AN ADDITIONAL LIMITATION WOULD PREVENT THE SALE OF MORE THAN 125,000,000 BUSHELS OF WHEAT FOR SUCH PURPOSES.

5/19--R147P

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 15, 1942

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Farm-retail price spreads for food products.

The attached report from the office of the Secretary of Agriculture shows rather clearly the extent of the rise in farm prices of foods during the past year, as compared with the smaller increases in wholesale and retail food prices. This is brought out particularly in Figure 1 on page 5, and in Table 8 on page 14.

The price data in this chart and table are compared by expressing each price series as an index, with the average for the 5-year period 1935-1939 taken as 100. It will be noted (Table 8, page 14) that in March 1941, food prices were approximately at their 5-year average level at retail, at wholesale, and at the farm. In the 12 months since March 1941, the three indexes show the following increases: retail food prices, from 98 to 119 (21 percent); wholesale food prices, from 95 to 122 (28 percent); and farm prices of 58 foods, from 100 to 138 (38 percent). The respective increases are shown graphically in the chart on page 5.

The relatively greater increases in food prices at wholesale and at the farm obviously create a difficult problem in maintaining ceilings on retail food prices at their March levels.

Marketing margins

The report also makes a comparison of retail food costs for 58 foods with the amount paid farmers for these same foods, and computes the marketing margin. (Table 1, page 2.)

It will be noted that during the 12 months from March 1941 to March 1942, the estimated annual cost of an average family's purchases of 58 foods rose from $321 to $384, an increase of $63 or 20 percent. Of this $63 increase, $54 went to the farmer, and $9 represented an increase in the marketing margin. The farmer's share of the retail value rose from 44 percent in March 1941 to 51 percent in March 1942.

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Recent tendencies

During the 3-month period January-March 1942, as shown in Table 1, the amount paid to farmers has held nearly unchanged, rising from $194 to $195 (0.5 percent) while the cost at retail has risen 1.6 percent. The greater rise in retail costs during this period doubtless represents in large degree the delayed influence of the sharp rise in farm prices between November and January.

The report covers price movements only through March. Farm prices of foods rose sharply in April. Preliminary and confidential figures from the Department of Agriculture show that the amount paid to farmers for 58 foods rose in that month to $201 from $195 in March, an increase of 3.1 percent. This compares with a rise of only 0.8 percent in April (confidential) in the cost of foods at retail.

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Mr. Vane

DEPARTMENT OF AGRICULTURE
WASHINGTON

35997

May 9, 1942

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

Before leaving town last night Secretary Wickard asked me to send you the enclosed publication on farm-retail price spreads. The underlined material has a bearing upon the discussion held in your office Thursday noon.

Sincerely yours,

Carl Hamilton

Carl Hamilton
Assistant to the Secretary

Enclosure

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

FARM-RETAIL PRICE SPREADS

March 1942

Cost at retail of foods produced on American farms increased less than 1 percent from mid-February to mid-March, accompanied by a slight rise in prices paid to farmers for food products. The spread between payments to farmers and cost at retail, comprising the marketing margin, continued to advance.

Wholesale markets showed a rise of about 2 percent in prices of farm products and foods from mid-March to mid-April. According to preliminary information, retail prices of foods continued to rise slightly during late March and early April.

Payments to farmers for food products have remained practically unchanged during the first 3 months of 1942 with marketing charges absorbing most of the increase in retail food costs.

The farmer's share of the consumer's food dollar remains unchanged for the third month at 51 cents. The farmer's share has not yet risen above the level of September 1941, although his share increased substantially during the preceding 6 months.

also see page 4

April 27, 1942

General trends in food prices and marketing margins

In table 1 is shown retail cost of a family's annual food basket consisting of domestic farm products compared with equivalent payments to farmers and the spread or marketing margin measuring total charges for marketing services occurring between farmers and consumers.

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Table 1 .- Annual family purchases of 58 foods 1/

Year and month	Cost at retail	Paid to farmers	Marketing margin	Farmer's share of retail value
	Dollars	Dollars	Dollars	Percent
1913	252	134	118	53
1914	258	137	121	53
1915	258	134	124	52
1916	285	155	130	54
1920	514	272	242	53
1921	404	179	225	44
1929	415	195	220	47
1932	270	88	182	33
1937	353	160	193	45
1938	321	130	191	40
1939	311	126	185	41
1940	314	132	182	42
1941	342	164	178	48
1935-39 average	332	141	191	42
1940 -				
Jan.	310	132	178	42
July	316	128	188	41
1941 -				
Mar.	321	141	180	44
Apr.	327	151	176	46
May	331	153	178	46
June	345	161	184	47
July	348	2/170	2/178	49
Aug.	348	2/172	2/176	2/ 49
Sept.	357	2/181	2/176	51
Oct.	361	180	181	50
Nov.	365	2/182	2/183	50
Dec.	366	2/189	2/177	52
1942 -				
Jan.	378	194	184	51
Feb.	381	194	187	51
Mar.	384	195	189	51

1/ Important food products produced by American farmers combined in quantities representing annual purchases by a typical workingman's family.

2/ Revised. Retail price averages for 51 cities from U. S. Bureau of Labor Statistics. Farm prices estimated by Agricultural Marketing Service.

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During the first 3 months of 1942 the rate of increase in retail food costs was about half the rate for the last 10 months of 1941, which averaged about 1-1/2 percent a month. At $384 in March the retail cost of the family food basket was less than 1 percent above the $381 in February, 20 percent above the cost of $321 in March of 1941, and 16 percent higher than the 1935-39 pre-war average of $332. In 1929 retail cost of the same foods was $415 and the high point on record was $514 in 1920.

There has been practically no rise in prices paid farmers for foods during the first 3 months of 1942. Farmers received $195 in March for the products included in the food basket. This represented a slight rise above the $194 received for the same products in January and February. Payments to farmers in March were 38 percent higher than a year earlier and 38 percent above the pre-war level of $141. March payments to farmers equalled the 1929 average but were 28 percent below the record high of $272 in 1920.

Most of the persistent increase in retail food cost occurring since December has been absorbed into higher marketing charges. Of the $22 by which the retail cost in March exceeded the cost in December, only $6 was passed back to farmers, while $16 represented increases in marketing charges. The marketing margin for the food basket at $189 in March had not yet risen to the pre-war level of $191, but had regained most of the decline occurring from 1937 into 1941.

Estimated average family income rose 1 percent from February to March, approximately in line with increased food costs. (table 2).

Price trends of food and fiber products at three levels of marketing

Figures 1 and 2 picture the trends in prices of food and fiber products at the farm sale level, at the wholesale market level, and at the consumer purchase level. The price index of raw materials represented at the farm level fluctuates more widely than indexes of prices at the higher wholesale and retail levels. This is a result of the relatively greater stability in marketing charges than in prices. The discrepancy in amplitude of variation is less marked in food products where the farm price averages about 45 percent of retail equivalent than for fiber products where farm price is nearer 10 percent of retail value.

Commodity prices and margins

Retail prices of oranges rose by 10 percent from February to March while rolled oats rose 11 percent, peanut butter 8 percent, rice 5 percent, and pork 4 percent (table 4). The composite price of principal pork products in March was 28.5 cents, about 13 percent higher than the pre-war average of 25.3 cents. Lamb cuts are about 6 percent higher at retail than during pre-war after declining from January and February.

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Table 2.- Nonfarm family income and cost of family food purchases for selected periods 1/

Year and month	Family income	Retail cost of all foods	Retail cost of 58 foods	Food cost as percentage of income	
				All foods	58 foods
	Dollars	Dollars	Dollars	Percent	Percent
1920	1,847	688	514	37	28
1929	1,968	540	415	27	21
1933	1,116	343	264	31	24
1940	1,645	394	314	24	19
1941	1,888	430	342	23	18
1942 -					
Jan.	2/ 2,095	474	378	23	18
Feb.	2/ 2,122	476	381	22	18
Mar.	3/ 2,143	483	384	23	18

1/ For sources of material used in this table see "Farm-Retail Price Spreads December 1941", p.5. (Note at foot of table 2.)

2/ Revised.

3/ Preliminary estimate.

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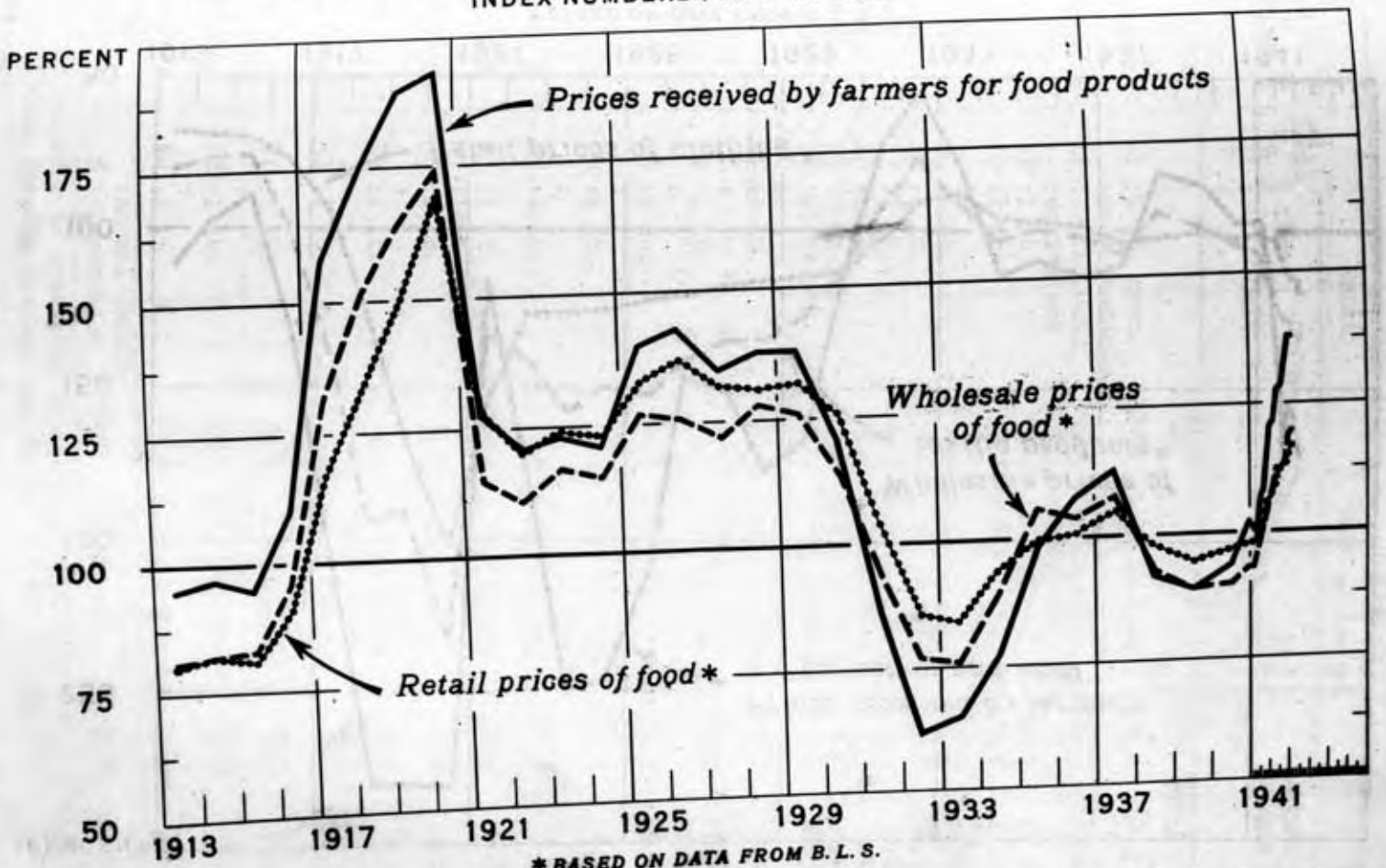
FARM FOOD PRODUCTS: PRICES AT THREE LEVELS OF MARKETING, UNITED STATES, 1913-42

INDEX NUMBERS (1935-39=100)



*BASED ON DATA FROM B. L. S.

NEG. 42051 BUREAU OF AGRICULTURAL ECONOMICS

U. S. DEPARTMENT OF AGRICULTURE

FIGURE 1

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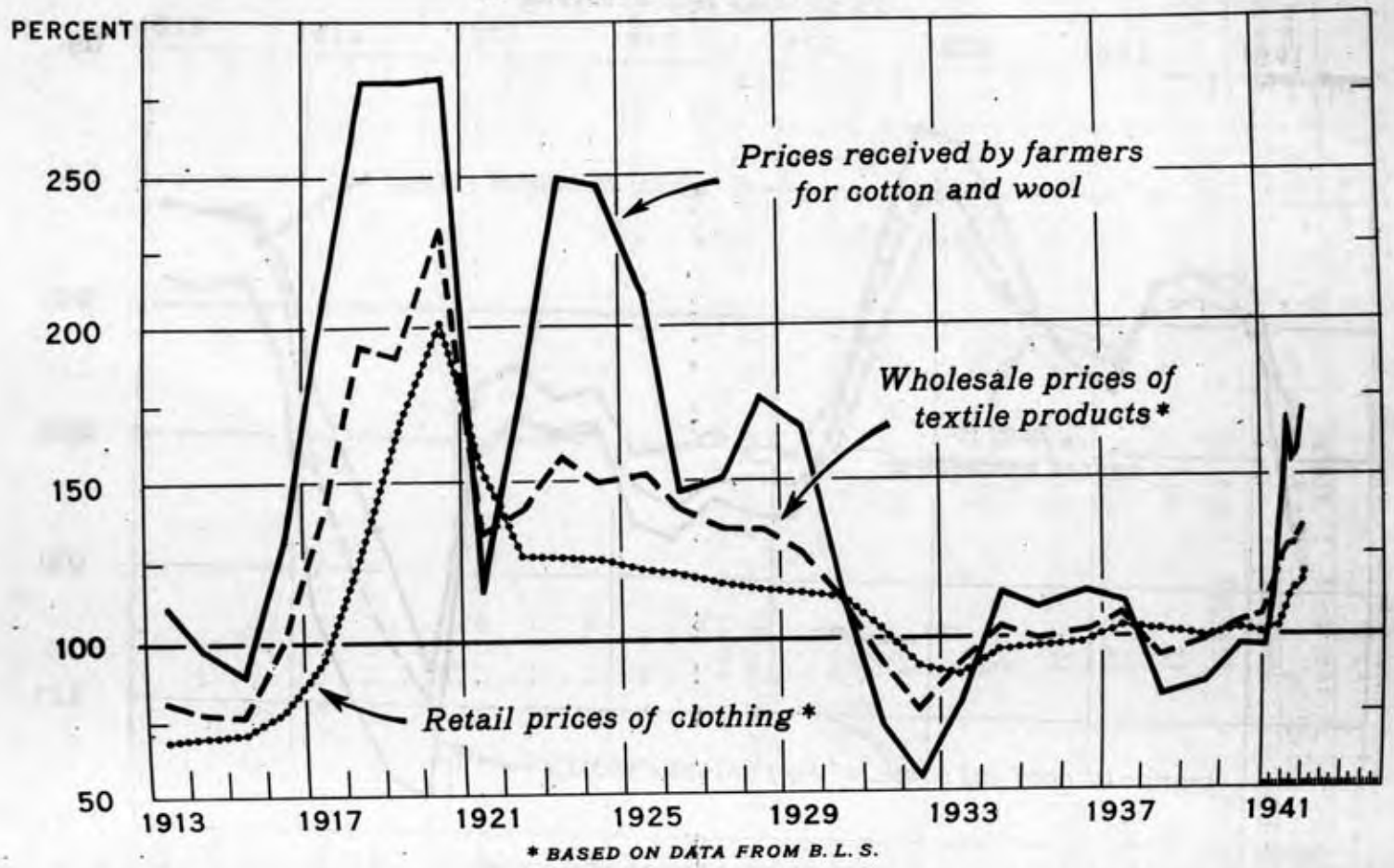
FARM FIBER PRODUCTS: PRICES AT THREE LEVELS OF MARKETING, UNITED STATES, 1913-42

INDEX NUMBERS (1935-39=100)



* BASED ON DATA FROM B. L. S.

U. S. DEPARTMENT OF AGRICULTURE FIGURE 2 NEG. 42052 BUREAU OF AGRICULTURAL ECONOMICS

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Table 3 .- Price spreads between the farmer and the consumer - food products, March 1942

Retail commodity	Table No. 1/	Retail: Unit	Retail: Price	Farm equivalent: Quantity	Farm equivalent: Value	Actual margin	Farm value as percentage of retail price
			Cents		Cents	Cents	Percent
Pork products	11	1 lb. prin. pork products	28.5	1.90 lb.live hog	23.4	5.1	82
Dairy products	12	100 lb.milk equivalent	393.5	100 lb.milk equivalent	2/193.9	2/199.6	49
Hens	13	1 lb.	35.7	1.11 lb.	20.0	15.7	56
Eggs	14	1 doz.	39.7	1 doz.	25.8	13.9	65
White flour	15	1 lb.	5.2	1.41 lb.wheat	2.5	2.7	48
White bread	16	1 lb.	8.6	.97 lb.wheat	1.7	6.9	20
Corn meal	17	1 lb.	4.7	1.5 lb.corn	2.1	2.6	45
Rolled oats	18	1 lb.	9.2	1.78 lb.oats	2.9	6.3	32
Corn flakes	19	8-oz.pkg.	7.2	1.275 lb.corn	1.8	5.4	25
Wheat cereal	20	28-oz.pkg.	24.1	2.065 lb.wheat	3.6	20.5	15
Rice	21	1 lb.	11.9	1.51 lb. rough rice	5.7	6.2	48
Navy beans	22	1 lb.	9.0	1 lb.dry beans	4.6	4.4	51
Oranges	24	1 doz.	28.9	1/17 box	7.7	21.2	27
Potatoes	25	1 lb.	3.2	1 lb.	1.7	1.5	53
Apples	35	1 lb.	6.2	1 lb.	2.7	3.5	44
Lamb products	37	1 lb. prin. lamb cuts	28.7	2.16 lb.live lamb	22.4	6.3	78
Sweet potatoes	38	1 lb.	5.0	1 lb.	1.8	3.2	36
Rye bread	39	1 lb.	9.1	.39 lb.rye & .64 lb.wheat	1.6	7.5	18
Whole wh.bread	40	1 lb.	9.9	.92 lb. wheat	1.6	8.3	16
Macaroni	41	1 lb.	14.2	1.72 lb.durum wheat	2.7	11.5	19
Soda crackers	42	1 lb.	16.4	1.085 lb.wheat	1.9	14.5	12
Peanut butter	44	1 lb.	23.4	1.73 lb.peanuts	10.4	13.0	44
58 foods combined	8	Annual family consumption	$384	Annual family consumption	$195	$189	51

1/ Table numbers refer to numbering in original 1936 report and annual supplements entitled "Price Spreads Between the Farmer and the Consumer."
2/ Preliminary.
Retail prices from the United States Bureau of Labor Statistics.

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Table 4.- Price spreads between the farmer and the consumer - food products, retail prices

Commodity	Retail unit	Retail price					Percentage change to Mar. 1942 from -	
		1935-39 average	Mar. 1941	Jan. 1942	Feb. 1942	Mar. 1942	Mar. 1941	Feb. 1942
		Cents	Cents	Cents	Cents	Cents	Percent	Percent
Pork products	1 lb. prin. pork products	25.3	21.0	26.5	27.3	28.5	+ 36	+4
Dairy products	100 lb. milk equivalent	324.0	338.5	392.4	392.9	393.5	+ 16	+ 1/
Hens	1 lb.	31.7	32.1	34.2	35.2	35.7	+ 11	+1
Eggs	1 doz.	36.0	29.4	46.4	42.2	39.7	+ 35	- 6
White flour	1 lb.	4.5	4.2	5.1	5.2	5.2	+ 24	0
White bread	1 lb.	8.2	7.7	8.6	8.6	8.6	+ 12	0
Corn meal	1 lb.	5.0	4.2	4.5	4.6	4.7	+ 12	+ 2
Rolled oats	1 lb.	7.4	7.1	7.8	8.3	9.2	+ 30	+11
Corn flakes	8-oz.pkg.	7.8	7.2	7.2	7.2	7.2	0	0
Wheat cereal	28-oz.pkg.	24.3	23.4	23.9	24.0	24.1	+ 3	+ 4
Rice	1 lb.	8.2	8.1	10.2	11.3	11.9	+ 47	+ 5
Navy beans	1 lb.	6.9	6.5	8.8	9.0	9.0	+ 38	0
Oranges	1 doz.	31.5	27.5	29.1	26.2	28.9	+ 5	+10
Potatoes	1 lb.	2.5	2.0	3.1	3.3	3.2	+ 60	- 3
Apples	1 lb.	5.5	5.3	5.8	6.1	6.2	+ 17	+ 2
Lamb products	1 lb. prin. lamb cuts	27.2	26.2	29.6	28.8	28.7	+ 10	- 1/
Sweet potatoes	1 lb.	4.4	5.3	4.9	5.0	5.0	- 6	0
Rye bread	1 lb.	9.1	8.6	9.1	9.1	9.1	+ 6	0
Whole wh. bread	1 lb.	9.3	9.2	9.9	9.9	9.9	+ 8	0
Macaroni	1 lb.	15.0	13.8	14.1	14.1	14.2	+ 3	+ 1
Soda crackers	1 lb.	16.9	15.0	15.3	16.2	16.4	+ 9	+ 1
Peanut butter	1 lb.	19.3	17.7	20.5	21.7	23.4	+ 32	+ 8
58 foods combined	Annual family consumption	$332	$321	$378	$381	$384	+ 20	+ 1

1/ Less than 0.5 percent.

Retail prices are 51-city averages as published by the United States Bureau of Labor Statistics.

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Prices received by farmers declined slightly from February to March for dairy products, eggs, navy beans, and lambs (table 5). Farm prices of beef cattle, hogs, and chickens rose moderately. Oranges showed the greatest increase for the month, the farm price advancing by 50 percent, but remaining below the 5-year pre-war average.

Marketing margins between retail prices and equivalent farm values rose moderately from February to March and are generally higher than March of 1941, although for pork, lamb, and sweet potatoes margins are substantially lower than a year ago (table 6).

In using the data on margins and farm value as percentage of retail price it is necessary to emphasize the neglect of byproducts for most of these comparisons. Two examples where the omission of byproducts are most striking are pork products and lamb products. For pork the comperison is based upon 52.6 pounds of principal fresh and cured products, neglecting the value of about 16 pounds of minor edible products and all inedible byproducts. Inclusion of minor products and allowance for byproduct values would reduce the farm value percentage by 10 to 15 points. Allowing for only the pelt value on lambs would reduce the equivalent farm value and the farm value percentage of retail price by about one-fourth.

Price controls in farm products

During the past month the OPA has made no important extension of price ceiling orders for foods beyond amendments to the maximum price regulations affecting canned fruits and vegetables and pork products.

Price schedules for textile products were broadened to include more descriptions of product when it was discovered that producers tended to shift production to unrestricted items and high profit items. The base reference period defined in the pork product regulation was March 3-7 and the preferred basis for price determination was company price lists. It was found that a number of firms had anticipated the OPA order and had issued price lists for the base period incorporating price increases out of line with the general market. To avoid favoring those firms the determination of prices for the March 3-7 period was redefined, effective April 20, to be the highest list or actual sales price for February 16-20 plus stated increases by cuts representing market price changes between the two periods.

Prices of important groups of farm products remained below 110 percent of parity on March 15, including poultry, eggs, most grains, some fruits and vegetables, and cotton. Under terms of the Emergency Price Control Act of 1942, ceilings cannot be imposed upon farm products in raw or processed form which would reflect prices to farmers below 110 percent of parity.

Labor costs in marketing

Hourly earnings of labor employed in food marketing in February were 18 percent higher than the average for the 1935-39 pre-war period and had risen by 9 percent over March 1941 (table 9). Earnings in food processing for February were 24 percent above pre-war. In Class I steam railways the

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Table 5 .- Price spreads between the farmer and the consumer - food products, farm value

Commodity	Farm equivalent	Farm value					Percentage change to Mar. 1942 from -	
		1935-39 average	Mar. 1941	Jan. 1942	Feb. 1942	Mar. 1942	Mar. 1941	Feb. 1942
		Cents	Cents	Cents	Cents	Cents	Percent	Percent
Pork products	1.90 lb.live hogs	15.7	1/13.4	20.0	22.1	23.4	+ 75	+ 6
Dairy products	100 lb.milk equivalent	146.0	1/156.0	1/202.0	1/198.8	2/193.9	+ 24	- 2
Hens	1.11 lb.	16.5	16.0	18.9	19.3	20.0	+ 25	+ 4
Eggs	1 doz.	21.7	16.4	31.3	27.5	25.8	+ 57	- 6
White flour	1.41 lb.wheat	2.0	1.7	2.5	2.5	2.5	+ 47	0
White bread	.97 lb. wheat	1.3	1.2	1.7	1.7	1.7	+ 42	0
Corn meal	1.5 lb.corn	1.8	1.5	1.9	2.1	2.1	+ 40	0
Rolled oats	1.78 lb.oats	1.9	1.9	2.8	2.9	2.9	+ 53	0
Corn flakes	1.275 lb.corn	1.6	1.3	1.7	1.7	1.8	+ 38	+ 6
Wheat cereal	2.065 lb.wheat	2.9	2.5	3.7	3.6	3.6	+ 44	0
Rice	1.51 lb.rough rice	2.5	3.3	5.3	5.4	5.7	+ 73	+ 6
Navy beans	1 lb. dry beans	3.5	2.7	4.9	4.8	4.6	+ 70	- 4
Oranges	1/17 box	9.3	6.9	6.2	5.1	7.7	+ 12	+ 51
Potatoes	1 lb.	1.2	0.9	1.6	1.7	1.7	+ 89	0
Apples	1 lb.	1.9	2.0	2.4	2.5	2.7	+ 35	+ 8
Lamb products	2.16 lb.live lamb	16.2	19.3	22.2	22.6	22.4	+ 16	- 1
Sweet potatoes	1 lb.	1.5	1.7	1.7	1.8	1.8	+ 6	0
Rye bread	.39 lb.rye & .64 lb.wheat	1.3	1.1	1.6	1.6	1.6	+ 45	0
Wh.wheat bread	.92 lb.wheat	1.3	1.1	1.6	1.6	1.6	+ 45	0
Macaroni	1.72 lb.durum wheat	2.3	1.9	2.7	2.7	2.7	+ 42	0
Soda crackers	1.085 lb.wheat	1.5	1.3	1.9	1.9	1.9	+ 46	0
Peanut butter	1.73 lb.peanuts	6.1	6.0	8.8	9.4	10.4	+ 73	+ 11
58 foods combined	Annual family consumption	$141	1/$141	194	194	195	+ 38	+ 1

1/ Revised
2/ Preliminary
Farm values are calculated from U.S. average farm prices.

