



THE SECRETARY OF COMMERCE
WASHINGTON

May 19, 1942

Dear Henry:

I had a visit with George Jessel on his recent trip to Washington, and he seems anxious to do what he can in connection with the war. He told me he had written you.

I think very well of George, and believe he could be helpful in providing entertainment for the boys in camp.

Sincerely yours,

A handwritten signature in cursive script, likely "Frank B. Rowland", is written over a horizontal line.

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



TREASURY DEPARTMENT
WASHINGTON

May 21, 1942.

MEMORANDUM FOR THE SECRETARY:

Following is a quotation from a letter received from Mrs. Douglas Gibbons, Chairman of the Booth Committee, War Savings Staff, New York City, concerning the matter you had me check on regarding Mr. Rosenwald's crowd at the Danny Kaye night club rally:

"The situation about the pledges made at Danny Kaye's nightclub rally is entirely the fault of my department of volunteers. That rally was the first one we covered and we were 'green' and untrained. Our one idea was to find out what type of bonds each subscriber wished and to send the application as quickly as possible to the Federal Reserve Bank, 33 Liberty Street, New York City, hence the letter.

"We did not know at that time that we could send the pledges to the Federal Reserve and have it handle them in a way befitting the dignity of the Treasury Department. I did learn of that shortly afterwards and all pledges since then have been forwarded to Mr. Boyd. I regret very much this incident. Colonel Patterson and his staff had nothing whatsoever to do with it. I take entire blame for myself and my department and the only excuse was ignorance and over-enthusiasm."

I am advised by Colonel Patterson that they are pursuing this matter further in an effort to see that the pledges materialize in bond purchases.

I have written to Mr. Edgar Stern explaining this to him.

Ted R. Gamble

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 21, 1942.

TO THE SECRETARY
FROM TED R. GAMBLE

In answer to your suggestion while in New York that we make a motion picture of the War Bond solicitation, please be advised that arrangements have already been completed for the use of ten separate subjects, two to be attached to each of the five newsreels servicing all the theatres in the New York area. Five of these subjects will be attached to the newsreels ten days in advance of the Pledge Campaign, and five of them will go out three days in advance of the Pledge Campaign and carry over during the actual solicitation.

Sales of United States Savings Bonds
From May 1 through May 20, 1942
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

Date	Series E				Series F and G				Total			
	Actual Sales	Quota	Sales		Actual Sales	Quota	Sales		Actual Sales	Quota	Sales	
	: May 1	: May 1	: to Date	: as % of	: May 1	: May 1	: to Date	: as % of	: May 1	: May 1	: to Date	: as % of
Daily	to	to	to	Daily	to	to	to	Daily	to	to	to	
	Date	Date	Quota		Date	Date*	Quota		Date	Date	Quota	
1	\$ 12.7	\$ 12.7	\$ 14.0	90.7%	\$ 7.3	\$ 7.3	\$ 9.0	81.1%	\$ 20.0	\$ 20.0	\$ 23.0	87.0%
2	11.6	24.3	25.7	94.6	7.9	15.2	16.0	95.0	19.4	39.4	41.7	94.5
4	22.3	46.5	47.8	97.3	10.3	25.5	29.5	86.4	32.6	72.0	77.3	93.1
5	8.9	55.5	57.8	96.0	7.6	33.1	37.1	89.2	16.6	88.6	94.9	93.4
6	18.4	73.8	70.5	104.7	15.6	48.8	49.8	98.0	34.0	122.6	120.3	101.9
7	23.2	97.0	84.0	115.5	12.1	60.8	60.3	100.8	35.3	157.9	144.3	109.4
8	17.2	114.2	98.0	116.5	6.4	67.2	69.3	97.0	23.6	181.4	167.3	108.4
9	14.5	128.7	109.7	117.3	5.6	72.8	76.3	95.4	20.0	201.5	186.0	108.3
11	23.3	152.0	131.8	115.3	8.1	80.8	89.8	90.0	31.3	232.8	221.6	105.1
12	9.4	161.3	141.8	113.8	4.6	85.4	97.4	87.7	14.0	246.8	239.2	103.2
13	15.8	177.1	154.5	114.6	9.0	94.4	110.1	85.7	24.8	271.5	264.6	102.6
14	16.9	194.0	168.0	115.5	7.7	102.1	120.6	84.7	24.6	296.2	288.6	102.6
15	14.9	208.9	182.0	114.8	6.8	108.9	129.6	84.0	21.7	317.9	311.6	102.0
16	14.3	223.2	193.7	115.2	5.2	114.1	136.6	83.5	19.5	337.4	330.3	102.1
	24.3	247.5	215.8	114.7	9.4	123.5	150.1	82.3	33.7	371.1	365.9	101.4
19	9.8	257.4	225.8	114.0	4.2	127.7	157.7	81.0	14.0	385.1	383.5	100.4
20	13.7	271.1	238.5	113.7	11.2	138.9	170.3	81.6	24.9	410.0	408.8	100.3
21			252.0				180.8				432.8	
22			266.0				189.8				455.8	
23			277.7				196.8				474.5	
25			299.8				210.3				510.1	
26			309.8				217.9				527.7	
27			322.5				230.5				553.0	
28			336.0				241.0				577.0	
29			350.0				250.0				600.0	

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

May 21, 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.

* Taken into account daily trend within the year does not take into account the trend by weeks during the month.

Regraded Unclassified

Sales of United States Savings Bonds
From May 1 through May 20, 1942
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

CONFIDENTIAL

Date	Series E				Series F and G				Total					
	Actual Sales		Quota		Sales		Quota		Actual Sales		Quota		Sales	
	May 1 to Date	May 1 to Date	May 1 to Date	as % of Quota	May 1 to Date	May 1 to Date*	May 1 to Date	as % of Quota	May 1 to Date	May 1 to Date	May 1 to Date	as % of Quota		
1	\$ 12.7	\$ 12.7	\$ 14.0	90.7%	\$ 7.5	\$ 7.3	\$ 12.0	60.8%	\$ 20.0	\$ 20.0	\$ 26.0	76.9%		
2	11.6	24.3	25.7	94.6	7.9	15.2	21.4	71.0	19.4	39.4	47.1	83.7		
4	22.3	46.5	47.8	97.3	10.3	25.5	39.4	64.7	32.6	71.0	87.2	82.6		
5	8.9	55.5	57.8	96.0	7.6	33.1	49.3	67.1	16.6	88.6	107.1	82.7		
6	18.4	73.8	70.5	104.7	15.6	48.8	64.9	75.2	34.0	122.6	135.4	90.5		
7	23.2	97.0	84.0	115.5	12.1	60.8	76.9	79.1	35.3	157.9	160.9	98.1		
8	17.2	114.2	98.0	116.5	6.4	67.2	86.1	78.0	23.6	181.4	184.1	98.5		
9	14.5	128.7	109.7	117.3	5.6	72.8	92.6	78.6	20.0	201.5	202.3	99.6		
11	23.3	152.0	131.8	115.5	8.1	80.8	104.2	77.5	31.3	232.8	236.0	98.6		
12	9.4	161.3	141.8	113.8	4.6	85.4	110.6	77.2	14.0	246.8	252.4	97.8		
13	15.8	177.1	154.5	114.6	9.0	94.4	120.8	78.1	24.8	271.5	275.3	98.6		
14	16.9	194.0	168.0	115.5	7.7	102.1	129.3	79.0	24.6	296.2	297.3	99.6		
15	14.9	208.9	182.0	114.8	6.8	108.9	136.5	79.8	21.7	317.9	318.5	99.8		
16	14.3	223.2	193.7	115.2	5.2	114.1	142.1	80.3	19.5	337.4	335.8	100.5		
18	24.3	247.5	215.8	114.7	9.4	123.5	153.0	80.7	33.7	371.1	368.8	100.6		
19	9.8	257.4	225.8	114.0	4.2	127.7	159.2	80.2	14.0	385.1	385.0	100.0		
20	13.7	271.1	238.5	113.7	11.2	138.9	169.6	81.9	24.9	410.0	408.1	100.5		
21			252.0				178.4				430.4			
22			266.0				186.1				452.1			
23			277.7				192.3				470.0			
25			299.8				204.9				504.7			
26			309.8				212.5				522.3			
27			322.5				226.2				548.7			
28			336.0				236.7				574.7			
29			350.0				250.0				600.0			

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

May 21, 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.

Regraded Unclassified

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May 21, 1942.

Dear Mr. Addes:

I read your letter of April 24 with a great deal of interest, and have not acknowledged it before this because I wished to make some informal inquiry in connection with the matter of which you wrote.

I have verified the fact that the A-20 Bomber will be discontinued, inasmuch as it is scheduled for replacement by a new light bomber, which is more useful from a tactical point of view.

It is felt by those in charge of the program that the work which has been laid out for the Murray Body Corporation, both by Boeing and Curtiss-Wright, should be sufficient to employ the corporation's present facilities at an efficient rate. I am told that the present needs of the service call for the steady and uninterrupted production of Flying Fortresses, and for the production of the P-47 Pursuit planes in the greatest possible numbers and in the shortest possible time. It is believed that by patriotic effort on the part of the company's management, and of its workers, the gap which must exist between the termination of one line and the beginning of another, should be shortened and bridged.

