DIARY

Book 530

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May 20, 1942
9:05 a.m.

FINANCE

Present:
Mr. Bell
Mr. Haas
Mr. Buffington
Mr. Lindow
Mr. Baker

H.M.Jr: What have you got there?

MR. BELL: This is entirely a refunding problem. (Paper handed to the Secretary). You might look at that sheet; that shows the amounts. Maybe you would want to take the ones coming due on July 1 as one refunding, take the second group as a second refunding, and then the certificates would be a separate operation.

H.M.JR: This is entirely new. What is the first?

MR. BELL: Those are the Home Owners' Loan and the RFC notes falling due July 1, a billion one hundred fifty million in operation, and you could increase that by the September, two-percent Treasury notes, making it a billion four ninety-three. But as long as you have got to do a refunding job in October, you might as well pick up those three and make another refunding job at that time, rather than stressing this.

H.M.JR: Well then, your thought is just to do number one?

MR. BELL: Yes, at this time. That is the view of the group here.

H.M.JR: You have your room here?
MR. LINDOW: Yes, it is fine, very much an improvement.

H.M.JR: Did they put Tickton somewhere else?

MR. LINDOW: No, we took the next room to where we were before and put a partition down the middle. It has glass in it so the light comes through beautifully from one side to the other, wallboard and then glass and wallboard on the top.

H.M.JR: And you get the light through?

MR. HAAS: I think they (Lindow) designed it.

MR. LINDOW: It is sort of a compromise. They had a little trouble getting materials. The glass was helpful to use from that point of view.

H.M.JR: Well then, it gets down to this, doesn't it--

MR. BELL: Down to the refunding of that first block.

H.M.JR: Yes.

MR. BELL: It is a question where we are going to put it.

H.M.JR: What suggestions have you got?

MR. BELL: We talked about it yesterday afternoon, and we started out with--

(The Secretary left the conference temporarily.)

H.M.JR: You were going to say you were recommending something.

MR. BELL: No, we discussed yesterday the possibility of the note and the possibility of a short bond. It is a little early yet to make up your mind just where you want to go. After discussion we kind of shifted to the short

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bond, because the note market, which is New York, is a little tight on reserves, and we think maybe that a period around five, seven-year bond, one and three-quarters, one and seven-eighths might do this. This is largely a banking issue. Most of these securities—

H.M.JR: Do you know where these things are?

MR. HAAS: Yes, sir, they are in the banks. Have you got the sheet?

(Mr. Haas hands paper to the Secretary.)

MR. HAAS: The second sheet is a list of the twenty-five largest holders.

MR. BELL: Was that, George, as of April 30?

MR. LINDOW: March 31.

MR. BELL: Guaranty sold out some of theirs last week, week before last.

H.M.JR: You never gave me that letter for Eccles.

MR. BELL: I have it on my desk.

H.M.JR: Ready for me?

MR. BELL: Yes, sir.

H.M.JR: Want to do it when this is over?

MR. BELL: Yes, sir.

H.M.JR: You say the Guaranty Trust has sold some?

MR. BELL: They sold quite a block, I think, last week.

MR. HAAS: Yes, House called me up to get the list of the holders.
H.M.JR: Where are your things showing where the five years and that group is?

MR. LINDOW: You mean this calendar?

H.M.JR: No, I don’t mean that. I mean where they - let me just see that. I have an idea. Forty-seven is five years, isn’t it?

MR. BELL: Yes. June ’47 is vacant as a maturity date; there may be some securities cross it.

H.M.JR: How much do I have to pay for five years?

MR. BAKER: One and three-quarters.

MR. BELL: What do you mean, a bond, ’57? The note is four and a half percent. That would be ’46 - 12/15/46, which would be four and a half years.

MR. LINDOW: Take one and five-eighths to do it.

H.M.JR: This is what is running through my mind. This is a billion dollars - too much. I think these banks, we ought to give them - got to build these places up anyway so they begin maturities, affix the date at more or less - eventually have them so they come almost every three months.

MR. BELL: We have them almost that way now.

H.M.JR: Not fixed, no.

MR. BELL: No, not fixed, but we have called--

H.M.JR: Supposing you put it in June 15, ’47.

MR. BELL: As a definite call date?
H.M.JR: Yes.

MR. HAAS: Fixed maturity.

MR. LINLOW: You would make it a note then, wouldn't you, Mr. Secretary? It would be a straight five-year note then?

H.M.JR: Yes.

MR. LINLOW: The only thing against it that I can see is that you would have to go up to a one and five-eighths coupon. You could keep it at one and a half, if you are short six months - it is just the appearance of it, that is all.

H.M.JR: Where would that put it?

MR. BELL: December '46.

MR. BAKER: One and a half for four and a half years would be something we are in agreement on.

H.M.JR: You are in agreement?

MR. LINLOW: Yes.

MR. BELL: Fourteen to twenty-one?

MR. LINLOW: Twelve to twenty.

MR. BELL: Keep it down around a quarter.

H.M.JR: Put it down - back up to September.

MR. BELL: That makes it richer.

H.M.JR: I am confused.

MR. BELL: March '47, is that too much?

MR. LINLOW: I am a little bit afraid of the size here.
It would be the biggest note we have, and I thought we ought to be a little bit conservative in pricing it.

H.M.JR: Well, I am just throwing it out - this is the first meeting - as a suggestion. I mean, I always remember some fellow from Baltimore came in here - the trouble is, you fix up their portfolio, and they can't schedule their maturities. You see, we got things all over the lot. How long since we have sold a note?

MR. BAKER: It is a year.

MR. BELL: November 1, 1941, four years - no--

MR. LINDOW: We offered - the date of the announcement was October 23, 1941.

H.M.JR: We haven't done a note since then? I think it is time we did a note.

MR. HAAS: Then, reserves were choice.

New York is really the note market, and the reserves in New York have gone against us ever since. That was one of the reasons.

H.M.JR: Well, we can try it out.

MR. BAKER: I feel if you are going to do a note, you will have to make it a little more attractive because the note market hasn't shown any signs of life lately. Of course, this is a refunding which will absorb some of that disadvantage, but I wouldn't be afraid of putting out one and a half for four and a half years even if it looks a little sweet on paper because you wouldn't have a keen demand.

MR. BELL: A lot of these held in New York?

MR. LINDOW: Yes, forty percent in New York.

MR. BELL: Forty percent of the whole in New York.
MR. HAAS: This would be a lot easier if they had done something about reserves.

H.M. JR: Well, they wouldn't do it, George. What was that you were trying to tell me about the Advisory Committee, the reserves were flowing back to New York?

MR. BELL: Yes, they talked about reserves over there Monday at the Advisory Group. While I didn't get to discuss it very much with George Harrison, he said that the consensus of the group was that we shouldn't touch reserves at this time as a major operation, mentioning lowering reserve requirements. There was a feeling that funds were now flowing back to New York, and I believe there is some evidence of that in the last week or ten days. I think the New York situation would correct itself. Furthermore, they thought that New York was becoming of less importance in this financing; that defense industries were outside of New York and the money wasn't really going there, was going other places. Maybe we should stop working on New York.

MR. HAAS: The thing is that the proportion of the banking resources in the United States which are located in New York is so huge - I don't think you could just skip the banking-

MR. BELL: You have to bear in mind, too, that the people on the Advisory Committee have people representing sections outside of New York, except George Harrison.

H.M. JR: When Walter Stewart - he will be here tomorrow - comes down, be sure and talk to him about this reserve thing; you, George, too.

MR. HAAS: He feels very strongly. I agree with him a hundred percent.

H.M. JR: Something has to be done. He also thinks it is a shame that I always have this knock-out and drag-out fight with the Federal Reserve to get them to do anything.
I think we ought to have a program of our own on reserves; "This is what we want, now go ahead and do it."

MR. BELL: Eccles has three amendments to the law that he would like to get through in a hurry, and one that will materially affect reserves in New York and Chicago.

H.M.JR: Which way?

MR. BELL: Increase them, increase Chicago about a billion, and

MR. HAAS: If they change their classification.

MR. BELL: And Chicago two hundred fifty million, something like that.

H.M.JR: Let Stewart look at that tomorrow.

MR. BELL: All right.

H.M.JR: What have you got scheduled for this afternoon?

MR. BELL: Three o'clock is Eccles, and I have left it to him, as you suggested, who should come with him.

H.M.JR: Why don't we do that letter so these men could be working on this thing?

MR. BELL: O.K.
**Maturities up to December 31, 1942, exclusive of Treasury Bills**

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<td>2-1/4% HOLC bonds, July 1</td>
<td>$ 875M</td>
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<td>1% RFC notes, July 1</td>
<td>276</td>
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<td><strong>$ 1,151M</strong></td>
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<td>2% Treasury notes, September 15</td>
<td>$ 342M</td>
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<td>7/8% RFC notes, October 15</td>
<td>320</td>
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<td>1-3/4% Treasury notes, December 15</td>
<td>212</td>
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<td><strong>$ 894M</strong></td>
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<td>1/2% Treasury certificates, November 1</td>
<td>$ 1,507M</td>
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**Total**                                                  **$ 3,552M**
May 20, 1942
9:24 a.m.

HMJr: Hello.

Operator: Mr. Sproul and Mr. Rouse are both out of their office, and it will take a few minutes to get them.

HMJr: Oh. Well, all right.

Operator: Right.

May 20, 1942
9:29 a.m.

HMJr: How are you?

Robert Rouse: I'm fine. And you?

HMJr: Oh, alive.

R: Sorry I missed you at the War Savings place the other morning.

HMJr: You didn't miss much.

R: (Laughs) We were up there in the afternoon.

HMJr: I see. The thing that I wanted to give you to think about was this. On this refunding.....

R: Yes.

HMJr: Just a minute. Somebody was - I sent a conference over in the corner so that - this refunding, we only want to do the RFC notes and the Home Owner's Loan. Hello.

R: Yes.

HMJr: Because Bell - I mean, it comes to a billion one or a billion two, something like that. Hello.

R: Yes.
HMJr: And I made the suggestion, which I want you to think over, that we might try a - something around four and a half years, around one and a half per cent....

R: Uh huh.

HMJr: .....to a fixed maturity. You see?

R: Yeah.

HMJr: What's your first-hand reaction to that?

R: Well, I think it would go a long way towards straightening us out in that area.

HMJr: You do.

R: The market doesn't particularly want it; in fact, it's been selling some of that type of stuff.

HMJr: Yeah.

R: But we also have a problem we want to straighten out....

HMJr: Yeah.

R: .....in those yields between the notes and the bonds.

HMJr: I see.

R: Allan and I have a date at quarter of ten to discuss this thing....

HMJr: Yeah.

R: .....with a view to talking both with you and Marriner later.

HMJr: Yeah.

R: And I'm awfully glad you gave me this so we could have that to work on.
Well, the boys gave - as a first suggestion - gave me something in a short bond, but we just did one - we haven't done a note since last fall.....

Uh huh.

.....and I think that we're going to have to fill those dates in anyway, and this is about the amount that I think we'll have to put into a note from now on.

Yeah, I do, too.

What?

I do, too.

Well.....

I've been thinking in terms of this, and a bond of '47-'48.

Well.....

We haven't any fixed ideas on it here yet.

Well, that's what they had, but I thought it was time for a note and that's my first suggestion.

Uh huh.

But talk it over, and I'll talk to you later in the day.

Good. Thank you, sir.

Thank you.
Hello.

Mr. Graves.

Harold.

Yes, sir.

I'm sending you in a clipping on War Bonds and what Chairman Davis has to say, see.

Yes.

I think you ought to contact him....

Yes.

.....and have a talk with him yourself.

All right, sir.

He's going off the deep end on this thing.

Yes.

See?

Yes. All right, sir. I'll do it.

I don't think you ought to lose any time.

All right, sir. I'll do it right away.

Okay.

Yes, sir.

All right.

Good-bye.
May 20, 1942
2:07 p.m.

HMJr: Hello.
Operator: Mr. Long.
HMJr: Okay.
Operator: Go ahead.
Breckinridge
Long: Hello.
HMJr: Hello.
L: Henry.
HMJr: Yes.
L: Breck Long.
HMJr: Hello, Breck.
L: Yesterday you spoke about information from South America.
HMJr: Yeah.
L: And I've had it up here. I talked to Mr. Hull about it.
HMJr: Yeah.
L: He thought that we were equipped down there and asked me to go into it some, and I have, and I thought I'd either come over to see you or talk to you this way and then you could appoint some - designate somebody you'd like to - this is specifically the way we are, that we're not now reporting specifically on certain matters that you may want.
HMJr: I see.
L: And we're not doing it in detail, because we're not advised just what it is you want.
I see.

Now, we have arrangements with Commerce and with Agriculture....

Yeah.

....and they have set out in a sort of a form exactly what they would like us to furnish them with.

Yeah.

Certain types of information.

Yeah.

And we are doing that, and I think it is doing very - being done very successfully. Now, if you want to tell us in more detail what you want, why we're very glad to try to get it; and we think we're equipped.

Well, you know - I may - you said that you'd do it or else, and I said no, there was no "or else"; as far as I was concerned, I was sure the State Department could. Do you remember?

You remember that.

Yeah. Well, I'm - I remember - yes - I didn't - I - because I was just talking off the record, trying to be helpful.

Yes. Well, that's - well, I tell you, supposing I talk with White....

Yeah.

.....and tell him to prepare a memorandum showing the kind of information that we want.......

Uh huh.

.....and need....
Yeah.

...and then that he take it up with you.

All right.

And then if - I'm sure that - if after that....

After that if we don't - if our staff isn't capable or isn't sufficiently numerous, why we'll do whatever we can.

Well, I think that's fine, and I'm delighted at the quick come-back.

Yeah, all right. Well, I always like to play ball; and you and I, irrespective of other things that happen here, I think that we can keep things rocking along somehow.

Well, it's most helpful and very encouraging, this call.

All right, Henry. Fine. And I'll wait until I hear from White, or, we have a man who's a liaison with you who's arranged these other schedules with Treasury - with Commerce and with Agriculture, that's Geist. Do you know Geist?

No, I don't.

Well, he's a very able fellow; and if he and - if Geist and....

White.

...White would get together and have a talk, I think it would probably simplify the problem for each of them.

Well, supposing - I'll ask White to get in touch with Geist.

All right.

G-e-i.....
L: ..........s-t.
HMJr: Right.
L: Yeah.
HMJr: Thank you so much.
L: Fine.
MEMORANDUM

May 20, 1942

TO: Secretary Morgenthau
FROM: Mr. Sullivan

SUBJECT: Conference in Secretary Jones' office.

PRESENT: Secretary Morgenthau
Secretary Jones
Assistant Secretary of Treasury Sullivan
Under Secretary of War Patterson
Assistant Secretary of Navy Bard
Under Secretary of Commerce Taylor
Assistant Secretary of Commerce Hinckley
Mr. Leon Henderson, Administrator of O.P.A.
Mr. Maverick of the W.P.B.

Governor Lehman of New York
Governor O’Connor of Maryland
Governor Broughton of North Carolina
Governor Saltonstall of Massachusetts
Governor Stassen of Minnesota

The purpose of the meeting was outlined by Secretary Jones and Mr. Bahr, Secretary of the Council of State Governors, as an effort to make known to the states, state laws, regulations and conditions which were impeding the war effort and describing to the states the manner in which they could be more helpful to the Federal Government in extending the war effort. Specifically outlined as general objectives were the following:

1. To determine what state statutes are impeding the war effort.
2. To examine their nature.
3. To discover what can be done to remedy it and how soon.

After the Treasury had indicated that it had no unusual problems at the present time, Secretary Jones called on Under Secretary Patterson of the War Department to speak on the difficulties resulting from state labor laws and transportation laws.
Mr. Henderson spoke of the state fair trade laws; the necessity of reducing maximum vehicle speed laws, the desirability of coordinating state and Federal rent laws, and the problem of the impact of gas rationing upon state revenue.

Assistant Secretary Bard of Navy spoke of the interference on coal transportation of state pilot laws in inland waters and off-shore waters.

Mr. Maverick of W.P.B. requested every governor to ask for emergency powers for himself and for his war council or defense committee, so that they would have authority to relax those state statutes which were deterring the war effort. He also spoke of the difficulties resulting from migrant labor laws and its impact in canning and harvesting in 27 states. He further referred to local regulations on house trailers, plumbing and electrical codes, building codes and factory regulations.

Mr. Scott, representative of Mr. Eastman of the Interstate Commerce Commission, spoke of state license laws and the desirability of reciprocity on automobile licenses. He referred to the problem of migrant labor and the train size limit law and the full train crew laws.

Mr. Henderson left after he had spoken briefly and Governor Saltonstall expressed his regret that he had not had an opportunity to discuss with Mr. Henderson O.P.A.'s plans to have its own enforcement force throughout the country. Accordingly, Mr. Bane sent for the deputy administrator of O.P.A., Mr. John Hams, who spoke about the difficulty of enforcement by state officers. All of the five governors present stated that the state and local enforcement officers would handle this problem much better than a new force of Federal investigators and expressed the fear that if a Federal agency tried to enforce these rationing regulations within the states we might have a repetition of the lack of cooperation and occasional hostility between Federal, state and municipal enforcement officers just as we had in prohibition days. Despite the unanimous opinion of the Governors' Council that this could best be handled by already existing state and municipal enforcement agencies, Mr. Hams refrained from agreeing that it should be done this way.

At the afternoon session it was decided that the states should be given ten days in which to issue proclamations confirming the transportation regulations for trucks and pleasure vehicles laid down by the War Department. It was further agreed that in the event any appreciable number of states failed to accomplish this within ten days the Governors' Council would join with the Jones Committee to ask the President to issue a proclamation calling upon the states to relax their regulations in accordance with the desires of the War Department.
It was further decided that all government agencies wishing state cooperation should channel their requests through the Department of Commerce which in turn would communicate with the states through Mr. Bane, the Executive Assistant of the Governor's Council.
FINANCING

Present: Mr. Eccles
Mr. Bell
Mr. Haas
Mr. Buffington
Mr. Lindow
Mr. Baker
Mr. Szymczak
Mr. Piser

H.M. JR: Well, got it all fixed? This thing - I told Bell that this is getting to be sort of a weekly affair, no time for the weary. I told Nelson he is exceeding himself.

MR. ECCLES: You mean Don?

H.M. JR: Don Nelson, he is doing a good job.

MR. ECCLES: He is sure getting the money out.

H.M. JR: Have you fellows looked it over?

MR. ECCLES: Yes.

H.M. JR: What horse have you picked?

MR. ECCLES: Same one you have.

H.M. JR: I see. Good. On the nose or across the board?

MR. ECCLES: We know you didn't pick it because we did, and you know we didn't because you did; we both had the same kind of good judgment on it. Well, anyway, we
analyzed the thing, discussed it rather extensively. I talked to Allan yesterday and asked him if he wanted to come down, he and Williams, and they both thought that unless we required them to they would just as soon not do it. I told them I didn't think it was necessary on this refunding issue, that it wasn't any problem, so they said that they wouldn't come down. I talked to them just a little while ago; I talked to Allan this morning and talked to Williams a little while ago.

Allan had been talking the thing over with Rouse, and we had agreed among ourselves over there, before talking to Allan, that we would favor the refunding of just the two issues and leave the — there was no point at this time, we felt, in calling the September bills because with the RFC coming due in November, you would have to have a refunding of those and therefore it would be too small, and you might just as well call the September bills along with the RFC bills; and that we would, therefore, recommend only that you refund the HOLC's and the RFC's at this time, and that the one and a half note should be put out.

It would appear to us, the way the structure is now, and we have agreed to maintain this pattern, that it should fall between June of '46 and March of '47, and that it looked like it ought to be priced with a sufficient premium so as to assure the refunding if it hit about December; that that would give them enough leeway, and that if there was any weakness whatever in the market we would support it vigorously around that level until it was absorbed; that the market is pretty inactive at the moment, and as to whether or not a billion and a hundred and fifty million of bills go out, they shouldn't affect it, because with what the Federal owns and with what the banks own there is over eighty percent of them that are in that category.

MR. BELL: How much does the Federal own?

MR. ECCLES: Sixty some odd million.

MR. SZYMczAK: Sixty-eight.
MR. PISER: The sixty-eight we own includes the Treasury notes. It is only two million - the two guaranteed issues.

MR. ECCLES: Well, there is seventy-seven of the two. Is that right?

MR. PISER: Sixty-eight.

MR. ECCLES: Seventy-eight some odd, Piser, seventy-seven of the two that are held by the banks.

MR. PISER: That is right.

MR. BELL: But you only held two million of the maturing.

MR. ECCLES: I had overlooked the fact that what we had was the note, but even with seventy-seven of the two, the great bulk of them being in the banks, that likewise called for a note issue inasmuch as we had just put out a two-percent bond issue; and so that is the way we feel about the note picture.

H.M.JR: In December?

MR. ECCLES: That is right. You felt, Piser, on that, that ought to have anywhere from a minimum of nine to fifteen, or twenty, thirty-seconds?

MR. PISER: Yes, although I think the pricing can be done a little more accurately after the market knows that there is to be a refunding.

H.M.JR: And coupon?

MR. PISER: One and a half.

MR. BELL: We figured a little higher than that, twelve up.

MR. LINDOW: Twelve to thirty, thirty-seconds. They
are about the same.

MR. ECCLES: It ought to be adequate, plenty, for short issues.

H.M.JR: Well, Dan, you have had all day to think about it, nothing else to do.

MR. BELL: It is all right with me. It had to be in that area some place, I thought. It wouldn't make much difference to me if it were a five to seven year bond. I think this is all right.

H.M.JR: I meant just as to a note.

MR. BELL: Yes, that is all right.

MR. ECCLES: I think I would save that bond until next month.

MR. BELL: Well, we will need something next month.

MR. ECCLES: I think you might well need that bond in there next month.

H.M.JR: Well, we haven't done a note since last fall.

MR. ECCLES: That is right; that is another reason, because you have been increasing everything but notes. The proportion of the notes in relation to your total outstanding is dropping.

H.M.JR: Supposing I call up New York. I talked to them early this morning.

MR. ECCLES: I talked to Allan at eleven o'clock, and that is the way they felt about it.

H.M.JR: Is it all right if I talk to them?

MR. ECCLES: Yes, and I talked to Williams at two-thirty.
H.M.JR: Because I thought if he was in agreement we might tell Schwarz to tell the press we are going to do a refunding and that it will be a note.

MR. ECCLES: Both he and Rouse.

H.M.JR: Get the market ready.

MR. ECCLES: He said he didn't care whether he included September or not, that it wouldn't make any difference, but I think we felt a little stronger that it shouldn't be included, possibly, than he did, and that he didn't have any alternative. He just figured that this December issue fit right into what - I mean, the December maturity would fit the situation perfectly; that is the impression I got.

MR. BELL: Picking up September's and the October RFC's and the December's makes about a nine hundred million dollar refunding in the latter part of August.

H.M.JR: And a billion one hundred million makes a nice size note anyway.

MR. BELL: If you are going to put it in one place, I would say it was enough.

H.M.JR: I thought Sproul appointed a good committee and I wanted to tell him that. I saw it in the paper this morning.

MR. ECCLES: You saw the committee before that, didn't you?

H.M.JR: They never show me anything.

MR. ECCLES: Just tell them you approve it and sign your name?

MR. BELL: He may not have seen it, but he approved it.

H.M.JR: I get my clippings in the morning. If I don't read them, I don't know what is going on.
MR. DRAPER: That was in the Times this morning.

H.M.JR: I mean, Buffington didn't--

MR. ECCLES: Buffington knew.

MR. BUFFINGTON: I told you about it.

MR. BELL: He wasn't here, was he, over the week end?

H.M.JR: Did you hear what he said? He told me about it.

MR. ECCLES: I know I got a copy.

H.M.JR: Well, that is a very powerful committee. If they can't sell anything in New York - God, they ought to be able to sell the Statue of Liberty.

MR. DRAPER: Probably will before they get through, too.

MR. BELL: If they can't sell them maybe they will buy them.