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able 6 .- Price spreads between the farmer and the consumer - food products, margins

Commodity	Retail unit	Margin					Percentage change to Mar. 1942 from -	
		1935-39 average	Mar. 1941	Jan. 1942	Feb. 1942	Mar. 1942	Mar. 1941	Feb. 1942
		Cents	Cents	Cents	Cents	Cents	Percent	Percent
ork products	1 lb. prin. pork products	9.6	1/ 7.6	6.5	5.2	5.1	- 33	- 2
airy products	100 lb. milk equivalent	178.0	1/182.5	190.4	1/194.1	2/199.6	+ 9	+3
ens	1 lb.	15.2	16.1	15.3	15.9	15.7	- 2	- 1
ggs	1 doz.	14.3	13.0	15.1	14.7	13.9	+ 7	- 5
hite flour	1 lb.	2.5	2.5	2.6	2.7	2.7	+ 8	0
hite bread	1 lb.	6.9	6.5	6.9	6.9	6.9	+ 6	0
orn meal	1 lb.	3.2	2.7	2.6	2.5	2.6	- 4	+4
olled oats	1 lb.	5.5	5.2	5.0	5.4	6.3	+21	+17
orn flakes	8-oz.pkg.	6.2	5.9	5.5	5.5	5.4	- 8	- 2
heat cereal	28-oz.pkg.	21.4	20.9	20.2	20.4	20.5	- 2	+ 3/
ice	1 lb.	5.7	4.8	4.9	5.9	6.2	+29	+ 5
avy beans	1 lb.	3.4	3.8	3.9	4.2	4.4	+16	+ 5
ranges	1 lb.	22.2	20.6	22.9	21.1	21.2	+ 3	+ 3/
otatoes	1 lb.	1.3	1.1	1.5	1.6	1.5	+36	- 6
pples	1 lb.	3.6	3.3	3.4	3.6	3.5	+ 6	- 3
amb products	1 lb. prin. lamb cuts	11.0	6.9	7.4	6.2	6.3	- 9	+2
weet potatoes	1 lb.	2.9	3.6	3.2	3.2	3.2	-11	0
ye bread	1 lb.	7.8	7.5	7.5	7.5	7.5	0	0
hole wh.bread	1 lb.	8.0	8.1	8.3	8.3	8.3	+ 2	0
acaroni	1 lb.	12.7	11.9	11.4	11.4	11.5	- 3	+ 1
oda crackers	1 lb.	15.4	13.7	13.4	14.3	14.5	+ 6	+ 1
eanut butter	1 lb.	13.2	11.7	11.7	12.3	13.0	+11	+ 6
58 foods combined	Annual family consumption	$191	1/$180	$184	$187	$189	+ 5	+ 1

1/ Revised.
2/ Preliminary.
3/ Less than 0.5 percent

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Table 7 .- Price spreads between the farmer and the consumer - food products, farm value as percentage of retail price

Commodity	Farm value as a percentage of retail price				
	1935-39 average	Mar. 1941	Jan. 1942	Feb. 1942	Mar. 1942
	Percent	Percent	Percent	Percent	Percent
Pork products	62	64	75	81	82
Dairy products	45	46	51	51	49
Hens	52	50	55	55	56
Eggs	60	56	67	65	65
White flour	44	40	49	48	48
White bread	16	16	20	20	20
Corn meal	36	36	42	46	45
Rolled oats	26	27	36	35	32
Corn flakes	21	18	24	24	25
Wheat cereal .c.	12	11	15	15	15
Rice	30	41	52	48	48
Navy beans	51	42	56	53	51
Oranges	30	25	21	19	27
Potatoes	48	45	52	52	53
Apples	35	38	41	41	44
Lamb products	60	74	75	78	78
Sweet potatoes	34	32	35	36	36
Rye bread	14	13	18	18	18
Whole wheat bread	14	12	16	16	16
Macaroni	15	14	19	19	19
Soda crackers	9	9	12	12	12
Peanut butter	32	34	43	43	44
58 foods combined	42	44	51	51	51

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February employees' average compensation per hour was 122 on a 1935-39 base, 15 percent above November of last year, which was the last month preceding the general wage rate increase. In February average hourly compensation was 88 cents compared with 78 cents a year earlier.

Are current marketing margins normal?

It is difficult to judge at any time what should constitute a normal or fair margin. Adequate determination of such a value would involve appraisal of all current costs, inventory situations, and agreeing upon a fair return upon investment and a fair allowance to management. An alternative is to select a base period average and to assume simply that normal marketing charges would vary in line with their typical historical relation to price levels. One such test has been worked out using the 1935-39 pre-war average margin as a base and projecting the margin to higher price levels prevailing in March of 1942.

Preliminary analysis indicates that in relation to the pre-war 1935-39 period current marketing margins for cotton products between farmer and consumer are somewhat higher than normal. Cotton mill margins are at record highs, but processing costs have been rising, particularly unit labor costs.

On the other hand, farm-to-retail price spreads on food products are generally far below normal when judged in relation to 1935-39. It may be expected that margins will rise toward normal levels if retail prices are controlled so that a higher retail level would be required to support prices now received by farmers for food products.

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Table 8 .- Farm products: Indexes of prices at several levels of marketing, 1935-39 = 100

Year and month	Cost of living of city families 1/	Foods: Retail prices of all foods 1/	Foods: Wholesale prices 2/	Foods: Farm prices of 58 foods 3/	Fibers: Retail prices of clothing 1/	Fibers: Wholesale prices of textile products 2/	Fibers: Farm prices of cotton and wool 4/	Wholesale prices of all farm products 2/	Farm prices of all products 3/	Prices paid by farmers 3/
1913	71	80	81	95	69	81	111	94	95	81
1914	72	82	82	97	70	77	97	94	95	80
1916	78	91	96	110	78	99	131	111	111	100
1918	108	134	151	174	128	193	281	195	190	141
1920	143	169	174	193	201	232	282	198	199	162
1929	122	132	126	138	115	127	167	138	137	123
1932	98	86	77	62	91	77	55	63	61	86
1935	98	100	106	98	97	100	109	104	102	100
1936	99	101	104	108	98	101	114	106	107	100
1937	103	105	108	113	103	107	111	114	114	105
1938	101	98	93	92	102	94	81	90	89	98
1939	99	95	89	89	100	98	85	86	88	97
1940	100	97	90	94	102	104	97	89	92	99
1941 5/	105	105	105	116	106	119	131	108	115	105
1939 -										
Aug.		94	85	84		96	85	80	83	96
Sept.	101	98	95	95	100	101	91	90	92	98
1940 -										
Jan.		95	91	94		110	101	91	93	98
Mar.	100	96	89	91	102	104	99	89	91	99
July		97	89	91		102	96	88	89	98
1941 -										
Mar.	101	98	95	100	102	110	101	94	97	100
Apr.	102	101	98	107	102	114	108	98	104	100
May	103	102	101	109	103	117	119	101	105	100
June	105	106	105	114	103	119	129	108	111	103
July	105	107	107	121	105	121	141	113	118	105
Aug.	106	108	110	6/122	107	124	149	115	123	107
Sept.	108	111	113	6/128	111	126	168	120	131	109
Oct.	109	112	112	128	113	128	160	118	131	112
Nov.	110	113	113	6/129	114	128	154	119	127	113
Dec.	110	113	114	6/134	115	129	157	125	135	115
1942 -										
Jan.	6/112	116	6/119	6/138	116	6/132	164	6/133	140	117
Feb. 5/	6/113	117	120	138	119	134	171	133	137	118
Mar.	114	119	122	138	124	136	174	135	137	119

1/ From "Changes in Cost of Living" Bureau of Labor Statistics.
2/ Calculated from figures of the Bureau of Labor Statistics.
3/ Based on figures published by the United States Department of Agriculture.
4/ Cotton and wool prices weighted by production in the period 1935-39.
5/ Preliminary.
6/ Revised.

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Table 9 .- Indexes of food costs, consumer income and of charges and hourly earnings in marketing, 1935-39 = 100

Year and month	Retail cost of 58 foods	Nonagricultural income payments 1/	Monthly earnings per employed factory worker 2/	Payments to farmers for 58 foods	Marketing margin of 58 foods	Hourly earnings in marketing enterprises: Class I steam railways 3/	Food processing 4/	Food marketing 5/	Cotton processing 4/
1929	125	122	118	138	115	93	-	-	-
1935-39 average	100	100	100	100	100	100	100	100	100
1940	95	113	111	94	95	105	110	105	106
1941 6/	103	133	131	116	93	106	116	110	119
1941 -									
Mar.	97	126	121	100	94	106	114	108	109
Apr.	98	127	123	107	92	104	114	108	115
May	100	130	129	109	93	104	117	110	116
June	104	133	133	114	96	104	117	111	116
July	105	134	134	121	93	103	115	110	121
Aug.	105	136	135	7/122	92	103	115	110	122
Sept.	108	136	139	7/128	92	104	115	110	124
Oct.	109	138	140	128	95	103	118	111	7/130
Nov.	110	7/140	140	7/129	7/96	106	121	113	130
Dec.	110	7/144	7/143	7/134	7/93	7/119	123	7/114	130
1942 -									
Jan.	114	146	150	138	96	119	125	117	7/131
Feb.	115	7/148	7/149	138	98	122	124	118	131
Mar.	116	6/150	6/150	6/138	6/99				

1/ United States Department of Commerce estimates. Adjusted for seasonal variation.
2/ Prepared in the Bureau of Agricultural Economics from data of the U. S. Bureau of Labor Statistics, adjusted for seasonal variation.
3/ Compiled from data published by the Interstate Commerce Commission.
4/ United States Bureau of Labor Statistics.
5/ Weighted composite of earnings in steam railways, food processing wholesaling, and retailing.
6/ Preliminary estimates. 7/ Revised.

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LET THE EVER NORMAL GRANARY HELP WIN THE WAR

A radio talk by Claude R. Wickard, Secretary of Agriculture, broadcast Friday, May 15, 1942, in the Department of Agriculture period, National Farm and Home Hour, by Blue Network and 100 associated radio stations.

Grave issues are before the nation in the pending Senate vote on the provisions of the 1943 agricultural appropriation bill relating to the sales of corn and wheat from the Ever Normal Granary.

Shall the huge stocks of feed now on hand in this country be released at prices that will make it possible to reach the vital war goals for production of meat, milk, and eggs?

Or shall these feed stocks be held at prices which will slow down the war food program and lessen the supply of food for the American people and their allies?

Those are the questions before us. So much is involved that every farmer -- and every consumer -- should understand the matter clearly. That is why I am discussing it with you.

We have accumulated vast supplies of corn under Government loan. We have under loan also huge stocks of wheat, part of the largest amount of wheat ever on hand in this country. We need meat, milk, and eggs and need them very much. We have been selling Government stocks of both grains for feed at prices somewhat under parity so as to stimulate the production of meat, milk, and eggs. But for months a struggle has gone on over the question of holding Government-owned grain until the price is forced up to parity. The group who hold the view that this should be done were successful in the House of Representatives' action on the 1943 appropriation bill. The bill went to the Senate Committee on Appropriations. After

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full hearings and thorough consideration of all the issues involved, that group came to what I regard as a statesmanlike conclusion. I want to pay tribute to the patience and the level-headed judgment of the men on this committee who went exhaustively into the whole matter and came out with the legislation now under consideration, which would continue the present system of handling Ever Normal Granary feed stocks.

Now, feeding the Ever Normal Granary stocks of corn and wheat is the key to success in the farmers' drive to set new records in production of meat, milk, and eggs. Only by using the Ever Normal Granary feeds will we be able to turn out the food our fighting men, our people, and our allies must have to win the war.

These feeds will be liberally used by farmers, and the food turned out as long as the ratio between the price of feed and the price of meat animals, milk, and eggs is right. We have proved this the past year. We have kept the prices of feeds at the loan levels, and supported the prices of hogs, milk products, eggs, and poultry. The result has been the greatest output on record for these foods.

Corn and wheat growers have not been penalized by holding feed prices at the loan levels. The grain growers have received fair prices because of the Government parity payments. These payments make up the difference between the loan or the market price and parity. The cooperating grower receives through loan plus payments a fair price — a parity price.

Now Here are the net results of the present system: Corn and wheat growers receive parity. Stockmen, dairymen, and poultrymen are able to produce to the limit. Consumers' food costs are held down. The danger of runaway inflation is lessened.

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Under the bill as reported out by the Senate committee, the Congress authorizes continuing the present system, including the payments that assure parity to grain growers. But some people claiming to speak for farmers now urge that the system shall be wrecked. Their plan is to require that the feed stocks be sold at not less than parity. Their plea is that this is required to serve the grain farmers.

I think they are wrong, because farmers are assured of parity now. I think that continuing the present system is in the interest of the nation and all its people, and especially the farmers. This is doubly true now. We have set out to keep down costs of living and prevent ruinous inflation that would hold us back in fighting the war and torture us after the war. As part of this program, the Government has placed ceilings on prices, holding them to the highest levels reached in March.

The prices of meats and milk are controlled by ceilings. They can go no higher than the highest point reached in March. Now observe what would happen if the price of feeds should be forced up 15 percent or more, as proposed by the people who want to forbid sales of Ever Normal Granary feed stocks at less than parity. The costs of farmers producing milk and meat would rise. With costs up and prices held steady, many farmers would have to quit producing. Then we would have less bacon and ham, lard, evaporated and dried milk, eggs and other vital products. That would not help win the war.

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Milk production has not increased quite as much as we had hoped. This is largely because the costs of dairy farmers have gone up more than their prices. As I have pointed out, price ceilings recently were put on fluid milk. Although there is no price ceiling on butter, consumers doubtless regard the present price as comparatively high. Now if we increase feed costs to dairymen as is being advocated, either we will have to break the ceiling prices on milk and raise both milk and butter prices, or we face a cut in production of milk. I don't believe the nation wants to do either one. Let's continue our present system of making the huge supplies of feed available at prices that bring about heavy production of milk — and of meat and eggs.

If feed prices rise as the result of restrictions put on the sale of corn and wheat, we will either (1) have to risk inflation by breaking the price control structure; or (2) have to risk putting our soldiers abroad, our allies, our own people on short rations.

I am satisfied that farmers generally are not in favor of running the reckless risks of shoving Ever Normal Granary feed prices to parity. It doesn't make sense. Grain farmers would earn no more than they do now. Livestock farmers would earn less, or else the price control structure would have to be jeopardized. If the latter happened, consumers would pay out a billion dollars a year more for their food, and the inflationary sweep would be on. The whole thing would hurt farmers tremendously — also consumers. Most important, it would hamper us in winning the war.

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In these times we view things in a new light. We set new standards and objectives. Our aim above everything else is the success of our country's cause. Thousands upon thousands of farmers have boys in the fighting forces and boys overseas. These boys are facing death and this nation is facing its greatest trial. If we lose this war, we have lost everything. I can not for the life of me see how anyone can seriously advocate something which would not help farmers but which would injure our entire war effort. I feel that some of those who are supporting this proposal simply haven't thought this thing through.

We stored up the vast supply of feed in the Ever Normal Granary on the theory that we would use it in time of emergency. If we are ever going to have an emergency we've got one now. So I say let's use everything we've got to whip the Axis. Restrictions on the use of feed can be just as devastating as restrictions on the use of munitions. Let's use our enormous supplies of feed to help win the war.

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MAY 15 1942

MEMORANDUM FOR THE PRESIDENT:

(See Book 526, p 111)

I have had prepared in the Treasury the attached study/ of a Stabilization Fund for the United and Associated Nations and an International Bank for Reconstruction and Development. The purpose of these two agencies is to meet the inevitable post-war international monetary and credit problems--to prevent disruption of foreign exchange and the collapse of monetary and credit systems, to assure the restoration of foreign trade and to supply the huge volume of capital that will be needed abroad for relief, for reconstruction, and economic development essential for the attainment of world prosperity and higher standards of living.

I would like very much to have you read the appended extract from the study which briefly sets forth why preliminary work for the establishment of such institutions should be entered into now, and gives some indication of their nature and scope.

I am convinced that the launching of such a plan at this time has tremendous strategic as well as economic bearing. It seems to me that the time is ripe to dramatize our international economic objectives in terms of action which people everywhere will recognize as practical, powerful and inspiring.

In the flush of success our enemies always dealt upon their "New Orders" for Europe and for Asia. There could be no more solid demonstration of our confidence that the tide is turning than the announcement of the formulation in concrete terms, and the preparation of specific instrumentalities for what really would be a New Deal in international economics.

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If you think this idea is worth canvassing, I would like to ask the Board of Economic Warfare, State Department and Federal Reserve Board and other appropriate agencies to work with the Treasury on these plans with a view to your calling a conference to be held in Washington of Finance Ministers of the United and Associated Nations. In this connection you will remember that Resolution XV of the Rio Conference already commits the American Republics to participate in such a conference.

To give some idea of the ground that might be covered by a conference of that character, there is also appended a file of a few preliminary documents which includes a suggested agenda which might accompany the invitations, and a suggested program of the conference.

(Signed) H. Morgenthau, Jr.

HDW:dmh/grs
5/14/42

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Suggested Plan for a United and Associated Nations Stabilization Fund and a Bank for Reconstruction and Development of the United and Associated Nations

It is yet too soon to know the precise form or the approximate magnitude of post-war monetary problems. But one thing is certain. No matter how long the war lasts nor how it is won, we shall be faced with three inescapable problems: to prevent the disruption of foreign exchanges and the collapse of monetary and credit systems; to assure the restoration of foreign trade; and to supply the huge volume of capital that will be needed virtually throughout the world for reconstruction, for relief, and for economic recovery.

If we are to avoid drifting from the peace table into a period of chaotic competition, monetary disorders, depressions, political disruption, and finally into new wars within as well as among nations, we must be equipped to grapple with these three problems and to make substantial progress toward their solution.

Specific plans must be formulated now.

Clearly the task can be successfully handled only through international action. In most discussions of post-war problems this fact has been recognized, yet to date--though a number of persons have pointed to the solution in general terms--no detailed plans sufficiently realistic or

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practical to give promise of accomplishing the task have been formulated or discussed. It is high time that such plans were drafted. It is time that detailed and workable plans be prepared providing for the creation of agencies with resources, powers and structure adequate to meet the three major post-war needs.

Such agencies should, of course, be designed to deal chiefly with post-war problems. But their establishment must not be postponed until the end of hostilities. It takes many months to set up such agencies. First, a plan has to be perfected. Then it has to be carefully considered by a number of countries. In each country, again, acceptance can follow only upon legislation. That alone will consume many months and possibly longer. And even when the plan is finally accepted, much time will be further consumed in the collection of personnel, and the performance of the preliminary ground work which must be done before effective operations can begin. Altogether, a year may be required before a proposal can be transformed into an operating agency.

Obviously, therefore, even though no important immediate ends will be served by having such agencies functioning during war time, it will be an error to wait until the end of the war is in sight before beginning serious discussion of plans for establishing such agencies. No one knows how soon the war will end, and no one can know how

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long it will take to get plans approved and the agencies started. Yet, if we are to "win the peace", which will follow the war, we must have adequate economic instruments with which to carry on effective work as soon as the war is over. It would be ill-advised, if not positively dangerous, to leave ourselves at the end of the war unprepared for the stupendous task of world-wide economic reconstruction.

Specific proposals will help win the war.

But there is an additional important reason for initiating at once serious discussion of specific proposals. Such discussion will be a factor toward winning the war. It has been frequently suggested, and with much cogency, that the task of securing the defeat of the Axis powers would be made easier if the victims of aggression, actual and potential, could have more assurance that a victory by the United Nations will not mean in the economic sphere, a mere return to the pre-war pattern of every-country-for-itself, of inevitable depression, of possible wide-spread economic chaos with the weaker nations succumbing first under the law-of-the-jungle that characterized international economic practices of the pre-war decade. That assurance must be given now. The people of the anti-Axis powers must be encouraged to feel themselves on solid international ground, they must be given to understand that a United Nations victory will not usher in another two decades of

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economic uneasiness, bickering, ferment, and disruption. They must be assured that something will be done in the sphere of international economic relations that is new, that is powerful enough and comprehensive enough to give expectation of successfully filling a world need. They must have assurance that methods and resources are being prepared to provide them with capital to help them rebuild their devastated areas, reconstruct their war-distorted economies, and help free them from the strangulating grasp of lost markets and depleted reserves. Finally, they must have assurance that the United States does not intend to desert the war-worn and impoverished nations after the war is won, but proposes to help them in the long and difficult task of economic reconstruction. To help them, not primarily for altruistic motives, but from recognition of the truth that prosperity, like peace, is indivisible. To give that assurance now is to unify and encourage the anti-Axis forces, to greatly strengthen their will and effort to win.

Nor will the effect be on the anti-Axis powers alone. Whether within the Axis countries the will to fight would be weakened by such arrangements is not certain, but assuredly it would not be strengthened. And certainly the people in the invaded countries, and the wavering elements in the Axis-dominated and Axis influenced countries would be given additional cause to throw in their lot more definitely and openly with the anti-Axis forces if there is real promise that an orderly prosperous world will emerge from a United Nations victory.

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Two International Government Agencies must be established --a Stabilization Fund and a Bank for Reconstruction.

A vital part of that promise rests on international monetary and banking collaboration. The United Nations and the Nations associated with them must undertake cooperatively two tasks as soon as possible: first, to provide an instrument with the means and the procedure to stabilize foreign exchange rates and strengthen the monetary systems of the United Nations; and second, to establish an agency with resources and powers adequate to provide capital for economic reconstruction, to facilitate rapid and smooth transition from war-time economies to peace-time economies, to provide relief for stricken peoples during the immediate post-war period, to increase foreign trade, and permanently increase the productivity of the United Nations.

Those two tasks should be kept distinct. Though in some of their facets and in many of their consequences there is considerable interdependence and interaction, the two are different enough to call for separate instrumentalities. Each is sufficiently specialized to require different resources, different responsibilities, and different procedures and criteria for action. To supply the United Nations with necessary capital not otherwise available except possibly on too costly terms should be the function of a bank created for that specific purpose; whereas monetary stabilization--a highly specialized function calling

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for a special structure, special personnel, and special organization--would best be performed by a stabilization fund created to perform that special function.

It is therefore recommended that immediate consideration be given to formulating plans for the establishment of two separate institutions:

1. A United and Associated Nations Stabilization Fund, and
2. A Bank for Reconstruction and Development of the United and Associated Nations.

While either agency could function without the existence of the other, the creation of both would nevertheless aid greatly in the functioning of each. Doubtless one agency with the combined functions of both could be set up, but it could operate only with a loss of effectiveness, risk of over-centralization of power, and danger of making costly errors of judgment. The best promise of successful operation seems to lie in the creation of two separate institutions, linked together by one or two directors in common. Proposals must be drafted by experts of many governments meeting for that purpose.

It is hoped that some time soon, representatives of various interested governments will meet in conference to explore the possibility of working out a plan for the establishment of an international stabilization fund and bank. To facilitate the preliminary work of such a committee, and to provide the officials of the interested governments with a proposal set in specific enough terms to

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encourage and justify fruitful discussion prior to a meeting, the following report has been prepared. It contains a suggested plan for a fund and for a bank, and also some discussion of the various points involved.

Anyone familiar with the task of setting up new and complex organizations such as the two envisaged will fully appreciate that no single person, no matter how well informed on the subject, can hope to draft a plan that would meet with general approval. This is especially true of a proposal calling for international collaboration and requiring acceptance by several governments. To draft a plan that is likely to meet with approval of various governments is a task beyond the competence even of a group of economists from any single country. The details of any plan submitted for consideration would have to be subjected to careful evaluation and examination by a number of men, some of whom should be expert in the handling of international economic problems and monetary theory, and others at home in related fields. In addition to monetary problems, questions of sovereignty, of national interest, and of broad economic policy are involved in some of the more important provisions, and these inevitably must be the subject of controversy and compromise. They are also matters that must be discussed in detail and at length by high officials whose responsibilities include the shaping and administration of monetary and financial policy.