I feel sure that the Under Secretary of War would be glad to have you write to him directly and to give you any assistance within his power in connection with this problem.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. George F. Addes,
International Secretary-Treasurer,
UAW-CIO,
281 West Grand Boulevard,
Detroit, Michigan.
GEF/dbs/HEG/pm

*Please file n.m.c.
file to Thompson*

WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

May 16, 1942

The Honorable,

The Secretary of the Treasury.

Dear Henry:

This acknowledges the receipt of your letter of April 30, 1942, wherewith was transmitted a communication from Mr. George F. Addes, International Secretary-Treasurer, UAW-CIO, urging continued production of the A-20 Light Bomber, and in which you asked the advice of this office as to an appropriate reply.

For your information, production of the A-20 Bomber is scheduled for curtailment beginning in March, 1943, and for complete discontinuance by August of the same year. Its place in the tactical picture is to be taken by the A-26, which model is an improvement over its predecessor, the A-20, and is much better adapted to its indicated tactical mission. It is for this reason that, at this time, consideration cannot be given to a continuation of production of the A-20 Bomber.

The work as outlined for the Murray Body Corporation contemplates the construction of wings for Flying Fortresses under a subcontract with the Boeing, Seattle, plant; and of wings for the P-47 Pursuit, under a subcontract with the Curtiss-Wright Corporation. Production on the former airplane is scheduled for a steady increase, month by month, until the middle of 1944; production of the P-47 by Curtiss, Buffalo, is scheduled for initiation in September of this year and accelerates rapidly to its peak in March, 1943.

Mr. Addes should be informed that consideration cannot be given to the continuance of the A-20 line because it is scheduled for replacement by a Light Bomber which is more useful, tactically, and that the work which has been laid out for the Murray Body Corporation, both by Boeing and by Curtiss, should be sufficient to employ the corporation's present facilities at an efficient rate. It is recommended that your letter to him should be closed by pointing out the fact that the present needs of the Service call for the steady and uninterrupted production of Flying Fortresses, and for the production of the P-47 Pursuits in the greatest possible numbers in the shortest possible time; and that patriotic effort on the

part of the company's management and of its workers should serve to shorten and to bridge the gap which must exist between the termination of one line and the beginning of another.

This office will gladly furnish such additional assistance as may be desired.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'R. P. Patterson', with a long horizontal line extending to the right.

ROBERT P. PATTERSON
Under Secretary of War

April 30, 1942

Dear Bob:

Would you please advise me
how to answer the enclosed letter?

Sincerely,

(Signed) Henry

Honorable Robert P. Patterson,
Under Secretary of War.

file n.m.c.

UNITED AUTOMOBILE · AIRCRAFT · AGRICULTURAL IMPLEMENT WORKERS
of AMERICA (UAW-CIO)

INTERNATIONAL HEADQUARTERS · 221 WEST GRAND BOULEVARD · DETROIT, MICHIGAN

W. J. THOMAS
INTERNATIONAL PRESIDENT
GEO. F. ADDES
INTERNATIONAL SEC. & TREAS.



PHONE LARVETTE 7900

April Twenty-fourth
1942

Henry J. Morgenthau, Jr., Secretary
United States Treasury
Treasury Building
Washington, D. C.

Dear Sir:

Appreciating your very deep interest in the production of war material and as we have been unable to obtain any satisfactory results from the other governmental offices, I submit to you, information relative to a production job on the A-20 Bomber now being produced in the Murray Body Corporation, Detroit, Michigan.

There is approximately \$3,000,000,000 worth of equipment. The company employs 6,400 trained aircraft workers. Production on the inside wing of the A-20 Bomber averages approximately 42 units per week with a very definite assurance on the part of the workers that 50 units could be produced.

The Murray Body Corporation has informed its employees there will be 700 more units produced and then the three million dollars' worth of equipment is to be stored as the present A-20 Bomber will no longer be built.

The company contemplates doing parts on the P-47 Pursuit fighter. They have indicated to the workers that by March 1943 they will have employed 200 people.

It is our contention this company has sufficient floor space at the present time to commence tooling up for the P-47 rather than wait until the early part of August when the 700 units of the A-20 Bomber will be completed.

We understand this company is now working on a Boeing job, and that the workers on the A-20 Bomber will be transferred to the Boeing job such time as the P-47 tooling job is completed. There will be 200 people affected by August 1 - well trained and experienced workers.

H. J. Sargent, Jr.,
Secretary U.S. Treasury

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April 24, 1942

From all information received this Douglas A-20 Bomber is an excellent medium bomber with a range of about 750 miles. It is also purported that this A-20 medium bomber is an excellent night fighter used by the British.

The workers and leaders of the Murray Body local union are truly patriotic and deeply concerned with the progress of the war effort. They have asked me to bring to your attention the feasibility of continuing the production of this bomber which could be used by the Russian forces since the distance between their operating base and the front is less than 750 miles.

We are aware of the fact that warfare strategy is the responsibility of the high-ranking officers of our armed forces, however, it was our thought we call this matter to your attention since we the workers can produce a greater quantity than the present schedule requires.

Many months were spent in equipping the plant with the necessary tools, jigs and fixtures needed to build this plane. And, from very reliable sources we understand this plane could be converted into a pursuit ship such as the commonly known "night fighter".

We trust our letter will merit your serious consideration and receive some favorable action.

Sincerely yours,



Geo. F. Ades
INTERNATIONAL SECRETARY TREASURER

GFA:fh
ucpwa#26

VICTORY THROUGH EQUALITY OF SACRIFICE

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAY 21 1942

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Retail prices in Washington grocery stores.

In response to your request, we have compiled a series of weekly price quotations for selected staple items sold in chain grocery stores of Washington, D. C., taken from local newspaper advertisements.

In making this tabulation, it was found that the Safeway Stores were the only group publishing an adequate list of quotations over the past year which satisfied the requirements of reasonable frequency in quotations for a given item and consistency in description of grade, size, etc. Nevertheless, quotations for some items were rather infrequent, and in some cases minor adjustments had to be made to put the quotations in terms of consistent units.

The attached Table 1 (2 pages) is a summary table comparing quotations for selected items in April and May this year with those in the corresponding weeks last year, as advertised by Safeway Stores on Friday of each week. The items are arranged in two major groups: (1) Those placed under ceilings on May 18, 1942, and (2) those exempt from the ceilings. The influence of the price ceilings will not be fully apparent until quotations are available for Friday of this week, since the latest data are for last Friday, May 15.

Marked price increases over last year are noticeable in canned goods, shortening (Crisco, etc.), salad dressing, coffee, eggs, and flour. It should be noted, however, that items which show the sharpest price increases tend to disappear from the list of advertised products, since the advertisements are designed to sell goods that are in plentiful supply. For example, we found it difficult to get sufficient quotations on pork products and on canned goods, two groups of staple products which show marked price increases over last year. BLS data for April 15 show price increases of 36 percent for pork chops, 40 percent for canned peaches, and 41 percent for canned tomatoes.

The complete price tabulation is given in Table 2 (3 pages). This contains a somewhat larger number of items than the summary table, the additional items being those for which relatively few quotations were available in April and May, usually because of seasonal factors or because of developing shortages.

Retail price comparisons for selected foods^{1/} sold by Safeway Stores, Washington, D. C. April and May, 1941 and 1942

(In cents per unit)

Table 1

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Item	Unit	Year	April 3/				May 3/				
			3	10	17	24	1	8	15	22	29
<u>Items under ceiling: 2/</u>											
<u>Meats:</u>											
Rib roast of beef	lb.	1941	25	25	25	25	23	23	..
		1942	..	27	..	..	..	29	27	..	..
Chuck roast	lb.	1941	19	19	19	18	17	17	16	16	..
		1942	..	21	..	23	..	..	..	..	..
Sirloin steak	lb.	1941	33	33	33	..	31	31	29	29	31
		1942	..	37	..	43	..	..	..	..	..
<u>Dairy products:</u>											
Milk, Grade A	qt.	1941	..	..	..	..	10	10	..	..	..
		1942	12	12	12	12	..	12	12	..	..
Coffee cream	pt.	1941	20	..	..	20	20	20	..	..	..
		1942	..	..	23	..	..	23	..	..	..
<u>Canned goods:</u>											
Fruit cocktail	#1 can	1941	10	..	..	10	10	..	..	..	10
		1942	14	14	14	14	14	..	..	..	..
Peaches, Del Monte	#2 1/2 can	1941	..	13	..	..	14	..	..	..	..
		1942	21	21	21	21	..	..	..	..	..
Beans with pork	lb. can	1941	..	..	..	4	4	..	4	4	..
		1942	..	6	6	6	6	6	..	..	..
<u>Miscellaneous:</u>											
Crisco or Spry	3 lb. can	1941	..	..	..	..	47	..	47	..	47
		1942	69	69	69	71	71	..	..	..	..
Salad dressing	pt. jar	1941	..	..	..	..	..	..	15	15	15
		1942	22	22	22	22	22	22	22	..	..
Bread, J. L. Wright	lb.	1941	..	..	..	..	..	..	..	8	8
		1942	8	8	8	8	..	8	8	..	..
Coffee, Nob Hill	lb.	1941	..	..	15	..	17	..	..	..	..
		1942	25	25	25	25	..	25	..	..	..
Coffee, Maxwell House	lb.	1941	..	..	27	..	27	25	..	..	..
		1942	32	32	..	..	..	..	..	..	..

1/ Quotations are for comparable units, brands and qualities.

2/ Effective beginning May 18, 1942.

3/ Dates in 1941 are one day later than stated.