MR. ECCLES: Well, it is important now that they get their man that is going to be there, their manager and then get their--

H.M.JR: They haven't got that yet, have they?

MR. ECCLES: No, they don't have it yet, but what they are going to do all over is call in these committees. There was a question of whether the traveling expenses - it isn't going to be bad in New York because there are most of them there, but out in places like Kansas City and San Francisco, they have got to come in from a distance and they have raised that question about whether these fellows are willing to give all their time and whether they should pay all their expenses. That was a question that they had raised. Then when the committee comes in for a meeting, which we ought to meet to organize and select their manager and discuss the regional committees,
and then this manager would have to follow through, go to work and get these regional committees set up and functioning.

(The Secretary held a telephone conversation with Mr. Sproul, as follows:)
May 20, 1942
3:19 p.m.

HMJr: Hello.
Operator: Mr. Sproul is tied up on a long-distance call, and he'll call you as soon as he's through.
HMJr: Would they send in a note to him, please?
Operator: Yes.
HMJr: What?
Operator: I'll tell them to.
HMJr: Will they?
Operator: Right.
HMJr: Well, if he's - would they send in a note to him?
Operator: All right.

May 20, 1942
3:21 p.m.

HMJr: Hello.
Operator: Mr. Sproul.
HMJr: Hello.
Allan Sproul: Hello, Mr. Secretary.
HMJr: How are you? You're on the air here with some of the Federal Reserve people and ourselves.
S: All right.
HMJr: And I wanted to congratulate you on that committee you got together in New York.
S: I think it's a pretty high-powered committee, don't you?
I just said to the boys here that I thought you could sell the Statue of Liberty and Dan Bell said, "You may have to buy it before you get through."

(Laughs)

So - no, I think they ought to be able to sell the fire hydrant on the corner.

(Laughs) Well, we may try it.

What?

We may try it.

Yeah. That's a.....

Try them out on that first.

No, I read about it in the papers, and it looked all right to me.

Well, I'm glad you like it.

Yeah.

It looks all right to me.

They're laughing at me because I told them it was the first I knew about it, it was in the newspapers.

Well, that's just because your people don't tell you anything down there.

Can you hear them laugh?

Yes.

What?

Yes, I could.

All right. That's right. On this, what I thought I'd do - Marriner says he's talked with you and if it was all right with you
S: and you thought well of it, we'd tell the press that early next week we were going to do this refunding, and it would be a note.

S: Yes.

HMJr: That would give the note market a chance to adjust itself.

S: Yeah.

HMJr: What do you think?

S: I think it's all right. I talked with Bob Rouse, who's now on the telephone, after you had talked with him this morning and we both agreed and subsequently talked with Marriner and he agreed that that seemed to be the best bet for this financing was the note.

HMJr: Well, then if that's all right with you, we'll....

S: That's on the RFC's and the HOLC's, clearing out the September note.

HMJr: It'll be the two and a quarter HOLC bonds and the one per cent RFC notes.

S: Right. Well, that's all right with us.

HMJr: And - well, I never have had less arguing, and - no arguing.

S: There must be something wrong with us, all three of us being in agreement.

HMJr: Well.....

S: But it makes good sense.

HMJr: I think so. I think so. Just a moment.

No, they're all happy here.

S: All right, we'll.....

HMJr: We've got a thunder-storm down here right now. What've you got up there?
S: We've got good weather up here, as usual.
HMJr: Is the sun shining?
S: The sun is shining.
HMJr: I see. Well, that's the way it usually is.
S: And the grass is growing in Wall Street.
HMJr: (Laughs)
S: (Laughs)
HMJr: All right.
S: All right. We'll expect to read of this in the papers. That's where we'll see about it.
HMJr: What's that?
S: We'll expect to read of this in the papers in the morning.
HMJr: What's that?
S: This announcement that you're going to do it with a note.
HMJr: Oh, I thought you meant about the grass.
S: (Laughs)
HMJr: I'll tell you what I'll do. I'll get you a priority from Donald Nelson for a couple of lawn mowers.
S: Well, I'll take you up on that, and I'll sell them to the Stock Exchange people.
HMJr: All right. Well, if they put in the application, I'll get them the priority.
S: All right, thanks.
HMJr: And the gasoline.
S: Right.
HMJr: Okay.
S: Thank you.
HMJr: Good-bye.
S: Good-bye.
H.M.JR: He is feeling good.

MR. ECCLES: Yes, in spite of the grass. (Laughter)

H.M.JR: It is too easy.

MR. ECCLES: We hope you will keep right on putting out these bills. We feel that they are gradually getting a little wider distribution of them, and it takes a little time. The Reserve Bank fellows are all working in the field, and I think it is just a question of time when you will have a wide national market, that the banks instead of sitting there with reserves will feel when they have got them, they will use them; and then if they need them again, they have got something they can quickly adjust. That is terribly important, and I think we have to put enough bills out, just keep putting them out, until they can get what they want. The fact that we stand ready to buy the bills all the time - the bills have been just a little under three quarters, and everybody is still not getting all the bills they want. I think you are going to have to keep putting them out. I hope you will, more or less indefinitely, just as long as this thing is--

H.M.JR: We have no change, have we?

MR. BELL: It is part of our financing program for June.

H.M.JR: One thing that I wish you people would do is this. We here are still worried about the excess reserves. Walter Stewart will be down tomorrow morning; he only comes about one day in two weeks. He also is quite disturbed about it. Would you have time to see some of our boys tomorrow morning and talk with Stewart about excess reserves?

MR. ECCLES: Yes, I will be glad to talk to him.

H.M.JR: Would you? I will tell you what you do, Dan, find out what time he is coming down, then find out what time is agreeable for Marriner, and get an appointment at the Federal Reserve and go over there and talk this thing over with him tomorrow morning.
MR. BELL: Sure, be glad to.

MR. ECCLES: I have an appointment at ten - make it some time - eleven or twelve or in the afternoon.

MR. BELL: Any time at your convenience.

H.M.JR: I would like to save the afternoon.

MR. ECCLES: Let's figure, say, eleven o'clock.

H.M.JR: Get him here at eleven.

MR. BELL: He generally comes in early. I will make it eleven o'clock, subject to change when he comes in.

H.M.JR: You had better tell him of the appointment.

MR. BELL: Is he coming down on the nine o'clock train?

H.M.JR: I don't know; you might call him up. Will you call him, because if you could meet on that over there, I mean--

MR. ECCLES: I will be glad to discuss it, give him our point of view, and what our view of a program is. Of course we agreed, in discussing the last financing program, on a pattern of rates with the three-eighths at the bottom and the '67-'72's out on the end, and maintaining the thing in between.

In order to accomplish that, we proposed to establish this buying rate for bills, which we have done, and I am sure it is going to be effective, and it has kept the bills right along that line. We will buy all, of course, that they want to offer, and we have created the facilities for doing it, so they don't have to go through dealers in New York. They go right into their bank and get - without any commission they just turn them over, and it facilitates the thing. Now, that helps them to meet the reserve situation and doesn't cause them to sell bonds and other stuff to do it.

Likewise, the long bond, it shows that they are well distributed, that they have held at a substantial
premium without any support whatever, so it shows that your market generally is in very good shape. If the refunding with bills now would indicate in that middle gap any weakness whatever, we expect to buy notes. We will buy whatever notes are necessary.

We expect over the next few weeks to add substantially to the portfolio. In other words, if we can automatically - as the pressure comes on the market it will manifest itself by the sale of bills to us, by the sale of certificates, by the sale of notes.

H.M.JR: But you haven't had to buy much, have you?

MR. ECCLES: No. What we did - in fact, last week we sold mostly - the only thing that we sold was the certificates. But, what happened, the insurance companies sold the Fed about fifty million of certificates in order to take the two and a halves, you see, which was the desirable thing to do, so we immediately took the certificates off.

Then the reserves went up last week a little over two hundred million; some of the banks wanted to buy the certificates, and particularly out of New York. We weren't anxious to place the certificates in New York, but we felt that it was desirable and felt that that is what the Treasury would like, to have the certificates get widely distributed outside; and so they sold some of those certificates, and that is all that was sold last week. There weren't enough bills offered last week to offset the bills that run off. We had a certain number of bills in the portfolio that run off; and the bills that were offered to us didn't offset them; but we expect this week now - you see, there is a drop in reserves this week due to the payment of the last offering of bonds. You see, there is a certain amount, always a certain amount of cash payments that comes in out of the banks that they don't credit to the war loan account, and so there are several hundred million of drop, which is largely due to the payment of this last issue.
MR. BELL: That will go out before your reporting date on Wednesday.

MR. ECCLES: That is right, those will go back out again, but we expect this week to buy a substantial amount of bills. We think that there will be buying for several weeks to come. I don't know what, but I would say anywhere around twenty-five, fifty, or seventy-five millions we will be buying.

MR. BELL: There is this situation there, that the Chinese Government wants to invest two hundred million so that to the extent that that is invested it might offset yours. That is the same as adding reserves.

MR. ECCLES: That is right.

H.M.JR: What do they want to buy?

MR. BELL: They had asked the Federal for recommendations, and Rouse was going to cable them that in view of the nature of the fund that he thought they ought to put it in short-term securities, preferably, bills and certificates.

MR. ECCLES: Those funds are lying there in Fed, and they might just as well be out into the reserve picture now, so there will be two hundred million go out from there.

H.M.JR: What has happened the last week or so, or two weeks, in New York?

MR. BELL: A hundred thirty million, I think they went up last week.

MR. ECCLES: They fluctuate. Here is what has happened. The reserves May 6th went down to five thirty-three. Last week they went up to six sixty-two; this week with the payment for this financing they have gone down again to five thirty something.

MR. PISER: Thirty-four. That is only through Monday, of course. We don't have Tuesday's and Wednesday's figures.
MR. BELL: That is not a public report.

MR. ECCLES: No, this is for the week. Now, I don't think you are going to be able to keep reserves in New York for this reason, that as long as Fed stands ready to buy, which they know— they are not like the country bank, because they know they can buy today and sell tomorrow, and they are going to invest everything they have got. They are going to keep invested up, and you are not going to be able to keep reserves in there; they will buy everything and keep them right down in spite of everything you do. That was one reason that we were so anxious to get the bills widely distributed throughout the country and not rely upon the New York reserve picture, but to get the country as a whole, because these New York fellows will not keep those reserves. They are so hard pressed for earnings that they are going to invest every nickel that they can get hold of. That is their policy.

H.M.JR.: Well--

MR. ECCLES: It doesn't make any difference. I wouldn't be concerned whether they got the reserves or not, so long as we stand there ready to keep this pattern at three-eighths, on the one hand, and the other pattern on the other. Now, that is going to make the reserves you have got effective, and we are going to be just as concerned as you are about the successful financing; and if we feel something needs to be done on this reserve thing, we certainly don't want--

H.M.JR.: I would like you to go in it, because our boys still feel that way, and I think you can have a talk tomorrow.

MR. ECCLES: We will be glad to talk about it.

H.M.JR.: Stewart feels quite strongly about it. We will be in touch with each other. Thank you all for coming over.

MR. BELL: You had better announce this is going to be done early in the week, and not Monday.

H.M.JR.: I will get Schwarz.
Calendar of Direct and Guaranteed Bonds and Notes 1

April 1, 1942

(In millions of dollars)

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Fixed maturities</th>
<th>Callable issues 2</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Direct</td>
<td>Guaranteed</td>
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<tr>
<td>1942-Jan.</td>
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<td>Feb.</td>
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<td>June</td>
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<tr>
<td>July 1</td>
<td>RFO 1%</td>
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<tr>
<td>Aug.</td>
<td>HOLC 2-1/4% (1942-44)</td>
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<tr>
<td>Sept. 15</td>
<td>Note 2%</td>
<td>342</td>
<td></td>
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<tr>
<td>Oct. 15</td>
<td>RFO 7/8%</td>
<td>320(T)</td>
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<tr>
<td>Nov.</td>
<td>Note 1-3/4%</td>
<td>232</td>
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<td>Dec. 15</td>
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<td>574</td>
<td>596</td>
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<td>1943-Jan.</td>
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<td>Feb.</td>
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<tr>
<td>Mar. 15</td>
<td>Note 3/4%</td>
<td>66(T)</td>
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<td>Apr.</td>
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<tr>
<td>May 1</td>
<td>GOC 3/4%</td>
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<tr>
<td>June 15</td>
<td>Note 1-1/8%</td>
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<td>June 15</td>
<td>Bond 3-3/8% (1943-47)</td>
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<td>July 15</td>
<td>RFO 1-1/8%</td>
<td>324(T)</td>
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<td>Aug.</td>
<td>Note 1%</td>
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<td>Bond 3-1/4% (1943-45)</td>
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<td>Dec. 15</td>
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<td>1944-Jan.</td>
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<td>Feb. 1</td>
<td>USHA 1-3/8%</td>
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<td>Mar. 15</td>
<td>Note 1%</td>
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<td>Mar. 15</td>
<td>FFFO 3-1/4% (1944-46)</td>
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<tr>
<td>Apr. 15</td>
<td>Bond 3-1/4% (1944-46)</td>
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<td>Apr. 15</td>
<td>RFO 1%</td>
<td>571(T)</td>
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<td>May 1</td>
<td>HOLC 3%</td>
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<tr>
<td>May 15</td>
<td>FFFO 3% (1944-49)</td>
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<tr>
<td>June 15</td>
<td>Note 3/4%</td>
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1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.
### Calendar of Direct and Guaranteed Bonds and Notes 1/

**April 1, 1942**

(In millions of dollars)

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
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| Date       | Conversion 7% | 16 | | | |
|------------|---------------|----|----|----|
| 1946-Jan.  | Mar.15 Bond 3-3/4% (1946-56) | 503(T) | 489 | 1,519 |
|            | Mar.15 Bond 3-1/4% (1944-46) | |
|            | Apr.15 Bond 3% (1946-48) | | |
|            | May Bond 3-1/2% (1946-49) | |
|            | June 1 Bond 3% (1946-48) | | |
|            | June 15 Bond 3-1/2% (1946-49) | | |
|            | July Bond 3% (1946-48) | | |
|            | Aug Bond 3% (1946-48) | | |
|            | Sept. Bond 3% (1946-48) | | |
|            | Oct. Bond 3% (1946-48) | | |
|            | Nov. Bond 3% (1946-48) | | |
|            | Dec. Bond 3% (1946-48) | | |
|            | **Total** | 519 | 2,344 | 1,519 |

| Date       | Conversion 7% | 13 | | | |
|------------|---------------|----|----|----|
| 1947-Jan.  | Mar.15 Bond 1-1/2% (1945-47) | 1,115(T) | 454 | 755 |
|            | Mar.15 Bond 3-3/4% (1943-47) | | |
|            | Apr.15 Bond 3% (1946-48) | | |
|            | May Bond 3% (1946-48) | | |
|            | June 1 Bond 3% (1946-48) | | |
|            | June 15 Bond 3% (1946-48) | | |
|            | July Bond 3% (1946-48) | | |
|            | Aug Bond 3-1/4% (1945-47) | | |
|            | Sept. Bond 4-1/4% (1947-52) | 759 | 1,214 | |
|            | Oct. Bond 2% (1947-52) | 701 | 1,668 | 755 |
|            | Nov. Bond 2% (1947-52) | | |
|            | Dec. Bond 2% (1947-52) | | |
|            | **Total** | 714 | 759 | 1,668 |

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<td>Sept. Bond 2-1/2%</td>
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<td></td>
<td>Nov. Bond 2-1/2%</td>
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<td>Dec. Bond 2-1/2%</td>
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<table>
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<th>835</th>
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<td>June 15 Bond 3-1/8% (1949-50)</td>
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<td>July Bond 3-1/8% (1949-50)</td>
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<td>Aug Bond 3-1/2% (1949-53)</td>
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<td>Oct. Bond 3-1/2% (1949-53)</td>
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<tr>
<td></td>
<td>Nov. Bond 3-1/2% (1949-53)</td>
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1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.
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<td>Total</td>
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1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

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### Calendar of Direct and Guaranteed Bonds and Notes 1/

**April 1, 1942**

(In millions of dollars)

<table>
<thead>
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<th>Date</th>
<th>Description</th>
<th>Fixed maturities</th>
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2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Regraded Unclassified
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<th>Date</th>
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<th>Fixed maturities</th>
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1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.
Calendar of Direct and Guaranteed Bonds and Notes 1/
April 1, 1942
(In millions of dollars)

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<td>Bond 2-3/4% (1960-65)</td>
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</table>
| 1/2/       | Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders. Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.
Calendar of Direct and Guaranteed Bonds and Notes 1/
April 1, 1942
(In millions of dollars)

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1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.
### Sales of United States Savings Bonds

**From May 1 through May 19, 1942**

Compared with Sales Quota for Same Period

(At Issue Price in millions of dollars)

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

May 20, 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.

* Takes into account both the daily trend during the week and the monthly trend during the month.*
# Sales of United States Savings Bonds

**From May 1 through May 19, 1942**

**Compared with Sales Quota for Same Period**

*(At issue price in millions of dollars)*

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

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.

* Takes into account daily trend within the week, but does not take into account the trend by weeks during the month.

May 20, 1942.
My dear Henry:

Thank you for your letter of May 19, 1942, and the enclosure of your Circular No. 77 describing the War Department's "Pay Reservation" Plan.

One hundred copies of my letter of April 25th have been sent to the Chief of Finance, War Bond Division, in accordance with your request.

I am aware of the efforts being made by the War Department to promote the sale of War Savings Bonds, and you have my gratitude for keeping this subject before all military and civilian personnel in your Department.

Sincerely,

(Signed) Henry

The Honorable
The Secretary of War
Washington, D. C.
MAY 12 1942

The Honorable,

The Secretary of the Treasury.

Dear Henry:

Receipt is acknowledged of your letter of April 25, 1942, and the inclusions contained therewith.

I have no criticisms or suggestions to make concerning your circular letter of April 25, 1942, or the pamphlet, "Enlist Your Current Savings to Help Win This War". Both are admirably prepared, and should, I believe, help materially in stimulating War Bond sales throughout the country. May I ask that 100 copies of each publication be sent to the Chief of Finance, War Bond Division, 19th & A Streets, S.E., Washington, D.C., so that the information contained therein can be transmitted throughout the Army?

I am making every effort, as you know, to impress upon all personnel (military or civilian) in or under the War Department, the desirability of making voluntary purchases of War Savings Bonds and Stamps. A "Pay Reservation" Plan for the installment purchasing of War Bonds is now in full operation throughout the Military Establishment and Corps Area and similar commanders are taking energetic steps to educate military personnel as to the advantages that will accrue to both the purchaser and the government from the systematic and regular purchase of these securities. I am including a copy of W.D. Circular No. 77, March 16, 1942, which explains the principal features of the War Department Plan. Your attention is particularly invited to Section I of this circular.

Sincerely yours,

HENRY L. STIMSON

Secretary of War.

1 Encl.
W.D. Circular No. 77

TO ACCOMPANY ORIGINAL
CIRCULAR
No. 77

WAR DEPARTMENT,
WASHINGTON, March 16, 1942.


1. Pay reservation plan for purchase of United States Defense Savings Bonds by military personnel (officers, Army nurses, warrant officers, contract surgeons, enlisted men) and civilian employees.


b. The program for the sale of Defense Savings Bonds and Stamps will involve—

(1) A continuous educational program sufficiently comprehensive to reach all Army personnel and all civilian employees in or under the War Department.

(2) Methods for effecting the purchase of Defense Savings Bonds.

(3) Methods for effecting the purchase of Defense Savings Stamps.

c. In accomplishing these objectives the procedure outlined below will be followed.

2. Educational program.—a. Purpose.—Prior to the actual securing of voluntary subscriptions for the purchase of Defense Savings Bonds an intensive educational program will be conducted during which all members of the Army (officers, nurses, warrant officers, contract surgeons, enlisted men) and civilian employees in or under the War Department will be thoroughly informed as to the objectives to be achieved, the benefits to be derived from the purchase of Defense Savings Bonds and Stamps, and the procedures to be followed in purchasing them. Commanders responsible for the conduct of the educational program (see b below) will be supplied with informational literature in sufficient quantities to cover their needs for this purpose. This literature will be widely distributed and utilized to the best advantage. Subsequent supplies will be requested of the Chief of Finance, Defense Bond Division, New Armory Building, 18th and A Streets, S. E., Washington, D. C.

b. Responsibility.—The following commanders will be responsible for the effective inauguration and prosecution of the educational program which must be continued indefinitely so as to reach personnel newly inducted into the service:

(1) Corps area commanders.—(a) All Army personnel and civilian employees under the War Department located within the geographical limits of their corps areas (except personnel on duty in the War Department or in military installations located within the District of Columbia), including those of exempted establishments and tactical units. The Commanding General, Second Corps Area, will also have this responsibility with respect to the Greenland and Newfoundland Base Commands.

(b) The responsibility for the educational program has been assigned to corps area commanders as such assignment provides the simplest decentralization for effective action. So far as the conduct of the program pertains to tactical units, corps area commanders or their representatives will make arrangements satisfactory to the commanders of theaters of operation, armies, air forces, and the commanders of subordinate tactical units. Similar arrangements will be made with the commanders of independent establishments. The instructions contained herein do not affect the authority of commanders of tactical units or independent establish-
ments. However, such commanders will cooperate with and assist corps area commanders in every practical way in making arrangements for the conduct of educational programs within the elements of their commands. Corps area Defense Bond officers should be permitted and encouraged to deal directly with commanders of units of the field forces and with commanders of independent establishments.

(2) Department commanders.—All Army personnel and civilian employees under the War Department located within the geographical limits of their departments. The Commanding General, Puerto Rican Department, will also have this responsibility with respect to the Antigua and Jamaica Base Commands. The Commanding General, Panama Canal Department, will also have this responsibility with respect to the British Guiana, Saint Lucia, and Trinidad Base Commands, and with respect to the U. S. Army Forces in Aruba, Curacao, and Surinam.

(3) Commanding General, Bermuda Base Command.—All Army personnel and civilian employees under the War Department located within the geographical limits of his base command.

(4) Commanding General, Alaskan Defense Command.—All Army personnel and civilian employees under the War Department located within the geographical limits of his defense command.

(5) Commanding General, U. S. Army Forces in Iceland.—All Army personnel and civilian employees under the War Department within his command.

(6) Commanding General, U. S. Army Forces in British Isles.—All Army personnel and civilian employees under the War Department within his command.

(7) Commanding General, U. S. Army Forces in Australia.—All Army personnel and civilian employees under the War Department within his command.

(8) Commanding General, Army Ground Forces.—All War Department personnel on duty in his office.

(9) Commanding General, Army Air Forces.—All War Department personnel on duty in his office.

(10) Commanding General, Services of Supply.—All War Department personnel on duty in his office.

(11) Chief of all supply arms and services.—All War Department personnel on duty in their respective offices.

(12) Chiefs of all administrative services.—All War Department personnel on duty in their respective offices.

(13) Executive officer, Office of Under Secretary of War.—All War Department personnel on duty in that office.

(14) Secretary, War Department General Staff.—All War Department personnel on duty with the War Department General Staff.

(15) Commanding generals or commanding officers of each of the following military installations in the District of Columbia.—All personnel under their respective commands:

(a) Army Medical Center.
(b) Washington Quartermaster Depot.
(c) Headquarters and Headquarters Company, Washington Provisional Brigade.
(d) General Dispensary, U. S. Army.
(e) Finance Office, U. S. Army.

c. Defense Bond officer.—(1) Each corps area and department command, and the commanding general of the Alaskan Defense Command, of the U. S. Army Forces in Iceland, of the U. S. Army Forces in the British Isles, and of the U. S. Army Forces in Australia will designate, without delay, as a member of their special staffs, a Defense Bond officer. Corps area commanders are also authorized to appoint an assistant corps area Defense Bond officer.

(2) Selection of Defense Bond officers should be determined initially from the officers present on duty in the respective corps areas, and should be officers whose age will prohibit their being placed on duty with troops. Corps area Defense Bond officers will supervise Defense Bond and Stamp activities at the various posts and stations and will see that necessary arrangements are made for the conduct of educational programs for tactical units and independent establishments.