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The proposals and comments that follow are submitted with the intent of providing a starting point for intelligent discussion and of calling attention to some of the difficulties which would have to be satisfactorily met before a workable and acceptable plan may emerge. The proposals have been set forth only in outline and for the most part only those points are included which are essential to an understanding of the plan.

It is certain that some of the powers and requirements included in the outline of the Fund and the Bank will not survive discussion, prejudice and fear of departure from the usual. Some may not stand the test of political reality, and some may be unacceptable on technical grounds, while others may be generally regarded as going too far toward "internationalism." Yet most of them appear as desirable objectives in most writings or conferences on post-war economies and are worth considering.

Willingness to depart from tradition and break new ground is essential if meaningful results are to be obtained.

It will perhaps help toward understanding and induce a more sympathetic approach to the proposals which follow to state at the outset that something much more than the usual banking and stabilization functions are envisaged in the plan. There is urgent need for instruments which will pave the way and make easy a high degree of cooperation and collaboration among the United Nations in economic

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fields hitherto held too sacrosanct for international action or multilateral sovereignty. A breach must be made and widened in the outmoded and disastrous economic policy of each-country-for-itself-and-the-devil-take-the-weakest. Just as the failure to develop an effective League of Nations has made possible two devastating wars within one generation, so the absence of a high degree of economic collaboration among the leading nations will, during the coming decade, inevitably result in economic warfare that will be but the prelude and instigator of military warfare on an even vaster scale.

The Fund and the Bank described in the following pages are envisaged as economic instruments that most easily and effectively can facilitate that high degree of economic collaboration. It will be at once apparent that the resources, powers and requirements for membership, accorded both agencies go far beyond the usual attributes of monetary stabilization and of banking. They must if they are to be the stepping stone from shortsighted disastrous economic nationalism to intelligent international collaboration. Timidity will not serve. It is my conviction that the long-time effectiveness of both agencies will be measured by the degree to which boldness and vision are displayed in their organization and objectives.

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Part I, which follows, consists of an outline of (1) a United and Associated Nations Stabilization Fund, and (2) of a Bank for Reconstruction of the United and Associated Nations.

Part II consists of a brief explanation and discussion of the proposed Fund, and Part III of the proposed Bank.

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MAY 15 1942

MEMORANDUM TO THE PRESIDENT:

In connection with your memorandum of May 11, on the foreign ownership of American corporations, I think you may be interested in knowing that we have been studying certain phases of this problem for several months.

(1) At the time we extended freezing control to Germany and Italy (June 14, 1941) we ordered a census of all property in which any foreign country or its nationals had an interest. This was the most comprehensive census of foreign property ever undertaken by this country, and included complete and detailed information on the securities held by every foreign country and its citizens. We have received about 600,000 census returns and all of these data have been reduced to punch card form so that we can speedily obtain figures on any phase of foreign-owned property in this country. For example, we can readily ascertain the extent of foreign ownership of American corporations.

(2) In December, 1941, when we drafted Title III of the First War Powers Act, amending Section 5(b) of the Trading with the enemy Act (statutory basis for freezing control), provision was made to give you complete and plenary regulatory power over securities in which any foreign government or foreign citizen has any type of interest. The bill as enacted contained these provisions. While we are again reviewing the possible need for further legislation, we strongly suspect that this Act already confers upon you authority to adopt a program to carry out the objectives stated in your memorandum.

(3) We also have been taking specific measures. On February 3, 1942, we issued a regulation under the

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freezing orders, prohibiting the acquisition by a blocked national of more than 1 per cent of the securities of any American corporation. Detailed reports are required which permit us to guard against any effort to evade this regulation by using several brokers or several different foreign purchasers. We can spot any such trend in advance and take corrective measures. While this regulation does not as yet cover citizens of countries not frozen nor does it compel the liquidation of existing holdings in excess of 1 per cent, it was intended to be a step in the direction to which your memorandum points. Of course under the above-mentioned provision of the First War Powers Act we could control and limit security holdings by foreigners without any further general extension of freezing control.

(4) In furnishing you with this information, I want to assure you that we appreciate that there is still much to be done in this field. We recognize that there are some major policy problems involved in dealing with the post-war aspects of this matter, particularly in view of our present and prospective position as an international investor and creditor. I did want you to know, however, that we have been doing some thinking on the subject and I believe we have the facts and the law with which to do a lot more.

(5) I shall keep you advised from time to time regarding the results of our studies and our suggestions for further action.

Secretary of the Treasury

AFL-BB:ash - 5/15/42

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MAY 15 1942

Dear General Hines:

You will recall that on January 14, 1942, the Department forwarded to you a memorandum relating to a number of situations found to exist in connection with the operations of General Aniline and Film Corporation, at that time owned and controlled by German interests and operating under Treasury Department supervision.

We called your attention to the fact that the Ozalid Division of the company was in an unusually good position to obtain defense secrets, inasmuch as its sales and service men (in some instances German aliens or German-born American citizens) had access to many defense plants and Government offices; that the Agfa Ansco Division of the company processed and developed official Government films of a confidential nature; and that the company in general could be used as a cloak for subversive activities in many respects.

Since that time the situation has changed materially and the purpose of this letter is to bring you up to date.

The Government took title to the foreign-owned shares of the Corporation on February 16, 1942, and has installed a thoroughly competent American management of unquestioned loyalty. Some forty-odd executives and employees of the company have been removed because of doubts as to their loyalty, and the Department and the management are proceeding as rapidly

Regraded Unclassified

as possible with a program calculated to remove every vestige of German control or influence.

Although the reorganization of the affairs of the company, particularly the elimination of all personnel of doubtful allegiance, has not been completed, I can say with confidence that the situations described in the memorandum accompanying our letter of January 14, 1942, have been corrected, and that you may safely deal with the corporation on the same basis as any other American company.

Sincerely yours,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury

Brig. Gen. Frank T. Hines
Administrator of Veterans' Affairs
Veterans' Administration
Arlington Building
Washington, D. C.

5-14-42

Regraded Unclassified

MAY 15 1942

Dear Dr. Hunsaker:

You will recall that on January 14, 1942, the Department forwarded to you a memorandum relating to a number of situations found to exist in connection with the operations of General Aniline and Film Corporation, at that time owned and controlled by German interests and operating under Treasury Department supervision.

We called your attention to the fact that the Ozalid Division of the company was in an unusually good position to obtain defense secrets, inasmuch as its sales and service men (in some instances German aliens or German-born American citizens) had access to many defense plants and Government offices; that the Agfa Ansco Division of the company processed and developed official Government films of a confidential nature; and that the company in general could be used as a cloak for subversive activities in many respects.

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Sincerely yours,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury

Dr. J. C. Hunsaker
Chairman
National Advisory Committee for Aeronautics
Navy Building
Washington, D. C.

5-14-42

Regraded Unclassified

MAY 15 1942

Dear Mr. McNutt:

You will recall that on January 14, 1942, the Department forwarded to you a memorandum relating to a number of situations found to exist in connection with the operations of General Aniline and Film Corporation, at that time owned and controlled by German interests and operating under Treasury Department supervision.

We called your attention to the fact that the Ozalid Division of the company was in an unusually good position to obtain defense secrets, inasmuch as its sales and service men (in some instances German aliens or German-born American citizens) had access to many defense plants and Government offices; that the Agfa Ansco Division of the company processed and developed official Government films of a confidential nature; and that the company in general could be used as a cloak for subversive activities in many respects.

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Sincerely yours,

(Signed) E. H. Foley, Jr.
Acting Secretary of the Treasury

Hon. Paul V. McNutt
Administrator, Federal Security Agency
25th and E Streets, N. W.
Washington, D. C.

5-14-42

Regraded Unclassified

MAY 15 1942

Dear Mr. Secretary:

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Sincerely yours,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury.

The Honorable,

The Secretary of Interior.

5-14-42

Regraded Unclassified

MAY 15 1942

Dear Mr. Lynn:

You will recall that on January 14, 1942, the Department forwarded to you a memorandum relating to a number of situations found to exist in connection with the operations of General Aniline and Film Corporation, at that time owned and controlled by German interests and operating under Treasury Department supervision.

We called your attention to the fact that the Ozalid Division of the company was in an unusually good position to obtain defense secrets, inasmuch as its sales and service men (in some instances German aliens or German-born American citizens) had access to many defense plants and Government offices; that the Agfa Ansco Division of the company processed and developed official Government films of a confidential nature; and that the company in general could be used as a cloak for subversive activities in many respects.

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Sincerely yours,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury.

Honorable David Lynn,
Chairman, Alley Dwelling Authority,
Room 1202, 1300 E Street,
Washington, D. C.

5-14-42

Regraded Unclassified

TO: 3 5

The Secretary

I think this is all right and I have initialled it. The memo states that the Treasury (Foreign Funds) will decide whether to freeze the funds of any publishing corporation. That should be clearly understood and should not be left to any interdepartmental committee.

To prevent the use of alien funds for seditious propaganda in the U.S. is certainly a legitimate objective of Foreign Funds Control. But the power should be used with great caution to avoid the charge that a mandatory censorship has been instituted by devious means.

FROM: MR. GASTON

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 15, 1942

TO Secretary Morgenthau

FROM E. H. Foley, Jr.

Re: Seditious and Axis Propaganda Publications

A subcommittee of the Censorship Policy Board, consisting of representatives from the Post Office Department, the Department of Justice, War Department, and the Office of Facts and Figures, has been formed to deal with the problem of seditious and Axis propaganda publications.

A meeting was held on May 13 at which representatives of this Committee and representatives of the Treasury and the Alien Property Custodian were present to discuss among other things the part that the Treasury Department will take in this work.

Justice suggested that Treasury, under the freezing order, could be of great assistance in dealing with the problem. A suggested procedure was discussed.

The policy to be followed toward such publications would be determined by the subcommittee of the Censorship Board and Justice. Justice would notify Treasury of the

Regraded Unclassified

newspapers that it was desired that Treasury should freeze and investigate. If, in the opinion of the Treasury, the facts of the particular case brought the newspaper under the freezing order, the Treasury would freeze the funds of the newspaper, investigate the newspaper, and install personnel on the premises of the newspaper. Any information gathered in such investigation would be made available to Justice and other interested Government agencies.

If a newspaper continued to publish subversive material or Axis propaganda, it would be forced to liquidate by the Treasury denying it a "do business" license. It is not envisaged that the Government would install people to run such newspapers as we did in the General Aniline & Film case.

As you know, the Treasury through freezing control has already shut down the Bund paper in New York and has investigated a pro-Axis paper in Philadelphia. I believe we can do a constructive job by cooperating with other Government agencies along the lines indicated. If you approve Foreign Funds Control continuing this activity, please indicate below.

Approved

H Morgenthau Jr.

S. 11 Fh.

Regraded Unclassified

Treasury Department
Division of Monetary Research

848

Date May 15 1942

To: Miss Chauncey

From: Mr. White

I mentioned this at the staff meeting and the Secretary said he would like to have a memorandum on it. He might like to read it over the week-end.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 15, 1942

TO Secretary Morgenthau

FROM H. D. White

The cessation of active hostilities will bring a sudden and complete end to the need for more armaments. By that time we will have all the armaments that could possibly be needed for years to come. If to the amount of armaments then on hand were to be added equipment that is more than (say) 90 percent completed and some of the armaments certain to be taken from the Axis, there can be no doubt that any additional production of military supplies would represent a complete and inexcusable waste of labor, material and facilities.

By this fall the Treasury will be spending more than $150 million every day on armaments. If the war goes on to the spring of 1943, we will be then spending close to $200 million a day. It is the soundest kind of financial statesmanship to anticipate the end and to be prepared to stop at once production of armaments by the cancellation of all war contracts, in view of the fact that every day's delay would mean $100 to $150 million more added to the tax and debt burden of the public. There will be a temptation on the part of business, the Army and Navy, and labor to stall in the matter of cancellation of contracts, but the government should be prepared to be ruthless in this matter. Aside from unemployment, to be discussed in a moment, there isn't a single good excuse to continue turning out armaments once hostilities have ceased. Cancellation of contracts will involve, of course, loss of potential profits on the part of producers. It is assumed that adjustments will be later made for losses so sustained. Doubtless also the government will have to take over the material in various degrees of completion, but it would be a criminal waste of the public's money to complete armaments and supplies merely because they have been started. Exceptions to this might be certain types of equipment and material which would have civilian uses.

But, sudden, wholesale cancellation of war contracts would create a bad situation unless steps are prepared ahead of time to take care of the millions of men and women that would be precipitously thrown out of work. Conversion of their war savings bonds will provide something but not nearly enough, and besides, it seems most unreasonable to expect the wage earners

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to use up all their accumulated savings during the first few months of peace in an effort to keep body and soul together. If plans do not exist by the time war ends to provide the many millions of disemployed with some substantial income, the pressure for very gradual reduction of armament production will be irresistible. The result will be that armament production will go on for many months, though at a diminishing rate, and from $10 to $20 billion will be thrown away with no return except junk.

Plans must be prepared, and legislation secured, which will provide for continued income of disemployed--possibly up to half or two-thirds of the weekly wage--for several months while industry is converted to peace-time uses. The quicker and more effective the cancellations of war orders, the sooner will industry be converted to peace-time production, and the shorter will be the period of unemployment.

Presumably the National Resources Board has plans ready for creating opportunities for employment, in addition to what private industry will do. This memorandum is not concerned with that point. It is concerned with the question of stopping what would be a stupendous daily waste of public funds while at the same time providing for a sufficient maintenance of purchasing power to prevent social disruption and to provide for the demand for consumers' goods necessary to speed industry to full production of civilian goods.

The following points should be emphasized:

1. Cancellation of contracts will raise many complex problems which are easier to settle in advance by appropriately drawn up legislation while there is time to prepare such legislation, and while the public is in no mood for large profits to be made after the war out of the war effort.

2. There will be, in any case, terrific pressure from powerful vested interests to continue armament production. Many arguments will be advanced--need for military security, possibility of outbreak of civil wars, "it is only an armistice and hostilities may soon begin again," "not all the enemy is defeated yet, there is much left to be done," "we can't throw millions of people suddenly out of work." To render these arguments less effective proper legislation needs to be prepared to meet the situation.

3. It will be a long task to get Congress to pass a bill providing for adequate unemployment payment for millions of disemployed.

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4. Arrangements must be prepared for wholesale cashing of savings bonds, and aid to industry in their program of conversion back to civilian production.

5. A tax program designed especially for the immediate post-war period, in which some of the objectives were different than those which prevail now, should be prepared by the Treasury.

All this takes much time, and since the war might end this year we ought to begin serious study and preparation now.

Don't you think it would be worth while calling a meeting in your office of the persons having a direct interest in the matter? A memorandum on the subject can be prepared for distribution to them at the meeting. A committee of technicians could be suggested at the meeting to study the matter and bring back a report in a couple of weeks to that informal committee.

The end result after a few meetings should be a drafted bill and report representing the opinion of the appropriate departments to be submitted to the President.

The justification for the Secretary of the Treasury to take the lead in the matter is that one of his responsibilities is to suggest ways of keeping the Treasury's debt and tax burden from increasing unnecessarily, and every day's delay after the fighting stops will cost the Treasury many millions of dollars.

This would, I think, provide a good starting point for a renewal of the committee meetings of the now defunct "Fiscal and Monetary Advisory Board." (Incidentally, last week's luncheon with Nelson, Henderson, et al, was very nice, but if anything more was accomplished than a pleasant lunch, I missed it.)

Unless you indicate disapproval, I am having a report prepared on the experience of the last war with respect to the matters discussed above.

Regraded Unclassified

May 15, 1942.

Mr. Heffelfinger

Secretary Morgenthau

Just as soon as you have the final figures on the 2½'s today, let me know; and let's get out a release for Saturday morning's papers.

Taken care of 5/15/42 -

Regraded Unclassified

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IDARD FORM No. 14A
PPROVED BY THE PRESIDENT
MARCH 10, 1926

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

TREASURY DEPARTMENT
WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

H. Morgenthau Jr - Personal
(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE 5—54117

MAY 15 1942

Mr Wm. J. Newlin,
Secretary to the Faculty,
Amherst College,
Amherst, Massachusetts.

Please cancel room reserved Lord Jeffery Inn Staying with friends thanks

Henry Morgenthau Jr

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 15, 1942.

TO Mrs. Klotz

FROM Secretary Morgenthau

Please check my correspondence with Amherst. I think they are holding a room for me at the Hotel. If that is correct, please send them a telegram this morning cancelling the room, and say that I am staying with friends. Thank you.

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AMHERST COLLEGE
Amherst, Massachusetts

OFFICE OF THE SECRETARY OF THE FACULTY

April 26, 1942

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

Dear Mr. Secretary:

We have made a reservation for Mrs. Morgenthau and yourself at the Lord Jeffery Inn, where I am sure they will do everything to make your stay comfortable.

Mrs. King will have the tickets for you; and you will find the academic costume ready for you in the Founders' Room at the Alumni Gymnasium at the time of the Commencement exercises.

We are most appreciative of the honor of your presence on this occasion.

Very sincerely yours,

WJN/C

Wm. J. Newlin

Regraded Unclassified

April 21, 1942.

Dear Mr. Newlin:

Thank you for your pleasant and cordial letter of April 16th. I am looking forward very much to my forthcoming visit to Amherst.

I should like to have you reserve a room at the Lord Jeffery Inn for Mrs. Morgenthau and me. I also would appreciate it if you would let us have six tickets. If I find that we do not use all these, I shall see to it that any extra ones are returned to you.

Thank you also for your offer to provide the academic costume. I do not have a cap and gown and should like to have you procure these for me. I wear size 7½ hat, am 6 feet tall, and weigh 189 pounds.

With thanks for your assistance in these various matters,

Sincerely,

(Signed) H. Morgenthau Jr.

Mr. Wm. J. Newlin,
Secretary to the Faculty,
Amherst College,
Amherst, Massachusetts.

HMJr/dbs

Regraded Unclassified

AMHERST COLLEGE
1942 COMMENCEMENT

COMPTROLLER:

Please make Dormitory reservations for:

☐ Myself ☐ My Wife

☐ Sons Age.....

☐ Daughters Age.....

☐ Others: .....

☐ Pratt or Morrow at $3.00 per person

☐ North or South at $2.00 per person

Remarks:

41-442-7900

NAME CLASS

Address 357

Amount Enclosed $

DO NOT USE SPACE BELOW			
Advance Payment	Am't	Date	By
Total Charges			
Refund or Collect			

Assignment	Dormitory	Room	Arrived

Regraded Unclassified

AMHERST COLLEGE BULLETIN

VOLUME 31, NUMBER 4

MAY, 1942

Commencement Week

MAY 15-17, 1942

***PRELIMINARY PROGRAM**

Friday, May 15

7:30 P. M. Prize Speaking
9:00 P. M. The Masquers present "The Girl of the Golden West" by David Belasco.

Saturday, May 16

9:00 A. M. Meeting of Massachusetts Beta of Phi Beta Kappa.
9:45 A. M. Senior Chapel Service.
10:45 A. M. Ivy Oration and Poem.
11:30 A. M. Annual Meeting of the Society of the Alumni.
12:30 P. M. Alumni Dinner.
Alumni Parade to Pratt Field.
3:30 P. M. Amherst-Williams Baseball Game on Pratt Field.
8:00 P. M. Senior Night.
8:30 P. M. Alumni Singing.
9:30 P. M. Senior Service.
10:00 P. M. Dancing.

Sunday, May 17

10:45 A. M. Baccalaureate Sermon.
2:30 P. M. Band Concert.
3:00 P. M. Commencement Procession.
3:30 P. M. The One Hundred and Twenty-first Commencement.

*Owing to the national emergency, the exact hours of various events are subject to further adjustment.

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Commencement Information

CLASSES SCHEDULED FOR REUNION, 1942

'77, '82, '87, '92, '97, '02, '07, '12, '17, '22, '27, '32, '36, '39, '41.

ALUMNI HEADQUARTERS — Walker Hall.

Hours: Thursday 4 P. M. to 12:00 P. M.
Fri.-Sat. 9 A. M. to 12:00 P. M.
Sunday 9 A. M. to 6:00 P. M.

The following matters will be taken care of:

Alumni Registration
Alumni Trustee Election
Dormitory Rooms for Alumni
Reference File — off-campus rooms
Tickets for all Commencement Activities
General Information

TICKETS

Alumni and their families will receive class buttons for admission to Senior Night. Tickets required for the Alumni Dinner, the Baseball Game and the Masquers may be obtained at Alumni Headquarters.

MAIL

Alumni may have their mail sent to "Alumni Headquarters, Walker Hall, Amherst, Mass." Such mail will be forwarded to home address if not called for.

GOLF

The Amherst Golf Club invites the Alumni to use the Mt. Doma course during the Commencement season.

MEALS

The Dining Rooms of Valentine Hall will be open during the Commencement period.

Commencement Room Reservations

The dormitories are available to provide alumni and their families with economical accommodations. Although the dormitories have not all the conveniences of a modern hotel, reasonable effort is made to provide satisfactory quarters.

In general, the older classes are assigned to Pratt or Morrow, and the younger classes to North and South. In either case, families may be together or in nearby rooms. In Morrow, and in most rooms in Pratt, couples are assigned to double rooms with twin beds. In a few rooms in Pratt and in North and South, the nature of the rooms necessitates assigning a group of several men in one room or suite and their wives in a nearby room or suite. **Rooms are not allotted for single occupancy.**

The prices are **$3.00 for Pratt or Morrow and $2.00 for North or South,** per person for the Commencement period, with no reduction for a shorter stay. Rooms may be occupied from 4 P. M., Thursday, until Monday noon.

Applications should be made early. Allotments are made just before Commencement to permit grouping by classes. Applications will be acknowledged, but specific allotments cannot be learned until arrival at Alumni Headquarters.

Applications will be accepted only if accompanied by a remittance (payable to Amherst College) for the price of the room. If the amount is incorrect, the difference will be adjusted at Alumni Headquarters. Please use the enclosed application which provides for the information needed in making assignments. **All inquiries should be addressed to the Comptroller.**

At Alumni Headquarters there will be maintained an information file of rooms available in private houses, but the college cannot undertake to make reservations of such rooms.

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AMHERST COLLEGE

Amherst, Massachusetts

OFFICE OF THE SECRETARY OF THE FACULTY

339

April 16, 1942

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

Dear Mr. Secretary:

I am very happy to learn that you are to be the recipient of an honorary degree at the Amherst Commencement exercises. Professor Peter H Odegard has been appointed as your escort, and he will meet you in the Founders' Room in the Alumni Gymnasium, at three o'clock, War Time, on Sunday, May seventeenth.

If you do not have your own academic costume, we shall provide you with a cap and gown to be worn during the exercises. The hood of the degree will be provided by the College, and will be placed on your shoulders when the degree is conferred. Will you kindly let us know whether you wish us to provide you with an academic costume, and, if so, will you send us your weight, your height and your hat size?

I shall be very happy to arrange for reserved seat tickets for the exercises, for the members of your immediate family, if you will let me know the number.

If you are to come to Amherst by train, and will let us know when you expect to arrive at Springfield or Northampton, we shall be glad to have you met at the station and brought to Amherst.

Would you like to have us reserve a room at the Lord Jeffery Inn for Mrs. Morgenthau and yourself, or are you expecting to stay with your sister-in-law in Northampton?

I hope you will feel free to call upon me for any further information you may desire.

Very sincerely yours,

Wm. J. Newlin,
Secretary of the Faculty

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February 4, 1942

Dear President King:

Thank you very much for your letter of January 29th in which you tell me that the Trustees of Amherst College have decided to confer an honorary degree upon me on May 17th.

This is a high honor, and you may count on my being present at Commencement to receive it at your hands. Of course I shall keep this information entirely confidential until the College makes it public.

In the meantime, please convey to the Trustees my sense of deep appreciation.

Sincerely,

(Signed) H. Morgenthau, Jr.

President Stanley King,
Amherst College,
Amherst, Massachusetts.

FK/cgk

File N.M.C.

Regraded Unclassified

2/3/42 361

Mr. Kuhn:

Received from Miss Chauncey. She says the Secretary asked that you please prepare reply. The answer is "Yes".

Regraded Unclassified

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AMHERST COLLEGE
Amherst, Massachusetts

OFFICE OF THE PRESIDENT

January 29, 1942

(Personal and Confidential)

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

Dear Mr. Secretary:

It is a profound satisfaction to me to advise you that the Trustees of Amherst College at their meeting on January 26th voted unanimously to confer upon you the degree of Doctor of Laws, honoris causa, at our forthcoming commencement, which takes place Sunday, May 17th. You know how happy I am at this action and how deep a satisfaction it will give me to hang an Amherst hood upon your shoulders. I hope that your plans will permit you to join us at commencement.

The degree is conferred in accordance with the usual custom in such cases, on condition that you are able to be present to accept it in person. In the meantime, I must ask you to hold this information in entire confidence until such time as the College shall make public, just preceding commencement, the list of those on whom honorary degrees will be conferred.

With cordial greetings, I am,

Faithfully yours,

Stanley King

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 15, 1942.

TO Secretary Morgenthau

FROM Harold Graves

In accordance with your request, I attach a report of unfilled orders in the Division of Savings Bonds as of May 13.

I am informed that the Division of Savings Bonds is up to date on its distribution.

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
May 13, 1942

TO Mr. McDonald

FROM Mr. Augustus

Confirming our telephone conversation of this morning, listed below is the information you requested.