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Table 1 (continued)

Retail price comparisons for selected foods^{1/} sold by Safeway
Stores, Washington, D. C. April and May, 1941 and 1942

(In cents per unit)

Item	Unit	Year	April 3/				May 3/				
			5	10	17	24	1	8	15	22	29
<u>Items not under ceiling:</u>											
<u>Meats and poultry:</u>											
Chickens, Plymouth Rock	lb.	1941	27	27	27	27	27	27	25	23	25
		1942	28	29	29	30	30	29	30		
Chickens, Sanico	lb.	1941	31	31	31	34	34	34	34	29	29
		1942	32	33	33	34	34	34	34		
Leg of lamb	lb.	1941	22	22	21	..	..	..	21	24	..
		1942	23	23	..	..	..	28	..		
<u>Dairy products:</u>											
Butter, Land o'Lakes	lb.	1941	42	43	39	43	..	45	42	..	..
		1942	42	43	43	43	..	45	44		
Milk, condensed	3 tall cans	1941	19	..	..	19	18	22	..	..	..
		1942	28	..	25	25	25	25	25		
Cottage cheese	lb.	1941	10	..	10	..	10	10	..	10	..
		1942	10	10	..	10	..	10	..		
Eggs, candled	doz.	1941	26	23	..	26	25	25	27	28	..
		1942	27	..	30	31	..	31	32		
Eggs, Grade A	doz.	1941	..	37	41	43	37	43	43	..	..
		1942	37	..	41	43	..	43	43		
<u>Flour:</u>											
Gold Medal	12 lb. sack	1941	47	..	45	..	45	..	48	..	..
		1942	..	..	..	59	..	59	58		
Kitchen Craft	12 lb. sack	1941	39	49	..	49	41	49	49	..	..
		1942	..	49	..	49	49	49	49		

^{1/} Quotations are for comparable units, brands and qualities.

^{2/} Effective beginning May 18, 1942.

^{3/} Dates in 1941 are one day later than stated.

Table 2

Retail prices of selected items ^{1/} in Safeway Stores, Washington, D. C., each week, April 1941 to date

(In cents per unit)

1941

Item	Unit	April				May				June				July				August						
		4	11	18	25	2	9	16	23	28	6	13	20	27	2	11	18	25	1	8	15	22	29	
<u>Items under ceiling: 2/</u>																								
<u>Meats:</u>																								
Rib roast of beef	lb.	..	..	25	25	25	25	23	23	..	23	..	25	..	..	24	24	25	25	25	..	25	25
Stew beef, boneless	lb.	..	..	..	..	..	20	..	..	20	..	..	..	..	..	19	19	..	..	21	..	21	25
Round steak, top	lb.	33	33	33	..	31	31	29	29	31	29	29	31	33	33	33	35	..	..	35	35	..	..
Chuck roast	lb.	19	19	19	18	17	17	16	16	..	16	17	..	..	..	18	18	19	..	19	19	19	19
Sirloin Steak	lb.	33	33	33	..	31	31	29	29	31	29	29	31	33	33	33	33	..	..	..	35	..	..
Briggs frankfurters	lb.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	28	..	..	..	..	..	..	31
<u>Dairy products:</u>																								
Milk, Grade A	qt. otn.	..	..	..	..	10	10	..	..	..	10	10	..	10	10	..	..	..	..	10	10	10	10
Coffee cream	pt.	20	..	..	20	20	20	..	..	..	20	..	..	..	20	20	..	20	..	20	20	20	..
<u>Canned goods:</u>																								
Green Giant peas	17-oz. can	12	..	..	..	..	..	..	..	..	..	..	10	..	..	..	..	..	..	..	..	..	11
Fruit cocktail	#1 can	10	..	..	10	10	..	..	..	10	..	..	..	..	..	..	..	..	..	..	..	..	..
Peaches, Del Monte	#2 1/2 can	..	13	..	..	14	..	..	..	..	..	..	..	..	..	..	..	..	..	..	4	4	5
Beans with pork	lb. can	..	..	..	4	4	..	4	4	..	4	..	..	..	..	..	..	..	..	..	..	..	..
<u>Shortenings, etc.:</u>																								
Crisco or Spry	3-lb. can	..	..	..	..	47	..	47	..	47	..	49	49	49	..	52	..	..	..	52	..	53	53
Salad dressing	pt. jar	..	..	..	..	..	..	15	15	15	15	..	15	15	15	..	..	..	..	..	..	..	..
Mayonnaise	1/2 pt. jar	..	..	..	..	..	..	..	..	11	..	..	..	..	..	..	..	13	..	..	..	..	..
Peanut butter	lb.	..	..	..	..	..	10	..	..	..	10	..	..	..	10	..	..	..	..	..	..	..	..
<u>Miscellaneous:</u>																								
Bread, J. L. Wright	lb.	..	..	6	..	..	6	..	8	8	..	..	..	..	..	5	5	..	..	..	5	5	..
Corn flakes	6-oz. pkg.	..	..	6	..	..	..	..	7	5	..	..	..	..	..	7	..	..	..	..	..	..	..
Puffed wheat	pkg.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Coffee, Nob Hill	lb.	..	..	15	..	17	..	..	..	..	..	..	..	..	..	27	..	..	..	..	27	..	..
Coffee, Maxwell House	lb.	..	..	27	..	27	25	..	..	..	25	25	..	..	..	..	..	..	..	..	20	..	..
Ivory flakes	12 1/2 oz. pkg.	..	..	..	20	..	..	..	..	..	..	20	20	..	..	..	..	..	..	..	..	..	..
Octagon soap	5 cakes	..	..	..	..	..	..	..	23	..	..	23	..	..	..	19	..	..	..	..	..	..	..
<u>Items not under ceiling:</u>																								
<u>Meats and poultry:</u>																								
Chickens, Plymouth Rock	lb.	27	27	27	27	27	27	25	23	25	25	25	25	..	28	27	27	25	25	..	27	25
Chickens, Sanico	lb.	31	31	31	..	..	..	..	29	29	..	..	29	29	29	..	32	31	..	..	..	43	..
Lamb chops	lb.	..	39	..	..	..	..	35	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Leg of lamb	lb.	22	22	21	..	..	..	21	24	..	..	27	27	27	..	..	..	..	..	25	23	..	25
<u>Dairy products:</u>																								
Butter, Land o' Lakes	lb.	..	..	39	..	..	..	42	..	..	..	..	..	..	..	22	22	..	..	..	..	..	42
Milk, condensed	3 tall cans	19	..	..	19	18	22	..	..	..	..	22	..	..	..	..	..	..	..	..	..	..	..
Kraft cheese, American	2 lb. box	..	..	..	..	..	..	49	..	..	49	49	..	..	..	..	..	..	..	..	..	..	..
Cottage cheese	lb.	10	..	10	..	10	10	..	10	..	28	29	..	..	..	..	..	..	..	35	..	..	35
Eggs, candled	doz.	26	23	..	26	25	25	27	28	..	..	..	..	..	..	..	..	..	..	..	..	..	41
Eggs, Grade A	doz.	..	37	..	..	37	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<u>Fresh vegetables:</u>																								
Onions, new Texas	3 lbs.	..	..	..	..	..	..	..	..	23	..	..	..	..	..	..	15	..	..	9	10	13	10
Potatoes, Idaho	5 lbs.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<u>Flour:</u>																								
Gold Medal	12 lb. sack	47	..	45	..	45	..	48	..	..	..	43	43	..	..	..	..	..	..	45	..	..	..
Kitchen Craft	12 lb. sack	39	..	..	..	41	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<u>Miscellaneous:</u>																								
Frunes, dried	2 lb. pkg.	..	..	..	..	..	15	..	..	..	..	..	15	15	..	..	..	..	..	..	..	..	..

^{1/} Quotations are for comparable units, brands and qualities.^{2/} Effective beginning May 18, 1942.

Table 2 (continued)

Retail prices of selected items ^{1/} in Safeway Stores, Washington, D. C., each week, April 1941 to date

(In cents per unit)