(3) Selection of Defense Bond officers will not be restricted to any arm or service, and their detailed and relief are the responsibility solely of the commander concerned.

(4) The success or failure of the program will depend largely upon the interest, enthusiasm, ingenuity, and the executive ability of the Defense Bond officer. He will be responsible for the inauguration and energetic prosecution of the program; hence he should be charged with no other duties since his activities as Defense Bond officer will require his undivided attention.

d. Conduct.—(1) While no competitive campaign will be instituted, the educational program will be so thorough that all Army personnel and civilian employees in or under the War Department will be acquainted with the desirability and methods of purchasing bonds and stamps. All will have impressed upon them not only the opportunity offered to provide for their own security but the greater importance of providing funds for the support of the Government of the United States in time of need.

(2) Corps area and department commanders and the commanding generals of the Alaskan Defense Command, of the U. S. Army Forces in Iceland, of the U. S. Army Forces in the British Isles, and of the U. S. Army Forces in Australia will at once take steps to establish their Defense Bond organizations. Post and other subordinate commanders will take such measures as may be desirable to accomplish the objectives prescribed herein. Post commanders will be responsible for the conduct of the educational program at their respective stations. Under the supervision of the corps area or department Defense Bond officer, they may be employed to make necessary arrangements with tactical commanders for the conduct of the educational program within such organizations.

(3) Members of the Defense Savings Staff, U. S. Treasury Department, in each State are ready to extend full cooperation to all military organizations and will provide speakers and such other help as may be requested.

(4) Officers responsible for the educational program in the District of Columbia (see (b) above) will assure themselves that all Army personnel and civilian employees on duty in their respective offices or commands are fully acquainted with the importance of purchasing Defense Bonds and Stamps and the methods available for such purchases.

(5) In order to proceed without loss of time and to carry on the program effectively, full advantage should be taken of the echelons of command by placing the work under the direct charge of officers, assisted by noncom-
missioned officers and civilians selected for the duty and impressed with
the patriotic necessity of making it a pronounced success.

c. Effective date.—(1) It is realized that corps area and similar com-
manders will require time to establish their Defense Bond organizations
and to conduct the educational program. Time will also be required for
the War Department to supply such commanders with educational liter-
ature, authorization forms, etc. No definite date will therefore be fixed by
the War Department for the securing of authorizations in the manner
indicated hereafter for the purchase of Defense Bonds. When corps area
and similar commanders have completed the educational program and
have received and distributed the authorization and cancellation forms
(W. D. Form Nos. 29-5 and 30-5), they will then take effective mea-
sures to secure voluntary subscriptions for the purchase of Defense Savings
Bonds.

(2) Similar action will be taken by the officers responsible for the edu-
cational program in the District of Columbia (see b above).

3. Purchase of bonds.—a. Bonds will be purchased by a "Pay Reserva-
tion" plan, the actual accounting for which will be centralized in Wash-
ington in a newly created division in the office of the Chief of Finance.

b. Details concerning the Pay Reservation plan are contained in section
II of this circular.

c. Procedure to be followed by local disbursing officers is prescribed in
Finance Bulletin No. 34, March 18, 1942.

4. Purchase of Stamps.—Corps area Defense Bond officers should assure
themselves that each post, camp, and station within the corps area has
provided effective and convenient facilities for the cash purchase of Defense
Savings Stamps. Similar action will be taken by Defense Bond officers of
departments. Consideration should be given to the sale of stamps by
exchanges, company funds, and like agencies.

5. Chief of Finance.—a. The Chief of Finance is hereby designated as
the War Department agent in the management and direction of all edu-
cational, financial, accounting, and other operations incident to the inaugu-
ration and prosecution of the Defense Savings Bond and Stamp program
throughout the Military Establishment.

b. The Chief of Finance will develop methods and procedures which will
insure the success of the program and which will enable him at all times
to know the state of participation of Army personnel therein. In accom-
plishing these missions he is authorized to deal direct with the Chief of Finance with respect to all
matters pertaining to the sale of Defense Savings Bonds.

II. Pay reservation plan for purchase of United States Defense Savings
Bonds by military personnel (officers, Army nurses, warrant officers, con-
tract surgeons, enlisted men) and civilian employees.—1. General.—a. Defi-
tions.—(1) Pay reservation.—The words "pay reservation" as used herein
refer to a definite portion of the pay of an officer, Army nurse, warrant
officer, contract surgeon, enlisted man of the Army, or civilian employee
in or under the War Department, or in or under the War Department, which, when paid out, will be used for the
purchase of United States Defense Savings Bonds. Reservations of pay
are purely voluntary acts of the subscribers; they carry no corresponding
allowance or other obligation of the Government, and require no adminis-
trative adjudication to become effective. They are revocable at the will
of the subscriber.

(2) Subscriber.—The "subscriber" is the person who authorizes a pay
reservation to be made from his pay.

b. Classification.—Pay reservations authorized under the provisions of
this circular are designated "Class A Pay Reservations." They should not
be confused with Class B allotments or Class D or Class N deductions.

2. Accomplishment.—a. By whom made.—Class A pay reservations may
be requested by commissioned officers, Army nurses, warrant officers, con-
tract surgeons, enlisted men, and civilian employees in or under the War
Department, no matter where they may be located so long as such indi-
viduals are being paid on pay rolls or pay vouchers administratively ex-
sanied by the Chief of Finance or Chief of Engineers, or which are paid
by the Chief Disbursing Officer, Treasury Department. Retired military
officers may also be permitted to make such pay reservations. Contractor's
employees, paid by contractors and not by Army disbursing officers, are not
authorized to make Class A pay reservations under this plan.

b. Amount.—Class A pay reservations will be accepted only in multiples
of $1.25 and in the minimum amounts indicated in (1), (2), (3), and (4)
below.

c. Procedure.—(1) Class A pay reservations will be prepared in quadru-
plets on the authorization form (W. D. Form No. 32-5). The original
and duplicate of each form will be sent direct to the Chief of Finance,
Defense Bond Division, New Armory Building, 19th and A Streets, SE,
Washington, D. C. The triplicate will be retained by the commanding
officer or personnel officer. In the event subscriber certifies his own vouchers
he will give the triplicate copy of authorization form to his commanding
officer or personnel officer. The quadruplicate will be retained by the
subscriber.

(2) The subscriber (if he prepares and certifies his own vouchers), or the
commanding officer or personnel officer (in all other cases) is responsible
that the pay reservation is immediately entered on all pertinent records as
a charge against the pay of the subscriber, and further, that such charge
has been entered on the pay voucher or pay roll as a deduction for the
period for which the reservation was authorized. These charges will be
made on the pay voucher or pay roll in the following manner: In the service records of enlisted men
(W. D. A. G. O. Form No. 24), under "Remarks-Financial," will be en-
tered the remark "Class A Pay Reservation $____ per month from ___
19____-." This same remark will be entered on the first pay roll
or individual voucher of all personnel. On pay rolls of enlisted men
(War Department Forms Nos. 386 and 386a), the monthly deduction for
Defense Bonds will be entered opposite the name of each subscriber. The
column "Subsistence" under "Allowances" will be used for this purpose.
In the event no subsistence allowances appear, the caption "Subsistence"
will be changed to read "Class A Pay Reservations." In the event both
subsistence allowances and Defense Bond deductions appear on the same
pay roll, the caption "Subsistence" will be changed to read "Subsistence
and Class A Pay Reservations," and a capital "S" will be placed after
each entry for subsistence; in the column for the Defense Bond deduction listed.

On pay and allowance accounts (War Department Form No. 386), the remark "Class A Pay Reservation" will be entered in the
blank space following item 14, and the amount of each monthly deduction

Regarded Unclassified
entered in the proper column. Class A pay reservations authorized by
civilian employees will be listed on pay rolls under the heading "Deductions"
in the column "other," which will be changed to read "Class A Pay Reservations." When deductions, except for Defense Bonds, are listed in
this column, the word "other" will be appropriately changed, and a
capital "A" will be placed after each Defense Bond deduction listed.
d. When not accepted.—Class A pay reservations will not be accepted when:
(1) Reservation is for an amount which is not a multiple of $1.25.
(2) Reservation authorized by a commissioned officer, Army nurse, war
ton officer, or contract surgeon is for less than $3.75 per month.
(3) Reservation authorized by an enlisted man is for less than $1.25 per month.
(4) Reservation authorized by a civilian employee is for less than $1.25
per day if employee is paid weekly; or for less than $2.50 per pay day if
employee is paid semimonthly.
(5) Subscriber already has a class A pay reservation in effect. (Only one
reservation per subscriber is permitted.)
(6) Subscriber designates as place of delivery of bonds an address out-
side the limits of the 48 states of the Union or the District of Columbia.
(7) Subscriber has not supplied all essential data required by the authori-
zation form (W. D. Form No. 22-5).
(8) A civilian subscriber is a contractor's employee not paid by an Army
disbursing officer.
e. The minimum of $1.25 per month has been established for enlisted men
in order to permit them to participate in the program as soon as they are
inducted into the service. It is believed, however, that enlisted men having
more than 4 months' service should be authorized at least $3.75 per month.
f. Effective date and period.—Class A pay reservations will not be made
effective prior to the date of commission, enlistment, or induction of military
personnel, or prior to the date of appointment of civilian employees. Such
deductions will not extend beyond the date the individual is discharged,
relieved from active duty; or otherwise separated from the service.
3. Changes, discontinuances, suspensions, renewals, refunds.—a.
Changes.—Changes in amounts of class A pay reservations at any time under the
conditions listed in (2) below by properly executing W. D. Form No. 80-5
in quadruplicate. The four copies of this form will be disposed of as were the copies
of the original authorization.
b. Discontinuances.—(1) Subscribers (if they prepare and certify their
own vouchers), commanding officers or personnel officers (in all other cases)
may discontinue or cancel class A pay reservations at any time under the
conditions listed in (2) below by properly executing W. D. Form No. 80-5
in quadruplicate, and disposing of the four copies thereof as were the copies
of the original authorization. Particular care will be exercised to ensure
the prompt discontinuance of a class A pay reservation in case of the death
of the subscriber.
(2) Requests for discontinuance of class A pay reservations will be
submitted:—
(a) Upon the request of a subscriber.
(b) Upon the death, desertion, or mental incapacitation of a subscriber.
(c) Whenever, because of reduction in grade, continued misconduct, stop-
page of pay, loss of or damage to Government property, or for any other
reason, the subscriber's available pay will not warrant continuance of the
reservation.
(d) When forfeiture of pay by sentence of court martial is such that if
the reservation is continued, the forfeiture cannot be collected in full prior
to the discharge of the subscriber.
(e) Whenever the status of a subscriber changes from that of an officer;
contract surgeon, or enlisted man, or vice versa.
f. Renewal.—In the case of a civilian subscriber, the voucher period
for which the subscriber is paid has been changed from the period in
which original authorization was made; (see par. (f) below). In such
cases, the subscriber must authorize a new class A pay reservation in
accordance with the new voucher period.
(2) When notice of a discontinuance of a class A pay reservation has been
mailed by the subscriber (if he prepares and certifies his own vouchers);
by the commanding officer or personnel officer (in all other cases),
deductions for such reservations may cease at once.
(g) When a class A pay reservation of an enlisted man has been dis-
continued the remark, "Class A Pay Reservation §— per month from
(2) discontinued—(1) will be entered under "Remarks-Financial" of the service record.
(c) Suspensions.—When a subscriber on any pay day is unable to meet
the conditions of his authorization, no notice of that fact will be sent to
the Secretary of the Navy, Defense Bond Division, Washington, D. C.
d. Renewals.—(a) Class A pay reservations once canceled or discontinued
will not be renewed under authority contained in original authorization.
(b) It is desired to renew or cancel a new authorization a new W. D. Form No.
29-5 must be submitted.
(e) Refunds.—Payment of all refunds pertaining to class A pay reserva-
tions will be made by the Secretary of the Navy, Defense Bond Division,
New Army Building, 19th and A Streets, S. E., Washington, D. C. Any balance remaining to the credit of a subscriber and which has
not been liquidated by the purchase of a Defense Bond will be sent
him. The proceeds from such class A pay reservations will be credited
the subscriber at the address he directed to be used when he signed original authori-
ization form (Form No. 29-5). In the event the subscriber is no longer a
member of the Military Establishment, the Secretary of the Navy, Defense Bond
Division, Washington, D. C., will require such proof of identity, etc., as may
be necessary before making refunds.
A. Discontinuance by court martial and stoppage of pay.—When authori-
tized stoppages are in excess of two-thirds of the accrued pay of a subscriber no
deduction for class A pay reservation will be made. Such deductions will
be resumed only when the subscriber has sufficient credits to justify such
action.
5. Miscellaneous.—a. The instructions appearing on the reverse of Forms Nos. 29-5 and 30-5 are very important and should be strictly followed.

b. Receipt of Forms Nos. 29-5 and 30-5 will not be acknowledged by the Chief of Finance, Defense Bond Division, Washington, D. C.

c. The original of Forms Nos. 29-5 and 30-5 which are incorrectly or incompletely executed will be returned to the sender. The Chief of Finance, Defense Bond Division, will indicate on such forms or in a letter of transmittal why such forms cannot be accepted. Forms returned to sender should be destroyed and new ones prepared and submitted to the Chief of Finance, Defense Bond Division.

d. The copies of Forms Nos. 29-5 and 30-5 which are retained by commanding officers or personnel officers of enlisted men will be fastened securely in the service record (W. D., A. O. O. Form No. 24). In the case of subscribers who certify their own vouchers, such copies will be filed until subscriber is no longer on duty in that organization, at which time they will be returned to subscriber. In the case of civilian employees, such copies will be filed until subscriber is transferred to a new permanent duty station within the War Department, at which time they will be forwarded to his new station.

e. Deductions for class A pay reservations will not normally be made on final statements or final pay rolls. The account of a subscriber will ordinarily be closed out as of the end of a pay period prior to the date subscriber ceases to be a member of the Military Establishment. Form No. 30-5 should be used for this purpose.

f. Class A pay reservations of civilian subscribers will be authorized "per month," "per semimonth," or "per week" to agree with pay periods. Where pay periods do not coincide with periods for which pay rolls of disbursing officers are stated, the authorizations will be executed to agree with the pay roll period.

g. Personnel officers preparing pay rolls for War Department personnel paid by the Chief Disbursing Officer, Treasury Department, Washington, D. C., will furnish that officer an additional copy of each pay roll on which class A pay reservations appear. This copy will be plainly marked or stamped: "Forward to Chief of Finance, U. S. Army, Accounting Division, 401 23d Street, N. W., Washington, D. C." Each such pay roll will be accompanied by Schedule of Voucher Deductions (Standard Form No. 1006), in quadruplicate, indicating thereon the title of the roll and the total collections on that roll only.

h. The Chief of Engineers, with respect to class A pay reservations authorized by employees of the Corps of Engineers engaged upon river and harbor work will furnish the Chief of Finance, Accounting Division, 401 23d Street, N. W., Washington, D. C., Schedules of Voucher Deductions (Standard Form No. 1006), in duplicate, showing by disbursing officer's voucher number and by name of employee the amounts withheld from the pay of such employees on account of class A pay reservations, together with the duplicate copy of Treasury Department Form No. 6669, indicating that the disbursing officer involved has deposited to the credit of the Disbursing Officer, War Department, Defense Bond Division, Office Chief of Finance, the total amounts shown on these various Standard Forms No. 1006.

i. Bonds will be dated as of the month in which the last payment therefor has been made.

j. The Treasury Department will mail bonds to an address within the 48 States of the Union or District of Columbia only, or will hold bonds in safekeeping at no expense to purchaser. Subscribers who are seldom at home when mail is delivered should designate their business or place of employment address rather than their residence address.

k. Inquiries concerning nonreceipt of bonds, refunds, etc., should be sent direct to the Chief of Finance, Defense Bond Division, New Armory Building, 19th and A Streets, S. E., Washington, D. C., under whose direction all individual installment records will be kept. No inquiry concerning nonreceipt of bonds or refunds should be made prior to 90 days from the date last deduction therefor was made.

l. Requests for educational material and supplies of Forms Nos. 29-5 and 30-5 should be sent to the Chief of Finance, Defense Bond Division, New Armory Building, 19th and A Streets, S. E., Washington, D. C., through the corps area or department Defense Bond officers.

m. Commanding officers will encourage personnel of their commands to make voluntary reservations of pay for the purchase of Defense Savings Bonds. All enlisted men will be given an opportunity to authorize class A pay reservations at the time of their enlistment or induction into the military service. Pending publication of changes, MR 1-7, October 1, 1940, is amended in this respect.

n. Any instructions in conflict with the provisions of this circular are hereby revoked.

o. This circular will be given wide publicity.

TO Secretary Morgenthau
FROM Mr. Haas

The four tables attached present data on corporations qualifying as issuing agents during the week ended May 16. A summary of the data incorporated in the tables follows:

1. On May 16, there were 1,624 corporations qualified to issue war savings bonds purchased by their employees under the payroll savings plan. These companies employed almost five million workers, roughly one-fourth the total number covered by payroll savings plans. (Table 1)

2. During the week ended May 16, 149 corporations qualified as issuing agents for war savings bonds. The number of corporations which qualified as issuing agents during this week and the week ended May 9 was considerably higher than during preceding weeks. (Table 2)

3. Of the 4,773 corporations with 500 or more employees which had payroll savings plans, 1,064, or 22 percent, had become qualified issuing agents by May 16. The Federal Reserve Banks of Richmond and Minneapolis are lagging behind the other banks in qualifying larger corporations as issuing agents. These banks, it is noted, qualified only 11 percent of the larger corporations in their districts. (Table 3)

4. There were 20 corporations with 5,000 or more employees which qualified as issuing agents during the past week, among them the Pennsylvania Railroad and the Chrysler Corporation. Together, these 20 corporations employed 372,000 workers, or 72 percent of the 516,000 workers employed in all corporations qualifying during the week ended May 16. (Table 4)
# Table 1

Corporations Acting as Issuing Agents for Savings Bonds Purchased by Their Employees Under Payroll Savings Plans January 31, 1942 to date

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of corporations acting as issuing agents</th>
<th>Number of employees in corporations acting as issuing agents</th>
<th>Number of employees in all corporations</th>
<th>Percent of employees in corporations acting as payroll plans in the country</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 31....</td>
<td>351</td>
<td>*</td>
<td>15,000,000</td>
<td>*</td>
</tr>
<tr>
<td>February 28....</td>
<td>686</td>
<td>*</td>
<td>17,000,000</td>
<td>*</td>
</tr>
<tr>
<td>March 28.......</td>
<td>931</td>
<td>*</td>
<td>19,000,000</td>
<td>*</td>
</tr>
<tr>
<td>April 4.......</td>
<td>980</td>
<td>*</td>
<td>19,000,000</td>
<td>*</td>
</tr>
<tr>
<td>April 11......</td>
<td>1,050</td>
<td>*</td>
<td>20,000,000</td>
<td>*</td>
</tr>
<tr>
<td>April 18......</td>
<td>1,110</td>
<td>3,179,3149</td>
<td>20,000,000</td>
<td>15.9</td>
</tr>
<tr>
<td>April 25.......</td>
<td>1,223</td>
<td>3,449,927</td>
<td>20,000,000</td>
<td>17.2</td>
</tr>
<tr>
<td>May 2...........</td>
<td>1,331</td>
<td>3,934,448</td>
<td>20,000,000</td>
<td>19.7</td>
</tr>
<tr>
<td>May 9...........</td>
<td>1,475</td>
<td>4,401,738</td>
<td>20,000,000</td>
<td>22.0</td>
</tr>
<tr>
<td>May 16..........</td>
<td>1,624</td>
<td>4,917,904</td>
<td>20,000,000</td>
<td>24.6</td>
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Office of the Secretary of the Treasury, Division of Research and Statistics. May 19, 1942.

* Not available.
<table>
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<th>Federal Reserve District</th>
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<th>April 25</th>
<th>May 2</th>
<th>May 9</th>
<th>May 16</th>
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<td>2</td>
<td>3</td>
<td>11</td>
<td>4</td>
<td>11</td>
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<tr>
<td>New York</td>
<td>32</td>
<td>65</td>
<td>35</td>
<td>41</td>
<td>26</td>
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<tr>
<td>Philadelphia</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Cleveland</td>
<td>4</td>
<td>11</td>
<td>11</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>Richmond</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Atlanta</td>
<td>1</td>
<td>-</td>
<td>7</td>
<td>21</td>
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</tr>
<tr>
<td>Chicago</td>
<td>5</td>
<td>11</td>
<td>8</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>St. Louis</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>-</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Kansas City</td>
<td>1</td>
<td>3</td>
<td>10</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Dallas</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>San Francisco</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>113</strong></td>
<td><strong>108</strong></td>
<td><strong>144</strong></td>
<td><strong>149</strong></td>
</tr>
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</table>

Office of the Secretary of the Treasury, Division of Research and Statistics. May 19, 1942.
### Table 3

Progress of the Federal Reserve Banks in Appointing Corporations With 500 or More Employees as Issuing Agents

<table>
<thead>
<tr>
<th>Federal Reserve District</th>
<th>Number of corporations with 500 or more employees in the Federal Reserve District</th>
<th>Number of corporations with 500 or more employees appointed as issuing agents</th>
<th>Percent appointed as issuing agents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>May 9 : May 16</td>
<td>Week Ended May 9 : May 16</td>
<td></td>
</tr>
<tr>
<td>Boston</td>
<td>475</td>
<td>77</td>
<td>16</td>
</tr>
<tr>
<td>New York</td>
<td>902</td>
<td>194</td>
<td>22</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>427</td>
<td>146</td>
<td>34</td>
</tr>
<tr>
<td>Cleveland</td>
<td>592</td>
<td>82</td>
<td>14</td>
</tr>
<tr>
<td>Richmond</td>
<td>446</td>
<td>43</td>
<td>10</td>
</tr>
<tr>
<td>Atlanta</td>
<td>228</td>
<td>30</td>
<td>13</td>
</tr>
<tr>
<td>Chicago</td>
<td>868</td>
<td>254</td>
<td>29</td>
</tr>
<tr>
<td>St. Louis</td>
<td>152</td>
<td>34</td>
<td>22</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>101</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Kansas City</td>
<td>147</td>
<td>23</td>
<td>16</td>
</tr>
<tr>
<td>Dallas</td>
<td>72</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>San Francisco</td>
<td>368</td>
<td>43</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,778</strong></td>
<td><strong>954</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

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

May 19, 1942.
<table>
<thead>
<tr>
<th>Company</th>
<th>Number of Employees</th>
<th>Company</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ford Motor Company, Detroit, Mich.</td>
<td>112,925</td>
<td>Chrysler Corp., Detroit, Mich.</td>
<td>51,004</td>
</tr>
<tr>
<td>Federal Cartridge Corp., New Brighton, Minnesota</td>
<td>10,000</td>
<td>John Hancock Mutual Life Insurance Co., Boston, Mass.</td>
<td>11,555</td>
</tr>
<tr>
<td>Consolidated Steel Corp. of Texas, Orange, Texas</td>
<td>8,042</td>
<td>Libby, McNeill &amp; Libby, Chicago, Ill.</td>
<td>10,080</td>
</tr>
<tr>
<td>Walworth Corporation, New York, New York</td>
<td>8,000</td>
<td>Seattle-Tacoma Shipbuilding Corp., Seattle, Wash.</td>
<td>9,702</td>
</tr>
<tr>
<td>Electric Boat Corporation, Bayonne, New Jersey</td>
<td>7,200</td>
<td>Magnolia Petroleum Co., Dallas, Tex.</td>
<td>9,440</td>
</tr>
<tr>
<td>Hazel-Atlas Glass Co., Wheeling, West Virginia</td>
<td>6,640</td>
<td>The Murray Corporation of America, Detroit, Mich.</td>
<td>9,325</td>
</tr>
<tr>
<td>Standard Oil Co. of Louisiana, Baton Rouge, La.</td>
<td>6,568</td>
<td>Loose Wiles Biscuit Co., Kansas City, Missouri</td>
<td>7,805</td>
</tr>
<tr>
<td>General Cigar Company, New York, New York</td>
<td>6,000</td>
<td>Avondale Mills, Sylacauga, Ala.</td>
<td>6,556</td>
</tr>
<tr>
<td>Liggett Drug Company, New York, New York</td>
<td>6,000</td>
<td>Norton Co., Worcester, Mass.</td>
<td>6,010</td>
</tr>
<tr>
<td>Georgia Power Company, Atlanta, Georgia</td>
<td>5,113</td>
<td>Lever Bros. Co., Cambridge, Mass.</td>
<td>5,952</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hearst Publications, Inc., San Francisco, Calif.</td>
<td>5,579</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Curtis-Wright Corp., (Propeller Div.), Caldwell, N. J.</td>
<td>5,000</td>
</tr>
<tr>
<td>Subtotal Companies with 5,000 or more employees</td>
<td>348,327</td>
<td>Southern California Gas Co., Los Angeles, Calif.</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Union Electric Company of Missouri, St. Louis, Mo.</td>
<td>5,000</td>
</tr>
<tr>
<td>2. All other companies</td>
<td>118,962</td>
<td>Subtotal Companies with 5,000 or more employees</td>
<td>371,583</td>
</tr>
<tr>
<td>3. Total all companies qualifying</td>
<td>467,290</td>
<td>All other companies</td>
<td>244,583</td>
</tr>
</tbody>
</table>

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

May 19, 1942.