UNFILLED ORDERS AS OF MAY 13, 1942**

ADDRESSEE	TITLE OF MATERIAL	QUANTITY
Mr. Lynch Room 439 Washington, Building	"Stamps For Uncle Sam"	26,500
Hon. Steven P. Vidal State Administrator War Savings Staff 101 Federal Building Albuquerque, New Mexico	"Stamps For Uncle Sam"	49,250
Walter Phillippsen 246 Lynox Avenue Bridgeport, Connecticut	"Keep It Up", posters	75 - 2-sheet
Attached List <Schedule for Distribution new material>	"Help Win The War With The Money You Save"	170,500
Mr. Melcher DeMoll Building Washington, D. C.	"Stamps For Uncle Sam"	300
Major Connelly War Bond Officer Headquarters, Third Corp Area Baltimore, Maryland	"Help Win The War - "	1,000

~~Enoch Pratt Free Library~~
~~Baltimore, Maryland~~

** Note: The reason for the above listed orders not being filled is due to the fact that material requested has not yet been received from the contractor doing the printing. Upon receipt of this material orders will be immediately shipped.

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The Washington Post

CONFIDENTIAL UNTIL RELEASED

Mr. Eugene Meyer 366

EDITOR AND PUBLISHER
THE WASHINGTON POST

367

PUBLIC OPINION NEWS SERVICE

For Release Friday, May 15, 1942

One-Third of U. S. Adults Have Bought No War Bonds or Stamps, National Survey Finds

Compulsory Savings Plan to Purchase Bonds Found Acceptable to Two-Thirds of Nation's Wage Earners

Compulsory Savings

Claiming that voluntary savings are as "archaic and inadequate for total war as reliance on voluntary enlistment in the armed forces," Rep. Gore of Tennessee has introduced in the House a bill to require wage earners to put a certain percentage of their earnings into war bonds or stamps. The reaction of the country to the principle of compulsory savings, and an indication of the amounts people are willing to set aside, is shown in the following report by the Gallup Poll.

By GEORGE GALLUP
Director, American Institute of Public Opinion

PRINCETON, N. J., May 14—Interviews with a cross-section of the American public from coast to coast reveal two salient facts concerning the sale of war bonds and stamps.

1. Two out of every three employed persons in the country are either willing to have their employer deduct a regular part of their wages each pay day to buy war bonds for them, or have already begun such an arrangement. The other one-third are not at present willing to accept a wage deduction plan.

2. Although war stamps can be bought for as little as ten cents, one-third of all adults in the country have not yet bought a single war bond or stamp.

Of every 100 persons in the group earning less than $30 a week, fewer have purchased either stamps or bonds than in any other income level. Only half of this group have bought bonds or stamps. In the income group earning between $30 and $45 a week, 75 per cent have bought, and in the group earning more than $45 a week, 86 per cent.

Although war savings stamps cost as little as ten cents, a Gallup Poll finds that one-third of the adults of the country have not bought a single war stamp or bond.

In order to measure the public reaction to a payroll deduction plan, the Institute asked all employed persons:

"Would you be willing to have your employer take a regular part of your wages or salary each pay day to buy war savings bonds or stamps for you?"

Twenty-five per cent of all employed persons say they are already covered by a plan in which the employer deducts part of their wages for bonds. Another 43 per cent say they would be willing to take part in such a program. The remaining 32 per cent expressed themselves unwilling at this time to accept the pay deduction scheme.

AMOUNTS NAMED

To shed light on the question of how much people in each income level believe they can afford to spend for war bonds or stamps, the Institute put this question to all employed persons interviewed:

"What is the largest amount out of each dollar of your salary or wages you would be able to put into war savings bonds or stamps?"

The average amounts indicated by people in various income brackets is shown below:

Amt. of Earnings	Amt. Willing to Have Deducted
Less than $30 a week	8%
More than $30 a week	10

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Vladimir Horowitz

May 7, 1942

Henry Morgenthau Jr.
Treasury Department
Washington, D.C.

Dear Mr. Morgenthau:

I am sincerely sorry that I could not fulfill my agreement to perform on the America Preferred series this month, but when I had accepted your kind invitation for this appearance, some months ago, I had no idea whatsoever of the technical circumstances surrounding the broadcast -and subsequently found them to be artistically unacceptable.

However, I am stil profoundly desirous of contributing my energies and services toward the great and vital job of selling War Savings Bonds, and I feel certain there are ways in which my professional resources might be utilized at a greater profit to the Treasury Department.

The other day I had a long conversation with Mr. Rachmaninoff, who shares intensely my enthusiasm to serve this great cause, and he has suggested a plan whereby we might both have the utmost opportunity to do our parts -and in a way that we feel would obtain the highest possible results. If the Treasury Department could secure the donated services of the Philadelphia Symphony Orchestra for one date during the early part of next Fall, (the first few days in October), we could give a concert at Carnegie Hall with Mr. Rachmaninoff as conductor, and myself as soloist in a program of his compositions. The audience for the hall would gain admission by the purchase of War Savings Bonds of the higher denominations, and the concert could simultaneously be broadcast over a wide hook-up to reach a very considerable listening public -who might be urged to buy Stamps and Bonds by some speaker from the Treasury Department. Thus you would achieve the double purpose of actually selling Bonds; and also contacting a vast radio audience to activize their interests in this direction.

I shall await your opinion on this project.

Yours very sincerely,

Vladimir Horowitz

c/o Toscanini
254th Street & Independence Avenue
Riverdale, New York

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May 15, 1942

My dear Mr. Minister:

It may interest you to know that the marketing, advertising and selling power of the entire drug industry has been coordinated in the United States this month to sell War Stamps. The entire activity has been conceived, planned and executed by men representing all branches of the drug industry. I write you about it because of your interest in our War Bond and Stamp campaign and because of your own splendid promotional record in Canada.

More than 50,000 drug stores are now displaying and selling War Stamps to their 15,000,000 daily customers. About 4,000 salesmen representing more than 400 wholesale druggists are delivering War Stamps to the retail druggists, and more than 7,000 salesmen of drug manufacturers are calling on the drug stores to stimulate the sales activity of their salesclerks.

Manufacturers and their advertising agencies created the selling theme of the campaign, which is "Bullets 25¢ a dozen at your drug store in the form of 25¢ War Stamps". Special display material, including a novel 25¢ coin card, was mailed to every drug store. On April 30th, the May sales drive by druggists was inaugurated in a half hour radio show broadcast coast-to-coast. It is estimated that over $10,000,000 worth of War Stamps will be sold during this thirty-day drive by the nation's drug stores.

I understand that Mr. W. B. Tingle, Mr. Harry Boothe, Mr. William H. Budden and Mr. B. R. Hanna attended the Treasury's Retailers Clinic meeting in Chicago on May 4th and that this campaign was discussed at that time. However, I thought that this splendid promotion should be brought personally to your attention.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. J. L. Ilsley,
Minister of Finance,
Department of Finance,
Ottawa, Canada.

egk

N.M.C.
Copies to Thompson

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May 15, 1942

Dear Archie:

Thank you for your letter of May 4th, and for your interest in our payroll savings program.

The letters to employers were prepared before the enunciation of the President's seven-point program, but I can assure you that we shall keep the seven points in mind in future letters, as we are already doing in all of our promotional work.

Sincerely,

(Signed) Henry

Hon. Archibald MacLeish,
Director, Office of Facts and Figures,
Washington, D. C.

FK/cgk

Photo file N.M.C.

By Messenger Hannon 2:35

File to Thompson

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OFFICE OF FACTS AND FIGURES

WASHINGTON

May 4, 1942

Dear Mr. Secretary:

I have seen with much interest the letter and leaflet dealing with the payroll savings bond program, which you sent to me under date of April 25. Both of these documents are done with great skill, and I want to congratulate your department on the thorough and conscientious job which it has done in preparing this gigantic campaign.

The one suggestion which I would make would be that more emphasis be laid on the connection between the purchase of war bonds and the other parts of the President's national economic program. The letter to employers which you have sent to me properly lays emphasis on the necessity of bond sales to stem inflation. It would appear to me most useful if, in future publicity along this line, something on the following order were pointed out to employers: The prices of the things you make and of the raw materials which you buy have been fixed by the Government, and the President has asked for the stabilization of the wages of your employees. These things must be done in order to prevent a run-away inflation, which would be disastrous to our war effort and to post-war rehabilitation. These things cannot be done unless excess purchasing power is drawn off. The large-scale purchase of war bonds constitutes a primary means of drawing off this purchasing power.

As you perhaps know, the Office of Facts and Figures is now preparing a program for coordinating information on all points involved in the President's national economic program. I shall keep you informed of further developments of this program.

Faithfully yours,

Archibald MacLeish
The Director

The Honorable
The Secretary of the Treasury
Washington, D. C.

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GENERAL MOTORS CORPORATION

BROADWAY AT 57TH STREET

NEW YORK, N.Y.

Washington Office
200 HILL BUILDING
17TH AND EYE STS. N. W.

May 15, 1942

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

My dear Mr. Secretary:

Mr. Gamble, of your office, inquired as to the result achieved from the campaign starting on April 16 to increase participation in the purchase of War Bonds.

This campaign was known as the "GENERAL MOTORS EMPLOYES BOND DRIVE FOR VICTORY."

We are pleased to inform you that from an employe participation of 31½ percent as of April 1, the participation of all General Motors employes now stands at 99.2 percent as a result of this drive. As a percent of the payroll, the participation of employes increased from 1.9 percent for March to 6.9 percent for April.

General Motors has ninety seven plants and units within the United States. Employes of each of these units have subscribed for and purchased War Bonds far in excess of our expectations. In eighty four of these units, 100 percent of the employes are purchasing War Bonds. In the remaining thirteen units, between 95 percent and 99.9 percent of employes are participating.

There is attached a list of General Motors plants and units and the percent of participation of each of them.

The following is a summary of the results of the drive:

	BEFORE CAMPAIGN MARCH 1942	AFTER CAMPAIGN APRIL 1942 *
Number of Employes Working (U.S.)	222,819	235,090
Total Payroll	$51,224,330	$54,457,053
Number of Employes Purchasing Bonds	70,295	233,197
Amount Subscribed for Purchase of Bonds	$965,529.50	$3,756,173
Subscription Per Employe Per Month	$13.73	$16.10
Bond Purchases as a Percent of Total Payroll	1.9%	6.9%
Percent of Employe Participation	31.5%	99.2%

*These are prelimary figures based upon individual employe pledges and projected on a monthly basis.

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The bond drive was developed and directed by experienced executives of the Corporation with splendid cooperation from all employes. In the mass meetings, various representatives of employes played an active part in building up patriotic interest and enthusiasm for the entire program.

In reviewing the foregoing, consideration should be given to the short period of time since the drive started. Among the points stressed in the promotion of bond sales were the following:

1. Furnishing necessary funds for the war effort.

2. Establishing reserves to help carry employes through any post-war readjustments.

3. Constructively decreasing available purchasing power in line with diminishing supplies of consumer goods.

The employes in the plants are currently averaging 46 hours of work per week and earnings have been stabilized at high levels. Earnings were low during December, January and February as a result of the curtailment of non-defense production.

While the results are gratifying to date, the next phase of the program will be directed toward encouraging employes to increase their weekly or monthly subscriptions. The slogan will be:- "NOT LESS THAN ONE BOND PER EMPLOYE PER MONTH."

We anticipate an increase in weekly and monthly subscriptions as the war program develops and hours of work and overtime pay are increased.

I wish to take this opportunity to express our appreciation for the help and cooperation we have received from the Treasury Department in preparing this campaign and which we feel contributed materially to its success.

Very truly yours,

H. W. Anderson

H. W. Anderson
Vice President

hwa-em
encl.

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GENERAL MOTORS EMPLOYES BOND DRIVE FOR VICTORY

★ ★ ★ SALES STANDINGS ★ 3rd ★

CONGRATULARTORY FINAL STANDINGS

	% PARTICIPATION	RANK
Aeroproducts	100%	1
Allison	100%	1
Argonaut	100%	1
Brown-Lipe-Chapin	100%	1
Buick Motor	100%	1
Cadillac	100%	1
Chevrolet - Atlanta	100%	1
Chevrolet - Aviation Engine # 2	100%	1
Chevrolet - Baltimore	100%	1
Chevrolet - Bay City	100%	1
Chevrolet - Bloomfield	100%	1
Chevrolet - Experimental	100%	1
Chevrolet - Flint	100%	1
Chevrolet - Grey Iron Foundry	100%	1
Chevrolet - Indianapolis	100%	1
Chevrolet - Janesville	100%	1
Chevrolet - Kansas City	100%	1
Chevrolet - Motor & Axle	100%	1
Chevrolet - Muncie	100%	1
Chevrolet - Norwood	100%	1
Chevrolet - Oakland	100%	1
Chevrolet - Spring & Bumper	100%	1
Chevrolet - St. Louis	100%	1
Chevrolet - Tarrytown	100%	1
Chevrolet - Toledo	100%	1
Chevrolet - Transmission	100%	1
Delco Appliance	100%	1
Delco Brake	100%	1
Delco Radio	100%	1
Delco Remy - Anderson	100%	1
Delco Remy - Antioch Foundry	100%	1
Delco Remy - Muncie	100%	1
Detroit Diesel	100%	1
Detroit Transmission	100%	1
Eastern Aircraft - Baltimore	100%	1
Eastern Aircraft - Linden	100%	1
Eastern Aircraft - Tarrytown	100%	1
Eastern Aircraft - Trenton	100%	1
Electro-Motive	100%	1
Fisher - Central Development	100%	1
Fisher - Central Engineering	100%	1
Fisher - Central Plants	100%	1
Fisher - Cleveland	100%	1
Fisher - Detroit Aircraft	100%	1
Fisher - Detroit Stamping	100%	1
Fisher - Die & Machine	100%	1
Fisher - Export	100%	1
Fisher - Fleetwood	100%	1

****

PLEASE ANNOUNCE TO YOUR EMPLOYESPLEASE GIVE YOUR STORY TO YOUR NEWSPAPERS

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Fisher - Garage	100%	1
Fisher - Grand Rapids Stamping	100%	1
Fisher - Lansing	100%	1
Fisher - Memphis Aircraft	100%	1
Fisher - Pontiac	100%	1
Fisher - Service	100%	1
Fisher - Tank	100%	1
Fleet Sales	100%	1
Foreign Distributors	100%	1
Frigidaire	100%	1
G. E. I. C.	100%	1
G. M. A. C.	100%	1
G. M. Building	100%	1
G. M. Institute	100%	1
G. M. Overseas	100%	1
G. M. Proving Ground	100%	1
G. M. Research	100%	1
Guide Lamp	100%	1
Harrison Radiator	100%	1
Hyatt Bearings	100%	1
Inland Mfg.	100%	1
Modern Housing	100%	1
Moraine Products	100%	1
Motors Holding	100%	1
Motors Insurance	100%	1
New Departure - Meriden	100%	1
Packard Electric	100%	1
Rochester Products	100%	1
Saginaw Malleable Iron	100%	1
Saginaw S. G. # 1	100%	1
Saginaw S. G. Machine Gun	100%	1
Southern California	100%	1
Sunlight Electric	100%	1
United Motors	100%	1
AC Spark Plug	99.99	2
New Departure - Bristol	99.97	3
Fisher - Entire	99.96	4
Fisher Fornstedt	99.9	5
Oldsmobile	99.9	5
Chevrolet - Entire	99.89	6
Chevrolet Gear & Axle	99.84	7
Chevrolet Central Office	99.79	8
New York Central Office	99.73	9
Fisher - Flint # 1	99.7	10
AVERAGE ALL GENERAL MOTORS -	99.[illegible]	
Detroit Central Office	99.46	11
Delco Products	99.2	12
Eastern Aircraft - Bloomfield	98.8	13
Cleveland Diesel	98.43	14
Pontiac	98.0	15
Chevrolet - Forge	97.8	16
Buick Aviation	95.0	17

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Analysis of Exposure to Payroll Savings Plans

May 9, 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) Firms with 500 employees or more	5,061	6,520	78
(2) Firms with 100 to 499 employees	16,759	26,920	62
(3) Subtotal - large firms	21,820	33,440	65
(4) Firms with less than 100 employees	54,510	*	*
(5) Total business organizations	76,330	*	*
II. Governmental organizations	*	*	*
III. Grand total	76,330	*	*
Part B - Summary by Number of Employees Exposed			
I. Business organizations			
(1) Firms with 500 employees or more	15,166,968 1/	*	*
(2) Firms with 100 to 499 employees	3,573,016	*	*
(3) Subtotal - large firms	18,739,984 1/	*	*
(4) Firms with less than 100 employees	1,246,701	*	*
(5) Total business organizations	19,986,685	30,400,000 2/	66
II. Governmental organizations			
(1) Federal Government	397,981	1,700,000 2/	23
(2) State and local governments	1,073,881	2,700,000	40
(3) Total governmental organizations	1,471,862	4,400,000	33
III. Grand total	21,458,547	34,800,000 2/	62

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

May 15, 1942.

1/ Revised.

2/ 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.

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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		
	Apr. 18	May 2	May 9		Apr. 18	May 2	May 9
Alabama	149	167	184	285	52	59	65
Arizona	43	47	48	64	67	73	75
Arkansas	44	45	47	142	31	32	33
Northern California	512	536	555	555	92	97	100
Southern California	756	783	792	1,171	65	67	68
Colorado	113	115	116	124	91	93	94
Connecticut	277	279	282	622	45	45	45
Delaware	21	32	40	84	25	38	48
District of Columbia	52	53	57	152	34	35	38
Florida	147	155	157	157	94	99	100
Georgia	133	167	175	589	23	28	30
Idaho	31	31	31	39	79	79	79
Illinois	1,300	1,352	1,386	2,252	58	60	62
Indiana	415	456	475	586	71	78	81
Iowa	165	175	185	271	61	65	68
Kansas	276	276	276	276	100	100	100
Kentucky	136	151	151*	312	44	48	48
Louisiana	179	203	206	384	47	53	54
Maine	60	68	70	198	30	34	35
Maryland	177	204	210	405	44	50	52
Massachusetts	639	652	658	1,523	42	43	43
Michigan	689	740	764	1,022	67	72	75
Minnesota	376	379	406	406	93	93	100
Mississippi	59	60	61	143	41	42	43
Missouri	472	516	531	664	71	78	80
Montana	40	40	41	41	98	98	100
Nebraska	103	105	106	123	84	85	86
Nevada	14	14	16	21	67	67	76
New Hampshire	89	93	96	145	61	64	66
New Jersey	463	523	549	867	53	60	63
New Mexico	33	33	33*	42	79	79	79
New York	2,060	2,218	2,304	4,239	49	52	54
North Carolina	282	290	305	499	57	58	61
North Dakota	14	14	14*	29	48	48	48
Ohio	1,126	1,164	1,173	1,739	65	67	67
Oklahoma	166	167	170	345	48	48	49
Oregon	211	239	248	271	78	88	92
Pennsylvania	1,682	1,743	1,780	2,032	83	86	88
Rhode Island	154	165	167	224	69	74	75
South Carolina	71	81	87	174	41	47	50
South Dakota	21	21	21*	23	91	91	91
Tennessee	199	199	199*	449	44	44	44
Texas	326	361	394	1,375	24	26	29
Utah	36	38	38*	111	32	34	34
Vermont	59	60	60	63	94	95	95
Virginia	281	310	328	338	83	92	97
Washington	234	246	247	323	72	76	76
West Virginia	134	137	140	272	49	50	51
Wisconsin	278	294	312	680	41	43	46
Wyoming	17	17	17*	17	100	100	100
Alaska	2	2	2*	2	100	100	100
Railroads	49	49	49	52	94	94	94
Total	15,365	16,265	16,759	26,920	57	60	62

Office of the Secretary of the Treasury, Division of Research and Statistics. May 15, 1942.

* Data are for May 2, inasmuch as no May 9 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		
	Apr. 18	May 2	May 9		Apr. 18	May 2	May 9
Alabama	41	41	49	73	56	56	67
Arizona	9	9	9	12	75	75	75
Arkansas	16	16	16	22	73	73	73
Northern California	122	123	123	173	70	71	71
Southern California	121	123	125	161	75	76	78
Colorado	25	26	26	27	93	96	96
Connecticut	114	115	115	151	75	76	76
Delaware	15	17	17	24	63	71	71
District of Columbia	32	32	32	53	60	60	60
Florida	28	29	29	64	44	45	45
Georgia	86	97	97	111	77	87	87
Idaho	11	11	11	11	100	100	100
Illinois	391	400	401	535	73	75	75
Indiana	88	101	101	163	54	62	62
Iowa	22	25	26	39	56	64	67
Kansas	23	23	24	24	96	96	100
Kentucky	38	39	39*	70	54	56	56
Louisiana	29	31	31	76	38	41	41
Maine	48	51	53	58	83	88	91
Maryland	84	86	87	105	80	82	83
Massachusetts	237	242	244	346	68	70	71
Michigan	265	271	271	308	86	88	88
Minnesota	79	79	79	84	94	94	94
Mississippi	26	28	29	37	70	76	78
Missouri	103	108	110	132	78	82	83
Montana	3	3	3	3	100	100	100
Nebraska	23	24	24	31	74	77	77
Nevada	4	4	4	5	80	80	80
New Hampshire	29	29	29	31	94	94	94
New Jersey	142	151	152	192	74	79	79
New Mexico	5	5	5*	5	100	100	100
New York	759	778	778	1,071	71	73	73
North Carolina	103	112	117	158	65	71	74
North Dakota	0	0	0	0	0	0	0
Ohio	412	418	419	490	84	85	86
Oklahoma	31	33	34	48	65	69	71
Oregon	48	52	52	52	92	100	100
Pennsylvania	551	560	561	613	90	91	92
Rhode Island	61	68	69	81	75	84	85
South Carolina	84	89	92	102	82	87	90
South Dakota	5	5	5*	5	100	100	100
Tennessee	50	50	50*	102	49	49	49
Texas	63	72	72	143	44	50	50
Utah	8	8	8*	14	57	57	57
Vermont	12	12	12	12	100	100	100
Virginia	93	96	97	100	93	96	97
Washington	49	50	50	71	69	70	70
West Virginia	36	39	39	61	59	64	64
Wisconsin	127	130	132	152	84	86	87
Wyoming	1	1	1*	1	100	100	100
Alaska	3	3	3*	3	100	100	100
Railroads	109	109	109	115	95	95	95
Total	4,864	5,024	5,061	6,520	75	77	78

Office of the Secretary of the Treasury, Division of Research and Statistics. May 15, 1942.

* Data are for May 2, inasmuch as no May 9 report was received.

Regraded Unclassified

Sales of United States Savings Bonds
From May 1 through May 14, 1942
Compared with sales quota for same period
(At issue price in millions of dollars)

Date	Series E				Series F and G				Total			
	Actual Sales		Quota, May 1 to Date	Sales to Date as % of Quota	Actual Sales		Quota, May 1 to Date	Sales to Date as % of Quota	Actual Sales		Quota, May 1 to Date	Sales to Date as % of Quota
	Daily	May 1 to Date			Daily	May 1 to Date			Daily	May 1 to Date		
1	$ 12.7	$ 12.7	$ 14.0	90.7%	$ 7.3	$ 7.3	$ 9.0	81.1%	$ 20.0	$ 20.0	$ 23.0	87.0%
2	11.6	24.3	25.7	94.6	7.9	15.2	16.0	95.0	19.4	39.4	41.7	94.5
4	22.3	46.5	47.8	97.3	10.3	25.5	29.5	86.4	32.6	72.0	77.3	93.1
5	8.9	55.5	57.8	96.0	7.6	33.1	37.1	89.2	16.6	88.6	94.9	93.4
6	18.4	73.8	70.5	104.7	15.6	48.8	49.8	98.0	34.0	122.6	120.3	101.9
7	23.2	97.0	84.0	115.5	12.1	60.8	60.3	100.8	35.3	157.9	144.3	109.4
8	17.2	114.2	98.0	116.5	6.4	67.2	69.3	97.0	23.6	181.4	167.3	108.4
9	14.5	128.7	109.7	117.3	5.6	72.8	76.3	95.4	20.0	201.5	186.0	108.3
11	23.3	152.0	131.8	115.3	8.1	80.8	89.8	90.0	31.3	232.8	221.6	105.1
12	9.4	161.3	141.8	113.8	4.6	85.4	97.4	87.7	14.0	246.8	239.2	103.2
13	15.8	177.1	154.5	114.6	9.0	94.4	110.1	85.7	24.8	271.5	264.6	102.6
14	16.9	194.0	168.0	115.5	7.7	102.1	120.6	84.7	24.6	296.2	288.6	102.6
15			182.0				129.6				311.6	
16			193.7				136.6				330.3	
18			215.8				150.1				365.9	
19			225.8				157.7				383.5	
20			238.5				170.3				408.8	
21			252.0				180.8				432.8	
22			266.0				189.8				455.8	
23			277.7				196.8				474.5	
25			299.8				210.3				510.1	
26			309.8				217.9				527.7	
27			322.5				230.5				553.0	
28			336.0				241.0				577.0	
29			350.0				250.0				600.0	

Office of the Secretary of the Treasury, Division of Research and Statistics. May 15, 1942.

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

Regraded Unclassified

May 15, 1942

Dear Archie:

This is just to tell you that I would be very glad to make one of the speeches in your series to follow up the President's anti-inflation message.

I have no speaking engagements in the next three weeks, and I shall do my best to be available on any date you may suggest. As soon as you have a definite date in mind, I suggest that you communicate with Mr. Kuhn.