1941

Item	Unit	September				October					November				December			
		5	12	19	26	3	10	17	24	31	7	14	21	28	5	12	19	26
<u>Items under ceiling: 2/</u>																		
<u>Meats:</u>																		
Rib roast of beef	lb.	..	27	..	..	..	27	27	..	..	..	25	24	23	25	25	27	..
Stew beef, boneless	lb.	21	21	..	21	..	21	21	21	21	..	..	..	19	21	21	21	21
Round steak, top	lb.	..	..	37	39	39	39	39	39	35	35	31	31	29	..	..	..	..
Chuck roast	lb.	..	..	21	21	..	..	22	..	22	21	21	19	19	19	..	..	..
Sirloin steak	lb.	..	..	37	35	35	35	35	35	35	35	31	31	29	..	..	..	..
Briggs frankfurters	lb.	31	31	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<u>Dairy products:</u>																		
Milk, Grade A	qt. otn.	..	..	12	12	12	..	12	..	12	..	..	12	12	..	12	..	..
Coffee cream	pt.	..	..	..	..	22	..	..	..	..	..	..	22	..	..	..	..	..
<u>Canned goods:</u>																		
Green Giant peas	17 oz. can	..	14	..	..	..	..	..	..	13	..	..	..	14	..	..	12	14
Fruit cocktail	#1 can	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Peaches, Del Monte	#2 can	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Beans with pork	lb. can	..	..	..	..	..	5	..	5	..	..	..	..	..	..	..	..	..
<u>Shortenings, etc.:</u>																		
Crisco or Spry	3-lb. can	..	55	55	57	57	48	..	..	..	..	..	..	61	65	65	65	..
Salad dressing	pt. jar	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Mayonnaise	# pt. jar	..	..	..	..	..	..	..	14	..	..	..	..	..	13	..	..	..
Peanut butter	lb.	12	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<u>Miscellaneous:</u>																		
Bread, J. L. Wright	lb.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Corn flakes	6-oz. pkg.	..	5	..	5	..	5	..	..	..	..	..	..	..	..	..	..	9
Puffed wheat	pkg.	..	..	..	..	7	..	..	..	..	..	..	..	..	..	..	..	23
Coffee, Nob Hill	lb.	..	..	..	19	..	..	21	..	..	..	..	..	..	..	..	..	..
Coffee, Maxwell House	lb.	..	..	27	28	28	..	30	..	..	..	..	..	..	..	..	..	..
Ivory flakes	12 1/2 oz. pkg.	..	..	..	21	..	..	..	..	..	..	..	..	..	..	..	..	..
Octagon soap	5 cakes	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<u>Items not under ceiling:</u>																		
<u>Meats and poultry:</u>																		
Chickens, Plymouth Rock	lb.	..	25	..	..	..	..	27	..	27	25	25	25	25	25	..	25	..
Chickens, Sanico	lb.	..	..	..	..	49	..	43	..	..	43	..	..	..	39	..	..	..
Lamb chops	lb.	..	..	..	..	..	..	..	..	..	..	..	..	23	..	25	..	..
Leg of Lamb	lb.	27	..	27	27	27	..	25	..	..	..	..	..	..	..	..	..	..
<u>Dairy products:</u>																		
Butter, Land o'Lakes	lb.	43	..	..	..	25	25	..	..	28	25	25	25	..	41	41	41	41
Milk, condensed	3 tall cans	25	25	25	..	..	..	..	57	57	..	..	..	..	57	..	..	..
Kraft cheese, American	2 lb. box	..	..	57	57	..	..	10	..	10	..	..	10	..	..	..	..	..
Cottage cheese	lb.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Eggs, candled	doz.	..	39	38	37	36	37	37	37	37	..	38	..	39	..	39	..	..
Eggs, Grade A	doz.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<u>Fresh vegetables:</u>																		
Onions, new Texas	3 lbs.	..	10	..	..	13	11	13	..	..	..	20	20	20	20	..	14	..
Potatoes, Idaho	5 lbs.	..	..	..	19	19	17	..	..	..	..	..	..	..	..	..	..	21
<u>Flour:</u>																		
Gold Medal	12 lb. sack	50	54	54	53	51	..	53	..	54	..	53	53	55	45	55	56	..
Kitchen Craft	12 lb. sack	..	45	45	45	45	45	45	..	45	..	45	45	45	45	45	47	..
<u>Miscellaneous:</u>																		
Prunes, dried	2 lb. pkg.	..	15	19	..	..	..	19	..	17	..	..	..	17	..	..	19	..

^{1/} Quotations are for comparable units, brands and qualities.^{2/} Effective beginning May 18, 1942.

Table 2 (Continued)

Retail prices of selected items ^{1/} in Safeway Stores, Washington, D. C., each week, April 1941 to date

(In cents per unit)

1942

Item	Unit	January				February				March				April				May			
		2	9	16	23	30	6	13	20	27	6	13	20	27	3	10	17	24	1	8	15
<u>Items under ceiling: 2/</u>																					
<u>Meats:</u>																					
Rib roast of beef	lb.	27	..	..	..	29	27	27	25	..	27	..	..	..	25	27	25	..	25	29	27
Stew beef, boneless	lb.	21	23	..	..	..	..	..	..	..	..	25	25	25	25	25	25	..	41	..	..
Round steak, top	lb.	..	..	..	..	39	39	35	35	35	35	35	35	..	..	..	..	..	41	..	..
Chuck Roast	lb.	22	22	..	23	23	..	21	21	..	23	..	23	21	..	21	..	..	23	..	..
Sirloin steak	lb.	..	..	..	..	39	39	35	35	35	35	35	35	..	..	37	..	..	43	..	..
Briggs frankfurters	lb.	..	..	..	..	31	..	..	..	..	..	35	..	..	..	35	..	..	35	..	35
<u>Dairy products:</u>																					
Milk, Grade A	qt. otn.	12	..	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	..	12	12
Coffee cream	pt.	..	..	..	22	22	..	..	..	22	22	22	22	22	..	..	23	..	..	23	..
<u>Canned goods:</u>																					
Green Giant peas	17-oz. can	..	..	14	14	14	14	..	..	..	..	14	14	..	14	14	14	..	14	14	..
Fruit cocktail	#1 can	..	..	..	..	14	14	..	..	..	14	14	14	14	14	14	14	..	14	14	..
Peaches, Del Monte	#2 can	..	..	20	20	20	..	..	21	..	21	21	21	21	21	21	21	..	..	..	..
Beans with pork	lb. can	5	5	5	5	6	6	..	..	6	6	..	..	..	6	6	6	..	6	6	..
<u>Shortenings, etc.:</u>																					
Crisco or Spry	3 lb. can	..	65	65	65	65	65	67	..	67	67	67	..	67	69	69	69	71	71	..	..
Salad dressing	pt. jar	..	..	..	22	22	22	..	..	..	22	22	..	22	22	22	22	22	15	15	15
Mayonnaise	1/2 pt. jar	15	..	..	15	..	15	..	..	15	15	..	15	..	..	15	15	15	..	15	15
Peanut butter	lb.	13	..	..	..	..	..	15	..	..	..	16	..	..	..	..	..	..	..	17	..
<u>Miscellaneous:</u>																					
Bread, J. L. Wright	lb.	8	..	..	..	..	..	8	..	..	..	8	8	8	8	8	8	8	..	8	8
Corn flakes	6-oz. pkg.	..	..	..	..	10	10	..	5	5	5	5	5	..	..	..	..	..	..	..	..
Puffed wheat	pkg.	..	10	..	..	10	10	..	9	9	9	10	10	..	..	..	..	..	..	..	..
Coffee, Nob Hill	lb.	23	..	23	23	23	23	23	23	23	..	..	24	24	25	25	25	25	..	25	..
Coffee, Maxwell House	lb.	..	..	..	31	31	31	31	31	31	..	..	31	32	32	32	..	..	..	..	..
Ivory flakes	12 1/2-oz. pkg.	..	22	..	22	..	..	..	..	..	22	22	..	22	..	..	..	22	..	23	23
Octagon soap	5 cakes	..	..	..	22	..	..	..	..	..	22	22	..	22	23	..	..	..	..	..	..
<u>Items not under ceiling:</u>																					
<u>Meats and poultry:</u>																					
Chickens, Plymouth Rock	lb.	..	..	29	..	27	..	29	30	..	28	28	28	28	28	29	29	30	30	29	30
Chickens, Sanico	lb.	..	..	33	..	31	..	33	34	..	34	32	32	32	32	33	33	34	34	34	34
Lamb chops	lb.	..	..	..	..	45	..	..	..	37	..	41	35	..	..	..	..	..	..	..	..
Leg of lamb	lb.	25	25	..	..	27	25	..	24	..	..	25	23	..	23	23	..	..	..	28	..
<u>Dairy products:</u>																					
Butter, Land o'Lakes	lb.	41	41	41	42	42	42	42	42	42	42	42	42	42	42	43	43	43	..	45	44
Milk, condensed	3 tall cans	..	..	..	28	25	28	28	..	28	..	25	..	28	..	..	25	25	25	25	25
Kraft cheese, American	2 lb. box	..	..	..	63	..	..	..	63	..	63	63	63	..	..	..	..	..	..	..	..
Cottage cheese	lb.	10	..	..	..	10	..	..	10	10	10	10	10	10	10	10	10	..	10	10	..
Eggs, candled	dos.	39	37	38	39	40	..	..	35	35	32	32	32	29	27	..	30	31	..	31	32
Eggs, Grade A	doz.	..	49	49	49	49	45	43	41	41	41	41	41	37	..	41	43	..	43	43	43
<u>Fresh vegetables:</u>																					
Onions, new Texas	3 lbs.	..	..	..	..	19	..	19	..	..	19	19	21	..	..	..	..	..	..	19	..
Potatoes, Idaho	5 lbs.	..	..	..	23	23	..	24	..	24	..	..	24	..	..	..	..	..	..	..	..
<u>Flour:</u>																					
Gold Medal	12 lb. sack	57	..	..	59	..	61	61	..	61	61	61	61	..	..	..	59	..	59	59	58
Kitchen Craft	12 lb. sack	47	47	47	49	..	..	49	..	49	49	49	49	..	49	..	49	..	49	49	49
<u>Miscellaneous:</u>																					
Fruites, dried	2 lb. pkg.	..	19	..	..	19	..	21	..	..	21	21	23	23	22	21	..	..	..	..	..

1/ Quotations are for comparable units, brands and qualities.

2/ Effective beginning May 18, 1942.

ASSISTANT SECRETARY OF THE TREASURY

May 21, 1942.

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston

The Office of Coordinator of Information is selecting from draftees and candidates who are to be inducted into the Army some 2,000 men for a special service. They would like us to make some quick character surveys in the home localities of the men. If this is to be done, it will, of course, require your approval.

MSH

no 1/2 m. p.

May 21, 1943.

Dear Archie:

I was glad to have your letter of May 19,
and a copy of the radio speech broadcast by
K. P. Chen. I have read this with much interest
and thank you for your thought in sending it
to me.