Regraded Unclassified
Analysis of Exposure to Payroll Savings Plans
May 16, 1942

<table>
<thead>
<tr>
<th>Part A - Summary by Number of Organizations Exposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Business Organizations</td>
</tr>
<tr>
<td>(1) Firms with 5,000 employees or more ..........</td>
</tr>
<tr>
<td>(2) Firms with 500 to 4,999 employees ..........</td>
</tr>
<tr>
<td>(3) Firms with 100 to 499 employees ..........</td>
</tr>
<tr>
<td>(4) Subtotal - large firms ..........</td>
</tr>
<tr>
<td>(5) Firms with less than 100 employees ..........</td>
</tr>
<tr>
<td>(6) Total business organizations ..........</td>
</tr>
</tbody>
</table>

II. Governmental organizations .....................

III. Grand total ....................................

<table>
<thead>
<tr>
<th>Part B - Summary by Number of Employees Exposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Business organizations</td>
</tr>
<tr>
<td>(1) Firms with 5,000 employees or more ..........</td>
</tr>
<tr>
<td>(2) Firms with 500 to 4,999 employees ..........</td>
</tr>
<tr>
<td>(3) Firms with 100 to 499 employees ..........</td>
</tr>
<tr>
<td>(4) Subtotal - large firms ..........</td>
</tr>
<tr>
<td>(5) Firms with less than 100 employees ..........</td>
</tr>
<tr>
<td>(6) Total business organizations ..........</td>
</tr>
</tbody>
</table>

II. Governmental organizations .....................

(1) Federal Government ....................................

(2) State and local governments .....................

(3) Total governmental organizations ............... 1,481,195 | 4,600,000 | 34 |

III. Grand total .................................... 21,461,195 | 34,800,000 | 62 |

Office of the Secretary of the Treasury,
Division of Research and Statistics.
May 22, 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.
Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans
(As reported by the Defense Savings Staff's State Administrators)

<table>
<thead>
<tr>
<th>State</th>
<th>Number of firms with payroll savings plans</th>
<th>Total number of firms (estimated)</th>
<th>Percent of total having payroll savings plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Apr. 18</td>
<td>May 9</td>
<td>May 16</td>
</tr>
<tr>
<td>Alabama</td>
<td>144</td>
<td>184</td>
<td>194</td>
</tr>
<tr>
<td>Arizona</td>
<td>45</td>
<td>47</td>
<td>46</td>
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<tr>
<td>Arkansas</td>
<td>518</td>
<td>555</td>
<td>561</td>
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<tr>
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<td>133</td>
<td>116</td>
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<tr>
<td>Southern California</td>
<td>217</td>
<td>190</td>
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<tr>
<td>Railroads</td>
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<td>49</td>
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<tr>
<td>Total</td>
<td>15,365</td>
<td>16,759</td>
<td>17,248</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics.
Data are for May 9, inasmuch as no May 16 report was received.
<table>
<thead>
<tr>
<th>State</th>
<th>Number of firms with payroll savings plans</th>
<th>Total number of firms (estimated)</th>
<th>Percent of total having payroll savings plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Apr. 18</td>
<td>May 9</td>
<td>May 16</td>
</tr>
<tr>
<td>Alabama</td>
<td>441</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Arizona</td>
<td>12</td>
<td>9</td>
<td>18</td>
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<tr>
<td>Arkansas</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Northern California</td>
<td>122</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>Southern California</td>
<td>22</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Colorado</td>
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<tr>
<td>Connecticut</td>
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<td>Delaware</td>
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<td>16</td>
<td>16</td>
</tr>
<tr>
<td>District of Columbia</td>
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<td>125</td>
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<td>Florida</td>
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</tr>
<tr>
<td>Idaho</td>
<td>391</td>
<td>401</td>
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</tr>
<tr>
<td>Illinois</td>
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Office of the Secretary of the Treasury, Division of Research and Statistics. May 22, 1942.

* Data are for May 9, inasmuch as no May 16 report was received.
May 20, 1942

Dear Mr. Robeson:

Mrs. Morgenthau and I were sorry that we missed seeing you after the broadcast on Sunday night. We both felt that you had given a most beautiful and impressive performance.

I am writing just to tell you how much all of us at the Treasury appreciate your part in making this program a success.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Paul Robeson,
O/o Mr. Robert Rockmore,
10 East 40th Street,
New York, New York

FK: blb
May 20, 1942

Draft #1 of article about HM, Jr for the Universal Jewish Encyclopedia, prepared by Mr. Gaer.
MORGENTHAN, HENRY JR., farmer, publisher, 50th Secretary of the United States Treasury; b. New York City, 1891. Educated in private schools, at the Phillips Exeter Academy, and Cornell University.

Upon leaving Cornell in 1913, where Morgenthau studied agriculture, he made an extensive survey of farming opportunities in the United States, traveling from coast to coast with a trained agricultural economist and gathering firsthand information on various farming enterprises. During this early agricultural investigation he became acquainted with some of the farm problems and the reforms needed to place the farmer and his family upon an equal footing with the city dweller.

This trip was followed by his purchase of several adjoining tracts of land in Duchess County, New York, which were turned into the one large farm he has worked and lived on ever since. He soon entered actively into community affairs and, together with his
neighbors, worked on improvements in rural education, better health facilities, cooperative seed buying, and the encouragement of greater consumption of home-produced foods through a system of canning clubs. Convinced that the farmer's plight could be bettered through mechanization on the land, he demonstrated the benefits of the tractor, as well as other labor-saving machinery through their use on his own farm and by participating in demonstrations at county fairs and other gatherings of farmers.

Among his neighbors in Duchess County there was one who was destined to have a great influence both on his career and his social outlook. That neighbor was young Franklin Delano Roosevelt, at the time Assistant Secretary of the Navy. Roosevelt, already a political power in New York State, drew Morgenthau more and more into the political and social activities of the Democratic Party in Duchess County.

When the United States entered World War I, Morgenthau, working under the Food Administration, inaugurated a system of
cooperative activities in Duchess County to increase home produced food. Then he conceived the idea of a tractor regiment for France which would increase France's food production at home and, what was at the time even more important, release United States food-carrying ships. Upon the request of the Food Administration to carry the idea into practice, Morgenthau organized the tractor regiment and sailed to France to put it into operation. When he returned home early in 1918 he received a commission in the Navy as Lieutenant (jg) and was assigned to the Quartermaster Corps in New York. At the end of the war he returned to the farm and devoted considerable time and energy with groups urging America's entry into the League of Nations as a measure to prevent future wars.

In the elections of 1920, his friend, Franklin Delano Roosevelt, who was running for the Vice-presidency, went down in defeat, and the nation turned in reaction against Wilson's idealism and the League of Nations. Though industrial America
seemed to rise on a spiral of prosperity, the farmers were in a very precarious condition. Farm mortgage indebtedness had risen from three billion dollars in 1910 to nearly eleven billion dollars in 1923. With farm income and land valuation rapidly decreasing, bankruptcy was clearly stalking toward millions of debt-burdened farms, unless something drastic was done for their rescue through legislation. At this time Morgenthau acquired the American Agriculturalist which he used as an outlet to plead the case of the American farmer. Through his journal he gained a still wider knowledge of the problems besetting New York State farmers and what they thought they needed to alleviate their difficulties.

When Roosevelt ran for Governor in 1928 Morgenthau was in a position to reach the rural voters through his journal with convincing discussions on their legislative needs and the advantages of a Roosevelt administration.

Morgenthau's first opportunity to carry out some of his ideas for farm reform came when Governor-elect Roosevelt
appointed him Chairman of an Agricultural Advisory Commission, which was to study various agricultural problems in New York State and make recommendations for legislation. Within three months the Commission made a large number of recommendations, ranging from methods for improving farm-to-market roads to an adjustment in taxation for the benefit of agricultural cooperatives. All the recommendations made by the Commission were designed to improve the lot of the farmer, and more particularly the lot of the low income farmer. The recommendations made by the Commission were approved by the Legislature.

In 1930 Morgenthau was appointed Conservation Commissioner for the State of New York. By that time the state, as well as the nation, was rapidly sliding into the trough of depression. Commissioner Morgenthau reorganized his department completely, placing each division on a business-like basis and eliminating political patronage. Wherever he suspected corruption he personally investigated it; wherever he found corruption, he
uprooted it fearlessly. His most important contribution as
Commissioner was the development of a vast program of reforestra-
tion and soil conservation for New York State, designed to absorb
large numbers of unemployed and to enrich the State's natural
wealth. The scope of this reforestation program might be
grasped from the fact that for thirty years prior to 1930, the
annual average planting, both by the State and by private
individuals, was approximately two and one-quarter million trees.
During Commissioner Morgenthau's two years in office well over one
hundred million trees were planted. The people of New York State
will enjoy these millions of oak and spruce, cedar and locust, ash
and balsam fir for generations. This reforestation program later
served as a pattern for the Civilian Conservation Corps.

Morgenthau resigned as Commissioner of Conservation when
Roosevelt was elected President in 1932, and came to Washington
as advisor to the President-elect on agricultural and monetary
problems. He was appointed Chairman of the Federal Farm Board
and started work on a plan to save debt-burdened farmers from
bankruptcy. He helped in the preparation of legislation which
resulted in the Farm Credit Administration, and when this agency
came into existence, the President appointed him its first
Governor. But even at the time he was working on agricultural
problems he was also carrying out many confidential missions
for the President in stabilizing commodity prices and the value
of the dollar.

During the first year in Washington he demonstrated his skill
as an administrator, and his wise grasp of the financial problems
of a nation deep in economic depression. Though still a young
man and relatively unknown outside of his own state, he quickly
gained the confidence of legislators, financiers, and Government
leaders throughout the nation.

More and more of the Treasury responsibilities fell upon
Morgenthau's shoulders during Secretary Woodin's illness; and
when Woodin resigned at the end of 1933, Morgenthau was appointed Secretary of the Treasury to take Woodin's place.

Since Congress first adopted the dollar as a monetary unit there has never been a decade in which the Treasury was called upon to meet so many perplexing fiscal problems as in the days of its 50th Secretary. Secretary Morgenthau steered the financial ship through the worst depression in our history and the serious disturbances accompanying the financing of our part in World War II. He successfully raised the great loans of many billions of dollars needed by the Government during this period and at the same time reduced the rates of interest until they reached the lowest point ever paid by our Government. Added to this the Treasury succeeded in maintaining the dollar the soundest currency in the world.

In the field of taxation he has improved and simplified the Internal Revenue Administration and prosecuted tax evaders irrespective of their influence or position. He has fought
 incessantly for tax legislation which would bring about a more equitable distribution of the national income, although he has not always succeeded in obtaining the legislation recommended.

In the Alcohol Division he has stamped out all illegal traffic and cleared the administration of any laxity in the enforcement of the law. Every other division in the Treasury has been likewise reorganized for most efficient functioning. Outstanding among his achievements, under the leadership of the President, is the shifting of the monetary control from Wall Street to Washington.

On the international scene, Secretary Morgenthau brought about international cooperation for monetary stabilization, which functioned well up to the outbreak of the war and which will undoubtedly be used as a pattern for currency stabilization when the war is over.

In his activities Secretary Morgenthau always tried to carry out the conviction he has often expressed: That we must "jealously guard our liberties against infringement"; that we can have democracy
only if we have an equitable distribution of wealth; that "without a more equitable distribution of income, a balance of production and consumption at high levels is impossible"; and, finally, that our youth must be trained "to advance our work and turn the knowledge we have gained into a lasting security for all."

Henry Morgenthau, Jr. is a member of the Foreign Service Buildings Commission; member of the Board of Trustees of the Smithsonian Institution; chairman of the Board of Trustees, Endowment Fund, American Red Cross; member of the Board of Trustees, Postal Service System; member of the National Archives Council; member of the National Park Trust Fund Board; chairman, Library of Congress Trust Fund Board; member, Board of Trustees of the National Gallery of Art; member, Foreign-Trade Zones Board; member, National Munitions Control Board; trustee, Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund.

Secretary Morgenthau received an honorary degree of Doctor of Laws from Temple University in 1938 and the honorary degree of
Doctor of Laws from Amherst in 1942.

On April 17, 1916, Henry Morgenthau, Jr., married Miss Klina

Fatman of New York City. They have three children: Henry III,

Robert Morris, and Jean Elizabeth.
May 20, 1942

My dear Claude:

I have just read in the May 18th Congressional Record that Senator Russell made use of my letter to him of May 1st in regard to the Farm Security Administration program.

I hope that my letter was helpful.

Yours sincerely,

(Signed) Henry

Honorable Claude Wickard,
Secretary of Agriculture.

(Copy to Mr. C. B. Baldwin.)

n.m.c.
May 20, 1942.

Postmaster General Walker telephoned Mr. White at 12:35 on May 20 to say that he had met Mr. Schaeffer, Head of R.K.O. in New York and that Mr. Schaeffer had told him of the matter that he had placed before the Treasury for consideration. Mr. Walker said that Mr. Schaeffer was a very reliable man and that he (Walker) wondered what the status of the negotiations were. Mr. White told him that the status of the R.K.O. was being investigated and that we had not yet received a report to its financial status but that as soon as we did, we would not delay taking it up with Mr. Schaeffer again.

Mr. Walker wanted to know whether there is any possibility of accomplishing anything and Mr. White replied that if the financial status of the company was as is indicated, it was not a hopeless case.

Mr. Walker asked that Mr. White let him know as soon as any progress was made in the matter.

H.D.W.
May 20, 1942

My dear Mr. Secretary:

I am appending a memorandum which I submitted to the President with an enclosure which I think you will find self-explanatory. The President told me to continue the study of the proposal in conjunction with the State Department, Board of Economic Warfare and Export-Import Bank and to speak to him again about the project after we had progressed further in our study and after I had obtained the views of the State Department. I am also asking the Federal Reserve Board to join us in the study.

I would appreciate it very much if you would designate someone to represent your department to meet with me at 3:00 P.M. on Monday, May 25.

The proposal is, of course, in the study stage and if before the meeting you want more information on the matter, Harry White is available and will be glad to discuss it at your convenience.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Enclosures

Cc: M.M.C.

By Messenger

Brundy 4:45

5/20/42.
My dear Mr. Secretary:

I am appending a memorandum which I submitted to the President with an enclosure which I think you will find self-explanatory. The President told me to continue the study of the proposal in conjunction with the State Department, Board of Economic Warfare and Export-Import Bank and to speak to him again about the project after we had progressed further in our study and after I had obtained the views of the State Department. I am also asking the Federal Reserve Board to join us in the study.

I would appreciate it very much if you or someone you would designate would meet with me at 3:00 P.M. on Monday, May 25.

The proposal is, of course, in the study stage and if before the meeting you want more information on the matter, Harry White is available and will be glad to discuss it at your convenience.

Sincerely yours,

(Signed) H. Morgenthau, Sr.
Secretary of the Treasury.

The Honorable Jesse Jones,
Secretary of Commerce.

Enclosures

By Messenger

MAY 20 1942

74
My dear Mr. Eccles:

I am appending a memorandum which I submitted to the President with an enclosure which I think you will find self-explanatory. The President told me to continue the study of the proposal in conjunction with the State Department, Board of Economic Warfare and Export-Import Bank and to speak to him again about the project after we had progressed further in our study and after I had obtained the views of the State Department. I would very much like to have the Federal Reserve Board join us in the study.

I would appreciate it very much if you or someone you would care to designate would meet with me at 3:00 P.M. on Monday, May 25.

The proposal is, of course, in the study stage and if before the meeting you want more information on the matter, Harry White is available and will be glad to discuss it at your convenience.

Sincerely yours,

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

The Honorable Marriner S. Eccles,
Chairman, Board of Governors of the Federal Reserve System,
Washington, D. C.

Enclosures

By Message

By Secretary, 4/42
MAY 20, 1942

Dear Mr. Vice President:

I am appending a memorandum which I submitted to the President with an enclosure which I think you will find self-explanatory. The President told me to continue the study of the proposal in conjunction with the State Department, Board of Economic Warfare and Export-Import Bank and to speak to him again about the project after we had progressed further in our study and after I had obtained the views of the State Department. I am also asking the Federal Reserve Board to join us in the study.

I would appreciate it very much if you would designate someone to represent the Board of Economic Warfare to meet with me at 3:00 P.M. on Monday, May 25.

The proposal is, of course, in the study stage and if before the meeting you want more information on the matter, Harry White is available and will be glad to discuss it at your convenience.

Sincerely yours,

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

The Honorable,

The Vice President.

Enclosures

By Messenger
INCOME TAX COLLECTION AT THE SOURCE

Statement of Randolph E. Paul,
Tax Adviser to the Secretary of the Treasury,
Before the Ways and Means Committee
of the House of Representatives
on the reasons for recommending
collection at source

May 20, 1942

In his statement of March 3, 1942, Secretary Morgenthau suggested that part of the income tax be collected at source for those types of income for which this method of collection is practicable. Before presenting an outline of the method by which collection at source could be put into operation, we should like to indicate the advantages of this method, particularly under present circumstances. These advantages are primarily: (1) Lightening the burden on the taxpayer; (2) greater speed and flexibility in meeting the threat of inflation; and (3) greater assurance of collection for certain groups of taxpayers.

1. The convenience of the taxpayer. -- At present exemption levels, approximately 20 million taxpayers are expected to pay a tax on their 1942 incomes. At the lower exemption levels tentatively approved by the House Ways and Means Committee, the number of taxpayers would be increased by about 8 million, making a total of about 28 million taxpayers in all. Under the rates proposed by the Treasury, the tax would begin at sixteen percent on the first dollar of income above the exemption. The rates are rapidly progressive, as they must be, to raise in an equitable way the amount of revenue that needs to come from the income tax. The result is a tax burden that many persons will find very difficult to meet under the present method of payment.

At present, individuals pay their tax in the year following the receipt of the income on which the tax is levied. Most persons, especially in the middle and lower income brackets, make little if any advance provision for their tax liabilities by building up reserves during the year when the income is being earned. They are therefore obliged to pay the tax in, at most, four quarterly installments, out of the income of the following year. These installments are in many cases very hard to meet because they have not been built up bit by bit, week by week, or month by month. Furthermore, in numerous cases the income of the following year is less than the income of the taxable year and, accordingly, the tax liability must be met out of a smaller income. This problem threatens to be particularly acute at the end of the war. Many will suffer large declines in income and yet be obligated to pay heavy wartime taxes on the high incomes of the preceding year.

31-71
The burden on the taxpayer would be considerably lightened if the tax were taken from his income week by week or month by month as he receives it. Collection at the source provides a convenient method of accomplishing this objective, of enabling the taxpayer to pay his tax currently in a large number of small installments rather than in a few large installments in the succeeding year. While no method of paying taxes can make them painless, collection at source is the most nearly painless of any method because the tax is paid in small amounts before the taxpayer receives his income and spends it.

Furthermore, it is very much to the taxpayer's advantage to have a substantial part of his tax liability liquidated while he is receiving his income. Under the present system he ends each year in debt to the Government. This debt for his income tax is as burdensome as any other debt and can have just as serious effects on the taxpayer's budget if his income falls off or his expenses greatly increase.

The first reason for urging the adoption of a system of collecting the income tax at source on such portions of income as are adapted to this method is, therefore, that the convenience of the taxpayer is thereby served and the weight of the tax burden is reduced.

2. The control of inflation. -- The introduction of collection at the source is essential not only because it would be a permanent improvement in the income tax, but also because it would make the income tax a more effective fiscal instrument for the control of inflation. In order that increases in taxes contribute most effectively to the control of inflation, they must begin to withdraw income at once. Under present methods of payment, an increase in income taxes enacted now will not affect tax payments until March 1943. By the time the higher collections become effective, the inflationary damage may be done.

Collection at source would largely eliminate this lag. Income taxes can be increased and the collections under the increased rates can begin almost immediately instead of many months or even a year later.

Collection of income taxes simultaneously with the production of the income will make the income tax better adjusted to the needs of the economy at all times, and not only at times like the present, when inflation threatens. In periods when incomes are falling and unemployment is increasing, it will contribute to economic stability if the taxpayers are out of
debt to the Government, so that their purchases of goods and their other economic activities are not unduly hampered by the necessity of paying income tax on income received in a more prosperous year.

Accordingly, to get the maximum affect in restraining inflation, and to make the income tax better suited to the needs of the economy, it is important that as much of the income tax as possible be collected currently while the income is being earned. The most practical method of doing this is through collection at source for those parts of the income to which this method is applicable.

If collection at source were introduced July 1, 1942, at a 10-percent rate, there would be withheld from consumers during the last 6 months of this year alone about a billion and a quarter dollars under the lowered exemptions tentatively adopted by the House Ways and Means Committee. This is at an annual rate of 2½ billion dollars. If the present system of collection is retained, there will be no increase in the amounts collected from consumers until March 1943.

3. The improvement of collections from small taxpayers.--As the number of taxpayers increases the problem of getting a full reporting of income likewise increases. The American system of income taxation is one of self-assessment. The taxpayer files his return, lists his income, and computes his tax. To a considerable extent, of course, he is assisted in these operations by representatives of the Government, but the initiative is his. By and large, this system has worked well, although, as we all know it has not worked perfectly. That non-reporting and underreporting have not been greater is attributable in considerable measure to the reporting of information at source. The employer, for example, is required to submit to the Government a slip for every person receiving more than $800 of wages or salary showing his name, address, and the amount of wages or salaries paid to him. Ordinarily, a copy of this slip is sent also to the employee. This reporting system, on the one hand, gives the employee notice that the Government has been informed of his income and, on the other hand gives the Government a source of information against which to check the income-tax return. While the appropriations made available to the Bureau of Internal Revenue have not permitted a complete check of the information returns against the income-tax returns, a great deal of checking has been done with the result that the reporting by workers has been found to be very high and the loss of revenue due to lack of reporting relatively low.
Nevertheless, the lowering of exemptions and increase in number of returns subjects to the income tax groups that are less well informed about tax matters and are less likely to file a return at the same time that it increases the task of checking the returns. Further, when the checking reveals a delinquency, the delinquency must be treated taxpayer by taxpayer.

The collection-at-source method not only gives the Government information about the employee's compensation but also gives the Government a large part of the tax, the part it receives depending on how much of the tax is collected at source. With the income tax extending more and more into the masses of the population, collection is thereby assured in areas where there would be an increasing likelihood of its breaking down.

The importance of this problem is illustrated by the experience of England and Australia. In both countries taxation at the source was introduced primarily for the purpose of easing the payment problem and of facilitating the collection of the income tax, rather than for anti-inflationary purposes.

The third reason for adopting collection at source is therefore the more complete tax collection that should result therefrom.