Sincerely,

(Signed) Henry

Hon. Archibald MacLeish,
Director,
Office of Facts and Figures,
Washington, D. C.

FK/cgk

By Messenger Harmon 2:35

Photo File N.M.C.
Orig. file to Thompson

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OFFICE OF FACTS AND FIGURES

WASHINGTON

DIRECTOR

May 9, 1942

The Honorable
The Secretary of the Treasury

Dear Henry:

In a conversation with Harold Smith about the President's 7-point national economic policy, he suggested the desirability, even the urgency, of a special series of speeches which would follow up the President's recent message and speech. From what I can learn about public opinion at the moment, I am persuaded that such a series by high officers of government could perform an invaluable service.

The purpose would be fourfold: to spell out more fully the meaning of each of the seven points; to show the relationship of each point to the others; to explain how the needs of war compel us all temporarily to reduce our living standards; and to demonstrate that the Government is attacking inflation with a united front. The program is of such overwhelming importance, affecting the whole public so vitally, that only the highest officers of the Government can present it authoritatively.

Would you be willing to make one of the speeches? We should like to schedule the speeches as a series, and plan to arrange radio time for them.

If you can participate -- and I very much hope you can -- you may wish to explain both the war bond drive and the new tax program, and the determination of the Government to tax profits down to a reasonable level. We find that relatively few persons know the details of the pending tax programs. We also have discovered, through recent field interviews, that a significant number of industrial workers suspect industry of profiteering on war contracts.

It would be most helpful, it seems to us, if all of the speeches in this series could include a reiteration of the seven points in the national economic policy, so that in time the public may become thoroughly familiar with them.

Will you let me know your decision as soon as you conveniently can? If this office can be of any assistance, please call on us.

Faithfully yours,

Archibald MacLeish
Director, Office of Facts and Figures

Regraded Unclassified

THE WHITE HOUSE
WASHINGTON

May 15, 1942

Dear Henry:

Many thanks for your explanation of the delayed pay checks for new employees. I do hope the matter can be corrected promptly.

Affectionately,

FDR

Regraded Unclassified

MAY 13 1942

Dear Eleanor:

The situation to which you refer in your letter of May 9th, as to delays in receiving their pay experienced by new employees coming to work in Washington, is not due to any Treasury inaction but to the failure of administrative agencies to place the employees' names on the payrolls and to certify them to the Treasury Division of Disbursement.

I am told that the Office for Emergency Management has had difficulty in this respect and it is probably true of other newly created war agencies. It is a situation which should be corrected and I have directed that it be taken up with the various agencies concerned.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,

The White House.

"P.S. Thank you for bringing this to my attention"

Photo file to Thompson.
File N.M.C.

By Messenger Simmons 5:25

WNT:aja
5-13-42

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THE WHITE HOUSE
WASHINGTON

May 9, 1942

Dear Mr. Morgenthau:

I am getting more and more protests from people who are becoming aware of the fact that Civil Service employees coming to work in Washington do not get their pay for several weeks after they get here. People have come across case after case where young people actually cannot eat and have to borrow money. Sometimes they get so discouraged they quit and go home after working a month.

Is there nothing which can be done to overcome this situation? Even in the armed forces, the question of getting paid on time is one of the things that concerns people more than anything else.

Very sincerely yours,

Thanks Roosevelt

Thompson
[illegible]

Regraded Unclassified

May 15, 1942.

Ferdinand Kuhn
Secretary Morgenthau

As you know, ~~Mr.~~ Fritchie of Cleveland is in town. I don't know what conversations you have had with Henry about him, but I understand that there is some talk about taking him on in the Treasury. Whatever you have in mind, I just wanted to suggest that he is available this morning. During the morning you might speak to me about this, because the idea is not clear in my own mind. Thank you.

Finished 5/15—

Regraded Unclassified

May 15, 1942

Telegram received from R. E. Wood
Sears Roebuck and Company
Chicago

"Fifty large test stores report sales increases during week ending May 7th over last year slightly better in dresses and much better in all other soft lines than increase ratio during week ending April 16th. Furniture, floor covering, farm equipment increases May 7th much less than increases week April 16th. Major appliances decrease ratio May 7th 62 percent against April 16th 24 percent. Small hard lines decrease 11 percent May 7th against increase 9 percent April 16th."

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 15, 1942

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Recent Changes in Prices and Yields of Government Securities

During the week ended last night, the market for taxable Treasury bonds and notes showed a strong tone (see Table I). The premium on the new 2 percent issue stood at 11/32 last night as compared with 6/32 a week ago, and there was comparable strength in the longer maturity issues. The 2-1/2's of 1967-72 are now selling at a premium of 25/32, or only 2/32 less than on March 19. In general, long-term taxable issues are now at approximately the same level they were on March 19, while short-term securities remain substantially weaker than they were on that date (see Table II and the attached chart).

The bill rate was up to 0.37 percent this week as compared with 0.36 percent last week, but this week's offering was the first of the enlarged bill program. Certificates of indebtedness have shown some improvement, closing last night at 0.49 percent as compared to 0.50 percent last Thursday.

During the week ended last night, purchases of Government securities by the Federal Open Market Account aggregated $47 millions, consisting of $33 millions of bills, $14 millions of certificates, and a minor amount of bonds ($137,000). On the other hand, there were $17 millions of sales of certificates and $10 millions of bills matured. The net changes in the portfolio of the Account, therefore, consisted of an increase of $23 millions of bills and a decrease of $3 millions of certificates.

As of yesterday afternoon, total subscriptions to the new 2-1/2 percent bond aggregated $859 millions. Late subscriptions, including those postmarked before midnight last night, will, of course, increase the total amount of this issue.

Regraded Unclassified

Table I

Price and Yield Changes of United States Securities
May 7, 1942 to May 14, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	May 7, 1942	May 14, 1942	Change	May 7, 1942	May 14, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
Bills						
Average rate last issue	-	-		.36	.37	+.01
Certificates						
1/2% 11/1/42	-	-		.50	.49	-.01
Taxable Notes						
3/4% 3/15/43	100.06	100.06	.00	.53	.52	-.01
3/4 9/15/44	99.21	99.22	+.01	.90	.89	-.01
3/4 12/15/45	99.08	99.08	.00	.96	.96	.00
1 3/15/46	99.19	99.20	+.01	1.11	1.10	-.01
Taxable Bonds						
2% 3/15/48-50	101.02	101.04	+.02	1.81	1.80	-.01
2 6/15/49-51	100.10	100.14	+.04	1.95	1.93	-.02
2 9/15/49-51	100.06wi	100.11wi	+.05	1.97wi	1.95wi	-.02
2 12/15/51-55	100.01	100.03	+.02	2.00	1.99	-.01
2-1/2 3/15/52-54	103.17	103.22	+.05	2.10	2.08	-.02
2-1/4 6/15/52-55	100.28	101.04	+.08	2.15	2.13	-.02
2-1/2 3/15/56-58	102.24	102.28	+.04	2.27	2.26	-.01
2-1/2 6/15/62-67	-	-		-	-	
2-1/2 9/15/67-72	100.20	100.25	+.05	2.47	2.46	-.01
Wholly Tax-exempt Notes						
2% 9/15/42	100.22	100.21	-.01	.05	.04	-.01
1-3/4 12/15/42	100.30	100.29	-.01	.20	.20	.00
1-1/8 6/15/43	100.28	100.26	-.02	.33	.37	+.04
1 9/15/43	100.27	100.26	-.01	.37	.39	+.02
1-1/8 12/15/43	101.06	101.04	-.02	.38	.41	+.03
1 3/15/44	101.04	101.01	-.03	.39	.43	+.04
3/4 6/15/44	100.23	100.20	-.03	.41	.45	+.04
1 9/15/44	101.11	101.09	-.02	.43	.45	+.02
3/4 3/15/45	100.29	100.25	-.04	.43	.47	+.04
Partially Tax-exempt Bonds						
3-3/8% 6/15/43-47	103.02	103.00	-.02	.59	.60	+.01
3-1/4 10/15/43-45	103.16	103.15	-.01	.80	.79	-.01
3-1/4 4/15/44-46	104.16	104.16	.00	.90	.88	-.02
4 12/15/44-54	107.24	107.24	.00	.98	.96	-.02
2-3/4 9/15/45-47	105.24	105.21	-.03	1.00	1.02	+.02
2-1/2 12/15/45	105.12	105.10	-.02	.98	.99	+.01
3-3/4 3/15/46-56	109.24	109.22	-.02	1.16	1.16	.00
3 6/15/46-48	107.13	107.11	-.02	1.15	1.15	.00
3-1/8 6/15/46-49	107.25	107.24	-.01	1.18	1.18	.00
4-1/4 10/15/47-52	115.10	115.08	-.02	1.32	1.32	.00
2 12/15/47	104.20	104.20	.00	1.15	1.14	-.01
2-3/4 3/15/48-51	107.20	107.19	-.01	1.39	1.39	.00
2-1/2 9/15/48	107.01	107.00	-.01	1.34	1.34	.00
2 12/15/48-50	104.16	104.18	+.02	1.29	1.28	-.01
3-1/8 12/15/49-52	110.25	110.22	-.03	1.61	1.62	+.01
2-1/2 12/15/49-53	106.14	106.14	.00	1.60	1.60	
2-1/2 9/15/50-52	106.18	106.19	+.01	1.66	1.65	
2-3/4 6/15/51-54	108.16	108.15	-.01	1.74	1.74	.00
3 9/15/51-55	110.19	110.20	+.01	1.77	1.76	-.01
2-1/4 12/15/51-53	104.31	105.02	+.03	1.69	1.68	-.01
2 6/15/53-55	103.16	103.18	+.02	1.65	1.65	.00
2-1/4 6/15/54-56	105.00	105.02	+.02	1.79	1.78	-.01
2-7/8 3/15/55-60	110.03	110.01	-.02	1.98	1.99	+.01
2-3/4 9/15/56-59	109.09	109.07	-.02	2.00	2.01	+.01
2-3/4 6/15/58-63	109.15	109.14	-.01	2.06	2.06	.00
2-3/4 12/15/60-65	110.03	110.01	-.02	2.09	2.10	+.01

Treasury Department, Division of Research and Statistics. May 14, 1942.

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Table I

Price and Yield Changes of United States Securities
May 7, 1942 to May 14, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	May 7, 1942	May 14, 1942	Change	May 7, 1942	May 14, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
Bills						
Average rate last issue	-	-		.36	.37	+.01
Certificates						
1/2% 11/1/42	-	-		.50	.49	-.01
Taxable Notes						
3/4% 3/15/43	100.06	100.06	.00	.53	.52	-.01
3/4 9/15/44	99.21	99.22	+.01	.90	.89	-.01
3/4 12/15/45	99.08	99.08	.00	.96	.96	.00
1 3/15/46	99.19	99.20	+.01	1.11	1.10	-.01
Taxable Bonds						
2% 3/15/48-50	101.02	101.04	+.02	1.81	1.80	-.01
2 6/15/49-51	100.10	100.14	+.04	1.95	1.93	-.02
2 9/15/49-51	100.06wi	100.11wi	+.05	1.97wi	1.95wi	-.02
2 12/15/51-55	100.01	100.03	+.02	2.00	1.99	-.01
2-1/2 3/15/52-54	103.17	103.22	+.05	2.10	2.08	-.02
2-1/4 6/15/52-55	100.28	101.04	+.08	2.15	2.13	-.02
2-1/2 3/15/56-58	102.24	102.28	+.04	2.27	2.26	-.01
2-1/2 6/15/62-67	-	-		-	-	
2-1/2 9/15/67-72	100.20	100.25	+.05	2.47	2.46	-.01
Wholly Tax-exempt Notes						
2% 9/15/42	100.22	100.21	-.01	.05	.04	-.01
1-3/4 12/15/42	100.30	100.29	-.01	.20	.20	.00
1-1/8 6/15/43	100.28	100.26	-.02	.33	.37	+.04
1 9/15/43	100.27	100.26	-.01	.37	.39	+.02
1-1/8 12/15/43	101.06	101.04	-.02	.38	.41	+.03
1 3/15/44	101.04	101.01	-.03	.39	.43	+.04
3/4 6/15/44	100.23	100.20	-.03	.41	.45	+.04
1 9/15/44	101.11	101.09	-.02	.43	.45	+.02
3/4 3/15/45	100.29	100.25	-.04	.43	.47	+.04
Partially Tax-exempt Bonds						
3-3/8% 6/15/43-47	103.02	103.00	-.02	.59	.60	+.01
3-1/4 10/15/43-45	103.16	103.15	-.01	.80	.79	-.01
3-1/4 4/15/44-46	104.16	104.16	.00	.90	.88	-.02
4 12/15/44-54	107.24	107.24	.00	.98	.96	-.02
2-3/4 9/15/45-47	105.24	105.21	-.03	1.00	1.02	+.02
2-1/2 12/15/45	105.12	105.10	-.02	.98	.99	+.01
3-3/4 3/15/46-56	109.24	109.22	-.02	1.16	1.16	.00
3 6/15/46-48	107.13	107.11	-.02	1.15	1.15	.00
3-1/8 6/15/46-49	107.25	107.24	-.01	1.18	1.18	.00
4-1/4 10/15/47-52	115.10	115.08	-.02	1.32	1.32	.00
2 12/15/47	104.20	104.20	.00	1.15	1.14	-.01
2-3/4 3/15/48-51	107.20	107.19	-.01	1.39	1.39	.00
2-1/2 9/15/48	107.01	107.00	-.01	1.34	1.34	.00
2 12/15/48-50	104.16	104.18	+.02	1.29	1.28	-.01
3-1/8 12/15/49-52	110.25	110.22	-.03	1.61	1.62	+.01
2-1/2 12/15/49-53	106.14	106.14	.00	1.60	1.60	
2-1/2 9/15/50-52	106.18	106.19	+.01	1.66	1.65	
2-3/4 6/15/51-54	108.16	108.15	-.01	1.74	1.74	.00
3 9/15/51-55	110.19	110.20	+.01	1.77	1.76	-.01
2-1/4 12/15/51-53	104.31	105.02	+.03	1.69	1.68	-.01
2 6/15/53-55	103.16	103.18	+.02	1.65	1.65	.00
2-1/4 6/15/54-56	105.00	105.02	+.02	1.79	1.78	-.01
2-7/8 3/15/55-60	110.03	110.01	-.02	1.98	1.99	+.01
2-3/4 9/15/56-59	109.09	109.07	-.02	2.00	2.01	+.01
2-3/4 6/15/58-63	109.15	109.14	-.01	2.06	2.06	.00
2-3/4 12/15/60-65	110.03	110.01	-.02	2.09	2.10	+.01

Treasury Department, Division of Research and Statistics. May 14, 1942.

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Table II

Price and Yield Changes of United States Securities
March 19, 1942 to May 14, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	March 19, 1942	May 14, 1942	Change	March 19, 1942	May 14, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
Bills						
Average rate last issue	-	-		.20	.37	+.17
Certificates						
1/2% 11/1/42	-	-		-	.49	-
Taxable Notes						
3/4% 3/15/43	100.12	100.06	-.06	.37	.52	+.15
3/4 9/15/44	99.31	99.22	-.09	.76	.89	+.13
3/4 12/15/45	99.21	99.08	-.13	.84	.96	+.12
1 3/15/46	99.29	99.20	-.09	1.02	1.10	+.08
Taxable Bonds						
2% 3/15/48-50	101.28	101.04	-.24	1.67	1.80	+.13
2 6/15/49-51	101.04	100.14	-.22	1.83	1.93	+.10
2 9/15/49-51	-	100.11wi	-	-	1.95wi	-
2 12/15/51-55	100.12	100.03	-.09	1.96	1.99	+.03
2-1/2 3/15/52-54	103.23	103.22	-.01	2.09	2.08	-.01
2-1/4 6/15/52-55	101.06	101.04	-.02	2.12	2.13	+.01
2-1/2 3/15/56-58	103.05	102.28	-.09	2.24	2.26	+.02
2-1/2 6/15/62-67	-	-		-	-	
2-1/2 9/15/67-72	100.27	100.25	-.02	2.46	2.46	.00
Wholly Tax-exempt Notes						
2% 9/15/42	101.04	100.21	-.15	5/32*	.04	-5/32*
1-3/4 12/15/42	101.11	100.29	-.14	2/32*	.20	-4/32*
1-1/8 6/15/43	101.04	100.26	-.10	.22	.37	+.15
1 9/15/43	101.03	100.26	-.09	.26	.39	+.13
1-1/8 12/15/43	101.16	101.04	-.12	.26	.41	+.15
1 3/15/44	101.10	101.01	-.09	.34	.43	+.09
3/4 6/15/44	100.27	100.20	-.07	.37	.45	+.08
1 9/15/44	101.16	101.09	-.07	.39	.45	+.06
3/4 3/15/45	101.00	100.25	-.07	.41	.47	+.06
Partially Tax-exempt Bonds						
3-3/8% 6/15/43-47	103.21	103.00	-.21	.41	.60	+.19
3-1/4 10/15/43-45	104.06	103.15	-.23	.57	.79	+.22
3-1/4 4/15/44-46	105.06	104.16	-.22	.72	.88	+.16
4 12/15/44-54	108.11	107.24	-.19	.91	.96	+.05
2-3/4 9/15/45-47	106.06	105.21	-.17	.94	1.02	+.08
2-1/2 12/15/45	105.28	105.10	-.18	.90	.99	+.09
3-3/4 3/15/46-56	110.08	109.22	-.18	1.11	1.16	+.05
3 6/15/46-48	107.28	107.11	-.17	1.09	1.15	+.06
3-1/8 6/15/46-49	108.08	107.24	-.16	1.13	1.18	+.05
4-1/4 10/15/47-52	115.20	115.08	-.12	1.33	1.32	-.01
2 12/15/47	104.23	104.20	-.03	1.15	1.14	-.01
2-3/4 3/15/48-51	107.28	107.19	-.09	1.38	1.39	+.01
2-1/2 9/15/48	107.07	107.00	-.07	1.33	1.34	+.01
2 12/15/48-50	104.21	104.18	-.03	1.28	1.28	.00
3-1/8 12/15/49-52	110.22	110.22	.00	1.65	1.62	-.03
2-1/2 12/15/49-53	106.16	106.14	-.02	1.60	1.60	.00
2-1/2 9/15/50-52	106.20	106.19	-.01	1.66	1.65	-.01
2-3/4 6/15/51-54	108.18	108.15	-.03	1.74	1.74	.00
3 9/15/51-55	110.20	110.20	.00	1.78	1.76	-.02
2-1/4 12/15/51-53	104.29	105.02	+.05	1.70	1.68	-.02
2 6/15/53-55	103.10	103.18	+.08	1.68	1.65	-.03
2-1/4 6/15/54-56	104.28	105.02	+.06	1.80	1.78	-.02
2-7/8 3/15/55-60	110.00	110.01	+.01	2.00	1.99	-.01
2-3/4 9/15/56-59	109.10	109.07	-.03	2.01	2.01	.00
2-3/4 6/15/58-63	109.12	109.14	+.02	2.07	2.06	-.01
2-3/4 12/15/60-65	110.00	110.01	+.01	2.10	2.10	.00

May 14, 1942.

Treasury Department, Division of Research and Statistics.

* Excess of price over zero yield.

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TREASURY DEPARTMENT

WASHINGTON

May 15, 1942.

TO THE SECRETARY:

Total public debt receipts during the month of May to the close of business May 14 are approximately as follows:

	(In Millions)
Treasury Bills - - - - - - - - -	$200
Treasury Notes, Tax Series - - -	90
War Savings Bonds - - - - - - -	300
Treasury Bonds:	
2% of 1949-51 - - - - - - -	1,292
2-1/2% of 1962-67 - - - - -	859
	$2,741

Payment for the 2% bonds of 1949-51 will be made today.

WDH

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MEMORANDUM FOR THE SECRETARY.

May 15, 1942.

Mail Report

Responses to new income tax proposals dominated the mail during the week ending May 15. Needless to say, unfavorable comments far outnumbered those in favor of the lowering of exemption for dependents, and the lowering of the personal allowance. Out of 15 representative comments on the subject, 12 were unfavorable, 1 favorable, and 2 simply commented on the result of such action. It is interesting to note that a number of the unfavorable ones come from parents of large families and attack the Secretary for "penalizing" those who have several children.

Out of 44 letters speaking of the lowering of personal exemption, 39 are unfavorable, 4 favorable, and 1 neutral. In addition, there have been perhaps 50 letters from wives who outline their present budgets down to the last cent, and who ask the Secretary how he would suggest their changing the various items in order to pay heavier taxes. Some of these letters are extremely pathetic, and almost all of them represent an honest attempt to meet the problem and deal with it in the best possible way. While the writers are naturally unhappy over the prospect of additional taxation, they are not abusive, but simply seeking help in working out their personal problems.

There has been, however, a great increase in the abusive mail during the past week. The anonymous letters outnumber the signed ones by 15 to 3. In addition, there are many anonymous ones which cannot be classified as abusive, although they protest additional taxes and the Secretary's part in making the recommendations.

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The theme of economy in Government runs through a great many of the critical letters. There have been 12 letters which speak only of economy, without mentioning taxation. There also have been 8 letters mentioning the Rosenberg expose, and of the 8, 2 say they will buy no more bonds as a result of it.

One letter was extremely critical of the Roosevelt family in regard to the $25,000 a year income ceiling.

"Tax the Unions" continues to be the outstanding suggestion for more revenue; closely followed by the appeals for a national lottery. This week, advocates of the Sales Tax outnumbered those who opposed it by 39 to 7.

There was a dwindling in the protests from employees of telephone companies who feared pension cuts, but a sharp increase in protests from other types of pensioners - older people living on a small, fixed income, and unable to see how they can "get by" if these stipends are taxed. Many of these older persons list their medical expenses and suggest exemption for those who must meet doctors' bills, and similar charges incident to their advancing age.

Several letters from those in the income brackets between $5,000 and $10,000 speak of heavy life insurance policies which will have to be given up, and ask whether this will not hurt rather than help the Government's financial standing.

Others speak of the necessity of curtailing their plans for the education of their children, but few specifically mention the proposal to permit exemptions, in connection with future income tax changes, for educational purposes.

There have been a few letters complaining of the interest rates charged by small loan companies, and it is evident that the current income tax payments have

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stimulated the business of these companies. One writer complains that the farmer has had credit facilities made available to him by his Government, but that the city dweller has no Government agency to which he or she may turn for simpler credit needs.

There is one belief which is constantly appearing in the mail, although it is not as widespread as it used to be. That is, the question of income tax payment by the President, Government officials, and Government employees. There are evidently many who still think that none of these pay any income tax at all. This statement appears particularly in abusive mail, and letters which sharply criticize the President, Members of Congress, etc. It might be well in some future statement on taxes to include a sentence or two that would remove this misunderstanding.

Gabrielle E. Forbush

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General Comments on Present Emergency

Mr. A. V. Powell, Utah Copper Company, Garfield, Utah. Enclosed herewith is money order in the amount of $18 from the Yard Gang of the Utah Copper Company, Magna Plant. This fund is made up of odd pennies and change donated by members of the Yard Gang over a month under the slogan of, "Slap A Jap", and it is our wish that this money be used in the war effort to whatever use you feel it is most needed. It will give us a lot of pleasure to feel that it is going to the Japs in the form of some non-returnable donation that will hit them in their most tender spots.

John S. Taylor, Taylor Cable Products, Kansas City, Kan. Judging from our experience the widely heralded New Deal for Small Business and The Forgotten Man has proved a dud. Instead of the help promised, many in this less-fortunate class are now being pauperized through Priority discriminations, Bureaucratic control, and the Monopolistic activities of Big Business. * * * For your information, the writer was among the first in America to engage in the manufacture of Battery Cables, was first to simplify and produce an Interchangeable Cable, has several patented improvements to his credit, and for 20 years has supplied this essential product to distributors throughout the U.S.A. All this has now come to a halt, having been compelled to cease production in our factory until we can obtain a priority order that will be honored, or until other relief can be had that will enable us to procure the small amount of material we need to resume operation. This material would not only continue our one means for earning taxes and making a living, but would provide employment in an essential industry, and make use of productive capacity now going to waste in a fully equipped plant. We direct attention to the fact that while production in our plant has been stopped and its productive capacity wasted, Big Business using the same materials, has been working overtime, some even building plant additions that will further extend their control over our industry. * * *

Regraded Unclassified

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a despatch from the American Vice Consul at Victoria, Brazil, enclosing his check payable to the Treasurer of the United States in the amount of $208.32, representing one month's salary, as his personal contribution to the funds for the prosecution of the war.

E. D. Thompson, Vice President, Stevens Metal Products Co., Niles, Ohio. Attached to this letter you will find copies of certain correspondence which we have had with the Finance Dept. of the U. S. Army, located at Fort McHenry, Baltimore, Md. * * * About 35 days after the invoice date, the Finance Dept. at Fort McHenry sent us a voucher to sign, deducting 1%, which is only earned if the bill is paid within 10 days from invoice date. We sent this voucher back to them three times and they have refused to correct it. I am therefore writing to you to place the details before you and see if the policy of the U. S. Government, who places strict restrictions on us as to quality and time of delivery, with a penalty for failure to deliver, is such that you can arbitrarily deduct a cash discount, which has not been earned. If the Government does not observe these terms, it is very unwise for us to offer any discount for prompt payments. * * * I do not believe that the U. S. Government, who expects full cooperation from all of its citizens, should try to "chisel" from its suppliers, discounts to which they are not entitled.