With best regards,

Sincerely,

(Signed) H. Morgenthau, JWD

Mr. Archie Lockhead,
President, Universal Trading
Corporation,
630 Fifth Avenue,
New York, New York.

GEF/dbs

File N.M.C.

UNIVERSAL TRADING CORPORATION

ARCHIE LOCHHEAD
PRESIDENT630 FIFTH AVENUE
NEW YORK, N. Y.

May 19th, 1942

My dear Mr. Secretary:

On May 12th, Mr. K. P. Chen made a speech which was broadcast from Chungking over the International Broadcasting Station. Unfortunately, it was impossible to secure a good reception of this broadcast in the Eastern States, so that many of his friends were unable to hear it. However, it was received very clearly on the West Coast, and as I thought you might be interested in his remarks, I am taking the liberty of enclosing a copy herewith.

Sincerely yours,


Archie Lochhead

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

MAY 21 1942
12 30 PM '42RECEIVED
MAY 21 1942

CHINESE NEWS SERVICE

1250 6TH AVENUE

NEW YORK, N. Y.

Phone: Circle 6-5225

Cable Address: SINONEWS

New York, May 12, 1942

THIS WAR IS OUR BUSINESS

By K. P. Chen, B.C., Pennsylvania '09
Chairman of the Chinese Currency Stabilization Board

Note: The following is the eighth of a series of broadcasts by Chinese alumni of American universities under the auspices of the Chinese-American Institute of Cultural Relations. Each week a member of the Institute, an alumnus of an American university, speaks from Chungking over the International Broadcasting Station on a subject bearing on the cultural relations between the Allied republics, China and the United States. The program is broadcast every Wednesday over Station XGOY (9635 K.C.) at 14:30 Greenwich Meridian Time (10:30 a.m. EDT).

The Chinese-American Institute of Cultural Relations was founded in Chungking on George Washington's Birthday in 1939 to further strengthen the ties of friendship between the two countries. The President of the Institute is Dr. H. H. Kung, Vice President of the Executive Yuan and Minister of Finance in the Chinese Government. Madame Chiang Kai-shek and Secretary of War Henry L. Stimson are Honorary Presidents. Dr. Chih Mong, Director of China Institute in America, is Liaison Secretary for the organization in the United States.

Mr. Chen, the eighth speaker on this special program, who made the broadcast on May 6, is one of China's veteran bankers and a prominent alumnus of the University of Pennsylvania, where he graduated from the Wharton School of Finance in 1909. Mr. Chen is well known in Washington circles, as he was there in 1936 as head of a Chinese financial mission to deal with silver problems and again, in 1939, to successfully negotiate the first American loan to China at war. He subsequently became director of Universal and Foo Shing Trading Corporations whose efforts in importing China wood oil made possible the recent repayment of the \$25,000,000 loan two years ahead of schedule. A former head of the Chinese Foreign Trade Commission, Mr. Chen is now Chairman of the Chinese Currency Stabilization Board.

- - - - -

My American friends: I am glad of this opportunity which the Sino-American Cultural Association has given me to speak to my friends in America. First of all, as an alumnus of the University of Pennsylvania I wish to bring greetings to my Alma Mater from all graduates of the University now in this country. I also wish to take advantage of this opportunity to say "hello" to all the friends which I have made during my many visits to America.

Ever since my student days over thirty years ago I have enjoyed the most satisfactory personal as well as business relations with my many friends in America first in my school days at the Wharton School of the University of Pennsylvania and subsequently through long experience in banking and business. I have learned to admire American business efficiency and ways of life and often dreamed of the immense possibilities of Sino-American cooperation in the advancement of common ideals.

In recent years my experience gained through the two financial missions which I took to the United States on behalf of my government and work of the Currency Stabilization Board convinced me of the existence of a long-standing common interest which underlies the traditional friendship between the two countries.

From Friendship to Alliance

Now, since the eventful day on December 7 our traditional friendship has ripened into an alliance. Not only a common interest but a common destiny now binds us together, a common ideal inspires us and all our common actions lead to the attainment of the common objective of defeating the Axis.

May 12, 1942

As I stand here speaking to you, my friends, I can vividly visualize to myself the millions and millions of men and women in the United States mobilized for war production. I can see them busily working day and night in factories, in shipyards and in the numberless offices that have lately sprung up in response to war needs and requirements.

I can see how millions of the flowering manhood of America are pouring into training camps to emerge again as fliers and expeditionary forces destined sooner or later for some distant parts of the world to fight in the cause of liberty.

I can see your determined looks and your burning zeal. I want to salute you all. Friends, I want you to realize, as no doubt you do, that free peoples of the entire world are looking up to you, to every one of you, for the great part you are playing and are bound to play in delivering the crushing blow to the aggressors and for even the greater task of remaking this world to our liking.

I am speaking to you from Chungking, the spot from which the Chinese people have for nearly five years directed their struggle against the Japanese aggressor. I need not tell you the devastations we have borne, the sacrifices we have made in defense of our freedom. Right at this moment fiercest battles are being waged in Burma where our main link with the outside world and chief route of communications with America and other Democracies is at stake.

We Gain Time: You Produce

I know you understand fully the gravity of the situation and there is no need for me to remind you of it. If I take this opportunity to mention it, it is because I want you to know that however overwhelming are the odds we are determined to fight on until we win. I wish to give special emphasis to the fact and to assure you that though temporarily outnumbered and short of equipment we are determined to catch our flesh and blood against the bombs and shells of the enemy so that every minute we thus help to gain may be used by you in the manufacture of arms, of tanks, of bombers and of battleships.

It is truly heartening to read reports from the United States that you are making satisfactory progress in your war production. We people here have an implicit faith in American efficiency. We thoroughly realize that the reason you have not been able to produce more than you do now is because the enemy had the clear advantage of a head start and the fact that they had this head start is because aggressors are always better prepared than their peaceful neighbors, just as bandits are sure to be armed while the houses which they go to rob are usually unarmed.

We know that although you are not well prepared, because you never aim to attack others, once you are attacked, once the bandit is in your yard and once your mind is made up to beat back the attack and capture the bandit we know that you mean business. We know that once your mind is made up you mean business. Without fear of exaggeration we can say this war is the biggest business that human beings have ever engaged in. I think that we all share the feeling that unless we make this business a success we will not be able to pursue any other business in peace and happiness.

Right Goods to Right Places

This war is a war of life and death, a war in which all that makes life decent and worthwhile living is at stake. The rest of free mankind and continents of your own soldiers are fighting tenaciously on all fronts, are all confident that you will soon bring forth the production which will turn the tide of this titanic struggle.

We have faith in America's mastery of war economy and technique. The challenge to turn out as many goods as fast as possible was answered by the American industrial machine with its customary energy, initiative and ingenuity. The prerequisite of victory is getting the right goods to right places. The triumph of American war production is already assured. We in China no less confidently await the triumph of American war distribution.

COPY

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

Telephone: Republic 7860

Box 680
Benjamin Franklin Station
Washington, D. C.CONFIDENTIAL

May 21, 1942

My dear Dr. White,

I enclose a copy of the draft Chinese Agreement which has at last arrived from London.

Even now I am not entirely certain that there may not have been some alterations in the draft of which we have not been notified. I think, however, that if there are any changes they could only be of slight importance.

Yours sincerely,

T.K. Bewley

Dr. H. D. White

Director of Monetary Research
United States Treasury
Washington, D. C.

Whereas the Government of the U.K. of Great Britain and Northern Ireland, in pursuance of their policy of closest cooperation with China in the financial as well as in the military sphere in the war which they are waging against their common enemies have decided to offer certain measures of assistance to China;

And whereas the Government of the Republic of China (hereinafter referred to as Chinese Government) for the purpose of prosecuting the war, desire to obtain facilities for the acquisition of arms, munitions and military equipment, and for the purchase of material necessary for national purposes in China, arising out of the war, and to provide for the cost of services in connection with such purchases, and for the cost of other services required for war purposes;

And whereas the Government of the U.K. have agreed that they will not claim reimbursement of the cost of any arms, munitions and military equipment which it is possible for them to supply for use of the Chinese armed forces;

Now, therefore, the Government of the U.K. of Great Britain and Northern Ireland and the Chinese Government have agreed as follows:

ARTICLE I

1. The Government of the U.K. shall make available to the Chinese Government at the request of the Chinese Government sterling sums not exceeding in the aggregate 50 million pounds sterling for all or any of the following purposes:

- (1) for payments during the war in respect of purchases of material necessary for national purposes in China, arising out of the war being material which shall be produced or manufactured in countries within the sterling area; or

(2) for the cost of services incurred in the sterling area in connection with such purchases; or

(3) for provision of rupee currency required by the Chinese Government to meet pay and local expenditure of Chinese forces in Burma and for the cost of such other services for war purposes incurred within the sterling area as the two governments ^{may} pay from time to time agree; or

(4) up to ¹⁰ million pounds sterling for guaranteeing internal Chinese loans.

2. The method of making available the sums referred to in subparagraphs (1) and (2) of paragraph 1 of this Article shall unless otherwise agreed between the two governments be that the Government of the U.K. shall pay on behalf of the Chinese Government sums payable by the Chinese Government under contract for the purposes referred to in paragraph 1 of this article which are concluded with the concurrence of the Government of the U.K. before the termination of hostilities with Japan.