Against these advantages of collection at source must be set the disadvantage arising from the administrative difficulty inherent in this type of collection. Collection of an income tax at source involves the same type of administrative difficulty of matching returns as in the administration of the Social Security pay-roll taxes. It involves some additional difficulty, notably in checking the tax return at the end of the year against the payments which have been made from time to time by the employer on account of his employees and in making refunds in those cases where too large an amount has been collected because of irregularity of employment. These administrative problems are revealed in more detail by the description that follows of the plan that has been developed for the collection of the individual income tax at source. While this plan can doubtless be improved in some of its details, I believe we have succeeded in working out an entirely practicable plan.

It is our conviction that if proper provisions are made for its administration, collection at source is a highly desirable method of collecting the income tax and that its very great advantages far outweigh the administrative difficulties which would arise. Accordingly, we recommend to the committee that it provide for collection of the income tax
at source on salaries, wages, bond interest, and dividends. The income tax is no longer a tax on the fortunate few; it has become a people’s tax. This change in coverage demands a change in methods of collection. Self-assessment and quarterly installments are no longer adequate. They should be supplemented by collection at source, the only method that is suited to the needs of a multitude of new taxpayers. The enactment of collection at source will prove a boon to these taxpayers, will convert the income tax into an effective fiscal instrument for the control of inflation, and will insure the collection of the taxes levied.

An income tax which covers as many as 20 or 30 million people cannot function effectively without collection at source. In my opinion the very existence of the income tax of the scope proposed depends upon the adoption of this new collection device.

SUMMARY OF PLAN FOR COLLECTION OF INDIVIDUAL INCOME TAX AT SOURCE

Collection at source will apply to three types of income: (1) Wages and salaries, (2) bond interest, and (3) dividends.

A. CURRENT WITHHOLDING

1. Wages and salaries — (a) Each employee will fill out and give to his employer an exemption certificate, indicating marital and dependency status, and, if married, whether the spouse is also employed.

   (b) On the basis of the exemption certificate, the employer will classify the employee according to the exemption to which he is entitled.

   (c) Each pay period the employer will withhold from the employee’s wage or salary an amount determined by applying the withholding rate to the excess of the wage or salary over the exemption to which the employee is entitled.

   (d) The employer will determine the exemption to which the employee is entitled by reference to a table to be furnished by the Bureau of Internal Revenue. (See attached exhibit.) This table will show the exemption for different marital status and dependent groups and for different pay periods (weekly, semimonthly, monthly).
This table will be computed by adding an arbitrary allowance for deductions to the annual personal exemption and credit for dependents, and prorating the sum over the number of pay periods.

At the end of each quarter, the employer will remit to the Bureau of Internal Revenue the amounts withheld during that quarter.

At the end of the year the employer will send to the Bureau of Internal Revenue the exemption certificates filled out by the employees, entering on each the amount of wages paid during the year and the amount of tax withheld.

At the end of the year, or at the termination of employment, the employer will give the employee a duplicate of his exemption certificate, entering on this duplicate the amount of wages paid during the year and the amount of tax withheld. This duplicate will serve as a receipt for the taxes withheld. In addition, small employers will be required to give the employee each pay period a receipt for the amount of tax withheld.

2. Bond interest and dividends. -- (a) Corporations and other institutions exempt from the individual income tax will file exemption certificates with the payors of interest or dividends certifying to their exempt status.

(b) Individuals who expect their total annual income to be less than the exemption and dependent credit to which they are entitled may also file exemption certificates with the payors, certifying to that effect.

(c) Payors of bond interest and dividends will withhold the tax on payments to all recipients who have not filed exemption certificates. The amount withheld will be computed by applying the withholding rate to the total amount of interest or dividends paid. By not withholding on payments to persons who have filed exemption certificates, relief is given to persons with small incomes derived largely from interest and dividends.

(d) All payments of dividends and interest on which the tax has been withheld will be accompanied by a receipt for the amount withheld.

(e) At the end of each quarter, payors of dividends or bond interest will remit to the Bureau of Internal Revenue the amounts withheld during that quarter.

(f) At the end of the year, the employer will send to the Bureau of Internal Revenue a list of all payments made during the year, the amount of tax withheld from each recipient, and the exemption certificates for recipients not subject to withholding.
B. YEAR-END ADJUSTMENT

(a) All persons from whom any tax has been withheld will be required to file an individual income-tax return by March 15 of the following year, along with all other persons required to file returns.

(b) The tax liability will be computed as at present.

(c) The tax form will carry space for entering the amount of tax withheld at source.

(d) If the tax liability exceeds the amount withheld, the difference represents the amount the taxpayer must pay to satisfy his liability.

(e) If the amount withheld exceeds the tax liability, the difference represents the refund to which the taxpayer is entitled.

(f) If the refund claimed is less than $50 and if the taxpayer submits with his tax return receipts for all amounts withheld at source, the refund will be made promptly without further evidence.

(g) The information given by employers and by payers of interest or dividends will be matched with the individual income-tax returns. This will furnish a check on the additional tax liability of individuals whose liability exceeds the amount withheld at source and a validation of the claims for refunds.

(h) Refunds not made promptly (as described in (f) above) will be made as soon as the tax returns have been compared with the reports of employers and of payers of interest and dividends.
Exhibit 1.

Amount of wage or salary to be exempt from collection at source under personal exemptions and credit for dependents tentatively adopted by House Ways and Means Committee: Single person (not head of family), married person or head of family, and each dependent, by payroll period

<table>
<thead>
<tr>
<th>Payroll period</th>
<th>Single person</th>
<th>Married person</th>
<th>Each dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly</td>
<td>$11</td>
<td>$26</td>
<td>$8.50</td>
</tr>
<tr>
<td>Bi-weekly</td>
<td>22</td>
<td>52</td>
<td>17.00</td>
</tr>
<tr>
<td>Semi-monthly</td>
<td>23</td>
<td>55</td>
<td>18.00</td>
</tr>
<tr>
<td>Monthly</td>
<td>46</td>
<td>110</td>
<td>36.00</td>
</tr>
<tr>
<td>Quarterly</td>
<td>138</td>
<td>330</td>
<td>108.00</td>
</tr>
<tr>
<td>Semi-annually</td>
<td>276</td>
<td>660</td>
<td>216.00</td>
</tr>
<tr>
<td>Annually</td>
<td>552</td>
<td>1,320</td>
<td>432.00</td>
</tr>
</tbody>
</table>

Treasury Department,
Division of Tax Research. 

May 20, 1942
TO: Secretary Morgenthau
FROM: Ferdinand Kuhn, Jr.

You asked this morning about the editorial record of the Washington News on the subject of tax exempts. The attached clippings will show that the News and others in the Scripps-Howard chain have been quite active in fighting tax exempts and in supporting our position, except on outstanding issues. In other words, yesterday's editorial was quite consistent with the News' policy for the past few months.

F. K.

Attachments:
Please return these clippings for Schwag's files.

7K.
AND THE DEFICIT GROWS

WITHIN a few days Congress will complete action on the latest $18,000,000,000 Army supply bill—bringing the total of appropriations for war purposes to $160,000,000,000.

Meanwhile there is little progress to report on the war revenue bill under which we are supposed to start paying a larger share of the tremendous costs of this conflict. Right after Pearl Harbor, Treasury Secretary Morgenthau told the American people to get ready for much stiffer taxation. The people then were all ready. But weeks dragged by while the Treasury’s experts labored over the new program.

When the program was finally revealed, the reason for the delay was obvious. The experts had not designed a tax measure alone for the primary objective of immediately raising urgently needed new revenue. Rather, they had undertaken a large-scale revision of the revenue statutes, bringing again to the front many old and stoutly disputed controversies.

There is, for instance, the provision to require husbands and wives to file joint returns on income taxes—a proposal long and bitterly contested last year, and finally voted down. Now we are heading into another extended debate on the same issue, and doubtless it again will be defeated. The net result will be precious time wasted.

Opportunity was ripe to end for all time the sale of tax-exempt bonds of state and local governments. Congress was ready to vote the reform, and the people were ready. But Mr. Morgenthau muddled up the waters by proposing to tax not only that future state, county and municipal issues, but also to tax outstanding issues. He thereby started a constitutional argument that will continue indefinitely. Mr. Morgenthau hasn’t a chance to win that argument—and he shouldn’t win—for to tax outstanding securities would mean breaking faith with the people who bought those bonds at very low interest rates with the implied, if not specific, pledge that the bonds would always remain tax free. The proposal is unethical as well as unconstitutional. It will be defeated—and, in this instance, not only will more time be wasted, but it is also possible that Mr. Morgenthau’s “gilligaloo bird” will ruin the opportunity to prohibit future tax-exempt issues.

Very little actual revenue is involved in these time-consuming disputes. But while they are being debated, the new revenue-raising measure is being delayed—and the deficit grows larger.
TAX-EXEMPTS AND COURTHOUSE GANGS

ONE tax proposal before Congress is so eminently fair and sound that it should be adopted without further debate. It has been debated for more than a quarter century—ever since the graduated income tax became a part of our Federal revenue system. And no good argument has ever been made against it. It is the recommendation that President Roosevelt has renewed—for about the tenth time—that Congress forbid future issues of tax-exempt securities. Every President since Woodrow Wilson has asked for this reform. So has every Secretary of the Treasury. The obvious long been recognized—that graduated taxation, on the principle of ability to pay, cannot exist side by side with tax exemption.

A few years ago John W. Hanes, then Undersecretary of the Treasury, disclosed that many citizens in the millionaire class were paying no Federal income tax whatever; they had invested all their money in bonds that were wholly tax exempt. The Treasury recently stopped putting tax-exemption clauses in new issues of Federal securities. Defense bonds, for example, are subject to full Federal income taxation. But the securities of state and county governments, municipalities, school districts and other sub-divisions—some 20 billion dollars' worth outstanding—are wholly tax exempt. And every week such issues are being refunded and new issues peddled, with the no-tax guarantee written on the face of the bonds.

In each session of Congress a proposal is made to stop this racket—but each time the proposal lands in a pigeonhole. The reason is clear to all who understand the workings of politics. Many of our lawmakers in Washington—too many—got where they are today by playing ball with the city-hall crowds and the courthouse gangs back home. The city-hall and courthouse boys keep themselves in power by borrowing money at low interest rates. If the tax-immunity privilege were taken out of their bond offerings, they might have to pay higher interest on state and local government bonds. Indeed, they might find borrowing too expensive and be compelled to start paying off the city, county and state debts. To do that, they might have to lay heavier taxes on local citizens, and as a result become so unpopular that they would be voted out of office.

Well, the fight is on again this session. Let's watch closely and see which is stronger with the congressmen—the public interest and the principle of taxation according to ability to pay, or the selfish interest of the city-hall and courthouse gangs.
AGAIN—THE TAX-EXEMPT LOOPHOLE

TESTIFYING before the Senate Finance Committee on the revenue bill, Secretary Morgenthau mentioned again a proposal which we were afraid he had forgotten—his recommendation that Congress forbid future issues of tax-exempt securities.

We hope the Senate will act favorably on this suggestion, and that the House will concur. Until such action is taken our steeply graduated income-tax schedule will continue to be an illusion.

Mr. Morgenthau has already cut down the tax-exemption features of Federal securities—that is, all the recent Treasury issues have been made subject to Federal income taxes. But they are still exempt from state taxes. And all issues of state and local government bonds are still exempt from Federal taxation—indeed, most of them are exempt from all taxation. Here is an all-too-perfect refuge for timid capital.

A super-super-rich man, for instance, whose income reaches the topmost Federal surtax bracket—where the Government takes 86.9 per cent—can get a larger net return on a 3 per cent tax-free state, county or municipal bond than on a private business investment paying a gross return of 20 per cent.

This glaring loophole in our income tax laws should be closed.
HOW TAX-EXEMPTS WORK

THE article by Marshall McNeil on page 6 is worth your reading. So will be other articles which he is to write, citing other examples of wealthy citizens who avoid the payment of equitable income taxes thru the convenient process of investing their surplus capital in tax-exempt bonds.

It would not be fair to blame the rich for buying tax-free securities; the law invites them to do so. Our governments—Federal, state and local—have to borrow money to meet emergencies, and sometimes to finance ordinary expenditures. Capital invested in public securities should not be called "slacker money" when government itself fixes the terms of the investment.

But it is unwise, we think, for our governments, which are supported by taxes, to continue in effect a set of laws which wield the ax on one class of investors and confers immunity on another. The fairest tax is one assessed in proportion to ability to pay. That is what the graduated income tax attempts to do. But it fails of its purpose in respect to persons who derive all or part of their income from tax-free securities.

The example Mr. McNeil cites today is of a New Yorker who has a taxable income (from private business sources) of $224,441, plus a tax-free income of $886,408—making a total net income of $1,104,849. On that the man pays an income-tax bill of $134,027 to New York State and the Federal Government. If all his income were taxable, his income-tax bill would be $818,386.

President Roosevelt and Secretary of the Treasury Morgenthau are asking the next Congress to enact a law making all future issues of governmental securities subject to the same income taxes that are applied to the securities of private industries.

We think this program deserves support for many reasons. For one, it would make the phrase "ability to pay" mean what it says. For another, it would take away the premium which the Government now offers to capital seeking a sure return without risk—and it would encourage investments in private enterprises that provide real jobs at real wages.
Tax-Exempt Bond Fight
Due in New Congress

See editorial "How Tax Exempts Work" on Page 22

By MARSHALL McNEIL

The Treasury is marshaling facts and arguments to support its drive, in Congress next Friday, to tax the interest from all future issues of Government securities.

Altho elimination of tax-exempt bonds has been advocated by Secretaries of the Treasury since Andrew Mellon's day, it now appears that Secretary Morgenthau is really going to bat, backed by the full power of the Administration.

The fight for abolishing tax-exempts may be a curtain-raiser to the much-needed overhauling of the entire Federal revenue system.

FACES STIFF OPPOSITION

Mr. Morgenthau will encounter opposition, not only from those who oppose taxing Federal securities, but more especially from local and state governments and agencies that now issue their bonds free from state and Federal income taxes.

Behind the Secretary, however, will be the opinion of many experts that tax-exempts must be eliminated before our Federal revenue structure can ever function fairly on the ability-to-pay principle.

Here is one example of how tax exemption confers special benefits:

Taxpayer A is a resident of New York State, and his income from his business last year was $224,441. Also, he received $580,408 in interest from wholly tax-exempt bonds. This would give him a net income of $1,104,849.

HOW IT WOULD LOOK

On the $224,441 he would pay according to 1940 rates, a New York State income tax of $17,441. Then he would pay a Federal income tax of $116,588. His total Federal and state income tax: $134,027.

However, if that $580,408 in interest from Government bonds had not been tax-free, this same Taxpayer A would have had to pay Federal and state income taxes totaling $816,386—$87,874 to New York State, $728,512 to the Federal Treasury.

This is one reason why a recent study of tax-exempt bonds by the Temporary National Economic Committee said: "A most reprehensible form of tax favoritism benefiting the wealthy, who need such favors least of any group in the population, is the issuance of tax-exempt Government securities."
MAY 20 1942

Dear Mr. Delmar:

This is in reply to your letter of May 16, 1942, with reference to the deductibility for purposes of the Federal income tax of contributions for civilian defense.

You will be interested to know that the Bureau of Internal Revenue has given careful consideration to this question and has ruled that contributions made to civil defense committees formed in accordance with the Executive Order of the President of the United States, dated May 20, 1941, constitute allowable deductions in the individual returns of the donors.

Sincerely yours,

(Signed) R. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Charles Delmar,
Woodward Building,
Washington, D. C.

CVD: 18 5/19/42

Regarded Unclassified
OFFICE OF
THE SECRETARY OF THE TREASURY

May 20, 1942

TO:  Dean Landis

For your information.

H. Morgenthau, Jr.
May 16th
1942

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

My dear Mr. Secretary,

Last evening you will undoubtedly recall that you suggested I drop you a note today about the deduction from income tax of funds contributed to Civilian Defense.

I would greatly appreciate your having someone look into this matter for me, for since talking to you I have seen and obtained money from a number of our immediate neighbors, and they all invariably ask whether or not this is a deductible item.

It was very kind of you to take an interest in the matter, and I will appreciate hearing from you at your convenience.

Very sincerely,

[Signature]

CD.R
May 20, 1942

My dear Mr. Attorney General:

This is in acknowledgment of your letter of May 11, 1942, requesting the views of the Treasury Department with respect to the taxability of Army commissaries and post exchanges under the Federal excise taxes imposed under Chapter 19 of the Internal Revenue Code.

We shall be glad to study this matter further, and to give particular attention to the factors emphasized in the enclosed letter from the War Department. When the opinion of our General Counsel is rendered, I shall communicate with you again.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Attorney General.
OFFICE OF THE ATTORNEY GENERAL

Washington, D. C.

May 11, 1942

The Honorable,

The Secretary of the Treasury.

My dear Mr. Secretary:

Enclosed herewith is a copy of a letter from the Under Secretary of War dated May 4, 1942, requesting my opinion with respect to the taxability of Army commissaries and post exchanges under the Federal Retailers' Excise Tax provisions of chapter 19, Revenue Act of 1941.

Since the Treasury Department administers the statute involved, it will be appreciated if you will furnish me your views and those of your General Counsel on the question presented.

Respectfully,

(Signed) Francis Biddle

Attorney General.

Enc. 214542
The Honorable,

The Attorney General.

Dear Mr. Attorney General:

On November 28, 1941, the War Department transmitted to the Commissioner of Internal Revenue a letter requesting a ruling in the matter of the taxability of Army commissaries and post exchanges under the Federal Retailers' Excise Tax provisions of Chapter 19, Revenue Act of 1941. On February 28, 1942, a second letter was transmitted to the Secretary of the Treasury requesting careful consideration of this subject matter and further advice before any adverse ruling be published by the Treasury Department. On April 21, 1942, the Secretary of War was advised by letter that commissaries and post exchanges are held by the Treasury Department to be liable for the retailers' excise taxes imposed under Chapter 19 of the Internal Revenue Code and to be required to make returns and payments of the taxes to the collectors of internal revenue for the districts in which they are located.

There is no question that Army commissaries and post exchanges are instrumentalities of the United States. The Bureau of Internal Revenue has expressed the view that the taxes here concerned are imposed upon the retailers—those in this case are the Army commissaries and post exchanges. The Bureau contends, however, that because the economic burden of such taxes may be passed on to the purchasers, the tax in effect is upon the purchasers, and the governmental agencies are the mere collectors of the tax.

The accompanying memorandum of the Judge Advocate General expresses the view of the War Department that the Federal retailers' excise taxes are not applicable to the Army commissaries and post exchanges.

The Army commissary and post exchange are old, well established institutions within the military establishment, and are an integral part of the Army. Their object is not to profit from the soldier's purchasing, but to supply at a minimum cost needs which are essential to his ordinary daily life, yet not supplied to him by the Army. There is no profit from commissaries and any profit which may result from the post exchange operations is used to provide the enlisted personnel with facilities for their comfort, recreation, amusement or the improvement of their messes. The sales made both by the commissary and post exchange are distinguishable from ordinary private commercial transactions. Actually, they are sales for a public use.
The earnings of both the post exchange and the soldier are small. It is indeed doubtful whether the exchange could absorb the excise taxes in question. To pass these taxes on to the soldier-purchaser would not only reflect a further reduction of his already meager pay, with resultant hardship to him, but would also adversely affect his morale at a time when the nation is making most pressing demands upon him. The Bureau's theory of the application of the Federal retailers' excise tax would directly disrupt the very object of the commissary and post exchange, inflict hardship on both the War Department and the soldier and disrupt morale.

Moreover, the imposition of the taxes would cause serious administrative difficulties. The levy of these taxes, aside from the question of their legal invalidity, would place a great burden upon the employees of the War Department in establishing and operating the accounting and records made necessary by the collection of the taxes. Such records would presumably have to be open for inspection by agents of the Treasury Department who would necessarily hamper the proper functioning of the particular activities concerned and interfere with the administrative control of the War Department. The imposition of the taxes in question has already caused the Quartermaster General of the Army to contemplate the discontinuance of sales of all taxable items at Army commissaries, however essential they might be to the soldier.

This matter is of immediate and serious concern to the Army. Your opinion is therefore requested as to whether or not the subject taxes are applicable to Army commissaries and post exchanges.

Sincerely yours,

S/ Robert P. Patterson

Under Secretary of War.

1 Incl.  
Cpy. OP. JAG.

COPY
Thank you very much for writing me.

That deal is not necessary at this time. The Department of the Treasury requires a submission of a $9,000 bond for a $90,000 debt, and $29,000 for an $80,000 bond. The current department is $99,000 in debt, and $29,000 in bonds. The amount required is $99,000. Any additional information should be sent to the Secretary of the Treasury. The National Park Service is interested in the Department of the Interior. In a recent amendment, the second Library Act of 1942.

The Secretary

May 20, 1942

Chief

Outpost
Dear Mr. Secretary:

It occurs to me that you might consider offering to accept United States war bonds of the next long-term issue at par in payment of inheritance taxes or estate taxes.

We did that in respect to some of the Liberty Loans if I remember correctly in the other war. It helped sell a lot of taxable bonds of longer maturities to people who were worried about the ability of their executors to liquidate their estates without undue loss in case of death particularly in wartime. I doubt if it prematures many bonds, and it certainly sold a lot.

Nowadays inheritance taxes are stiff, and stock market prices are down and markets are thin. I have a hunch that a lot of more or less rich people are worrying about what would happen to their families if they were to die. So you should sell a good lot of long-time bonds to them if they had this privilege.

I guess on the law of averages only a very small percentage of the people who bought the bonds with that in mind would die during the war or soon after. Most of them would live a lot longer just for having this protection for their families.

I suppose if you were worried about it you could have the Treasury's records looked up to see how many bonds that had
this privilege in the last war were used to pay death duties or estate taxes and how fast they were prematures. However I should if I were you be willing to act on a hunch that the law of averages, which is good enough for the insurance companies, would be good enough for the Treasury.

My guess is that this would be a big selling point with the rich and the well-to-do who get little or nothing by way of interest after taxes anyway and need something to tempt them into taking the long bonds, instead of short ones and notes certificates and bills, or even to draw out their bank deposits.

Don't bother to answer this. It is just a thought in the hope of being helpful to you in your great task.

I am, my dear Mr. Secretary, with great respect

Faithfully yours

The Honorable
The Secretary of the Treasury
Washington, D. C.
Referring to your request for information concerning the estimated expenditures to be made by O.P.A. during the current fiscal year (1942), and the approximate number of persons currently employed by that Agency:

O.P.A. will expend this year approximately $31,400,000. Due to constant fluctuation, it would be impossible to furnish an accurate estimate of O.P.A.'s current personnel without directly contacting that Agency. From information obtained from another source, however, it appears that by June 30th next, O.P.A. will be employing over 37,000 people, divided 6,200 in Washington and 31,000 in the field, the latter including 20,000 employees of local rationing boards.

The above information was obtained with the understanding that it would not be made public nor used as a basis for an official communication. If it is planned to use these figures for either of the above purposes, I would suggest that we formally obtain the information from either O.P.A. or the Bureau of the Budget.

Regarding the fiscal year 1943, no figures have been released, the matter still being under consideration by the Bureau of the Budget. Estimates of the number of persons to be employed by O.P.A. range from 70,000 to 80,000. The size of the force will depend in large measure upon the extent to which the rationing program is expanded.
May 20, 1942.

Dear Mr. Berle:

I am returning unofficially your papers in the matter of one bottle of rum. I am also enclosing unofficially a copy of a letter that is not being sent. The Georgetown Customhouse has had instructions under date of May 1, 1942, to permit the forfeiture of one bottle and the delivery of five.

Very truly yours,

(Initialed) H. E. G.

Herbert E. Gaston,
Assistant Secretary of the Treasury.

Rev. Adolf A. Berle, Jr.,
Assistant Secretary of State,
Washington, D. C.

Enclosures.

NEO Sept.
TO:...MR. CAIRES

The papers marked "ENCLOSURE"
should be returned to Mr. Berle with
the letter.