Scott Newcomb, Inc., St. Louis, Mo. We have been attempting to get $40,000 loan from Federal Reserve Bank in St. Louis for carrying inventory on stirrup pumps developed by OCD for civilian use. Bank has refused loan even though we have factory worth double amount of loan, and we have many additional assets. The manufacturing of all our products has been ordered stopped by WPB, and our inventories are also frozen by W.P.B. Is it the intention of Government officials to ruin all small business without any consideration for them? Newspapers have carried articles stating that the Government was going to be liberal in making loans to small business. Please wire us collect.

Regraded Unclassified

Maxwell Desser, New York City. During the past four years I have been associated with Mr. Wm. H. Rankin of the Wm. H. Rankin Co. On my first trip to Washington, Mr. Rankin gave me cards of introduction to about a dozen of his friends. When I arrived in Washington, the first thing I did was to go over to the Government Information Bureau. If this Bureau is as helpful to all new visitors to Washington as they were to me, they will not only save themselves time and money, but will cause Washington to have a far better reputation -- the City, the Workers, and the Information Bureau! Mr. Rankin feels that the Dies Committee, Senator Byrd and the newspapers have been most unfair to one of the best public men - Mr. Lowell Mellett. * * *

H. H. Banker, Cincinnati, Ohio. In the course of my daily contacts, I occasionally hear the expression from men whom I respect as sincere and able, that the Government vouchers in payment for goods delivered usually require from 60 to 90 days to clear in Washington. If this is true, and were it possible through the assignment of an expeditor to this function, to reduce the time element to 30 days, it might bring some relief to the short-term money market. In other words, those same funds would then perform double or triple duty in financing the war effort.

C. A. Liddle, President, Pullman Standard Car Manufacturing Co., Chicago, Ill. Your letter of the 4th instant with regard to the contribution by the employees of the Hammond plant of this Company of check in sum of $4,372.75, which is the equivalent of the value of one Howitzer carriage and one 81 mm. Mortar, is acknowledged herewith. Your letter of appreciation is being bulletined among our employees and I can safely say that your expression of appreciation will in turn be appreciated by them. I might add that they have by their laudable daily performance for many months shown their appreciation of our national emergency, and their loyalty to its cause.

Regraded Unclassified

Richard S. Ely, Alexandria, Va. In the light of the staggering increase in income taxes, made and proposed, not to mention schemes for forced saving and perhaps new restrictive credit regulations, what is to become of the middle class fathers and mothers whose only offense is that in years long past, they undertook heavy commitments for life insurance and a home, who have children over 18 to whom they would like to give a college education, as their parents gave them, and who for years have had no surplus with which to fan the fires of inflation? In view of the fact that this class has been following the very course recommended by the President as anti-inflationary, and also in view of the very far reaching economic and social implications involved, may it not be possible to frame a program which will not bear too devastatingly on these people, and such highly desirable objectives?

Thomas B. Roscoe, Hackensack, N.J. I am raising a family of five and having a hell of a time doing it. Exemptions for children should be increased to at least $500, not lowered to $300. We should strive for larger American families, not smaller ones. They have almost reached the vanishing point as it is.

Frank A. Spencer, Boonton, N.J. As a father of a family of two boys, 13 & 15 respectively, and a property owner in the State of New Jersey, I wish to protest the reduction of exemption from $400 to $300, as reported in the Chicago Daily News. * * * Are you penalizing men who have the courage to raise families? If so, God help America.

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Favorable Comments on Bonds

Hon. Jerry Voorhis, House of Representatives. * * *
You asked for my comments, and I have briefly three: First, I think your letter is a very fine one. Certainly if a sufficiently large volume of War Bonds can be sold on a voluntary basis, it will be of very real psychological advantage. I earnestly hope this voluntary effort will be successful, but I frankly have serious doubts that it will be -- particularly from the standpoint of building up a substantial backlog of buying power for the lower income groups for the post-war period. My second comment would be that I like very much your emphasis on the constructive attitude which labor has taken with regard to this whole question of the importance of the purchase of War Bonds. * * * The only further suggestion I would have would be that I think you might well have emphasized the importance of the effect on our post-war economy and the problems associated therewith of having a considerable number of Bonds in the hands of the people generally, and particularly those of the comparatively low income groups. It seems to me this would be a strong argument to use with businessmen.

Norman C. Kurth, Detroit, Mich. I, Norman C. Kurth, employee of the Packard Motor Car Company, do hereby pledge to give 10% of my earnings to the United States Treasury, my contribution to help defeat the Axis powers and for the preservation of Democracy. Beginning with May 16, 1942, a check will be sent to you and also each week thereafter for the duration of the war.

Mrs. B. B. Sapp, Austin, Texas. On behalf of the Board of Trustees of the Teacher Retirement System of Texas, I should like to express our satisfaction with the new financing policy involved in the Treasury offering of recent date, whereby eligible subscribers to the 2½% Treasury Bonds of 1962/67 were allowed an allotment in full amount of their subscription. Our subscription of $525,000 was entered through our local depository, but we do want to give credit to those who not only informed us but urged us to make it an all-out drive, and offered their services free in connection with the placing of our subscription. The bankers and security dealers of Texas have been very active in their support of the regular Treasury financing program and in the sale of War Savings Bonds.

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Fred W. Allison, Pottstown, Pa. The writer being out of a position as salesman on account of being forced out of business, offers himself and a cane. This cane was once the property of President Grover Cleveland and was given to my father, and to me, before his death. This cane is carved with the following: A head of Thomas Jefferson, and the words, "This cane was cut near Jefferson's Tomb". * * * I am suggesting it be used in helping sell Bonds. * * *

Helen Ruggles, Detroit, Mich. You are absolutely right in fighting compulsory savings. People will strain to the breaking point to buy Bonds of their own volition. If they start forcing them, they will buy only what they have to and not one cent more.

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Unfavorable Comments on Bonds

Donald A. Rock, Superior, Wis. I have heard on several occasions in the past week or two that the U. S. Government plans to issue an order in the nature of a freezing order prohibiting the cashing in of Defense Bonds. * * * This letter is written for the purpose of securing a frank official statement from you as Secretary of the Treasury as to whether or not the Government intends to issue any such freezing order prohibiting the cashing in of War Defense Bonds, to the end that I may decide whether or not it will be safe for me to make any further purchase of Bonds. It is very possible that this and other such rumors may be in circulation in other cities throughout this country. If you can give me definite assurance that there will be no restriction on the cashing in of war defense bonds, I will then feel free to buy as many bonds and stamps as I can possibly afford to buy out of my savings and current income. If, on the other hand, you are unable to give any such commitment, my war bond purchases will then be limited necessarily to what I can afford to buy out of current income only. * * *

E. E. Michael, Manager, Birmingham Plant, Chicago Bridge and Iron Company, Birmingham, Ala. We have been much interested in your correspondence on the subject of increasing the subscriptions of our employees for the purpose of buying War Bond. We have also been doing quite a few things to encourage our various employees to buy more Bonds and to buy them oftener. * * * Here in Birmingham, our Bond business has appeared unwelcome to those whose duty it is to fill out Bonds. At one time we were buying Bonds from a suburban branch of one of the larger banks, but we found the service so slow that we determined to do business with the downtown Post Office. The Post Office told us they were unable to handle our business, but suggested that we go to the Birmingham Branch of the Federal Reserve Bank. For the past few weeks, we have been able to get service in from 3 to 5 days from the Birmingham Branch of the Fed. Reserve Bank of Atlanta, but this week we are disappointed

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and have been told that we must wait until next week to secure the Bonds which we requested on Tuesday of this week. In the meantime, we have received a letter from the President of the Federal Reserve Bank of Atlanta suggesting that we qualify as an issuing agency. * * * My suggestion is that the Government has before it a most excellent opportunity to demonstrate to its people that the Government itself is sincerely interested in winning this war, and is willing to give its citizens some snappy service. There must be thousands of employees of the various Government offices who are now engaged in non-essential activities, but who could be transferred to other duties which would make it possible for the Federal Reserve Banks or for the Treasury Department itself to issue Bonds in not more than 24 hours after receipt of the application.

J. Fred Anderson, Springfield, Ohio. I want to object to the fact that apparently you permit banks and other financial institutions to do what amounts to a misrepresentation of the bonds which are now being sold for the war effort. I have known of many instances where people with some accumulated savings have bought Series G Bonds in good faith, thinking that they pay 2½%, and after they get the Bonds, if for any reason they have to have their money within six months, they would receive the handsome sum of 50¢ for the use of $1,000 for six months. Your method of advertising I submit is decidedly productive of lack of confidence in Government. The people of the United States are not all infants. They can take it, and they should be told in no uncertain terms what will happen if they cash in their Bonds.

Charles Bell, Cicero, Ill. I have been purchasing a War Bond through the payroll deduction plan. For an $18.75 Bond, the company has charged me $19.00. Is this 25¢ a handling charge and should this be paid by me? If I purchase Bonds through my bank, I am not obliged to pay this 25¢, and I think it is to my advantage to buy them through the bank, and not by the payroll deduction plan. Would you please let me know if this 25¢ is a legal charge?

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E. A. DeMeritt, Dover, N.H. I visited the Dover, N.H. Post Office today, or my wife did, to buy ten $100 Bonds. The clerk in charge said he was too busy to make them out, and we would have to come back again in an hour. Mrs. DeMeritt could not wait, and we will have to make another trip tomorrow. We will have to walk as we have sold our car to help conserve gas and tires. This is something that should not happen when you are asking every one to buy bonds; this way of handling a sale was not salesmanship.

Gerald Fox, N.Y.C. Attached is a copy of a letter addressed to the Chief of the Division of Loans & Currency under date of May 1st. As ten days have elapsed without receiving a reply, may I ask that you have someone in authority take the matter in hand? Surely you do not want to penalize me for a clerical error, but rather you want to encourage my family and myself to continue the purchase of War Bonds to the extent that our resources permit. * * * Incidentally, I am Secretary-Treasurer of Oneida Paper Products, Inc., N.Y.C., and when you requested us to install the Pay Roll Allotment Plan for War Bonds, we gladly and speedily took steps to comply. * * *

Regraded Unclassified

Favorable Comments on Taxation

Linden C. Weimer, Dayton, Ohio. * * * In my opinion, you are absolutely right on your new proposition to Congress in reference to income taxes. This country has to face severe taxation. Of course, nobody enjoys it, but after all, we have so much more left than other countries enjoy, we should not complain about it. If Congress won't stand for your bill, they will have to resort to a heavy sales tax, but I think your plan is preferable. Your war bonds of small denomination should have that clause, that you can cash them at the expiration of 60 days, changed that the time should be at least one year, for I have very definite information that a great many people feel they are compelled to buy these bonds, but they will cash them as soon as possible.

Mrs. Edwin A. Graff, Chicago, Ill. I have been much interested in your new suggestions for income taxation. I have always thought every one having an income of $500 a year should pay an income, as we all share the benefits from taxes, and should all add, no matter how little, to the amount. The collection of the tax could be in stamps on the order of the Defense Stamps; receipts given when paid - thus not requiring extra paid help. The Sales Tax is another way. Every one pays that on a purchase. * * *

Billie Blessingame, Akron, Ohio. I am in full agreement with your lowering the Income Tax exemptions, instead of putting a 10% tax on food and clothing. I was born and reared in Georgia and I know how hard it is for the people in the Southern States to exist now, for as a rule most of the families there are rather larger than they can feed and clothe properly now. * * *

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Unfavorable Comments on Taxation

Carl F. Morgan, Hapeville, Ga. The workers and women are burned up about your request for taxing the wages of those who find it hard to eke out a bare existence. They want to know why the billions in the banks are not taxed, and they want to know why there are restrictions on all decent legitimate businesses, while there is absolutely none on the whiskey and beer saloons, which are run mostly by foreigners who have always sent their money to Europe before the war, and who are now hoarding it. The poor people are willing to sacrifice. In fact, the sacrifices already placed on the people are not resented by the workers and housewives. * * *

Thomas S. Egan, M.D., Mapleton, Ill. * * * I am a country Doctor. I get a check from A.T.&T. every three months for $344.25. Since December, 1941, I have done this: bought one Bond - $100. January, dividend day, I bought 4 Bonds - $300; deposited in bank, separate account for taxes - $44.00; I spent the 25¢. April 16, I repeated the same act. I will do this every three months as long as I receive the checks. * * * I am unable to buy Bonds from my practice. * * * Now, the A.T.&T. reading from March 1 report -- F.D.R. has 500 shares; the 700,000 stockholders received in dividends 168 million dollars. * * * You can tax all the 168 million dividends away if you and Congress care to do so, but it will be mighty hard on the 273,000 workers in the telephone company who are small holders. * * * I hope I have made myself clear, and that we will win, but do not tax away all the feathers on the goose that lays all the eggs, or she will DIE.

T. G. Evensen, Minneapolis, Minn. I am whole-heartedly in accord with the President's view that the paying of debts out of income is a very effective anti-inflation weapon. I have been in debt since 1929 and except for higher income taxes, now and for the next few years, I probably would be in a position to pay off these debts. Increased taxation makes any reduction almost an impossibility. Isn't it reasonable to suggest that those of us who are in this position should be given some deduction in our income tax statements for payments made on these old debts, provided the payments are made out of earned income? * * *

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W. C. Brownlee, Inglewood, Calif. * * * The State of California levies an annual Franchise Tax which is 4% of the net income for the preceding year, and the State of Arizona has a similar tax of 5%. This Franchise Tax is, of course, deducted in computing income subject to Federal taxes for the ensuing year, but if the high rate of activity should terminate suddenly, it is probable that in the ensuing year there would be no taxable income. The Franchise Tax based on the preceding year's income would nevertheless have to be paid, with the result that California and Arizona Corporations, and those of other states having similar laws, will be required to pay to the two governments in respect of income of the preceding year in total combined tax of more than 100% of the income over and above the excess profits credit. * * * So long as the emergency activity is at a high level, corporations can pay a given year's taxes out of the income of the past year, but it is our belief that when the emergency terminates, many of them will be bankrupt by their inability to pay taxes for the last year of high activity because in the ensuing year there will be no income available with which to make payment. It is therefore necessary for any management which has any concern for solvency to refrain from making any expenditure which does not constitute a deduction in computing taxable income. If the tax bill now under consideration is passed, we will be afraid to expend large amounts for experimentation for fear of impairing our ability to make our tax payments, inasmuch as expenditures for experimentation are not deductible. The experimentation which we have carried on in prior years has resulted very beneficially to the war effort, in that we now have demands from the Military Services for more than we can make of the products which were thus developed. * * * We urgently suggest that due consideration be given to the above-mentioned points, to the end that the near-confiscatory rates would not be enacted, or, if enacted, would be coupled with provisions which will enable corporations such as our own to serve to the best of their ability during the war and to survive the post-war period so they could again serve as a medium for restoring normal business processes and the employment of labor.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAY 15 1942

TO Secretary Morgenthau

FROM Mr. Foley

For your information, there is attached a copy of the Hearings on "Tire Dealer and Rebuilder Programs" before the Special Committee to Study and Survey Problems of Small Business Enterprises, United States Senate.

An item which should be of particular interest is marked in red on page 456. In that item, Mr. Harry C. McCreary (President, McCreary Tire & Rubber Co., Indiana, Pa.) states, in effect, that he is having difficulty in getting lease-lend business from the Procurement Division of the Treasury Department, which Division, he says, is working under an emergency system at the present time.

S. W. H.

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See page 456

HEARINGS

BEFORE THE

SPECIAL COMMITTEE TO STUDY AND SURVEY PROBLEMS OF SMALL BUSINESS ENTERPRISES UNITED STATES SENATE

SEVENTY-SEVENTH CONGRESS

SECOND SESSION

PURSUANT TO

S. Res. 298

(76th Congress)

A RESOLUTION TO APPOINT A SPECIAL COMMITTEE TO STUDY AND SURVEY PROBLEMS OF AMERICAN SMALL BUSINESS ENTERPRISES

PART 2

MARCH 3, 4, 5, AND 6, 1942

TIRE DEALER AND REBUILDER PROBLEMS

Printed for the use of the Special Committee To Study and Survey Problems of Small Business Enterprises

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1942

68053

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normal times, because they require deliveries all over the United States. Well, 80 percent of our entire production is sold in the State of Pennsylvania alone. So you can see our facilities for complying under the general schedule are just automatically out of the window.

Senator ELLENDER. Does the quality of your product meet their specifications?

Mr. MCCREARY. Oh, yes; and exceeds it very materially.

Senator ELLENDER. You say you have no difficulty in obtaining work through the lease-lend operation?

Mr. MCCREARY. I won't say we have no difficulty. We have had difficulty in getting some lease-lend business.

Senator ELLENDER. Just why is that? Is that because it is handled by a different agency of the Government?

Mr. MCCREARY. It is the Procurement Division of the Treasury Department.

The CHAIRMAN. They have a different procurement system?

Mr. MCCREARY. Yes; they are working under an emergency system at the present time—and that is one reason I can't quite understand the Quartermaster Corps.

The CHAIRMAN. Do the big national concerns get lease-lend business also?

Mr. MCCREARY. Yes, sir.

The CHAIRMAN. If you were not in competition with the bigger concerns, you would be able to get more business from lease-lend? I mean to say, you could supply much more to the lease-lend, if you were able to get the contracts with them?

Mr. MCCREARY. Yes; that is true. However, the requirements of lease-lend are so tremendous I think it will take all that all of us can produce to supply them.

The CHAIRMAN. Then why are you not getting more orders? Why aren't you getting more orders from the lease-lend?

Mr. MCCREARY. I have no knowledge why I am not getting more.

The CHAIRMAN. But you are not?

Mr. MCCREARY. No; I am not. I am in there fighting for it.

Senator ELLENDER. Now, coming back to this other matter, let me ask you this: You spoke awhile ago of getting some work through a subcontract, did I understand?

Mr. MCCREARY. Yes.

Senator ELLENDER. Well, now, how did you manage to get that subcontract?

Mr. MCCREARY. We just went out and went after it, like we go after any commercial business.

Senator ELLENDER. To whom did you apply?

Mr. MCCREARY. To the prime contractor, who is the manufacturer of the original vehicle.

Senator ELLENDER. Was it given you because he was so generous, or was it that he could not manufacture it? Just how did that happen?

Mr. MCCREARY. Well, of course, you see the point is that the original equipment of the manufacturer, the manufacturer's vehicle does not have; he does not make the tire, and we as tire suppliers are in that position.

Senator ELLENDER. I see. It is not rubber?

Mr. MCCREARY. Oh, no; it is not rubber. Oh, no.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 5/15/42

TO Mr. Harold N. Graves

FROM George Fort Milton

Here is a summary of what I told you earlier about Albert Gore, and his Fourth District of Tennessee, together with one or two new facts.

Gore, a native of the Cumberland Plateau, comes by his attitudes understandably enough. He lives on the Upper Cumberland River at Carthage, a town of 2,000 - and about the third largest in the District, being exceeded only by Lebanon (5,000) and Cookeville (3,500), of Tennessee's 95 counties, 16 are in the Fourth; before 1941's reapportionment, to increase the number of districts from 11 to 12, there were 18 in it. It has about 240,000 population. These are the names of the counties:

Bedford, Clay, Cannon, Coffee, Cumberland, DeKalb, Fentress, Jackson, Lincoln, Marshall, Moore, Overton, Pickett, Putnam, Smith and Wilson.

The two that were lost last year were Franklin and Rutherford.

The terrain of the district ranges from thin top-soil plateau to semi-mountain, with quite a small fraction of the whole in rich creek - or river-bottom land. Last year's movie on Sergeant York, was laid in the Fourth District, and pretty faithfully picturized the contrasts in physical geography.

The people, who are somewhat less accurately pictured in the movie, exist chiefly through small farming. Throughout the District agriculture is a way of life, not an extractive industry, for yields are small on steep hillside corn patches. Some luck has been had with the Cumberland potato, and with sorghum, and with apples and cherries. A few rafts of logs still come down the Cumberland, and a few raftsmen still tell stories of the prowess of Cordell Hull's father in that work.

There is comparatively little industrial labor. Forty years ago coal mining was a large factor, but most of the veins of the Sewanee seam, and the Cumberland seam have been mined out. The miners have been on relief for a decade. There are a few hosiery mills and other small establishments. But labor is no more than a minor factor in the emotional pattern of the Fourth.

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The people are 99 per cent native American, and about 97 per cent of Anglo-Saxon (or African) origin. There is, at Wartburg, a colony of Moravians established in the early 'Seventies; as there is, at Harrowgate, one which Thomas Hughes set up to Americanize his Rugby scheme. Neither noble experiment outlasted a generation. About 40 per cent of the folk are Scotch-Irish, an equal number English, some (chiefly miners) Welsh, and a good sprinkling of French Huguenots from South Carolina.

There is much poverty, but not of a proletariat type. Most of the farmers feel themselves independent farm owners, despite mortgages on their farms. The tenancy relations are not of Black Beet type, and hunger and heartbreak is not so large. The chief economic interests are in mixed farming, sheep raising, horticulture. The dulcimer is still played in mountain cabins, to accompany "Barbara Allen," and the vocabulary is the closest to Elizabethan English in America.

Such is the scene of Albert Gore's political operations. "I am from Judge Hull's District" is part of Gore's stock in trade; But he isn't Hull's choice. On the contrary, he was Commissioner of Labor in Governor Browning's Cabinet, 1934-1936; Browning is a Luke Lea follower, and Hull likes neither Lea, nor Browning, nor the latter's supporters. By the same token, Gore and McKellar are on opposite sides in Tennessee Democratic politics.

Gore used his State Labor job as a springboard to get to Congress. He came here with tremendous ambition and energy. And he came here with a smart, attractive young wife, an ex-school teacher, who is his thinking general staff. She determines to find some way for him to short-cut the path to National attention and influence. Hull advised Gore, as he does all new Democratic Members from Tennessee, to pick out two or three things, specialize on them, and give them hell, whether right or wrong; That this was the way to become something of a National man, and get ahead.

Gore's first shot was an attack on the New Deal's housing schemes; the folk of his District liked it, and so did embattled reactionaries over the country. Then about a year ago the better idea came of hooking up with Bernie Baruch. To this end he wrote the latter a short, seemingly naive note that B.M. liked, and was promptly taken on experimentally. Since then he has been Bernie's chief fugelman in the House, as Arthur Krock is in newspaperdom. And now he is all-out for the Baruch total plan.

A few days ago my own Congressman, Estes Kefauver, asked Albert about his mail from the District. It is fairly heavy, with practically no criticism of the items he insists on. A few farmers write that they think the 110% parity would help them. But don't make much of a point of it. Practically all who write like the anti-millionaire, anti-labor ceilings. They don't know much of what the

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shooting's all about, but they indorse these targets. And they are proud of "Our Albert" for having gotten into the front-page headlines; they like this sign that he's an up and coming fellow. My guess, which Kefauver confirms, is that the Fourth likes Gore's fight. He has no opposition for renominatfon, though Wednesday's afternoon papers had an A.P. squib that Alvin York was thinking of doing so. I doubt if York could beat him - his conduct at home has been so greedy and grasping that he has lost most of his Fentress County and Fourth District friends. Nor is there much question of Gore's re-election; except in such a landslide as the Harding 1920 one, the District is securely Democratic.

It would not be hard to get a spot checkup of this picture of District opinion. If I were to go down to do it myself, the folk on the spot would quickly identify the reason, and the Treasury interest, my official hookup being well known in Tennessee. My idea is to get a dependable chap, who knows how to do it. I have such a man, J. Charles Poe, who was my Managing Editor on the late lamented Chattanooga News from 1924 until 1939, when he became Commissioner of Conservation in the Cabinet of the present Governor Prentice Cooper, and continues such today.

In this work, he runs about 37 State parks, several of which are in Gore's District. Poe appoints their staff, visits them frequently, has weekends at them, etc. And he would gladly go out for such a check-up if I asked him, for he is a dear and intimate friend of mine.