3. In this Article the expression "the sterling area" shall have the meaning assigned to it for the purpose of the regulations in force in the U.K. in regard to Exchange Control, provided that if the Government of the U.K. shall at any time amend the definition of the sterling area for the purpose of the said regulations, such amendment shall apply to the definition of the sterling area for the purposes of this agreement as from the date of notification of the amendment by the Government of the U.K. to the Chinese Government.

ARTICLE II

Except as may be otherwise agreed between the Governments any supplies for which orders or contracts have already been placed under the terms and conditions of the agreements of the eighteenth day of August 1939 and the 5th day of June 1941 shall continue to be dealt with in accordance with the arrangements made under these agreements.

ARTICLE III

The final determination of terms upon which this financial aid is given including the benefits to be rendered to the United Kingdom in return is deferred by the two contracting parties until the progress of events after the war makes clearer the final terms and benefits which will be in the mutual interest of the United Kingdom and China and will promote the establishment of lasting world peace and security. In determining the final terms and benefits full cognisance shall be given to the desirability of maintaining a healthy and stable economic and financial situation in China in the post war period as well as during the war, and to the desirability of promoting mutually advantageous economic and financial relations between China and the United Kingdom and the betterment of world wide economic and financial relations.

ARTICLE IV

In this Agreement the expression "termination of hostilities with Japan" means the signature of a general armistice or treaty of peace (whichever is the earlier) with Japan to which the U.K. and China are parties.

ENDS.

May 21, 1942

MEMORANDUM FOR THE SECRETARY

The attached memorandum summarizes a report submitted by Ambassador Winant, at our request, on the effects of the high individual income tax rates in Great Britain.

The British income tax reaches a maximum rate of 97½ percent on that part of individual incomes in excess of \$30,000. An individual has to receive about \$500,000 in order to have \$25,000 left after taxes; an additional \$100,000 before taxes adds only \$2,500 to his income remaining after tax.

There is no evidence that the high income groups are maintaining pre-war expenditure levels by liquidating assets. Living standards appear to have been reduced sharply. Only part of this is due to tax policy. Rationing and shortages of goods, services, and particularly domestics have been a contributing factor.

The high taxes have not seriously affected the incentive in the upper income groups to continue in gainful occupation. Social pressure towards taking an active part in the war and special privileges attaching to war occupations tend to keep those in the upper income groups at work.

Some relief has been provided taxpayers with contractual obligations by requiring that persons with claims against others obtain the leave of the courts before instituting procedure against their debtors. Some tax relief has been provided those with suddenly reduced incomes.

There is no evidence that the high taxes have stimulated new tax evasion and tax avoidance devices.

Attachment

Roy Blough

MEMORANDUM FOR THE SECRETARY

Effects of high individual income
tax rates in Great Britain

The extremely severe taxation of individual incomes in Great Britain has entailed sharply reduced living standards, special provisions for relief of taxpayers with contractual obligations or with suddenly reduced incomes, and additional provisions against evasion and fraud. Apparently it has not seriously reduced the incentive in the upper income groups to continue in gainful occupation, because of other incentives present under war conditions.

1. Living standards: There has been a tremendous decrease in the scale of living of the upper income classes during the war, not all of it due to tax policy. Other factors have been rationing or shortages of goods, restriction of travel and entertainment facilities, and in particular shortage of domestic service owing to absorption in the war effort.

Liquidation of assets in order to maintain former living standards has not occurred on an important scale, though liquidation has occurred because of inability to operate large estates, the conversion of property to new uses, the requisitioning of property by the Government, and altered patterns of living generally.

2. Contractual obligations: Special relief has been provided for individuals burdened with contractual obligations, including debts. Under the Courts (Emergency Powers) Act of 1939 persons with rights against others must obtain leave of the Court to proceed against them for nonpayment of money or nonperformance of obligations attributable directly or indirectly to circumstances connected with the war. Further, under the 1941 amendments to this Act provision is made for the

- 2 -

appointment of liabilities adjustment officers, and the settlement of creditors' claims in the light of debtors' ability to meet their obligations under circumstances arising from the war.

3. Relief for reduced earned income: Special provision has been made since 1939 to mitigate the hardship of stiff increases in the rate of tax where income has dropped sharply. In the case of individuals whose earned income, through circumstances connected with the war, is reduced from the previous year's level by as much as 20 percent, it has been provided since 1939 that in effect the later year's earned income might be substituted for the statutory previous year's earned income as the basis of tax assessment.

4. Tax evasion and avoidance: Legal avoidance of tax by people who have found loopholes has been a continuing problem dealt with year after year. Considerable evasion and avoidance have occurred, but it is hoped that loopholes have now been effectually closed. Should individuals find new ones, they have been warned that "the Chancellor of the Exchequer considers himself free to take action retrospectively."

With respect to fraud, the Finance Bill of 1942 contains some new clauses designed to strengthen the hands of the revenue authorities; such as extension in such cases of the time limit on assessments or penalties, admissibility in evidence of disclosures voluntarily made by the taxpayer in hope of a pecuniary settlement, and the empowering of the Commissioners to require production of books and records. In effect the provisions would enable Inland Revenue to proceed against a taxpayer and throw the burden of proof upon him whenever there is even the appearance of an intent to defraud and even if the particular device used is of itself within the letter of the law.

The Chancellor of the Exchequer expressly stated, however, that these clauses are not due to any increase

- 3 -

in the number of cases involving fraud, there being no evidence of such increase, but that they result instead from an adverse court decision indicating that the powers of the Inland Revenue in dealing with fraud are weaker than had been thought.

5. Incentive to work: The fact that high tax rates in the upper income groups have not seriously reduced the incentive to work is ascribable probably to the counteracting incentives resulting from the war. Social pressure towards taking an active part in the war effort, such tax-free remuneration as liberal expense accounts or other perquisites and special privileges, greater social prestige and perhaps more command over consumption goods and services than would otherwise be enjoyed have been sufficient inducement in most cases, though not in all, for continuance of the wealthy in productive occupations.

May 21, 1942

MEMORANDUM FOR THE SECRETARY

The attached memorandum summarizes a report submitted by Ambassador Winant, at our request, on the effects of the high individual income tax rates in Great Britain.

The British income tax reaches a maximum rate of 97½ percent on that part of individual incomes in excess of \$80,000. An individual has to receive about \$500,000 in order to have \$25,000 left after taxes; an additional \$100,000 before taxes adds only \$2,500 to his income remaining after tax.

There is no evidence that the high income groups are maintaining pre-war expenditure levels by liquidating assets. Living standards appear to have been reduced sharply. Only part of this is due to tax policy. Rationing and shortages of goods, services, and particularly domestics have been a contributing factor.

The high taxes have not seriously affected the incentive in the upper income groups to continue in gainful occupation. Social pressure towards taking an active part in the war and special privileges attaching to war occupations tend to keep those in the upper income groups at work.

Some relief has been provided taxpayers with contractual obligations by requiring that persons with claims against others obtain the leave of the courts before instituting procedure against their debtors. Some tax relief has been provided those with suddenly reduced incomes.

There is no evidence that the high taxes have stimulated new tax evasion and tax avoidance devices.

Attachment

ER:ted
5/21/42

MEMORANDUM FOR THE SECRETARY

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tax rates in Great Britain

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appointment of liabilities adjustment officers, and the settlement of creditors' claims in the light of debtors' ability to meet their obligations under circumstances arising from the war.

3. Relief for reduced earned income: Special provision has been made since 1939 to mitigate the hardship of stiff increases in the rate of tax where income has dropped sharply. In the case of individuals whose earned income, through circumstances connected with the war, is reduced from the previous year's level by as much as 20 percent, it has been provided since 1939 that in effect the later year's earned income might be substituted for the statutory previous year's earned income as the basis of tax assessment.

4. Tax evasion and avoidance: Legal avoidance of tax by people who have found loopholes has been a continuing problem dealt with year after year. Considerable evasion and avoidance have occurred, but it is hoped that loopholes have now been effectually closed. Should individuals find new ones, they have been warned that "the Chancellor of the Exchequer considers himself free to take action retrospectively."

With respect to fraud, the Finance Bill of 1942 contains some new clauses designed to strengthen the hands of the revenue authorities; such as extension in such cases of the time limit on assessments or penalties, admissibility in evidence of disclosures voluntarily made by the taxpayer in hope of a pecuniary settlement, and the empowering of the Commissioners to require production of books and records. In effect the provisions would enable Inland Revenue to proceed against a taxpayer and throw the burden of proof upon him whenever there is even the appearance of an intent to defraud and even if the particular device used is of itself within the letter of the law.

The Chancellor of the Exchequer expressly stated, however, that these clauses are not due to any increase

- 3 -

in the number of cases involving fraud, there being no evidence of such increase, but that they result instead from an adverse court decision indicating that the powers of the Inland Revenue in dealing with fraud are weaker than had been thought.

5. Incentive to work: The fact that high tax rates in the upper income groups have not seriously reduced the incentive to work is ascribable probably to the counteracting incentives resulting from the war. Social pressure towards taking an active part in the war effort, such tax-free remuneration as liberal expense accounts or other perquisites and special privileges, greater social prestige and perhaps more command over consumption goods and services than would otherwise be enjoyed have been sufficient inducement in most cases, though not in all, for continuance of the wealthy in productive occupations.

ESG:jaw
5/20/42

May 21, 1942.