RC
5/19

From: MR. CHAMBERS
Dear Adolf:

Since receiving your letter of May 7, 1942, I have had some inquiries made in the case of the six bottles of rum.

The release of all six bottles in the District of Columbia is prevented by a statute which limits the quantity which may be brought in to one gallon. The District of Columbia Alcohol Control Board, which administers the statute, takes the position, which it has adhered to in previous cases, that the law gives it no discretion to make exceptions. As you know, you can secure the five bottles which make up the one gallon limit by complying with the usual customs requirements and agreeing to the forfeiture of the other bottle.

The only way I know of to obtain all six bottles is to have them shipped in customs custody to some place (such as Baltimore) where the State law allows delivery. Someone acting as your representative would need to make preliminary arrangements at the customhouse in Washington and take delivery of the rum after it reaches Baltimore. There would be the usual duty and tax to pay, plus shipping charges to Baltimore. I believe it would be a violation of the District law to bring all six bottles over from Baltimore on one trip.

The customhouse here will cooperate in carrying through whichever plan you decide upon.

Faithfully,

Hon. Adolf A. Berle, Jr.,
Assistant Secretary of State.
Dear Adolf:

Since receiving your letter of May 7, 1943, I have had some inquiries made in the case of the six bottles of rum.

The release of all six bottles in the District of Columbia is prevented by a statute which limits the quantity which may be brought in to one gallon. The District of Columbia Alcohol Control Board, which administers the statute, takes the position, which it has adhered to in previous cases, that the law gives it no discretion to make exceptions. As you know, you can secure the five bottles which make up the one gallon limit by complying with the usual customs requirements and agreeing to the forfeiture of the other bottle.

The only way I know of to obtain all six bottles is to have them shipped in customs custody to some place (such as Baltimore) where the State law allows delivery. Someone acting as your representative would need to make preliminary arrangements at the customhouse in Washington and take delivery of the rum after it reaches Baltimore. There would be the usual duty and tax to pay, plus shipping charges to Baltimore. I believe it would be a violation of the District law to bring all six bottles over from Baltimore on one trip.

The customhouse here will cooperate in carrying through whichever plan you decide upon.

Faithfully,

Hon. Adolf A. Berle, Jr.,
Assistant Secretary of State.
Can we not find a way to release Mr. Beebe's wife's bottle of rum?

Go-tho-tho!
(1) All may be shipped to Baltimore.
(2) Cans are not to be
stored. Liquor is for personal use and not for sale.
(3) Any representative of
owners shall come in
to pay duty and taxes.
(Personal)

Dear Henry:

I did not mean to take you up about your kindly offer the other night to intervene in the case of the six bottles of rum.

When the Customs and Alcohol Control Board opened them, it developed that two bottles were for the President, two for me, and two for Mr. Charles Thomson who runs cultural affairs here at State. The Alcohol Control Board says we can only bring in five and that if I will destroy one of my bottles the other five can come in against payment of duty on them which I have made. I am quite willing to do that, though it leaves rather slim pickings for me for the rum is good rum, and the President likes it!

Attached are the papers. It is not much of a thing to worry about when you are financing several wars.

Faithfully,

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.
Deputy Collector of Customs,
Georgetown Customhouse,
1221 - 31st Street, N. W.,
Washington, D. C.

Sirs:

Receipt is acknowledged of your letter of April 25, 1942 (376/b), transmitting the petition of Adalb A. Pohl, Sr., for remission of the forfeiture of five bottles of rum.

The record shows that six 1/5th bottles of rum were received in your office from Miami, Florida, under L. T. entry No. 871 A. In view of the fact that the laws of the District of Columbia prohibit the importation of distilled spirits in quantities in excess of one wine gallon unless imported by the holder of a liquor license, the merchandise is subject to forfeiture under the provisions of section 593(b) of the Tariff Act of 1930.

The petitioner requests a remission of the forfeiture of five bottles of the rum and assesses to the forfeiture of the one extra bottle.

In view of the reported facts, and since the spirits in question are for personal use, the forfeiture incurred is, under the authority conferred in section 618 of the tariff act, hereby remitted insofar as five bottles of the rum are concerned. The other bottle should be disposed of in the regular manner and the five bottles should be released, provided all custom requirements are complied with.

Please advise the petitioner of the Bureau's decision.

CO: Comptroller
Collector, Baltimore

SS/LEK 4-29-42

Very truly yours,
(Signed) G. H. Griffith

Acting Deputy Commissioner.
April 29, 1942.

Memorandum to Mr. Griffith

From Mr. Stephens

I am sending this letter direct to the deputy collector at Georgetown, rather than through the collector of customs at Baltimore, since Mr. Berle's office has called me in the matter and desires that the decision be expedited as much as possible. We are sending the collector at Baltimore a copy for his information.

[Signature]
TREASURY DEPARTMENT
UNITED STATES CUSTOMS SERVICE

Custom House
Washington, D. C.
April 25, 1942

Sir:

A petition for mitigation of forfeiture with respect to one case which arrived at this office under Miami I. T. 891 A, which case contains 6 4/5th bottles of rum, is forwarded for consideration.

H. R. 7950 restricts the importation of alcoholic beverages to one gallon, for delivery to one person, at any one time, in the District of Columbia.

This matter was the subject of a telephone conversation with Mr. Shirley Stephens on the 17th inst.

Respectfully,

Deputy Collector in charge.

Regraded Unclassified
Deputy Collector in Charge,
Custom House,
1221 - 31st Street,
Washington, D. C.

Dear Sir:

Referring to the shipment addressed to me from Port-au-Prince, Haiti, consisting of six bottles of Rhum, I hereby request that forfeiture on five bottles be remitted and at the same time assent to the forfeiture of one bottle.

These bottles were sent to me as a gift.

Very truly yours,

Adolf A. Berle, Jr.
Subject: Reciprocal aid negotiations.

Mr. Acheson has sent me tentative drafts for an exchange of notes between the British and Australian Governments and the State Department to formalize the terms of reciprocal aid, and he would like to have our views upon them.

1. According to the draft agreement the United Kingdom is to supply the following items as reciprocal aid:

a. All military equipment, whether provided in the U.K., in the field, or in the United States.

It is specifically provided that materials produced from British contracts in the United States will be supplied as reciprocal aid, but the United States agrees to pay the balance that will remain due upon these contracts at June 1.

At the present time British contracts are for ordnance, which are in the process of being taken up by the Army, for ships, which the British have indicated they want to pay for themselves, and for aircraft. The proposal would therefore result in the take-over of the unpaid balance of aircraft contracts, which on June 1 will amount to about $235 million. Acceptance of this provision might save some small amount of dollars that would otherwise be paid to Britain for materials diverted from its contracts, but would increase Britain's dollar receipts by about $235 million.

b. Other supplies, materials, facilities, and services for the United States forces in the Sterling Area, except for the pay and allowances of troops and for purchases of local supplies obtained other than through the official establishments of the government of the U.K.

c. For supplies, materials, and services, other than wages and salaries of United States citizens, needed in the construction of tasks in United Kingdom or in the Colonial Empire, other than at leased bases.
The bases leased by the United States from the British were not excluded in previous documents on reciprocal aid from the areas in which the United Kingdom would undertake to provide material for the construction of tasks. Their exclusion would serve to increase Britain's dollar receipts.

d. Supplies, materials, and services needed in the construction of tasks in territory other than the United Kingdom, British Colonies, or the United States, when the United Kingdom or a British Colonial country is the most practicable source of supply.

2. Conversely, the United States would supply dollars for the following:

a. All war material produced in the United States and made available to the United Kingdom, excepting war materials produced on British contracts in the United States.

The United States would undertake to pay the unpaid balance on British contracts in the United States as of June 1.

b. Pay and allowances of American troops abroad.

c. Wages and salaries for citizens of the United States engaged in construction of tasks in United Kingdom or its Colonies.

d. Supplies and services needed in the construction of tasks at bases leased to the United States in British Colonial areas, and at points outside the British Colonial Empire when the United States or another of the United Nations is a more practicable source of supplies.

3. There is also presented a draft memorandum of the agreement with Australia which follows closely the form of the draft of the British agreement.

4. No mention is made of British and Colonial commercial and raw material exports, but it is presumed that these will be paid for in dollars. There is also no mention made of oil, which the British would like to have considered as a special case, their suggestion being that they would provide oil in the Sterling Area upon reciprocal aid unless the oil had cost the United Kingdom dollars.
5. On May 15, 1942 the British held $661 million of "available" and "scattered" gold and dollars, and total gold and dollars of $776 million. Our most recent estimates of Britain's gold and dollar receipts and expenditures for the remainder of 1942 indicate a deficit on current account of approximately $420 million, and capital receipts from gold production, sales of facilities and contracts, and American troop expenditures abroad, of approximately $485 million. Consequently, we estimate that the "available" and "scattered" gold and dollar balances of the British by the end of this year will be about $725 million.

If the United States, in accordance with the terms of the State Department's draft for a reciprocal aid agreement, is to take over the $255 million balance remaining due upon airplane contracts, and if the United States is to pay in dollars for supplies used in the construction of bases in areas leased from the British Government (perhaps $20 million), Britain's dollar balance by the end of the year will be $255 million larger than estimated above, or almost $1 billion.

6. The breakdown of the estimates given above is as follows:

   (In millions)

   I. Britain's gold and dollar balance, May 15, 1942
      "Available" and "scattered" gold and dollars       $661
      Belgian gold                                        105
      Gold held against immediate liabilities            10
      Total gold and dollars                              $776

   II. Estimated British expenditures on current account
       May 15 through December 31, 1942

      A. Payments to U.S. by U.K.
         (a) On BPM commitments                        $294
         (b) Other merchandise outside lend-lease      74
         (c) Services outside lend-lease                66
         (d) Other                                       51
                  $485

      B. Payments to U.S. by other Sterling Area
         (a) Merchandise imports                      $113
         (b) Services                                  47
                  160

      C. Payments by Sterling Area outside U.S.
          requiring gold or dollars
         (a) Oil                                      $38
         (b) All other, including $22 million for payments to Iran  47
                  85
When negotiations for a British-Iranian exchange settlement first arose, it was estimated that $5 million a month would be required to meet the sterling deficit of Britain in Iran. The terms of the final settlement, however, call for British payment of Iranian dollar obligations and only 40% of the remaining British deficit. We do not know how much of a change this will make in the original estimate supplied by the British, but it may reduce Britain’s expenses on this account from $40 million for the 8-month period to $25 million.

Total gold and dollar expenditures on current account

$730

III. Estimated British receipts on current account
May 15 through December 31, 1942

A. U. K. receipts from U. S.

(a) Merchandise $60
(b) Services 47
(c) All other 48 $155

B. Rest of Sterling Area

(a) Merchandise $132

This estimate is $38 million higher than that made in our Blue Book study. The former figure excluded exports from Australia and New Zealand. Since it now appears that these areas will be held and will continue to export, they have been included. Exports from Ceylon and British India, however, are still excluded. If these areas should be held our estimate would be $200 million.

(b) Services 23 155

Total sterling area receipts on current account 310
IV. Estimated Sterling Area gold and dollar deficit on current account May 15 through December 31, 1942

V. To offset this deficit the British will obtain the following special receipts:

A. Current gold production

$235

This excludes the gold production of Australia, New Zealand, and British Oceania, which produced about $80 million of gold in 1941, although we understand that these countries are continuing to produce gold. The estimate of $235 for the period May 15 to December 31 is equivalent to about 60 percent of the gold production of British African countries in the same number of months in 1941.

B. Army purchase of British plant facilities

60

This includes only those plants for which a presidential directive for purchase has been given. In addition to this, the British might succeed in selling $30 million of other plants.

C. Purchase of army ordnance contracts

85

D. Balance of RFC loan and Australian wool receipts

40

E. Dollar receipts from U.S. troops in the Sterling Area

65

This is based on the British estimate that American troops spend $200 per year per man, and that there might be as many as 500,000 troops abroad. The figure is much lower than the Army's estimates, and may prove to be still lower when the bill increasing the Army's pay is approved.

Total receipts on capital account

485
VI. These special receipts of $485 million are $65 million larger than our estimates of Britain's deficit on current account. Her "available" and "scattered" gold and dollars at the end of this year may therefore be about $725 million. We believe that these estimates are conservative, and that Britain's gold and dollar balances at the end of the year may well be as large as $800 million. If in addition to this amount, Britain were to receive payment for the $235 million due on her aircraft contracts, her gold and dollar balances would be over $1 billion.

VII. After the end of this year Britain's deficit on current account should be reduced to about $200 million per year because of the cessation of payments on BPM contracts. There will be available to meet this deficit current gold production of perhaps as much as $400 million per year, and a large volume of American troop expenditures in the Sterling Areas. We may expect, therefore, that Britain's dollar balance will increase further after the end of the year, even if other unexpected expenditures, such as that occasioned by the Iranian incident, should occur.
# Estimate of Cash to Be Spent by United States Armed Forces in Foreign Territory During 1942

<table>
<thead>
<tr>
<th></th>
<th>Military and Civilian Pay</th>
<th>Supplies and Materials</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lease-Lease</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sterling Area (Army)</td>
<td>$276,555,000</td>
<td>$121,500,000</td>
<td>$397,505,000</td>
</tr>
<tr>
<td>Sterling Area (Navy)</td>
<td>$40,462,000</td>
<td>21,640,000</td>
<td>62,102,000</td>
</tr>
<tr>
<td>Sub-total</td>
<td>$316,017,000</td>
<td>$143,140,000</td>
<td>$459,157,000</td>
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<tr>
<td>Outside sterling area</td>
<td>93,616,000</td>
<td>33,600,000</td>
<td>127,216,000</td>
</tr>
<tr>
<td>Total Lease-Lease</td>
<td>$410,633,000</td>
<td>$176,740,000</td>
<td>$587,705,000</td>
</tr>
<tr>
<td><strong>Net Lease-Lease</strong></td>
<td>$42,000</td>
<td>$140,000</td>
<td>$662,000</td>
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<tr>
<td>Grand Total</td>
<td>$410,975,000</td>
<td>$176,730,000</td>
<td>$587,705,000</td>
</tr>
</tbody>
</table>

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To Mr. White:  
Here are latest estimates on contemplated efforts and purchase abroad. Study which plans are now under change over if adopted would change many of these figures.  
5/24/42
<table>
<thead>
<tr>
<th>Country</th>
<th>Military and Civilian Pay</th>
<th>Supplies and Materials</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling Area (Army)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>$59,516,000</td>
<td>$30,781,000</td>
<td>$90,297,000</td>
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<tr>
<td>England &amp; Scotland</td>
<td>42,169,000</td>
<td>16,137,000</td>
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<tr>
<td>Australia</td>
<td>97,400,000</td>
<td>14,226,000</td>
<td>111,626,000</td>
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<tr>
<td>New Zealand</td>
<td>16,120,000</td>
<td>3,410,000</td>
<td>19,530,000</td>
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<tr>
<td>Bermuda</td>
<td>5,056,000</td>
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<td>5,406,000</td>
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<td>Bahamas</td>
<td>1,500,000</td>
<td>550,000</td>
<td>2,050,000</td>
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<td>Jamaica</td>
<td>2,555,000</td>
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<td>Antigua</td>
<td>1,775,000</td>
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<td>St. Lucia</td>
<td>1,706,000</td>
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<td>Trinidad</td>
<td>25,168,000</td>
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<td>British Guiana</td>
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<td>1,423,000</td>
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<td>Egypt &amp; Sudan</td>
<td>2,500,000</td>
<td>225,000</td>
<td>2,725,000</td>
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<tr>
<td>Britton</td>
<td>1,750,000</td>
<td>3,375,000</td>
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<td>India</td>
<td>6,846,000</td>
<td>3,510,000</td>
<td>13,156,000</td>
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<td>Palestine</td>
<td>200,000</td>
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<tr>
<td>Fiji Islands</td>
<td>1,046,000</td>
<td>23,000</td>
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<td>Iceland</td>
<td>1,039,000</td>
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<td>9,678,000</td>
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<tr>
<td>Equatorial Africa (Free French)</td>
<td>100,000</td>
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<td>276,000</td>
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<td>Belgian Congo</td>
<td>800,000</td>
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<td>Kenya Colony</td>
<td>1,000,000</td>
<td>1,040,000</td>
<td>2,040,000</td>
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<tr>
<td>Iraq</td>
<td>600,000</td>
<td>460,000</td>
<td>1,060,000</td>
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<td>New Caledonia</td>
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<td>1,060,000</td>
<td>4,544,000</td>
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<td>Sub-total</td>
<td>276,395,000</td>
<td>121,130,000</td>
<td>397,525,000</td>
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Sterling Area (Navy)

<table>
<thead>
<tr>
<th>Country</th>
<th>Military and Civilian Pay</th>
<th>Supplies and Materials</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Isles (England, Scotland &amp; North Ireland)</td>
<td>10,600,000</td>
<td>5,400,000</td>
<td>16,000,000</td>
</tr>
<tr>
<td>Australia &amp; New Zealand</td>
<td>22,200,000</td>
<td>15,600,000</td>
<td>37,800,000</td>
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<tr>
<td>Africa</td>
<td>3,200,000</td>
<td>1,000,000</td>
<td>4,200,000</td>
</tr>
<tr>
<td>Iceland</td>
<td>4,442,000</td>
<td>1,200,000</td>
<td>5,642,000</td>
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<tr>
<td>Sub-total</td>
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<td>21,600,000</td>
<td>62,042,000</td>
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<tr>
<td>Outside Sterling Area (Army)</td>
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</tr>
<tr>
<td>Newfoundland</td>
<td>12,407,000</td>
<td>2,614,000</td>
<td>15,021,000</td>
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<tr>
<td>Aruba &amp; Curacao</td>
<td>2,405,000</td>
<td>3,393,000</td>
<td>5,798,000</td>
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<tr>
<td>Brazil</td>
<td>15,150,000</td>
<td>7,081,000</td>
<td>22,231,000</td>
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<tr>
<td>Surinam</td>
<td>1,660,000</td>
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<td>4,440,000</td>
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<tr>
<td>Colombia</td>
<td>1,300,000</td>
<td>1,100,000</td>
<td>2,400,000</td>
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<tr>
<td>Ecuador</td>
<td>9,300,000</td>
<td>4,727,000</td>
<td>14,027,000</td>
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<td>Peru</td>
<td>1,805,000</td>
<td>631,000</td>
<td>2,436,000</td>
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<td>Sub-total</td>
<td>43,067,000</td>
<td>21,276,000</td>
<td>64,343,000</td>
</tr>
<tr>
<td>Military and</td>
<td>Supplies and</td>
<td>Total</td>
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</tr>
<tr>
<td>-------------</td>
<td>-------------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>Civilian Pay</td>
<td>Materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside Sterling Area (Cont)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Brought forward</td>
<td>$43,967,000</td>
<td>$21,276,000</td>
<td>$65,243,000</td>
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<tr>
<td>Bolivia</td>
<td>600,000</td>
<td>220,000</td>
<td>820,000</td>
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<td>Paraguay</td>
<td>300,000</td>
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<td>Venezuela</td>
<td>1,025,000</td>
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<td>1,497,000</td>
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<td>Chile</td>
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<td>13,818,000</td>
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<tr>
<td>Liberia</td>
<td>2,266,000</td>
<td>201,000</td>
<td>2,467,000</td>
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<tr>
<td>China</td>
<td>7,696,000</td>
<td>1,215,000</td>
<td>8,911,000</td>
</tr>
<tr>
<td>Arabia</td>
<td>200,000</td>
<td>330,000</td>
<td>530,000</td>
</tr>
<tr>
<td>Iran</td>
<td>3,600,000</td>
<td>2,640,000</td>
<td>6,240,000</td>
</tr>
<tr>
<td>Sub-total</td>
<td>$67,941,000</td>
<td>$31,000,000</td>
<td>$98,941,000</td>
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</table>

Outside Sterling Area (Navy)

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Surinam</td>
<td>715,000</td>
<td>150,000</td>
<td>865,000</td>
</tr>
<tr>
<td>Brazil</td>
<td>5,560,000</td>
<td>1,100,000</td>
<td>6,660,000</td>
</tr>
<tr>
<td>Atlantic bases</td>
<td>19,400,000</td>
<td>1,350,000</td>
<td>20,750,000</td>
</tr>
<tr>
<td>Sub-total</td>
<td>25,675,000</td>
<td>2,600,000</td>
<td>28,275,000</td>
</tr>
<tr>
<td>Total Outside Sterling Area</td>
<td>93,616,000</td>
<td>33,600,000</td>
<td>127,216,000</td>
</tr>
</tbody>
</table>

TOTAL LEND-LEASE | $10,433,000 | $176,590,000 | $187,023,000 |

<table>
<thead>
<tr>
<th>LEND-LEASE (End of Fiscal Year)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenland</td>
<td>2,420,000</td>
<td>30,000</td>
<td>2,450,000</td>
</tr>
<tr>
<td>Mexico</td>
<td>5,420,000</td>
<td>140,000</td>
<td>6,560,000</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$10,975,000</td>
<td>$176,730,000</td>
<td>$187,705,000</td>
</tr>
</tbody>
</table>
Dear Barry:

I am enclosing drafts of two exchanges of notes relating to reciprocal aid to the United States from Great Britain and from Australia about which we talked. As I said to you, these are submitted for substance and not, at the present time, for form. I am not sure as to the particular form which proper usage requires.

I hope to discuss these drafts with Mr. Hull today. If the substance is acceptable to him, to the Treasury, the Board of Economic Warfare, and the Office of Lend-Lease Administration, I presume that Secretary Hull or Secretary Morgenthau or both of them will wish to discuss with the President the matter of taking over the unpaid installments of the British pre-lend-lease contracts, since, as all the discussions have revealed, anything which is done on reverse lend-lease sooner or later encounters this problem.

Could I have your views tomorrow if possible?

Sincerely yours,

Dean Acheson
Assistant Secretary

Enclosures (4)

Dr. Harry White,
Assistant to the Secretary,
Treasury Department,
Washington, D.C.
DEPARTMENT OF STATE
WASHINGTON

May 19, 1942

Dear Harry:

I am enclosing drafts of two exchanges of notes relating to reciprocal aid to the United States from Great Britain and from Australia about which we talked. As I said to you, these are submitted for substance and not, at the present time, for form. I am not sure as to the particular form which proper usage requires.

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Sincerely yours,

Dean Acheson
Assistant Secretary

Enclosures (4)

Dr. Harry White,
Assistant to the Secretary,
Treasury Department,
Washington, D. C.
DRAFT

FROM THE BRITISH AMBASSADOR TO THE SECRETARY OF STATE

With a view to supplementing Articles II and VI of the Agreement of February 23, 1942 between our two Governments for the provision of reciprocal aid, I have the honor to set forth below my understanding of the principles and procedures applicable to the provision of aid by the United Kingdom to the armed forces of the United States and the manner in which such aid will be correlated with the maintenance of those forces by the United States Government.

1. Each of our Governments pledged itself in the United Nations Declaration of January 1, 1942 to employ its full resources, military or economic, against those nations with which it is at war. Each government undertook in the Agreement of February 23, 1942 to provide the other with such articles, services, facilities or information, useful in the prosecution of their common war undertaking, as each may be in a position to supply. The general principle to be followed in providing such aid is that
that the war production and war resources of both nations
should be used by the armed forces of each, and of the
other United Nations, in ways which most effectively
utilize available materials, manpower, productive facili-
ties and shipping space.

2. Where appropriate, decisions as to the most
effective use of resources shall be made in common, pursuant
to common plans for winning the war.

3. As to financing the provision of such aid, with-
in the fields mentioned below, it is my understanding that
the general principle to be applied is to reduce to a
minimum the need of each government for the currency of the
other. It is accordingly my understanding that the United
States will provide, to the extent authorized under the
Act of March 11, 1941, the share of its war production
made available to the United Kingdom. The United Kingdom
will provide, on the same terms and as reciprocal aid, the
share of its war production made available to the United
States.