George Fort Milton

George Fort Milton,
Consultant

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TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

May 15, 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 May 6, 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.

lap-5/17/42

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COPY

FEDERAL RESERVE BANK

OF NEW YORK

May 14, 1942

CONFIDENTIAL

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

I am enclosing our compilation for the week ended May 6, 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:5-16-42

Regraded Unclassified

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS

(In Millions of Dollars)

Week Ended May 6, 1942

Strictly Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT) DEBITS Total Debits	Gov't Expenditures(a)	Other Debits	CREDITS Total Credits	Proceeds of Sales of Gold	Securities (Official)(b)	Other Credits(c)	Net Incr. (+) or Decr.(-) in Balance	BANK OF FRANCE DEBITS Total Debits	Gov't Expenditures (d)	Other Debits	CREDITS Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
First year of war (9/29/39-9/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	866.3(e)	416.6(e)	449.7	1,095.3(e)	900.2	195.1(e)	+229.0
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1
Second year of war (9/29/40-9/27/41)**	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1
1941															
Aug. 28 - Oct. 1	140.9	105.9	35.0	176.2	20.1	2.0	154.1	+ 35.3	0.3	-	0.3	0.5	-	0.5	+ 0.2
Oct. 2 - Oct. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	+ 41.9	0.3	-	0.3	0.3	-	0.3	-
Oct. 30 - Dec. 3	156.1	111.6	44.5	134.6	-	1.0	133.6	- 21.5	16.1	-	16.1	0.4	-	0.4	- 15.7
Dec. 4 - Dec. 31	88.4	69.6	18.8	51.5	-	-	51.5	- 36.9	0.8	-	0.8	0.4	-	0.4	- 0.4
1942															
Jan. 1 - Jan. 28	102.3	73.2	29.1	69.3	-	0.5	68.8	- 33.0	0.2	-	0.2	0.4	-	0.4	+ 0.2
Jan. 29 - Feb. 25	87.2	63.8	23.4	57.2	-	1.0	56.2	- 30.0	-	-	-	0.3	-	0.3	+ 0.3
Feb. 26 - Apr. 1	121.4	86.4	35.0	171.4	-	-	171.4	+ 50.0	0.1	-	0.1	0.4	-	0.4	+ 0.3
Apr. 2 - Apr. 29	98.1	64.2	33.9	70.6	-	0.5	70.1	- 27.5	0.2	-	0.2	0.4	-	0.4	+ 0.2
WEEK ENDED:															
Apr. 15	24.8	17.6	7.2	22.8	-	-	22.8	- 2.0	0.1	-	0.1	0.1	-	0.1	-
22	18.6	12.9	5.7	14.1	-	-	14.1	- 4.5	-	-	-	0.1	-	0.1	+ 0.1
29	18.4	14.7	3.7	13.4	-	-	13.4	- 5.0	0.1	-	0.1	0.1	-	0.1	-
May 6	31.0	23.9	7.1	78.2	-	-	78.2(f)	+ 47.2	-	-	-	0.1	-	0.1	+0.1

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) $19.6 million
England (through June 19, 1940) 27.6 million
England (since June 19, 1940) 38.4 million

*For monthly breakdown see tabulations prior to April 23, 1941.
**For monthly breakdown see tabulations prior to October 8, 1941.
(See attached sheet for other footnotes)

Transfers from British Purchasing Commission to Bank of Canada for French Account

Week ended May 6, 1942 $ - million
Cumulation from July 6, 1940 $ 162.7 million

Regraded Unclassified

(a) 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: (a) $70 million paid to the British Purchasing Commission by Treasury of United States for diversion of planes to U. S. Government and (b) a transfer of $500,000 from Commonwealth Bank of Australia account here.

Regraded Unclassified

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended May 6, 1942 — Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government) DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C: For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Balance	COMMONWEALTH BANK OF AUSTRALIA (and Australian Government) DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
First year of war (8/29/39-8/28/40)*	323.0	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	50.1	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	81.2	62.9	18.3	+ 9.0
Aug. 28 - Oct. 1	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
1941																
Oct. 2 - Oct. 29	37.4	-	37.4	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	9.0	2.6	+ 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	0.2	2.6	- 1.1
1942																
Jan. 1 - Jan. 28	39.5	-	39.5	33.0	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
Feb. 26 - Apr. 1	46.5	-	46.5	99.3	20.5	7.7	-	71.1	+ 52.8	7.8	1.3	6.5	3.6	-	3.6	- 4.2
Apr. 2 - Apr. 29	37.4	-	37.4	35.9	14.2	-	-	21.7	- 1.5	10.9	8.0	2.9	18.2	-	10.8	+ 5.9
WEEK ENDED:																
Apr. 15	7.6	-	7.6	7.9	3.7	-	-	4.2	+ 0.3	1.1	-	1.1	12.3	-	12.3	+ 11.2
22	5.9	-	5.9	11.8	5.1	-	-	6.7	+ 5.9	5.2	5.0	0.2	2.1	-	2.1	- 3.1
29	16.7	-	16.7	6.7	2.9	-	-	3.8	- 10.0	4.3	3.0	1.3	1.6	-	1.6	- 2.7
May 6	5.9	-	5.9	10.3	3.5	-	-	6.8	+ 4.4	1.7	0.5	1.2	0.3	-	0.3	- 1.4

Weekly Average of Total Debits Since Outbreak of War
Through May 6, 1942 $ 7.9 million

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

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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. 33 - Aircraft Despatched
- for week ended May 12, 1942

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

May 15, 1942.

Regraded Unclassified

MOST SECRET

STATEMENT NO. 33

AIRCRAFT DESPATCHED FROM THE UNITED STATES DURING WEEK ENDED MAY 9th, 1942.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
BOEING					
B 17E Fortress II	U.K.	Canada en route		1	
CESSNA					
AT 17 Crane IA	Canada	Canada			5
CURTISS					
Kittyhawk IA	Australia	Melbourne	20		
	Middle East	Port Sudan	11		
CONSOLIDATED					
Liberator II	U.K.	Canada en route		2	
FAIRCHILD					
24 R9	U.K.	U.K.	12		
GLENN MARTIN					
Baltimore	Russia	Basrah	20		
LOCKHEED					
A 29A AC 151	U.K.	Canada en route		8	
Ventura	U.K.	Canada en route		14	
NORTH AMERICAN					
Mustang	U.K.	U.K.	44		
Harvard	Canada	Canada			1
TOTALS			107	25	6

British Air Commission

May 15th, 1942.

Regraded Unclassified

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

E. R. Stettinius, Jr.
Administrator

May 15, 1942

The Honorable
The Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

I am sending you herewith, by special messenger, a copy of the secret report on the status of the Soviet aid program as of April 30, 1942.

A copy of the letter of transmittal to the President is attached.

Sincerely yours,

Thomas B. McCabe

Thomas B. McCabe
Acting Administrator

Attachments

Regraded Unclassified

SECRET

426

May 15, 1942

Dear Mr. President,

In compliance with your letter of March 17, 1942 requesting that you be kept advised as to the status of the Soviet aid program, we are transmitting herewith the report as of April 30, 1942.

The report shows the amount of each class of material that has been made available under the terms of the protocol; also, for the first time, the proportion that has actually been shipped, subdivided according to that which has arrived, been sunk or is still en route.

A quick overall view of results is provided by the first page of charts. Since the inauguration of the program, exports to U.S.S.R. have approximated $450,000,000, two-thirds of which have occurred during the last two months.

It is unfortunate that exports this month have had to be curtailed on account of convoy difficulty. Real effectiveness in getting the supplies to seaboard had been attained and the necessary ships had been made available, in conformity with your directive that the protocol commitment be fulfilled.

Sincerely yours,

Thomas B. McCabe
Acting Administrator

The Honorable

The President of the United States
JDR/m

Regraded Unclassified

SECRET
421

SCHEDULE OF AVAILABILITY OF MATERIAL AND SHIPPING

FOR U.S.S.R. - AS OF APRIL 30, 1942

Office of Lend-Lease Administration

Regraded Unclassified

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U.S.C. 50; 31 and 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

Regraded Unclassified

SCHEDULE OF AVAILABILITY OF MATERIAL AND SHIPPING FOR THE U.S.S.R.

As of April 30, 1942

Graphic Summary of Shipping and Exports

Tabular Statement of Exports, Arrivals, Losses and Availability

Graphic Summary of Exports, Arrivals, Losses and Availability

Statement of Shipping to U. S. S. R.

Reports of Non-Protocol Items

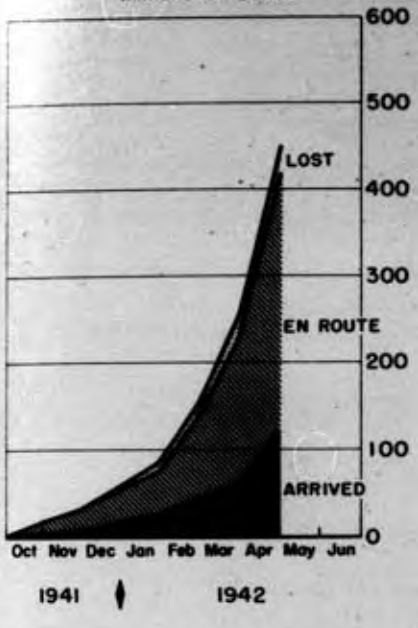
Office of Lend-Lease Administration

Regraded Unclassified

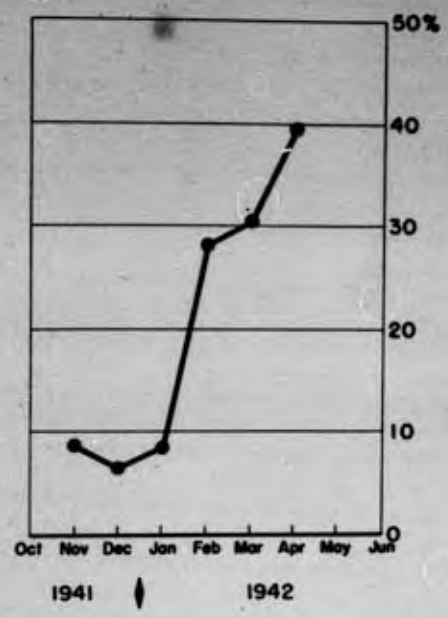
EXPORTS TO U.S.S.R.

CUMULATIVE SINCE OCTOBER 1, 1941

Millions of Dollars

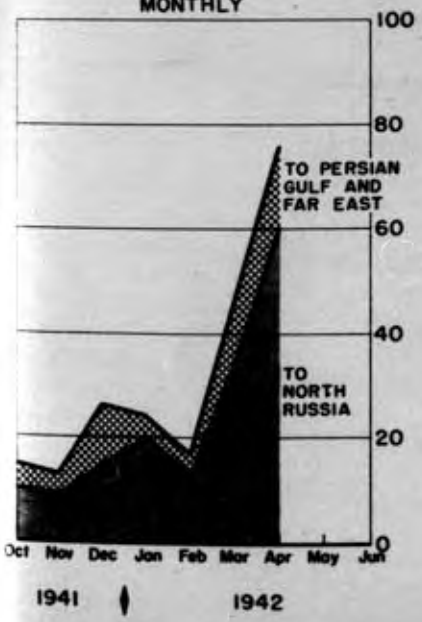


MONTHLY LEND-LEASE EXPORTS TO U.S.S.R. IN % OF TOTAL LEND-LEASE EXPORTS

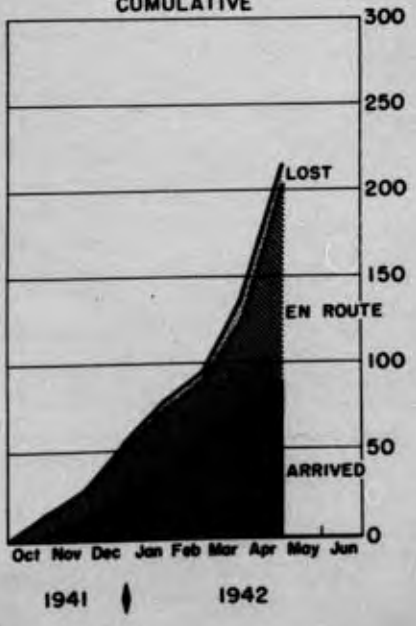


NUMBER OF SHIPS SAILING FOR U.S.S.R.

MONTHLY



CUMULATIVE



Regraded Unclassified

EXPORTS AND AVAILABILITY OF MATERIAL UNDER THE MOSCOW PROTOCOL

Item and Protocol Number	Exports Oct. 1 to April 30	Arrived to April 30	Lost to April 30	Made Available to April 30	Scheduled as of Feb. 28 to be Available. Cumulative to			Protocol Commitment
					April 30	May 31	June 30	
1A Planes - Bomber	411	266	2	434	530	642	754	900
1B Planes - Pursuit	460	135	85	520	520	620	720	900
2A Tanks - Medium	666	130	68	792	818	972	1,125	1,125
2B Tanks - Light	720	95	70	841	832	978	1,125	1,125
3 Anti-Aircraft Guns	4	4	0	4	4	4	4	192
4 Anti-Tank Guns	63	0	0	63	63	63	63	756
6A 1/4 Ton Rec. Cars	4,906	576	200	6,751	4,198	5,000	5,000	5,000
6B Trucks	30,847	10,415	1,697	52,367	61,594	74,280	90,000	85,600
7 Field Telephones	44,239	14,891	1,984	49,000	66,572	99,372	108,000	108,000
8 Field Tel. Cable (miles)	306,069	52,103	23,501	354,323	337,464	427,464	523,464	562,500
9 Underwater Cable (km)	0	0	0	0	55	285	450	450
10 Submarine Cable (km)	263	0	0	350	423	729	929	900
11A Aluminum (tons)	7,660	428	1,433	10,667	11,980	14,510	17,360	18,000
11B Duraluminum (tons)	4,867	940	715	5,466	5,466	5,936	5,936	4,500
14 Nickel (tons)	1,313	340	659	1,400	1,400	1,400	1,400	1,200
15 Molybdenum (tons)	3,920	1,268	810	4,000	3,800	3,800	3,800	2,700
18 Rolled Brass (tons)	33,590	4,200	2,831	37,000	36,700	43,500	45,000	45,000
20 Zinc (tons)	6,268	1,365	1,074	6,800	6,750	6,750	6,750	6,750
22 Copper Products (tons)	2,686	553	637	2,755	2,355	2,755	2,995	2,700
23 Ferrosilicon (tons)	2,569	203	133	2,700	2,100	2,400	2,700	2,700
24 Ferrochrome (tons)	1,167	104	102	1,400	1,400	1,600	1,800	1,800
25 Armor Plate (tons)	4,953	0	0	8,946	7,400	9,000	9,000	9,000
26 Hard Alloys & Cutting Tools ($1,000)	13	0	0	13	342	391	3,579	900
28 High Speed Steel (tons)	546	0	0	650	900	1,150	1,400	900
29 Tool Steel (tons)	636	0	0	1,100	1,670	3,120	4,570	4,500
30 Calibrated Steel (tons)	4,857	0	19	9,000	14,000	24,000	34,000	0
31 Hot Rolled Steel (tons)	15,157	0	0	36,000	43,000	57,000	67,000	63,000
32 Steel Billets (tons)	12,867	0	0	20,000	34,000	54,000	72,000	72,000
33 C.R. Steel Strip (tons)	14,380	0	0	34,000	36,000	52,000	63,000	72,000
34 C.R. Steel Sheet (tons)	43,519	125	604	45,000	43,200	59,160	99,160	72,000

Regraded Unclassified

EXPORTS AND AVAILABILITY OF MATERIAL UNDER THE MOSCOW PROTOCOL

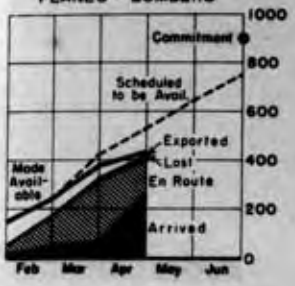
Item and Protocol Number	Exports Oct. 1 to April 30	Arrived to April 30	Lost to April 30	Made Available to April 30	Scheduled as of Feb. 28 to be Available. Cumulative to			Protocol Commitment
					April 30	May 31	June 30	
35 Tin Plate (tons)	29,205	6,814	1,764	33,000	28,000	32,000	36,000	36,000
36 Steel Wire (tons)	5,674	161	0	12,000	22,500	37,500	45,500	63,000
37 Steel Wire Rope (tons)	0	0	0	400	2,500	6,500	10,800	10,800
38 Steel Alloy Tubes (tons)	0	0	0	0	900	1,800	1,800	1,800
39 Stainless Steel Wire (tons)	0	0	0	12	40	110	180	180
40 Nickel Chrome Wire (tons)	163	73	8	255	160	180	180	180
41 Barbed Wire (tons)	34,042	12,659	3,059	34,042	30,400	35,100	40,000	36,000
42A Toluol (tons)	7,896	2,334	0	14,773	11,547	14,774	18,000	18,000
42B T.N.T. (tons)	5,250	360	507	6,655	7,000	10,000	12,000	10,000
44 Phenol (tons)	2,983	339	545	4,007	3,533	4,283	5,033	4,900
45 Petroleum Products (tons)	182,890	115,420	5,133	182,890	180,000	200,000	220,000	180,000
46 Ethylene Glycol (tons)	958	256	41	960			1,080	1,080
47 Sodium Bromide (tons)	655	113	67	700	588	744	900	900
48 Phosphorus (tons)	1,260	360	244	1,300	1,300	1,300	1,300	900
49 Dibutyl Phthalate (tons)	1,078	32	0	1,777	1,800	2,050	2,200	2,200
50 Dimethylaniline (tons)	476	0	91	650	760	990	1,200	1,200
51 Diphenylamine (tons)	391	0	0	661	600	750	900	900
52 Colloxylin (tons)	1,810	123	50	2,104	2,234	2,688	2,741	2,700
53 Machine Tools (pieces)	2,420	565	243	3,073	3,073	3,689	4,233	-
54 Electric Furnaces (pieces)	102	1	0	102	60	68	83	140
55 Forging & Press Equip. (pieces)	115	26	5	123	123	175	245	627
56 Misc. Ind. Equip. ($1,000)	6,199	1,714	686					
58 Abrasives ($1,000)	971	296	92	1,860	2,460	3,060	3,660	2,700
59 Graphite Electrodes (tons)	1,403	140	0	1,429	1,429	1,997	2,709	3,600
64 Sole Leather (tons)	7,543	1,846	803	8,000	6,197	7,697	9,197	13,500
66 Army Boots (1,000 prs.)	1,367	555	16	1,367	1,200	1,400	1,600	1,600
67 Army Cloth (1,000 yds.)	1,275	272	75	1,455	1,192	1,192	1,192	1,000
Arming of U.S.S.R. Merchant Ships	13			13	13	13	13	13
Armament for 3 Ice-breakers	4			4	4	4	4	3
Packard Engines for Torpedo Boats	108	26	0	210	100	100	100	50

Regraded Unclassified

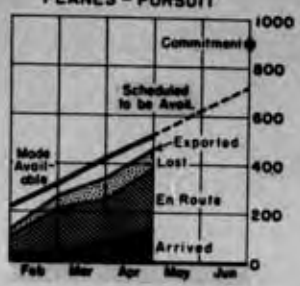
AVAILABILITY OF MATERIAL UNDER MOSCOW PROTOCOL

CUMULATIVE SINCE OCTOBER 1, 1941

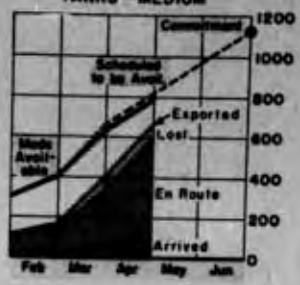
PLANES – BOMBERS



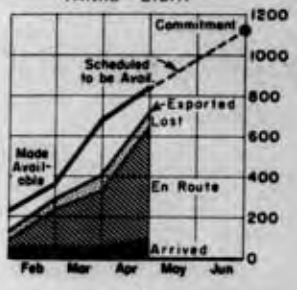
PLANES – PURSUIT



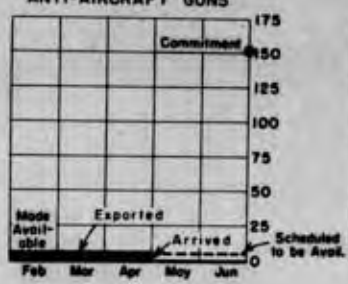
TANKS – MEDIUM



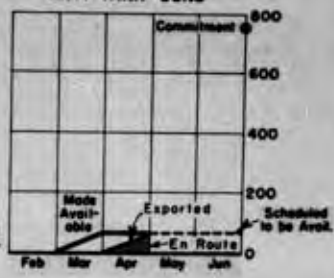
TANKS – LIGHT



ANTI-AIRCRAFT GUNS

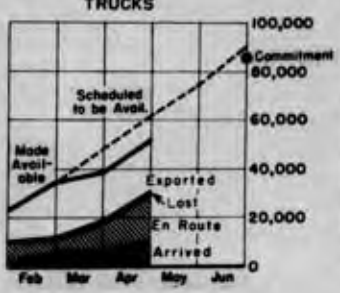


ANTI-TANK GUNS



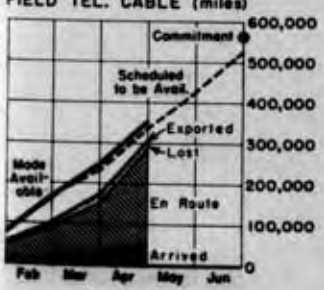
1/4 TON REC. CARS

TRUCKS

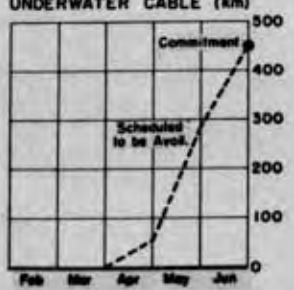


FIELD TELEPHONES

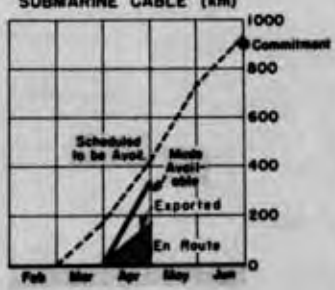
FIELD TEL. CABLE (miles)



UNDERWATER CABLE (km)



SUBMARINE CABLE (km)



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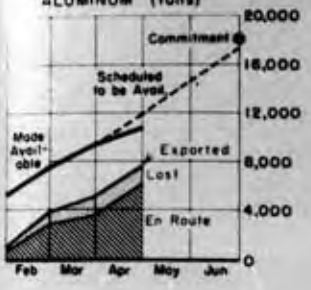
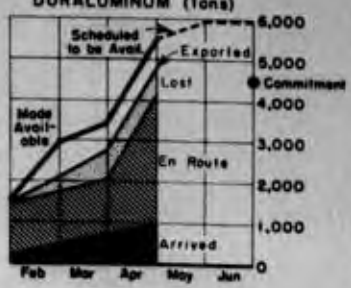
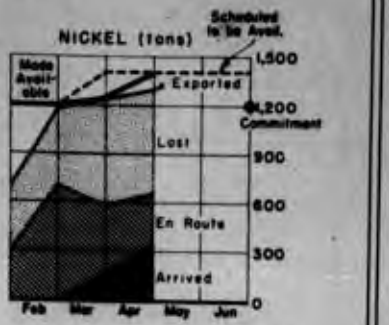
ALUMINUM (tons)



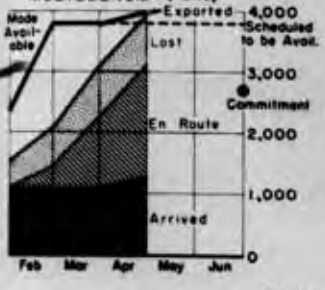
DURALUMINUM (tons)



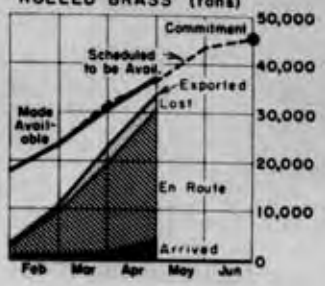
NICKEL (tons)



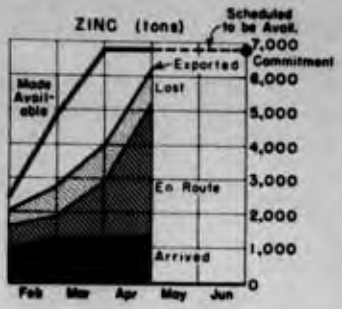
MOLYBDENUM (tons)



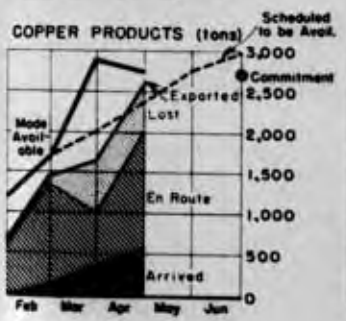
ROLLED BRASS (tons)



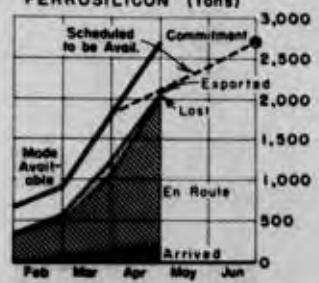
ZINC (tons)



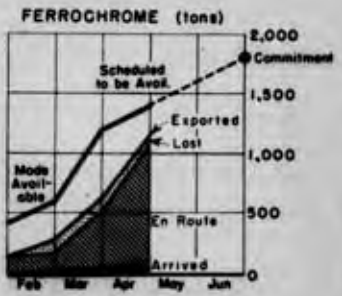
COPPER PRODUCTS (tons)



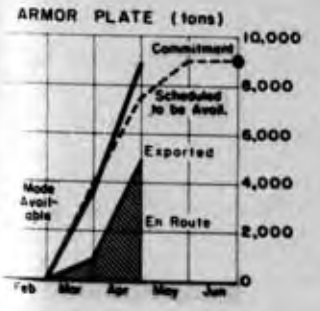
FERROSILICON (tons)



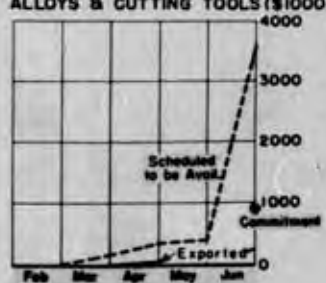
FERROCHROME (tons)



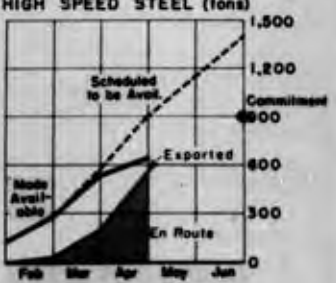
ARMOR PLATE (tons)



ALLOYS & CUTTING TOOLS ($1000)



HIGH SPEED STEEL (tons)