MEMORANDUM FOR THE FILES

Mr. Hamilton, State Department, telephoned Mr. White on May 21 at 9:45 A.M. to say that Sir Frederick Phillips and the British Foreign Office men in charge of the Far Eastern Division were going to call on him to get his views on their contemplated loan which he said involved cessation of the credit concomitantly with the cessation of war. Mr. White told Mr. Hamilton that Sir Frederick Phillips had left a similar question here but the Secretary had not yet answered it. Hamilton said he planned to tell the British that the terms of financial aid in the loan had already been made and there was therefore no possibility of modifying them. He went on to say he did think the basis of the financial aid was war but he said he would tell the British that he did want to discuss the matter with the Treasury. He said that he would then speak to the British of the growing Chinese animosity to the British in the Far East which partly reflected itself on their attitude toward us as well. He said he would urge that they should hesitate long before doing anything that might further antagonize the Chinese in the light of the delicate situation in the Far East.

Mr. White commented that he thought the British Foreign Office knew of the status in China and it seemed to him that the terms the British incorporated in the agreement was a matter between the British and Chinese Governments. Mr. White added, however, the matter had not been discussed with the Secretary and he did not know how the Secretary would feel about it.

Mr. White told Mr. Hamilton he would appreciate knowing what he told the British and he would let Mr. Hamilton know what the Secretary said to Phillips about the matter.

H. D. White

OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

May 21, 1942

reply refer to

RECEIVED
MAY 22 1942
DIVISION OF
INTERNATIONAL
AFFAIRS
DEPARTMENT
OF STATE

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith for his information a copy of an Aide Memoire from the British Embassy at Washington, dated May 20, 1942, concerning the proposed agreement between the governments of the United Kingdom and Iran concerning the acquisition of rials against sterling.

Enclosure:

Copy of Aide Memoire,
from British Embassy,
May 20, 1942.

FOR DEFENSE



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AIDE MEMOIRE

Agreement has now been reached with the Iranian Government on the following lines:

The Iranian Government undertake to supply us with all the rials we need against sales of sterling. All such transactions will be at the controlled rates, which will be buying rate 128 rials - £1; selling rate 130 rials - £1. We have undertaken to do our utmost as regards providing Iran with supplies from the sterling area. As regards the sterling balance in the hands of the Iranian Government we have undertaken:

- (i) to guarantee this balance against depreciation in terms of gold;
- (ii) to convert the sterling into gold so far as may be needed to pay for essential supplies from North America, which are available, can be shipped, are not covered by lend-lease, and cannot be paid for out of dollars otherwise available to the Iranian Government from any other source; and
- (iii) to convert 40% of the unspent sterling balance into gold at the end of each half year.

The Agreement has not yet been signed, but signature is expected as soon as certain points of detail have been settled. In the meantime the Iranian Government have authorized banks to resume dealings in sterling at the rate quoted above.

BRITISH EMBASSY

WASHINGTON, D.C.

MAY 20th, 1942.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

223
[Handwritten signature]

DATE May 21, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Shipment of Planes and Tanks to the U.S.S.R.

Summary

1. In the first third of April, 57 planes and 53 tanks were shipped to the Russians.

2. According to this report, 20 twin-engined pursuit planes were shipped. These must be, of course, Lockheed P-38 or "Lightning" fighters. This movement represents the first time these fighters were turned over to any of the United Nations in any sizeable number.

Table A

Shipment of Planes and Tanks from the
United States to the U.S.S.R.*

	<u>Shipments during May 1-10</u>	<u>Cumulative total January 1, 1942 to May 10, 1942</u>	
<u>Planes</u>			
Pursuit - single-engine	32	399	
- twin-engine	<u>20</u>	<u>20</u>	
Total Pursuit	52	419	
Bombers	<u>5</u>	<u>348</u>	
Total Planes	57		767
<u>Tanks</u>			
Light	17	655	
Medium	<u>36</u>	<u>570</u>	
Total	53		1,225

* Based on export declarations received.

Table B

Shipment of Planes and Tanks
to U.S.S.R. by months *

	<u>Fighters</u>	<u>Bombers</u>	<u>Total Planes</u>	<u>Light Tanks</u>	<u>Medium Tanks</u>	<u>Total Tanks</u>
January, 1942	56	4	60	20	22	42
February	123	115	238	172	38	210
March	68	170	238	159	258	417
April	120	54	174	287	216	503
May 1 - 10	<u>52</u>	<u>5</u>	<u>57</u>	<u>17</u>	<u>36</u>	<u>53</u>
Total 1942 to May 10	419	348	767	655	570	1,225

* Based on export declarations received.

FEDERAL RESERVE BANK
OF NEW YORK
Fiscal Agent of the United States

May 21, 1942.

S i r :

Attention: Mr. Frank Dietrich

Reference is made to the Treasury Department's telegram dated May 8, 1942, authorizing and instructing the Federal Reserve Bank of New York, as fiscal agent of the United States, in accordance with instructions received by the Treasury from the Soviet Ambassador, to make arrangements with the Bank of Canada to transship 99 cases of gold, arriving in Argentina, Newfoundland about May 9, 1942, from Argentina to New York and deposit the gold in the United States Assay Office at New York.

In accordance with the above-mentioned telegram, arrangements were made with the Bank of Canada whereby the gold was transhipped from Canada via Railway Express Agency, Incorporated, and delivered to the United States Assay Office at New York on May 9, 1942. At that time the gold was deposited by us, as fiscal agent of the United States, in the Assay Office for account of the Secretary of the Treasury of the United States by order of the Government of the Union of Soviet Socialist Republics.

We are pleased to inform you that we received a United States Assay Office check today in the amount of \$6,711,359.10 drawn to the order of the Federal Reserve Bank of New York for credit to the Secretary of the Treasury - Special Account in payment for the gold and that pursuant to our telephone conversation of today, we have credited the Secretary of the Treasury - Special Account on our books \$6,711,359.10 and have made appropriate entries in the transcript of the Secretary of the Treasury - Special Account to reflect the 1/4 of one per cent charge of \$16,778.88 as a handling charge on gold.

In connection with the transshipment of this gold from Canada to New York shipping expenses amounting to \$16,783.69 were incurred and have been paid to the Railway Express Agency, Incorporated. This amount was charged to the account of the State Bank of the U.S.S.R., upon instructions received in their cable No. 27, on May 14, 1942.

Enclosed for your files, is a copy of the letter sent by us to the United States Assay Office at New York together with copies of the receipted bill for shipping expenses and the cables exchanged with the State Bank of the U.S.S.R. regarding the above shipment.

Respectfully,
/s/ H. L. Sanford,
H. L. Sanford,
Manager, Foreign Department.

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

Encs.

Copy:ime
5/22/42

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AS FISCAL AGENT OF THE UNITED STATES

May 9, 1942.

The Superintendent,
United States Assay Office at New York,
New York, New York.

Dear Sirs:

Pursuant to instructions received from the United States Treasury Department, we, as fiscal agent of the United States, are today delivering to you the following gold for account of the Secretary of the Treasury of the United States by order of the Government of the Union of Soviet Socialist Republics:

<u>No. of Cases</u>	<u>No. of Bars</u>	<u>Said to Contain fine ounces</u>	<u>Value at \$35 per fine ounce</u>
99	495	191,789.428	\$6,712,629.98

We understand that the Treasury Department will furnish you with instructions regarding the disposition of the above-mentioned gold.

Very truly yours,

H. L. Sanford,
Manager, Foreign Department.

Copy:ime
5/22/42

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(2-40)

STATEMENT

May 12th. 1942.

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The Federal Reserve Bank of New York, Attn: Mr. Lang
Foreign Dept.
33 Liberty Street, New York.

Payment of bills required within
seven (7) days after date rendered.
Any charges are subject to adjust-
ment, return the items deducting them
on total bill and remit the balance.

To RAILWAY EXPRESS AGENCY
Incorporated

65 Broadway,
(Street and Number)

New York N.Y.
(City)

Delivery Sheet Receipt No.	Date	Article	Charges
#1	5/6/42	99 bxs Gold Bullion Fr: Bank of Canada, Halifax N.S. Value \$6,712.629.98 (U.S.) @ \$2.50 Manifest at Halifax Manifest at Montreal Entry Fee at Montreal	\$16,781.58 .50 .11 <u>1.50</u> \$16,783.69

RECEIVED PAYMENT

Check \$16,783.69

RAILWAY EXPRESS AGENCY

(Sgd.) M. G. Votaw

K.

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Copy:mc
22/42

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OUTGOING CABLEGRAM

May 12, 1942

State Bank of the U.S.S.R.

Moscow

No. 23

Refer our No. 20 your No. 22 Express charges of \$16,783.69 incurred by us on further shipment delivered to United States Treasury May 9. Please cable.

FEDERAL RESERVE BANK OF NEW YORK

Copy:ime
5/22/42

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INCOMING CABLEGRAM

May 14, 1942

Moscow, May 13, 1942

Federal Reserve Bank of New York

New York

No. 27

Your number 23 Charge our account and pay
yourselves \$16,783.69

State Bank of the U.S.S.R.

Copy:ims
5/22/42

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DEPARTMENT OF STATE
WASHINGTON

May 21, 1942

In reply refer to
FF 840.51 Frozen Credits/6415

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith for his information paraphrased copies of telegram no. 81 of May 18, 1942 which has been received from Lourenco Marques, Mozambique, Portuguese East Africa, concerning the funds received by the German and Italian Consuls.

Enclosure:

From Lourenco Marques,
no. 81, May 18, 1942.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN CONSUL, Lorenzo Marques, Africa

DATED: May 18, 1942, 5 p.m.