4. The
4. The United Kingdom will provide the United States or its armed forces with the following types of assistance, as such reciprocal aid, when it is found that they can most effectively be procured in the United Kingdom or in the British colonial empire:

(a) All military equipment, munitions and military and naval stores, whether provided in the United Kingdom, in the field, or in the United States, including such material produced in the United States under United Kingdom contracts, it being understood that the United States will finance, to the extent that funds have been or may be made available, the payment with respect to such contracts of all installments remaining unpaid on June 1, 1942;

(b) Other supplies, materials, facilities and services for the United States forces, except for the pay and allowances of such forces and such local purchases as its official establishments may make other than through the official establishments of the
the Government of the United Kingdom as specified in Paragraph 3.

(e) Supplies, materials and services needed in the construction of tasks and similar capital works required for the common war effort in the United Kingdom or in the British colonial empire, other than at leased bases, except for the wages and salaries of United States citizens.

(d) Supplies, materials and services needed in the construction of such tasks and capital works in territory other than the United Kingdom or the British colonial empire or territory of the United States to the extent that the United Kingdom or the British colonial empire is a more practicable source of supply than the United States or another of the United Nations.

5. Requests by the United States for such aid will be presented by duly authorized authorities of the United States to designated authorities of the United Kingdom.
6. It is my understanding that all such aid accepted by the President of the United States or his authorized representatives from the United Kingdom will be received as a benefit to the United States under the Act of March 11, 1941.

7. The aid to be provided each other by the signatory Governments under the Agreement of February 23, 1942, and as indicated above, will be provided on the same terms by each Government to the forces of such of the other United Nations as shall enter into similar arrangements with them.

If the Government of the United States concurs in the foregoing, I would suggest that the present note and your reply to that effect be regarded as placing on record the understanding of our two Governments in this matter.

I have the honor to be et cetera, et cetera.
FROM THE SECRETARY OF STATE TO THE BRITISH AMBASSADOR

I have the honor to acknowledge the receipt of your note of today's date concerning the principles and procedures applicable to the provision of aid by the Government of the United Kingdom to the armed forces of the United States, the terms of which are as follows:

(The British Ambassador's note is here quoted)

In reply I have the honor to inform you that the Government of the United States agrees with your understanding as expressed in that note and that, in accordance with the suggestion contained therein, your note and this reply will be regarded as placing on record the understanding between our two Governments in this matter.

Accept, Excellency, the renewed assurances of my highest consideration.
FROM THE AUSTRALIAN MINISTER TO THE SECRETARY OF STATE

With a view to supplementing Articles II and VI of the Agreement of May, 1942 between our two Governments for the provision of reciprocal aid, I have the honor to set forth below my understanding of the principles and procedures applicable to the provision of aid by the Commonwealth of Australia to the armed forces of the United States and the manner in which such aid will be correlated with the maintenance of those forces by the United States Government.

1. Each of our Governments pledged itself in the United Nations Declaration of January 1, 1942 to employ its full resources, military or economic, against those nations with which it is at war. Each government undertook in the Agreement of May, 1942 to provide the other with such articles, services, facilities or information, useful in the prosecution of their common war undertaking, as each may be in a position to supply. The general principle to be followed in providing such aid is that
that the war production and war resources of both nations should be used by the armed forces of each, and of the other United Nations, in ways which most effectively utilize available materials, manpower, productive facilities and shipping space.

2. Where appropriate, decisions as to the most effective use of resources shall be made in common, pursuant to common plans for winning the war.

3. As to financing the provision of such aid, within the fields mentioned below, it is my understanding that the general principle to be applied is to reduce to a minimum the need of each government for the currency of the other. It is accordingly my understanding that the United States will provide, to the extent authorized under the Act of March 11, 1941, the share of its war production made available to Australia. The Commonwealth of Australia will provide, on the same terms and as reciprocal aid, the share of its war production made available to the United States.

4. The
4. The Commonwealth of Australia will provide the United States or its armed forces with the following types of assistance, as such reciprocal aid, when it is found that they can most effectively be procured in Australia:

(a) All military equipment, munitions and military and naval stores;

(b) Other supplies, materials, facilities and services for the United States forces, except for the pay and allowances of such forces and such local purchases as its official establishments may make other than through the official establishments of the Australian Government as specified in paragraph 5.

(c) Supplies, materials and services needed in the construction of tasks and similar capital works required for the common war effort in Australia, except for the wages and salaries of United States citizens.

(d) Supplies, materials and services needed in the construction of such tasks and capital works
in territory other than Australia or territory of
the United States to the extent that Australia is
a more practicable source of supply than the United
States or another of the United Nations.

5. Requests by the United States for such aid will
be presented by duly authorized authorities of the United
States to designated authorities of the Commonwealth of
Australia.

6. It is my understanding that all such aid accepted
by the President of the United States or his authorized
representatives from the Government of Australia will be
received as a benefit to the United States under the Act
of March 11, 1941.

7. The aid to be provided each other by the signa-
tory Governments under the Agreement of May 7, 1942, and
as indicated above, will be provided on the same terms by
each Government to the forces of such of the other United
Nations as shall enter into similar arrangements with
them.

If the Government of the United States concurs in the

foregoing
foregoing, I would suggest that the present note and your reply to that effect be regarded as placing on record the understanding of our two Governments in this matter.

I have the honor to be et cetera, et cetera.
FROM THE SECRETARY OF STATE TO THE AUSTRALIAN MINISTER

I have the honor to acknowledge the receipt of your note of today's date concerning the principles and procedures applicable to the provision of aid by the Government of Australia to the armed forces of the United States, the terms of which are as follows:

(The Australian Minister's note is here quoted)

In reply I have the honor to inform you that the Government of the United States agrees with your understanding as expressed in that note and that, in accordance with the suggestion contained therein, your note and this reply will be regarded as placing on record the understanding between our two Governments in this matter.

Accept, Sir, the renewed assurances of my highest consideration.
TO
Secretary Morgenthau

FROM
Mr. Haas

Subject: Export Freight Situation.

Lighterage freight in storage and on hand for unloading in New York harbor last week held within the range of recent weeks, declining by 405 cars to a total of 20,585 cars. (See Chart 1.) Additional storage space for 6,678 carloads was available at the end of the week.

Exports from New York last week recovered partially from the sharp drop of the previous week, increasing by 974 cars to an estimated total of 6,878 cars. (See Chart 2, upper section.)

Receipts of freight for export at New York declined slightly further last week to 6,513 cars, a reduction of 155 cars from the previous week. Receipts of export freight at 9 other North Atlantic ports and at 6 Pacific ports also declined somewhat, the former by 17 cars to a total of 2,708 cars, and the latter by 455 cars to a total of 3,136 cars. (See Chart 2, lower section.)
LIGHTERAGE FREIGHT IN STORAGE
AND ON HAND FOR UNLOADING IN NEW YORK HARBOR*
Treasury Department
Division of Monetary Research

Date: May 20, 1942

To: Secretary Morgenthau
From: H. D. White

Attached are the first two reports on the Canadian War Savings Campaign received from Mr. Hoflich, and digests of them prepared by Miss Kistler.
Mr. Hoflich has visited Ottawa and Hamilton, Ontario, a predominantly industrial city of 156,000, located 42 miles northeast of Toronto. On the basis of visits to these two places and conversations he has had with national and local officials there, he reports as follows:

1. Two local committees are functioning in Hamilton. The committee in charge of the sale of War Savings Certificates and Stamps is composed largely of prominent local people, principally businessmen. The work is carried on through a small executive group and a large number of committee and subcommittee members. An attempt is made to get as many active participants as possible while keeping the directing control in the hands of a small compact group.

2. Canada's War Savings Program is a continuous one, although to date two special War Savings drives have been conducted for the purpose of stepping up payroll deductions rapidly and of selling a large volume of stamps in addition to the regular payroll deductions. A special feature of these campaigns in Hamilton has been the central role played by school children through radio broadcasts and school concerts. Other devices used have been a Sunday afternoon parade featuring British refugee children, theatre nights to which admission was paid in stamps and at which local talent was featured, and stunt flying by aviators from nearby training centers. Devices used during the bond sales campaign have been of a similar nature.

3. In Hamilton, at least, Canadian War Savings Certificates are sold largely on a payroll deduction basis. At the present time 48,000 out of a working population of 56,000 are
pledged on a continuous basis. The 1941 goal was 5 percent of payrolls with an average of 3-1/2 percent realized by the end of the year. The present goal is a progressive one of 8 percent, 10 percent and 12 percent, depending upon the wage bracket. Because of the emphasis placed on payroll deductions, no house-to-house canvassing is done in Hamilton.

4. Whereas, as far as can be gleaned from two reports received from Mr. Hoflich, the proceeds from the sale of War Savings Stamps and Certificates are clear receipts to the Canadian Government, this is definitely not so in the case of War Bonds. Not only are paid commission salesmen, usually from bond and insurance firms, hired to do the house-to-house canvassing, but the bond houses, which lend the services of members of their staff to organize and direct these periodic intensive Victory Loan Campaigns, receive a commission on the bonds sold. This commission is distributed locally among the various bond firms according to a formula worked out in Ottawa. There have been some adverse criticisms of this feature in Hamilton but not enough to interfere with sales.

5. In Hamilton, labor participation on the organizing and directing committee to sell Victory Bonds has been conspicuous by its absence. The two labor representatives on the local executive committee are reported not even to have attended meetings.

6. In an effort to attract the small investor, particularly wage earners, Victory Loans were issued in as low as $50 denominations in June 1941 and installment purchase through payroll deductions was also instituted at the same time.

7. In Hamilton quotas are set for Victory Bond sales for each firm with 50 or more employees and for each of the four zones into which the city is divided.

The Victory Loan Campaigns are intra-family affairs to a large extent, somewhat along the lines of the Treasury plan with a pyramid having key executives as the pinnacle and employee key men each responsible for canvassing 15 to 20
smaller employees as the base. Much pre-campaign work is done, with the frequent result that individual plant quotas are exceeded before the campaign opens.

The rest of the city is covered by paid commission salesmen operating from the four zone offices, each of which is run by professional bond men acting as organizers and assistant organizers.

8. Under the reorganization now in progress, professional bond people are being given key organizational jobs. It is expected that they will inject the necessary aggressive driving spirit, as well as professional bond experience, into the newly created National War Finance Committee, although fear is expressed in some quarters that they will alienate the non-professional volunteer workers participating in the War Savings Campaign.

9. Another interesting feature of the Canadian system is the free publicity given by newspaper and magazine publishers, who are organized for this purpose on a national, provincial and local scale. Dr. Clark considers this system far superior to press releases but admits the scheme has one drawback in that the publishers want the publicity given to be considered as their quid pro quo.

You may be interested in the description of War Savings Certificates and Stamps which is attached.

The material which Mr. Hoflich enclosed with these reports, as well as a copy of each of the reports, has been forwarded to Mr. Graves' office.
Canadian War Savings Certificates and Stamps

Canadian War Savings Certificates are issued in denominations of $5, $10, $25, $100 and $500. They are sold at 80 percent of the maturity value and mature in 7-1/2 years; the increment in value is equal to interest at 3 percent compounded semi-annually. They are exempt from income taxes. The schedule of redemption value is similar to that of United States War Savings Bonds.

The certificates are registered, non-transferable, non-assignable and may not be used as collateral for loans. The large number of small denomination certificates makes registration expensive but small denominations are believed useful in tapping small savers who do not purchase bonds on the installment plan.

War Savings Certificates may be purchased by cash or by the surrender of War Savings Stamps. The War Savings Stamps are issued in denominations of 25 cents only and are not redeemable.
The Canadian War Savings system is still in the process of a reorganization begun in January, 1942. In order to understand the nature and objectives of the present National War Finance Committee it is necessary to review briefly the Canadian experience.

The first two War Loans, of January and September, 1940, were sold through regular investment channels. No special organization was set up to handle these loans.

The increased financial needs of the government, and the necessity of increasing savings among the lower income groups, led to the creation of the Victory Loan Committee to distribute the Victory Loan of June, 1941, with bonds as low as $50 in denomination.

Under the general direction of the Dominion Victory Loan Committee, committees were set up in each province. Each province in turn was divided into districts, and a high pressure three weeks "blitz" campaign was organized. The canvassers consisted of four groups: (1) professional bond people largely from the staffs of security dealers and brokers, (2) other paid salesmen recruited largely in the various localities, (3) local unpaid voluntary workers, and (4) bond salesmen whose services were contributed by their employers.

The objectives of the campaign were two: (1) to raise funds by the sale of bonds to institutional and other large investors, and (2) to increase the savings of lower income groups, particularly through the medium of the $50 bond. The payroll deduction plan was instituted at this time, selling the bonds to employees on the installment plan, usually over a period of seven or eight months. After eight months, the Second Victory Loan was launched, using essentially the same organization and selling technique.
established the National War Finance Committee to take over the functions of the two old organizations. The merger in the field
was interrupted by the Second Victory Loan, of February, 1942.
Due to this interruption and the size of the task, as well as a
certain amount of jealousy between the two older committees, the
merger is not yet complete in the provinces and the local
communities. The lack of a clear-cut organization in the field
makes an analysis and appraisal of the system difficult at this
time. However, it is believed by those in charge of the Dominion
office in Ottawa that a study of the local units can be undertaken
with profit with such organizations as exist in the local com-

Professional bond people play an important role in the new
set-up. On the National Committee the Professional Vice-Chairman
is chosen by the large bond houses. He is a partner in a large
Toronto bond house, but still paid by his firm and taking a very
prominent part in the direction of the National Committee. The
same procedure is followed in the provincial committees. A bond
man, similarly chosen and compensated, will act as "professional
organizer" for each local unit. These men are in a position to
play a dominant role in the organization. It seems to be generally
believed in the Dominion office in Ottawa that the presence of
these bond men will inject the necessary aggressive, driving
spirit, as well as professional bond knowledge and experience,
into the new organization. It is admitted that this element may
in some instances interfere with the harmony within the groups of
voluntary workers associated with the old War Savings organization.
It is admittedly an experiment, but the consensus of opinion among
the national officials is that the plan will work out well in
practice.
practice. I gather from some remarks made that this opinion is not unanimous.

Everyone I have talked with here seems convinced that the "blitz" high-pressure bond campaigns, with a good deal of emotional pressure, must continue as an integral part of the War Savings scheme. It is intended to hold one of these (lasting three weeks) about every eight months. Some surprise is expressed that the United States Treasury has not come to this point of view also.

Mr. W. H. Budden, Associate Field Director (title not yet formalized) of the National War Finance Committee (also Deputy Chairman of the Securities Department of the Bank of Canada) expressed the opinion that people will budget their regular pledges and deductions and consider these as their maximum possible contributions, unless these are supplemented by the additional pressure of special campaigns in order to swell the total sales volume and cut purchasing power sufficiently to close the inflationary gap. He admits that stamp and certificate sales tend to fall off somewhat and redemptions increase after a "blitz" campaign. But he believes that the total results, over a period of time, are better as a result of the special drives.

Of possible interest in the Canadian scheme are the Publishers' Committees, on a national, provincial, and local scale, and representing all newspaper and magazine publishers. These are organized to cooperate with the savings committees and to give out publicity on their own initiative. Dr. W. C. Clark, the Deputy Minister of Finance, considers this most effective and far superior to simply handing out press releases, as he thinks the material is more likely to be used if it comes from the publishers' own committee. The only "fly in the ointment", as expressed by Dr. Clark, is that
that the publishers recommend to the national and provincial com-
mittees a plan and scale of advertising, as their "quid pro quo",
which cannot be ignored. This is part of the set-up. But, in
Dr. Clark's opinion, the publishers have not taken "undue"
advantage of their position in this regard. On the whole, he
thinks that they are fulfilling their publicizing function in
an effective and patriotic manner.
The War Savings and Victory Loan Campaigns in Hamilton, Ontario

Reference is made to my report of May 12 for the distinction between the War Savings Campaign ($5.00, $10.00, $25.00, $100.00 and $500.00 certificates, and 25 cent stamps) and the Victory Loan Campaigns (bonds with denominations of $50.00, $100.00 and up to any larger amount).

Hamilton, Ontario, is a predominantly industrial city with a population of 156,000, of which the working population numbers 56,000. It is known as the "Pittsburgh of Canada", producing 55% of the raw steel used in the Dominion. It is located 42 miles northeast of Toronto. The three largest industrial companies are the Steel Company of Canada, employing 6,000, the Otis-Felson Elevator Company with 6,000 employees, and the International Harvester Company employing 4,000 people. There are numerous other important industrial plants both large and small.

The War Savings Plan

Organization

At the top of the Hamilton unit organization is the War Savings Unit Committee, composed of prominent local people, largely business men, all serving on a voluntary unpaid basis. The Chairman, who was chosen by the Provincial Chairman, selected the other committee members with the advice of a few of the best known and more public spirited men in the community. Most of the members are chairman of sub-committees.

The Chairman is Mr. G. H. Boothe, manager of the largest department store in town. He is assisted by four Vice-Chairmen and serves as chairman of the Executive Committee, which includes also the Vice-Chairmen and the chairmen of the following sub-committees:

1)
(1) Employer-employee Committee. This committee is in charge of the payroll deduction plan in all concerns having 25 employees or more.

(2) Retail Committee, in charge of sales to employees of smaller firms, largely retail stores, with two to 25 employees.

(3) School Committee. This committee has done one of the outstanding jobs in Hamilton, in planning and supervising the sale of stamps to and by school children.

(4) Flying Committee, responsible for obtaining airplanes for publicity purposes from nearby flying schools and the Air Force.

(5) Bank Committee to synchronize the efforts of the banks.

(6) Publicity Committee, with 24 sub-committees such as parades and bands, press, radio, schools, theatres, retail stores, service clubs, employee publicity, speakers, hotels, women's organizations, etc. These committees are composed usually of people in the activity indicated.

All of the committee members and other workers serve on a purely voluntary basis.

Although the chairman is the actual directing head of the organization, it is said that the responsibility is pretty well divided among the executive committee members.

Both the War Savings chairman, and Mr. C. H. Isard, publicity chairman of the two Victory Loans, stress the desirability of having (1) a small executive group, and (2) many other committee and sub-committee members. This serves the important purpose of getting a large number of people in the community actively interested in the campaign, plus the advantages of a small directing group.
Operation and Results

Certificate sales are largely on the payroll deduction basis. The 1941 goal was 3% of payrolls. An average of about 3½% was accomplished by the end of 1941. The present goal is 8% for low wage groups, 10% for those considered to be in the medium wage group, and 12% in the higher wage brackets. Out of a working population of around 56,000, about 48,000 are pledged on a continuing basis.

House-to-house canvassing is not done. It is felt that the results would not be worth the effort, since such a large proportion of the population is reached through the payroll deduction plan.

The War Savings Campaign is a continuous one, efforts being made constantly to increase savings, through moderate publicity and the operations of the various sub-committees. Twice, however, in February, 1940 and February, 1941, intensive 30 days War Savings drives were staged, for the purposes of (1) stepping up payroll deductions rapidly and (2) selling a large volume of stamps and certificates in addition to the regular payroll savings. The goal in the last drive was $300,000, representing the cost of three bombers. $294,000 was raised.
Special Stunts During the Intensive Drives

During the intensive campaigns, school children operated an entire radio station for two nights each week for half an hour. The announcers, speakers, entertainers and technicians were all school children, supervised of course by the regular staff. This was considered to be unusually effective, because, it is said, every parent and relative of all the school children in town were listeners since all the children were either participating or listening.

On another occasion, every school in the city put on a concert the same night. Every school and hall was packed. The children provided musical and other entertainment. About half way through the concert, the same War Savings Stamp speech was broadcast at each concert. Each person had to buy at least one stamp at the ticket window in order to gain admission, keeping the stamp. At each concert total stamp sales were credited to the school staging the event.

In all the schools, children were chosen by their class-mates to prepare and broadcast eight minute stamp speeches on the subject "Why buy War Savings Stamps?" Then full-page advertisements were run in the newspapers, prominently displaying the names of the children chosen to speak. Eight speeches per day were broadcast throughout the campaign.

One Sunday afternoon at three o'clock a Church Parade was staged, made up of bands, veterans, militia, Home Guard, and women's A. R. P. units. In the center of the parade were two large furniture trucks, and between the trucks were cars with seventy English refugee children. The trucks bore large banners with the words "We were bombed out of our homes. You are only asked to lend. Buy War Savings Certificates".
Theatre Night marked the opening of the 1940 drive. At every theatre admission was gained only by buying stamps, two at the larger theatres and one at the smaller ones. The regular movie shows were supplemented by the best local talent. Some ran raffles to raise campaign expense money. Theatre owners donated the theatres for the night. Similarly, on several nights, patrons of dance halls bought stamps in order to be admitted.

In connection with the goal of $300,000 or three bombers, planes were displayed in prominent places. Others flew over, stunting, sometimes broadcasting. This was arranged largely in cooperation with a number of flying schools nearby.

Other stunts said to be effective were torchlight parades, tank parades, band concerts and window displays.

The Victory Loan Campaigns

Superimposed on the continuous War Savings program is the periodic Victory Loan drive, selling bonds to raise large sums in a short time, and to drain off additional savings. Victory Loan drives took place in June, 1940, and February, 1942. Another will be staged in October of this year, and it is planned to hold them every six months after that.

Organization

In the past, an entirely separate organization has been set up to handle the Victory Loan campaigns. However, in Hamilton at least, many Victory Loan committee members have been War Savings people as well.

The organization is nominally headed by an Honorary Chairman who is not active, but simply lends the prestige of his name. He is named by the Provincial Chairman. In Hamilton he is the Honorable
and do not even attend committee meetings. A Y of T. 1. It is stated that those your are not at all aware of.

Directing committee of the C. O. and the Directing Committee of the
and your attendance member - two business executive, the

The Executive Committee is made up of those mentioned above.

Chairman of Honorary Vice-Chairman

Joint chairman, business men, who are more active than the

Those committees in Advisory Board, there are also two

including Mayor William Morrison and other prominent business men.

does not seem to be clear. He chose the Honorary Vice-Chairman,

bond people better than any other can number, but the reason

It is thought that another can work with and direct local

the local organization (the professional executive director

show. The senator member, from Toronto (the only outsider man in

the two local Vice-Chairmen are bond men. They run the

normal volume of business are
even of sales force, volume of bonds sold in the old War loan,

in the Dominion office in Ottawa. The formula is based on

all the local bond houses on the basis of a formula worked out

directors, total commissions on all sales are divided among

bonds sold. Since the bonds are not sold directly to the

secured. They all work on a volumetric basis, being paid

return the necessary expertise, drive and knowledge of

people. It is strongly believed here that this is necessary to

the dominant executive through their professional bond

business men.

Honorable C. O. Morrison a highly respected retired lawyer and
The campaign is carried on through the agency of six sub-committees: General Subscriptions, Employees, Special Names, Publicity, Administration and Finance, and Banks' Committee. Each of these committees has as vice-chairman a bond man who is actually the executive in charge.

Operations and Results

The General Subscriptions Committee is in charge of all payroll deductions for firms with less than fifty employees. Your zone subscription offices are set up in the city, each under an organizer and one or two assistant organizers (all bond men). In each office are groups of paid commission salesmen, under captains, working on the door-to-door canvass. Working singly, they call at every home, apartment, and smaller places of business (less than fifty employees). The salesmen are chosen by the chairman and vice-chairman of the General Subscriptions Committee through applications by the salesman. The main sources of these salesmen are insurance companies and bond and stock houses. Also, salesmen unemployed because of the war, such as automobile and tire salesmen, are hired. These sales people are given one week's schooling before the beginning of the three weeks' campaign. All commissions were pooled and divided (in the last campaign) according to the rating given to the salesmen by the Executive Committee. Class A men were paid $25 more than the others in the last campaign, and the B, C and D men were all paid the same. But it is considered that those in Classes B, C and D are classified for the next campaign, when additional differentials probably will be introduced. In this last campaign, the Class A salesmen received about $320 each, and those rating B, C and D around $295. It is said that there were some complaints in the community that the remuneration was too high, but that the complaints were not numerous enough to interfere with the campaign.
and

Special features are then compiled by volunteers non-partisan and
and individual who is to date a professional $20,000.00 or more. These
The special features committee is a live of all corporations

and experience was.

that are set up for each company on the basis of total payroll.Obama
was projected in the newspaper. The amount of each company possible

and are not paid.

the same. These same men are known by bond house on a full-time

that can and must be provided reports for each one of the

are being called on a number of planes each existing at the help

During the pre-campaign and campaign period the "testing men"

and the campaign to a number of employees, not over 20 per pretender.

that a plan is drawn is exceeded because the opening of the

is said unexpected that it is now the amount that was campaign to

the amount of money that the campaign fund was considered to

only be the Hamilton political committee and as close to the

campaign to a number of employees, not over 20 per pretender.

the essence of which is the sub-committee committee, the management;

more employees (not the 20) to make the original campaign and

before the campaign started each sub-committee called on one of

and the executive of most of the large companies

in the West on more employees. It is then seen if the sub-committee

of all companies in the city, and taken under the jurisdiction of

the employees committee make a study of the last payroll.

the campaign which is based on the payroll and the average wage.