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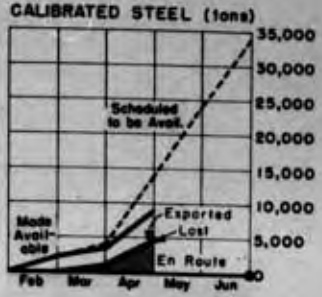
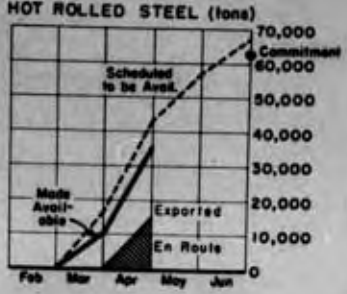
TOOL STEEL (tons)

CALIBRATED STEEL (tons)



HOT ROLLED STEEL (tons)

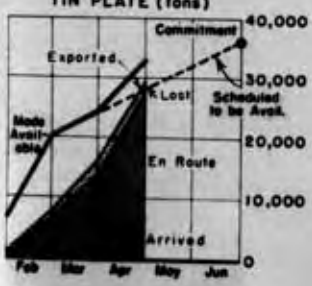


STEEL BILLETS (tons)

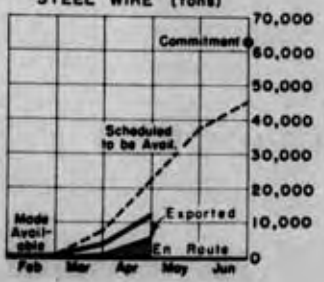
C.R. STEEL STRIP (tons)

C.R. STEEL SHEET (tons)

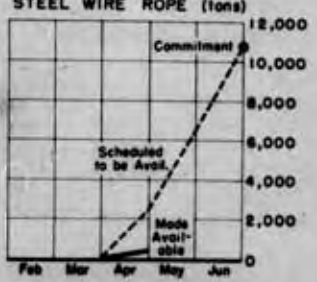
TIN PLATE (tons)



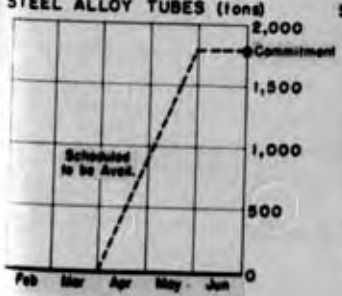
STEEL WIRE (tons)



STEEL WIRE ROPE (tons)



STEEL ALLOY TUBES (tons)



STAINLESS STEEL WIRE (tons)

NICKEL CHROME WIRE (tons)

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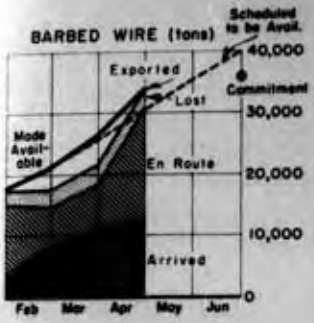
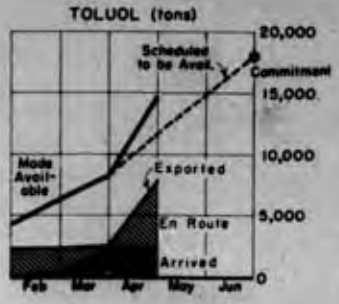
CUMULATIVE SINCE OCTOBER 1, 1941

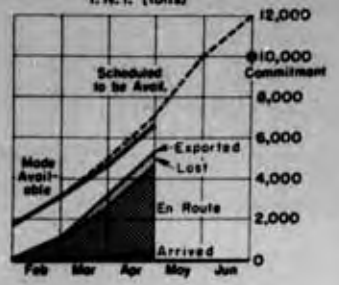
BARBED WIRE (tons)



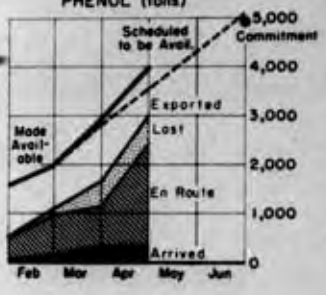
TOLUOL (tons)



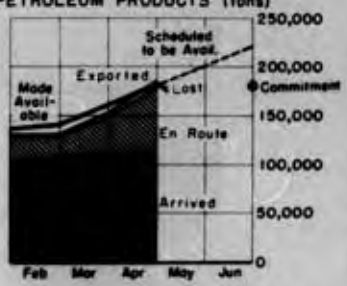
T.N.T. (tons)



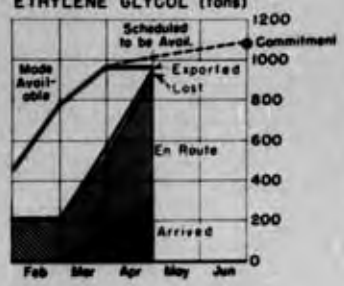
PHENOL (tons)



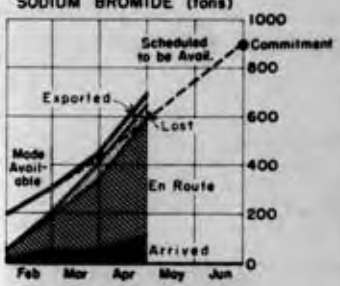
PETROLEUM PRODUCTS (tons)



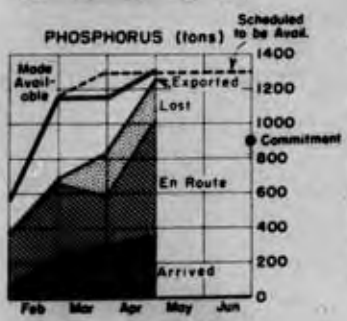
ETHYLENE GLYCOL (tons)



SODIUM BROMIDE (tons)

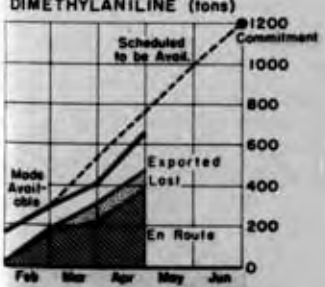


PHOSPHORUS (tons)

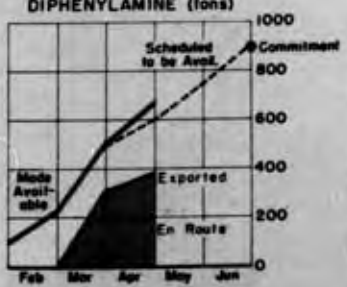


DIBUTYL PHTHALATE (tons)

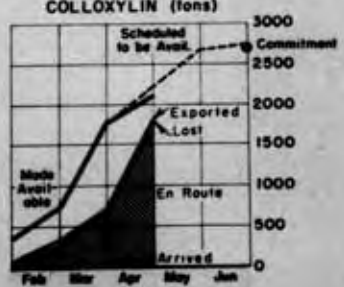
DIMETHYLANILINE (tons)



DIPHENYLAMINE (tons)



COLLOXYLIN (tons)



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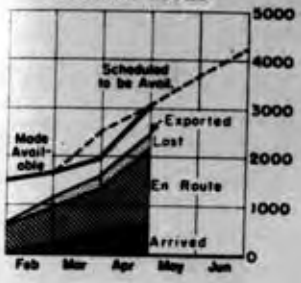
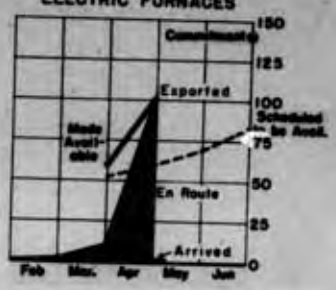
AVAILABILITY OF MATERIAL UNDER MOSCOW PROTOCOL

CUMULATIVE SINCE OCTOBER 1, 1941

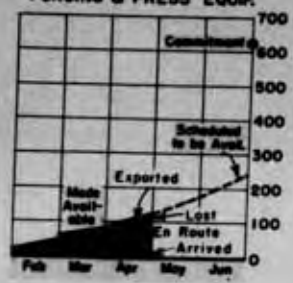
MACHINE TOOLS



ELECTRIC FURNACES

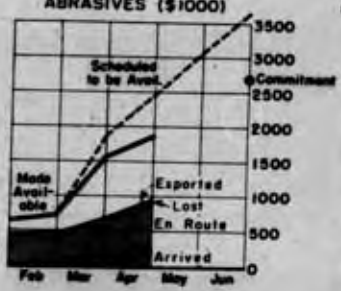


FORGING & PRESS EQUIP.



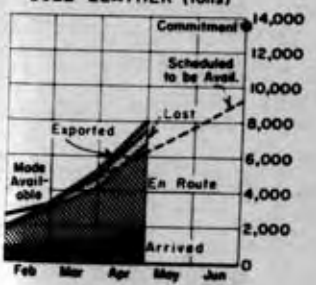
MISC. IND. EQUIP. ($1000)

ABRASIVES ($1000)



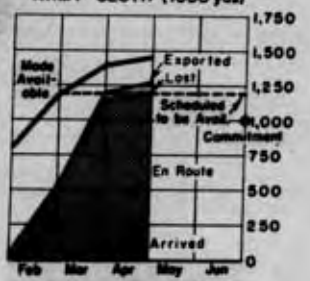
GRAPHITE ELECTRODES (tons)

SOLE LEATHER (tons)

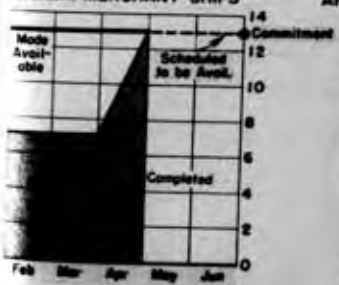


ARMY BOOTS (1000 pairs)

ARMY CLOTH (1000 yds)

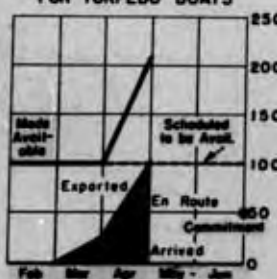


ARMING OF U.S.S.R. MERCHANT SHIPS



ARMAMENT FOR 3 ICE-BREAKERS

PACKARD ENGINES FOR TORPEDO BOATS



Office of Lend-Lease Administration – May 14, 1942

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SECRET

STATEMENT OF SHIPPING TO U.S.S.R.
As of May 9, 1942

Month	Number Sailed				Arrived	En Route As of May 9	Lost
	To North Russia	To Persian Gulf	To Soviet Far East	Total			
October	10		5	15	14		1
November	9	1	3	13	12		1
December	14	7	4	25	22	1	2
January	20		4	24	18	2	4
February	13	2	2	17	12	2	3
March	31	6	6	43	22	20	1
April	62	6	10	78	5	73	
May (To May 9)	11	3		14		14	
Total To May 9	170	25	34	229	105	112	12

To date there has been a total of 229 sailings for Russia. Of these, 49 have been of Russian ships (32 from the West Coast, and 17 from the East Coast), 14 of British, 1 of Swedish, and 165 of American.

In addition to the 229 sailings for Russia, there have been 22 ships carrying cargoes primarily for other countries which carried partial cargoes for Russia (chiefly deckloads of bombers).

The 229 sailings were made by 212 ships, 17 ships having sailed twice.

At lease 20 of the 95 ships now en route to North Russia have been diverted to ports in the British Isles.

Figures given above are on the basis of most recent data which explains certain discrepancies between this and previous reports. For example one ship reported as lost in March has recently been reported as having arrived safely in North Russia.

Regraded Unclassified

EXPORTS OF NON-PROTOCOL ITEMS TO THE U.S.S.R.
October 1, 1941 - April 30, 1942

Item	Quantity	Value
Military Items		
Observation Planes	30	$ 1,359,949
Army Webbing and Duck		469,302
Other Military Items		21,179,658
Non-Protocol Steel		
R. R. Rails and Equipment	16,422 tons	1,300,091
Oil Well Drilling Equipment	10,773 tons	1,281,941
Sheet Steel	1,813 tons	79,303
Other Steel Items		199,539
Food		
Canned Meats	29,271 tons	22,889,975
Fat Backs	5,030 tons	2,230,158
Lard	23,782 tons	7,007,383
Pork Products	1,485 tons	1,097,497
Dried Eggs	6,216 tons	13,960,151
Dried Beans	6,563 tons	832,669
Butter	1,216 tons	917,401
Seeds	31 tons	221,024
Rolled Oats	3,350 tons	963,958
Other Food	2,360 tons	525,757
Chemicals		
Aniline Oil	920 tons	274,400
Tetra-ethyl Fluid	316,181 gals.	1,422,063
Methanol	6,750 tons	793,125
Other Chemicals		1,082,714
Miscellaneous		
Truck Tires and Tubes	86,500 pcs.	1,867,040
Radio Tubes and Equipment	-	593,565
Vulcanized Fibre Sheets	597 tons	432,025
Motion Picture Equipment	-	315,604
Other Miscellaneous Items		815,411
Total		$84,111,703

EXPORTS TO THE U.S.S.R.
Cumulative Since October 1, 1941 in Millions of Dollars

	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Protocol Items	16	27	53	78	139	230	362
Non-Protocol Items	2	4	5	7	12	28	84

Regraded Unclassified

Treasury Department
Division of Monetary Research

Date 5/15/42 19

To: Miss Chauncey

From: H. D. White

Please call this to the Secretary's attention.

Regraded Unclassified

Treasury Department
Division of Monetary Research

Date May 14, 1942

To: Mr. White

From: Mr. Ullmann

Shipbuilding

In a Commerce Report marked "Secret", the shipbuilding program in the first quarter of 1942 completed 66 vessels of 513,000 gross tons -- or less than 10 percent of the President's goal for 1942 (5.5 million gross tons).

Furthermore, production fell off in March:

	Output		
January	123,000	gross	tons
February	196,000	"	"
March	194,000	"	"
Total	513,000		

Regraded Unclassified

May 1[illegible], 194[illegible]

Mr. Harry A. [illegible]

Mr. H. D. White

With reference to cable No. [illegible], May 13, 2 p.m., from the American Embassy, Chungking, "For Secretary of the Treasury from Adler", will you please authorize the American Embassy, Chungking, to pay for telegrams addressed to the Treasury from the beginning of May in accordance with Section V - 13, Foreign Service Regulations.

[illegible]

Regraded Unclassified

May 15, 1941

Mr. Livesey

Mr. Dietrich

Will you please send the attached cable to the American Embassy, London, "for Cooley from the Secretary of the Treasury".

Regraded Unclassified

To: Mr. Lauren W. Casaday,
United States Embassy,
London, England.

From: The Secretary of the Treasury

Please send by air pouch samples of local news-reels mentioned in your cable No. 2201 of May 5. If British authorities are interested in seeing some samples of the films used here for similar purposes, we will be happy to send them.

[illegible]:ls
5/15/42

Regraded Unclassified

TELEGRAM SENT

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

May 15, 1942
11 p.m.

AMEMBASSY,

LONDON, (ENGLAND)

2194

FOR CASADAY FROM THE SECRETARY OF THE TREASURY.

Please send by air pouch samples of local newsreels mentioned in your cable No. 2391 of May 5. If British authorities are interested in seeing some samples of the films used here for similar purposes, we will be happy to send them.

HULL
(FL)

FD:FL:ME

Regraded Unclassified

STATE DEPARTMENT
WASHINGTON

In reply refer to
FF 851C.51/20

May 15, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report received from a confidential source within the Government.

"French West Indian credits in Argentina

"As of possible interest to you, information has been received from a reliable, confidential source to the effect that in the early part of January, 1942, M. F. G. Pollak, Buenos Aires, Argentina, was informed by his bank which presumably is also in that city, that a credit of $30,000 had been opened in his favor by M. Louis Damoiseau of Pointe-a-Pitre, French West Indies and that three credits of unknown amounts had been opened in favor of Swift Company of La Plata, Argentina, by some unknown individual in Guadeloupe, French West Indies."

Copy:ime
5/15/42

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DEPARTMENT OF STATE

WASHINGTON

In reply refer to
FF 862.6341/1

May 15, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report received from a confidential source within the Government.

"German Soldiers Acquiring Gold

"An ordinarily reliable source abroad has furnished information indicating that according to an article appearing in "Phas", Greek newspaper, published in Cairo, despite German propaganda to the effect that gold has no value in the "New Order", German soldiers in Greece, Bulgaria and Roumania are selling food, tobacco and other commodities for gold. The article further states that German soldiers seem very anxious to obtain gold coins, both old and new."

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5-15-42

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DEPARTMENT OF STATE

Washington

In reply refer to
FF 853.248/58

May 15, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report received from a confidential source within the Government.

"Purchase of airplane engine parts by Portugal from the United States

"Information of a confidential character has been received from a reliable source abroad indicating that the Portuguese Minister of Finance in February, 1942, advised the Chase National Bank in New York to place $3,375 at the disposal of a Portuguese government official for the payment of spark plugs intended for use by 'Aeronatucia Naval' (Fleet Air Arm).

"It was further reported that authorization was also granted for the payment and shipment of seaplanes without engines, the engines to be shipped separately."

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DEPARTMENT OF STATE

WASHINGTON

In reply refer to
FF 740.00115 European
War 1939/3232

May 15, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report received from a confidential source within the Government.

"Swiss francs transferred to the Uruguayan Minister in Germany.

"As of possible interest to you, information has been received from a reliable, confidential source to the effect that during the latter part of January, 1942, approximately twenty-two thousand Swiss francs had been furnished to the Uruguayan Minister in Berlin, Germany. This was for the purpose of repatriating Uruguayan nationals residing in Germany or in the occupied countries should there be a severance in the diplomatic relations between any of the Axis powers and Uruguay."

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

Tehran

Dated May 15, 1942

Rec'd 8:20 a.m., 16th

Secretary of State,

Washington.

158, May 15, 1 p.m.

Referring to my no. 154, May 14, 11 a.m.

The Ministry of Finance yesterday issued an order fixing exchange rate at 128 rials per pound for buying and 130 for selling.

DREYFUS

RR

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COPY NO. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 160

Information received up to 7 A.M., 15th May, 1942.

1. MILITARY

LIBYA. 13th. Marked general increase in enemy tank movement, especially in SIDI BREGHISC area. The enemy withdrew on engagement.

RUSSIA. The Russian offensive in the KHARKOV area has made some progress, but on the KERCH PENINSULA they have carried out a withdrawal.

2. AIR OPERATIONS

WESTERN FRONT. 14th. A total of 10 fighters attacked minor objectives in Northern FRANCE and BELGIUM. Four enemy aircraft crossed the DEVONSHIRE Coast. One was shot down by anti-aircraft fire.

MALTA. Between 4 p.m. 13th and 1030 a.m. 14th, ten bombers escorted by fighters, some of which carried bombs, attacked. Our fighters destroyed 8 enemy aircraft, probably destroyed 2 and damaged 5. One Spitfire was shot down and another crashed.

3. GERMAN AIR FORCE

The German long range bomber effort against GREAT BRITAIN from January-May this year was about 20% of the effort of the similar period last year. During the two weeks 25th April-9th May, which included the "Reprisal" raids, about 25% of the total long range bomber sorties were made by reserve training unit aircraft.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 15, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Summary of Report on Far Eastern War by Lt. Colonel W. J. Clear, U. S. General Staff

(This is a summary of a written report made by Lt. Colonel Clear to the U.S. General Staff on his recent return from the Far East. The American Army sent Colonel Clear to the Far East in July, 1941 to investigate and to report on the advisability of establishing a system of secret intelligence in the Far East. He was in the Philippines when the Japanese attacked and remained there until February, 1942. He left Corregidor in a submarine on February 5 for Java and was there for about a month. On the fall of Java, Colonel Clear flew to Port Darwin, Australia. Colonel Clear's information agrees in general with that of Colonel Brink, whose experiences were reported to you two weeks ago. The following summary covers the information which is supplementary to Colonel Brink's report.)

1. Japanese Psychological Preparations for War

In preparing the Japanese people for the war, the Nazi error of holding up the glittering prospect of a short and easy war was avoided. The Japanese people were told that the war would be long and hard. Despite the fact that the Japanese are intensely patriotic, reliance in maintaining morale has not been placed on love of country alone. Studies made before the war had emphasized that it is important to give the officers and soldiers the vision of specific rewards. The soldiers are promised that they will come back to a Japan in which their future is assured. The Japanese forces are imbued with the conviction that they are fighting for not only national, but personal, material gains. Every man is persuaded that he and his family will be guaranteed freedom from want or unemployment in the post-war world.

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In its propaganda among the natives of the Far East prior to August, 1941, the Japanese had concentrated on long-range educational and cultural propaganda designed to win friends for Japan. With the arrival in the Far East in August, 1941, of Captain Fritz Wiedemann, former German consul-general at San Francisco, emphasis was shifted to a short-run policy of creating as much enmity against Western Imperialism in the Far East as rapidly as possible. The appeal was made to all the millions in the Orient who are cold, wet, and hungry that the western powers were solely responsible for their misery.

When the Japanese troops came into the British and Dutch colonies, it was under the guise of friendship for the natives and hostility to the western masters. Japanese scrip currency, similar in appearance to the Malayan and the Dutch, was given away to the natives. The natives were invited to move into or loot the homes and property of the British and Dutch estates.

2. The Japanese Military Forces

The ten years' of campaigning on the Asiatic mainland taught the Japanese army many valuable lessons and gave it much valuable experience. Contrary to the impression given in the press of the United States, the Japanese Command does not expend infantry carelessly or callously. Soldiers are not encouraged to get themselves needlessly killed, if tanks, planes and artillery can do the hard work for them.

The Japanese, like the Germans in the western campaigns, discovered that bluff is more economical than force. Infiltrating parties use every possible device to make their presence known, once they have reached points behind the enemy lines. By bursts of machine-gun fire, flares, rattles and fire-crackers, they shake the confidence of the opposing troops. The troops believe they are being cut off by large enemy forces, instead of merely being harassed by small, lightly-equipped groups. The freshly inducted divisions of "McArthur's Army" in the Philippines were panicked in this manner.

The Japanese army is peculiarly vulnerable to guerrilla attack in the new territories it has over-run. The Japanese forces of occupation in the new conquests are incredibly small, as they are relying on the docility and helplessness of the natives. There are in all these countries thousands

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of natives who would welcome the opportunity to strike at the Japanese if they were organized and trained. Preferably, guerrillas should be the natives of the country in each instance. It is physically possible to send white soldiers into Java and the other territories today, but they would stand as much chance of escaping detection and death as a small Japanese force in San Francisco.

Untrained guerrilla units are now operating with limited success against the Japanese in Java, Borneo, Sarawak and Amboina, Timor, New Guinea and New Britain. Guerrilla operations in the Philippines are more widespread and successful than in these regions.

The Germans are helping the Japanese air force. Prior to the war, the Germans sent several thousand German technicians to work in the Japanese aircraft industry. These men are helping the Japanese to produce a new model Messerschmidt 109. (The Me-109 is the best German fighter.)

All Japanese fighter planes lack armor protection for the pilot and engine and are not as fast as our latest types of fighters. They are, however, highly maneuverable. The Japanese "Zero" fighter has proved itself in combat to be definitely superior in maneuverability to our P-40.

In the highly successful Japanese air raid on Port Darwin on March 19, the Japanese demonstrated a new trick in air fighting. In this attack, eleven out of seventeen ships were sunk and direct hits were made on the power station, telephone central and other important targets. Although American P-40 fighters were up on patrol and saw the bombers coming, no warning was received by the ground defenses of the Japanese attack. The Japanese found the radio frequency of our planes and jammed the attempted reports. The radio at the operations office at the airport merely received an increasing roar. This was finally interpreted as indicative of an air-raid, but it was too late to warn the personnel at the field.

3. Malaya

The loss of Malaya can be attributed primarily to British lack of preparation for the defense of the Peninsula and Singapore. From the moment the campaign began, the military leadership was hampered and bedeviled by lack of planes, troops and equipment by which to meet successive situations.

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The military leadership was not entirely blameless, as, for example, the necessary number of airfields were not prepared on the Peninsula.

The British suffered from being over-mechanized and over-trucked for jungle warfare, rather than from the lack of equipment. As a result, the British system of supply was cumbrous and made necessary keeping to the roads with long transport columns that were vulnerable to attack from the air and ambush by small enemy parties.

The Indian troops, with the exception of the Ghurkas, were disaffected. The Sikhs threatened to mutiny before and during the campaign.

The civil government of British Malaya did not render reasonable assistance to the armed forces. The government did not keep communications and transportation running efficiently. Fire fighting defenses were not provided. Dock labor for unloading supplies was not properly provided or cared for. The civil government did not assist in the preparation of emergency defenses.

At Singapore, 80,000 British soldiers surrendered to 20,000 Japanese. By this time, there was only a disorganized mass of human beings confronting the Japanese. Squads had lost their corporals; platoons their sergeants; companies their captains; and battalions and regiments their majors and colonels.

4. The Campaign in the Philippines

The main reason for the reverses suffered in the Philippines was the lack of a continuing, consistent foreign policy in the Pacific, and the resulting refusal in the interests of political expediency, to consider and support the recommendations and requests of responsible military and naval authority. The Japanese Fifth Column had had some successes in the Philippines. In Manila, a considerable number of Chinese appeared to have been in the pay of the Japanese. The American army and naval officers were particularly indiscreet in guarding their information.

American troops performed well under fire, even those experiencing combat for the first time. The successful defense of the Bataan Peninsula was not a static defense of infantry and pill-boxes in trenches waiting for an attack. Successive enemy attacks were smashed by small, highly mobile detachments of 75 mm. artillery on half-track trucks and anti-tank guns. Bataan was not whipped; it succumbed to dysentery, malaria and weakness induced by inadequate rations.

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