By the officers of the general subscription committees, much

questions are set up for each one and much business from

195
and others, some of them members of the Executive Committee.

For publicity expenses in the last Victory Loan Campaign $4,650 was contributed by 25 local business firms. 43 per cent was returned to each contributor after the campaign was over. The publicity sub-committees are organized the same as in War Savings, 24 in all.

Special Promotional Stunts

At the opening of the last campaign at 9:00 A. M. Monday all factory whistles and locomotive whistles were blown, and guns were fired in the center of the city "to make certain that everyone in the city knew the campaign was on". Planes dropped pamphlets.

During the course of the campaign a free children's concert was given. A huge thermometer was set up in a prominent place showing the progress of the campaign. Runners were used in theatres. Radio speeches were given, and frequent local "spot" announcements used. There were parades with bands, banners, and speeches. A special sub-committee of window decorators provided many window displays. 58 speakers were on call to talk at employees' meetings, service clubs, theatres, et cetera. A prepared speech was sent out to every women's meeting. Band concerts were effective in drawing crowds to hear a short speech.

In the stadium, seating 14,000 to 15,000 persons, a children's show was given, featuring mass formation demonstrations, physical training exhibits, bands, high school cadet corps, and a five minute Victory Loan speech. This was most effective in bringing out parents.

Mercer
The merger of the War Savings Committee and the Victory Loan Committee has not yet taken place in Hamilton. See my report of May 12, 1942, for the background on this.

May 14, 1942.
May 20, 1942

My dear Mr. Secretary:

This is in reply to your letter of May 4, 1942, informing me of the forthcoming conference of representatives of the Central Banks and equivalent or analogous institutions of the American Republics in accordance with Resolution VII adopted at the Rio conference. We have been informed by representatives of the State Department that this conference will deal primarily with freezing central problems and will be attended by the freezing central authorities of the American Republics.

In accordance with your request, the Treasury Department is compiling the information for transmission to the Inter-American Financial and Economic Advisory Committee. The Treasury Department is also preparing a detailed agenda for the conference setting forth the major questions which this Department is interested in having fully discussed.

The Treasury Department is prepared to discuss with your Department the manner in which this Government can most effectively participate in the forthcoming conference of freezing central authorities.

Sincerely yours,

(Signed) R. Morgenthau, Jr.

Secretary of the Treasury

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

M.M.C.
cc: Thompson
cc: Dr. White

EM/af
3/19/42

Regraded Unclassified
Department of State
Washington

May 4, 1942

My dear Mr. Secretary:

In accordance with Resolution VI adopted at the
Third Meeting of Ministers of Foreign Affairs of the
American Republics held in Rio de Janeiro, the Inter-
American Financial and Economic Advisory Committee
has resolved to convene before July 1, 1942 in Washington,
a conference of representatives of the central banks
or equivalent or analogous institutions of the American
republics for the purpose of drafting standards of
procedure for the uniform handling of bank credits,
collections, contracts of lease and consignments of
merchandise, involving real or juridical persons who
are nationals of a State which has committed an act of
aggression against the American Continent. There is
attached a copy of a letter of April 27, 1942 from the
Chairman of the Committee transmitting the text of its
resolution.

You will note that the Committee has requested
that the governments furnish data relative to the
control systems and administrative practices applied in
their respective countries with regard to the operations
listed in Resolution VI of Rio de Janeiro, such as
texts of the laws and regulations now in force in this
matter; description of the government organization
charged with the enforcement of said laws and regulations;
rules of procedure adopted by said government organization;
various types of operations authorized by the above-
mentioned organization in the performance of its official
functions, and all other information which they may deem
useful in the study of the problems to be faced by
the Conference. As your Department is directly concerned
with the operations of the freezing controls adopted
by the United States, and the problems which have
arisen in the administration of such controls, the
Department would appreciate your compiling the information
requested for transmission to the Committee.

In

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.
In addition, the Department believes that it would be helpful if the United States suggested a detailed agenda for the Conference so that the major questions in which this Government is interested will be fully discussed. It would accordingly welcome your ideas as to questions which should be placed on the agenda.

Sincerely yours,

[Signature]

Enclosure:

Copy of letter of April 27, 1942, with resolution.
INTERAMERICAN FINANCIAL AND ECONOMIC ADVISORY COMMITTEE
PAN AMERICAN UNION
WASHINGTON

April 27, 1942

Excellency:

Enclosed herewith I have the honor of sending you a copy of the resolution approved at the regular session of April 16, 1942, by the Inter-American Financial and Economic Advisory Committee, relative to the convening of a Conference of Representatives of Central Banks or Equivalent or Analogous Institutions of the American Republics, action which the Committee has taken pursuant to the provisions of Resolution VI adopted by the Third Meeting of Consultation of the Ministers of Foreign Affairs of the American Republics, held in Rio de Janeiro.

On behalf of the Committee, and in accordance with the text of the resolution, I beg to request from your Government all such data and information which may be deemed useful in the study and solution of the problems to be considered by the Conference.

May I, Sir, take this opportunity to renew the assurances of my sincere esteem and consideration.

(Signed) SUMNER WELLES
Chairman

The Honorable
The Secretary of State
Washington, D. C.
Resolution on the Convening of a Conference of Representatives of Central Banks or Equivalent or Analogous Institutions of the American Republics.

The Inter-American Financial and Economic Advisory Committee considers that it is now the opportune time to convene a Conference of Representatives of Central Banks or Equivalent or Analogous Institutions of the American Republics, for the purpose of drafting standards of procedure for the uniform handling of bank credits, collections, contracts of lease and consignments or merchandise, involving real or juridical persons who are nationals of a State which has committed an act of aggression against the American Continent, pursuant with the terms of Resolution VI of the Third Meeting of Consultation of the Ministers of Foreign Affairs of the American Republics held in Rio de Janeiro.

The Committee recommends, therefore, that, allowing for a sufficient time to make adequate preparations and in order that the delegates may attend with the best information of their respective Governments on the topics to be discussed, the aforesaid conference be held prior to
to July 1st of the present year in the City of Washington.

When a report on this resolution is sent to the Governments, they shall be requested to submit their particular points of view regarding the Agenda of the Conference. They shall likewise be requested to send data relative to the control systems and administrative practices applied in their respective countries with regard to the operations listed in resolution VI of Rio de Janeiro, such as texts of the laws and regulations now in force in this matter; description of the government organization charged with the enforcement of said laws and regulations; rules of procedure adopted by said government organization; various types of operations authorized by the abovementioned organization in the performance of its official functions, and all other information which they may deem useful in the study of the problems to be faced by the Conference.

Approved at the Regular Session of April 16, 1942.
May 20, 1942

Mr. White

Mr. Dietrich

With reference to my memorandum of May 15 regarding the contemplated purchase of $25,000,000 in gold for the Nordens & Eriksen account, which account is the property of the Bank of Sweden, Mr. Liddy of the Federal Reserve Bank of New York informed me today that this purchase will not be made as Mr. Nagumo advised him that he had misread his instructions.

The proceeds of the maturing United States Treasury Bills mentioned in my memorandum will be reinvested in similar United States obligations.

I understand that the $25,000,000 in gold purchased for the Bank of Sweden, which was also referred to in my memorandum, will be transferred to the Nordens & Eriksen account at the Federal.
TO
Mr. White

FROM
Mr. Kamarek

Subject: Military Aspects of Proposals to send supplies to Sweden

1. Sweden has repeatedly declared her neutrality in the present war. In so far as she has modified her neutrality, it has been in favor of Germany.

After the German conquest of Norway, Sweden allowed Germany to bring her soldiers across Sweden to Germany for rest from isolated Norwegian garrisons. In this way, Sweden preserved these soldiers from becoming exposed on their way home to the blows of the British.

Early in the Russo-German war, Sweden committed a flagrant breach of neutrality in favor of Germany. The German Army was permitted to send across Swedish territory at least one division fully equipped into Finland to attack the Murmansk railroad, (along which a large part of American supplies to Russia flow.)

There have been, no doubt, other occasions when Sweden did not violate her neutrality on German request. This sort of virtuous conduct is after all no more than to be expected from a country which insists on its neutrality in the war.

2. In view of Sweden's neutral position, it is to the German, rather than to our advantage that the Swedish army be strengthened. In Sweden's present encircled position and with her large industrial contribution to the German war effort, an invasion of Sweden would not be worth its cost to the Germans. And, as a matter of fact, the Germans have not invaded Sweden.

On the other hand, should the Allies make a landing in Norway, Trondheim is the most likely spot. From Trondheim, a movement into and across Sweden would possess great strategic value for the United Nations. A successful Allied invasion of Sweden would cut off the important Swedish supplies to Germany and would secure good bases for action against northern Germany. In other words, the main danger to Sweden of invasion stems not from Germany, but from the United Nations.

The Swedes have drawn, it seems, the proper conclusions. According to the Swedish Press Service, in the last week of February, 1942, the Swedish Army carried out its winter maneuvers in Jamtland Province.
TO Secretary Morgenthau
FROM Mr. Districh

With reference to telegram #563, May 16, 10 p.m., "from Adler for Secretary of the Treasury", we have been advised by the State Department that the first sentence of SECTION TWO should read as follows:

"One. It was announced on May 7 that Ministry of Finance had established Public Bond Subscription Commission to handle sale of Allied victory bonds this year including equivalent in Chinese national currency of Chinese national currency dollars one point seven billion of United States dollar backed bonds and issue of Chinese national currency dollars one billion."
N.J.L.
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Chungking
Dated May 16, 1942
Rcv'd 11:40 a.m.

Secretary of State,
Washington.

563, May 16, 10 p.m. (SECTION ONE)
FROM ADLER FOR SECRETARY OF THE TREASURY.
"TF 36 (SECTION ONE). Industrial and mineral production.

One. Available data underscore how undeveloped industrial production in free China is whether for war or civilian purposes, and how dependent China is on outside world for essential supplies. Undoubtedly relative progress made in last few years insignificant in relation to China's needs. Greatest progress appears to have been made in Government enterprises many of which, however, do not cover costs and require sustained subsidies. All mineral production except coal government operated; most of industrial save electrical supplies privately operated. Appended figures does not include government arsenal production which it is reported has covered much of China's small arms needs, though shortage of raw materials may affect their ability to do so in the future.

Two. Mineral
Two. Mineral production 1941. (Appended figures give total of both government and private production unless otherwise indicated; figures in brackets are 1940 production).

(a) Coal and oil. Coal 6.2 million tons (5.7); gasoline, crude and lubricating oil about one million gallons (.25). Conversion of wood oil into gasoline already started. It was hoped to expand production of Kansu oil field—estimated capacity 10,000 gallons per day—but fate of refining machinery in Wanting still unknown.

(b) Tungsten concentrate 12.4 thousand tons (9.1) antimony pure 7.8 thousand tons (6.3); tin 7000 tons (3.7); mercury 122 tons (120); copper 1.8 thousand tons (2.3)
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Chungking
Dated May 16, 1942
Reol'd 3:35 p.m.

Secretary of State,
Washington.

563, May 16, 10 a.m. (SECTION TWO)

In first quarter of 1942 production of tungsten concentrates three point one thousand tons or 30% more than consumption and that of tin one point nine thousand tons. Three thousand tons of tungsten and tin, mostly former, between Lashio and wanting awaiting export when Japanese broke through. In view of cessation of foreign demand antimony production already curtailed and that of tungsten and tin will possibly follow suit.

Three Manufactures. 1941

(a) Iron and steel. Pig and cast iron and steel fourteen point five thousand tons (seven point four). In first quarter of 1942 iron production five thousand tons and steel much less. It is hoped to get a number of furnaces started this year though impossibility of importing equipment a serious handicap in this as in other spheres. Above figures do not include production by native processes.

(b) Machine tools and electric supplies. Machine tools
-2- #563, May 16, 10 a.m. (SECTION TWO) from Chungking

tools 1,210 sets (983); electric bulbs 627,000 (699);
wireless receiving and transmitting sets 2,130 (9,121);
electric power - Government operated - eight point
eight million kilowatts - (two point one).

(c) Chemicals. Alcohol four point one million
gallons (three point nine); shortage of raw materials
may entail encroaching on food supplies to maintain
production. Motor alcohol one point five million
gallons (point6); basic acids eight point two thousand
boxes (seven point eight); soap 401,000 cases (280);
matches 191,000 cases (14).

(d) Building materials. Cement 150,000 barrels
(297); fireproof materials 275,000 tons (4).

(e) Other. Wheat flour 4510 thousand bags (300,921);
machine made cotton year 112 thousand pieces (44).

SECTION TWO

One. It was announced on May 7 that Ministry of
Finance had established public bond subscription notes
to handle sale of Allied victory bonds this year in-
cluding equivalent in Chinese national currency of
dollars Chinese national currency one point seven billion
of United States dollar backed bonds and issue of
Chinese national currency dollars one billion. Former
issued on May 1st and to be purchased voluntarily,

the latter
-3-  #663, May 16, 10 a.m. (SECTION TWO) from Chungking

the latter to be issued within two months and to be
sold by compulsory methods to high income brackets.
Minister of Finance confidentially informed me on
May 14 that as flotation of saving certificates and
United States dollar backed bonds will not suffice to
cover deficit it was decided to issue an additional
Chinese national currency dollars one billion issue
against which part of forthcoming sterling loan will
be used as a reserve thought it will not be redeemable
in sterling.

Two. Sales of saving certificates to May 14:
Chungking Chinese national currency dollars thirty
million, Kunming Chinese national currency dollars
twelve million, other Chinese national currency dollars
eighteen million, total Chinese national currency
dollars fifty million.

(END OF MESSAGE)

GAUSS

KLP
HTM
REFUNDING TO BE OFFERED

MAY 25, 1942

2-1/4% HOLC bond due July 1 .......... $ 875 M
1-1/2% RFC note due July 1 .......... 276

$1,151 M
LAST TWO NOTE ISSUES

November 1, 1941 - Offered 1% 4-year 4-1/2 month note (maturing March 15, 1946) in exchange for $300M 7/8% RFC notes and $203M 1% CCC notes (total $503M)

January 31, 1941 - Offered 3/4% three years 8 months note (maturing September 15, 1944) for cash in amount of $635M

Excludes offering of 3/4% two year note of March 15, which was reopened March 31 and June 2, 1941, and which we issued only $66M

May 21, 1942
<table>
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<th>Name</th>
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<tr>
<td>Childs</td>
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<td>4-1/2 years</td>
<td>1-3/8</td>
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<tr>
<td>Discount</td>
<td>5 years</td>
<td>1-1/2</td>
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<tr>
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<td>2 years</td>
<td>1</td>
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<td></td>
<td>4-1/2 years</td>
<td>1-1/2 (OK)</td>
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<tr>
<td>Salomon Brothers</td>
<td>4 - 9 years</td>
<td>1-1/2</td>
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<tr>
<td>Bankers Trust</td>
<td>3 years</td>
<td>1-1/8</td>
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<tr>
<td>Guaranty Trust</td>
<td>4 - 5 - 4½ yrs.</td>
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<tr>
<td></td>
<td>5 years</td>
<td>1-1/2 (too rich)</td>
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<tr>
<td>D. W. Rich</td>
<td>4-1/4 years</td>
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May 21, 1942
Information received up to 7 A.M., 20th May, 1942.

1. NAVAL

19th. PRINZ EUGEN and 4 destroyers have arrived at KIEL. LUTZOW was located by aircraft at GRIMSTADT FJORD (south of BERGEN) and was later observed proceeding northward.

2. MILITARY

LIBYA. During 18th, increased enemy M/T movement developed in area ELUST EL AGGARA. Main enemy M/T concentration is still in KUNDA-SUWAYLI area.

RUSSIA. No information as to progress of German counter attack reported in OPTEL No. 163. The Russian attack south of KHAPEKOV is progressing well and has penetrated on a front of 50 miles to a depth of about 40 miles. On KERCH PENINSULA Russians admit a serious reverse and no longer hold any fixed line.

3. AIR OPERATIONS

WESTERN FRONT. 19th. Six Hurricane bombers escorted by 9 Squadrons of Spitfires bombed railway at ST. OMER, and 8 additional Spitfire Squadrons carried out offensive sweeps. 4 enemy fighters destroyed, 3 probably destroyed and 5 damaged. 4 of our aircraft are missing, 2 pilots safe.

19th/20th. Aircraft were despatched - MANNHEIM 197, ST. NAZAIRE 65, sea mining 9, leaflets 13, enemy aerodromes 7. LUTZOW off Norwegian Coast also objective for 31 aircraft but no attack was made. 15 aircraft (including 8 heavy bombers) are missing. 35 enemy aircraft operated between FLAMBOROUGH HEAD and SKEGNESS. 12 of these flew inland, attacking HULL and the vicinity. In HULL, several fires occurred, also damage to residential property and utility services, and to docks and railway line, casualties so far reported, 12 killed and 33 seriously injured.

MALTA. Between 3.40 P.M. 18th and 1.08 P.M. 19th, 67 Fighters and 3 bombers attacked. Two enemy aircraft destroyed and 3 damaged.
May 20, 1942

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

Dear Henry:

The attached is taken from the British Political Warfare secret weekly strategy directive.

Sincerely,

William J. Donovan
Russian front:

a. Minor Soviet attacks without positional changes on Murmansk front along Volkhov River southeast of Leningrad and Lake Ilmen sector;

b. German resistance stiffening on Kharkov front after Russian attack had made progress and developed into a major operation extending from few miles north of Volokhansk to near Krasnograd. The most promising Russian advances are southeast of Kharkov;

c. Probably Russians still holding part of town of Kerch even after Germans original attack with two or three divisions was reinforced by two or three more. German attack continues to make progress.

Malta:
Reduced attacks with defense continuing vigorously.

Libya:
Slight eastward movement by four enemy groups including tanks and motorized transport toward Sidi Breghisic and El Chebir with increasing patrol activities both sides.

Southwest Pacific:
Concentration of Japanese transports on May 7 sufficient to carry one division supported by warships attacked by allied forces near Louisade Archipelago, one aircraft carrier, one cruiser sunk, one aircraft carrier damaged, twenty-three Jap aircraft reported destroyed.

Burma:
No certain information but reason to believe British troops successfully withdrawing from western Burma toward Indian Frontier. Chinese sources report Japanese occupied Thamo May 5, Myitkyina Railway terminus north of Rangoon May 8. Jap advanced up Burma Road far as Lunging in Yunnan Province with fighting reported May 11.
DATE May 20, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: The military situation according to Military Intelligence

Pacific

The Japanese Navy has returned to Japan. The Japanese naval concentration in the southwest Pacific which led to the Battle of the Coral Sea thus no longer exists. The main body of our fleet likewise is no longer in the central or southern Pacific. The only activity north of Australia, therefore, is that of air patrol, reconnaissance and some reciprocal bombing.

Military Intelligence is inclining to the view that the next big move the Japanese will make is an attack on Siberia.

Burma

The Japanese control Burma and are able to move about in the country at will. The few remaining Chinese forces still in Burma are either dispersed or are on their way back to Yunnan cross-country.

General Stillwell is expected to be in Calcutta in a few days. This is probably in connection with his desire to equip completely with American supplies an army of 100,000 Chinese in India.

Russia

There is no information on what is happening on the Russian front. There is a general unwillingness in Military Intelligence to make an estimate on the probable course of the fighting in Russia, mainly because there is no information as to the strength of the Russians. It is believed that the situation in Leningrad is very bad. The food shortage in the city is believed to be acute.
Military Intelligence has no information that the human torpedo attack on Alexandria five days ago had any effect.

The British and the Axis each have about 600 tanks at the front. In addition, the British have around 400 tanks in brigades in the rear which will be ready for action some time late in June. The British have air superiority.

Although it appears that the bombing of Malta has slackened somewhat, the situation still remains dangerous. British women were evacuated from the island at the end of April. The only supplies reaching the island are carried by air or submarine and the constant bombing attacks have led to a shortage of anti-aircraft ammunition. There have been some indications that preparations for a descent upon the island have been made in Sicily.

To relieve Malta, the British are considering a plan to make a limited offensive in Libya for the purpose of taking Benghazi. With fighters based on Benghazi, the British would be able to give the fighter protection necessary to send convoys of supplies to Malta.
MEMORANDUM FOR THE SECRETARY:

Yesterday (Wednesday) morning we had a conference in Mr. Sullivan's office with Commissioner Helvering and various other officials of the Bureau of Internal Revenue. After considerable discussion, it developed that the Commissioner is entirely in sympathy with the objective of withholding or collecting income taxes on wages and salaries at source, but fears that under existing circumstances the Bureau would not be able to secure the personnel and business machines necessary for satisfactory administration. This fear is accentuated by the fact that the Bureau has been given a very low priority rating and is losing trained personnel to other Governmental agencies.

The Commissioner indicated his willingness to appear before the Committee and state that he could administer collection at source, provided he was supplied with the personnel and machines necessary to do the job.

Later yesterday Chairman Doughton requested the appearance of Mr. Helvering because of doubts which have been conveyed to the Committee regarding the administrative feasibility of collection at source. It was arranged for him to appear tomorrow (Friday) at 10:30 A.M.

I think it would be an excellent idea if you could have a short conference with Mr. Helvering just before he goes to the Hill at 10:15 in order to reassure him that you are strongly in favor of withholding. In the absence of such a conference, I am a little afraid that Mr. Helvering may weaken in the attitude he finally adopted at our conference in Mr. Sullivan's office.
Honorable Henry Morgenthau, Jr.,  
Department of the Treasury,  
15th and Pennsylvania Avenue, N. W.,  
Washington, D. C.  

My dear Mr. Secretary:

I express to you my appreciation for your assistance in obtaining the barracks for the units of the 71st Coast Artillery (AA) and the 703d Military Police Battalion (ZI), which are furnishing the guard at the White House. Their present quarters in the Treasury Department are occupied through your kind cooperation and were it not for this, the quartering of those units would have presented a serious problem and would, no doubt, have proved a particular hardship to the soldiers involved.

Your kindness in assisting in this matter will be remembered and appreciated by members of this command.

Very sincerely,

[Signature]

JOHN T. LEWIS,  
Brigadier General, U. S. Army,  
Commanding.
TO: Secretary Morgenthau
FROM: Elmer Irey

The trial of the twenty employees of the Alcohol Tax Unit in New York is proceeding. During the course of this trial five of the Government employees have pleaded guilty. This includes one who was assistant chief of the entire group. It is expected that the trial of the remaining fifteen will be concluded within ten days or two weeks.
May 21, 1942

Dear Jesse:

Many thanks for telling me about George Jessel. Undoubtedly we shall have use for him this summer, and our War Savings people believe that he will be most helpful.

We have written him suggesting that he place himself at the disposal of the United Theatrical War Activities Committee which has a talent pool from which we draw. That is our usual way of obtaining stars for War Bond rallies and other activities in connection with our campaign.

Sincerely,

(Signed) Henry

Hon. Jesse H. Jones,  
The Secretary of Commerce,  
Washington, D. C.

FK/cgk

[Signature]