NUMBER: 81

In the first three months of this year the local German Consul received from the Reichs Kredit, Berlin 2,832,270 escudos. The source of this information, an employee of the Banco Nacional Ultra Marino, also indicated that during the same period the local Italian Consul received 1,207,607 escudos through the Bank of Portugal, Lisbon.

PRESTON

Copy:bj:5-22-42

May 12, 1948

Mr. Liversy

Mr. Dietrich

Will you please send the attached telegram to the American Legation, Ottawa,
"For English from White".

FD-121 (5-21-48)

TELEGRAM

234

To: Mr. E. J. Heflich
American Embassy
Ottawa

Make inquiry of Canadian authorities why exports of silver from Canada to the United States are declining.

Inquire also as to the prospects of silver exports from Canada to the United States during the remainder of this year.

H. B. White

MB/jm
5/21/48

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TELEGRAM SENT

MJF

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

May 21, 1942

6 p.m.

AMLEGATION

OTTAWA, (CANADA)

88

FOR HOFlich FROM WHITE, TREASURY.

Make inquiry of Canadian authorities why exports
of silver from Canada to the United States are de-
clining.

Inquire also as to the prospects of silver exports
from Canada to the United States during the remainder
of this year.

HULL
(FL)

FD:FL:MLB

Copy:bj:6-1-42

CORRECTED COPY

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

Suva

Dated May 21, 1942

Rec'd 1:05 p.m.

Secretary of State,
 Washington.

25, May 21, 5 p.m.

My 24, May 8, 1 p.m.

Please inform Treasury "Fiji Treasurer today informed this office and the Bank of New South Wales and the Bank of New Zealand that after consideration and in order to follow uniform procedure throughout sterling area he had decided not to adopt Treasury's scheme for disposal of United States paper currency described in Department's twenty April 27, 5 p.m. but to adhere to procedure outlined in Bank of England's notice F. E. 182' relative to this matter.

Despatch will be forwarded by air mail giving particulars of local exchange rates fixed on the basis of dollars 4.03-1/2 per pound net."

ABBOTT

WWC

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DEPARTMENT OF STATE
WASHINGTON

May 21, 1942

In reply refer to
FF 840.51 Frozen Credits/6419

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith for appropriate consideration copies of telegram no. 110 of May 19, 1942 from the American Consul at Zurich, Switzerland, concerning certain persons purported to be receiving funds from the United States while their sympathies and sometimes their activities are directly or indirectly aiding the Axis powers.

The Secretary of State would appreciate being advised of the reply to be made to the telegram under reference.

Enclosure:

From Zurich, no. 110,
May 19, 1942.

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NMC

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

Zurich

Dated May 19, 1942

Rec'd 2:35 p.m.

Secretary of State,

Washington.

110, May 19, 5 p.m.

CONFIDENTIAL

It is my opinion that certain aliens and even former Americans in this consular district are receiving funds from the United States while their sympathies and sometimes their activities are directly or indirectly aiding the Axis powers.

If possible please cable whether the following persons are receiving funds from the United States with the approval of the Treasury Department or the Federal Reserve Board: Claire von Gontard holder of Liechtenstein passport, her sister Mrs. Wilhelmine Borchardt German passport and Lily Claire Berghaus German passport daughter of former and wife of prominent Nazi in Germany all formerly bearers of American passports believed in Munich.

It would be very helpful if Department could pouch air mail monthly revised lists of residents of this consular district approved by Treasury Department showing remittances authorized in order that any adverse information obtained might be cabled to the Department and the possibility of the United States supplying funds to persons working with Axis might be avoided.

ALTAFFER

WWC

Copy:bj:5-23-42

COPY NO. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 167

Information received up to 7 A.M., 21st May, 1942.

1. MILITARY

RUSSIA. In KHARKOV Sector, Russian attacks and strong German counter attacks are continuing. On the south side of the Russian salient, south of KHARKOV, the Germans have advanced into the ISYUM area.

2. AIR OPERATIONS

WESTERN FRONT. Our aircraft engaged 19th/20th included 30 R.C.A.F., 12 R.A.A.F. and 9 New Zealand aircraft. 74 tons of high explosives and 213 tons of incendiaries were dropped at MANNHEIM. Many large fires were reported in the city and dock area. The enemy attack on HULL was on a larger scale than at first reported, about 50 aircraft crossing our coast, causing casualties which are now reported as 35 killed, 68 seriously injured.

20th. 5 enemy fighter-bombers flew inland, 1 being destroyed by a motor launch and another by anti-aircraft gunfire.

MEDITERRANEAN. A Wellington obtained hits against a ship escorted by 3 destroyers off TRIPOLI (L). Later 3 Albacores estimated hits with torpedoes on this ship and one of the destroyers.

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 173

Following is supplementary resume of operational events covering the period 14th to 21st May.

1. NAVAL

North Russian Convoys. The enemy has about 20 submarines in Northern NORWAY and sufficient aircraft to send a force of 35 dive bombers and torpedo bombers against a convoy on 14th followed by 25 aircraft against another on 15th. SCHEER is believed to be in NARVIK area and LUTZOW joined TIRPITZ and HIPPER at TRONDHEIM on 20th. The long period of daylight and the range of enemy aircraft expose our convoys to attack for several days on passage north of NORWAY. As the ice belt moves northward conditions should improve. ARCHANGEL and neighbouring ports should be free about the end of the month. These ports have been developed during the winter and are better served by railway than MURMANSK. They are also further from enemy air bases.

Home Waters. The R.A.F. minelaying offensive already shows encouraging results in enemy losses, dislocation of traffic and increased mine-sweeping efforts.

Submarines. There were eight attacks on enemy submarines by surface craft and nine by aircraft during the period. Of the latter, three were promising, in MEDITERRANEAN, BISCAY and U.S. Areas respectively. During the week ending 17th 109,000 gross tons of shipping were lost, mainly in Western Atlantic. Imports into U.K. in convoy during the week totalled 593,000 tons including 136,000 tons of oil.

Far East. Japanese main naval concentration is now in home waters and to the eastward. There are no indications of immediate offensive intentions in Southwest Pacific or Indian Ocean. Japanese submarines have appeared off QUEENSLAND and NEW SOUTH WALES and one ship was attacked off NEWCASTLE.

Indian Ocean. 309 sorties from two aircraft carriers were flown during the DIEGO SUAREZ operations. Our casualties were nine aircraft, of which four were by enemy action.

Malta. A Greek submarine has successfully completed the passage ALEXANDRIA - MALTA and return with stores.

Red Sea. The large floating dock at MASSAWA has been raised and is repairable.

French Shipping. During March and April, 37 ships are known to have sailed from FRANCE to NORTH AFRICA with part cargoes of war material, especially motor transportation deliveries continued during May.

2. MILITARY

A German offensive in RUSSIA on a large scale still seems probable in June, although its opening date may have been slightly put off by the Russian attacks near KHARKOV. It seems probable that it may be accompanied by German combined operations against the eastern shores of the SEA OF AZOV from SARIUPOLE area. A move by GERMANY against TURKEY, CYPRUS or SYRIA this summer seems unlikely, though an assault on MALTA is still possible.

In LIBYA. An offensive by Rommel is likely, but even if successful it could not be extended towards the Delta till towards Autumn. It is improbable that the Japanese will attempt a land advance from BURMA into INDIA for two months at any rate. They are unlikely, apart from the possible occupation of YUNNAN to advance further into CHINA at present. Japanese plans for extending operations in the SOLOMON ISLANDS area seem to be in abeyance. In considering the above operations, it is worth observing that the German army, in spite of heavy casualties, and a certain reduction in quality and morale as compared with a year ago, is only slightly inferior in strength and now has 25 armoured divisions as against *(33 groups corrupt)* as in the case of its armoured units in LIBYA whose morale is good, is of low fighting value. The efficiency and morale of the Japanese army is as high as ever. It is also increasing in size, although its expansion is likely to be dependent upon the equipment available. The morale of the Russian army is high, but lack of information prevents any accurate forecast of its ability to defeat the Germans.

- 2 -

3. AIR OPERATIONS

WESTERN FRONT. Adverse weather curtailed our Fighter and Bomber operations by day and restricted our night bombing to one heavy attack on MANNHEIM. Nevertheless, a large amount of sea mining was done and 306 mines were laid, 11 aircraft being lost in the process. In addition to the successful attack on two convoys off the Dutch coast already reported, other enemy ships and small craft were damaged by aircraft of Coastal Command and by Spitfires and Hurricane bombers.

MALTA. The number of enemy bombers used was much reduced but they were accompanied by some bomb-carrying fighters and large fighter escorts reaching an average of 80 fighter sorties per day. Our Spitfires, recently greatly increased in numbers, inflicted many casualties with the result that our aircraft losses on the ground have almost ceased, whereas the enemy casualty rate in proportion to aircraft employed has mounted considerably.

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

KIEL. Photographs on eighth cover an area not previously taken and reveal much additional damage mainly by fire.

5. OPERATIONS AIRCRAFT BATTLE CASUALTIESMETROPOLITAN AREA

British in the Air	Bombers	25
	Fighters	17
	Coastal	19
Three pilots safe.	Total	61

<u>ENEMY</u>	<u>Destroyed</u>	<u>Probably destroyed</u>	<u>Damaged</u>
Bombers	3	3	4
Fighters	14	10	19
Miscellaneous	1	-	-
Total	18	13	23

MIDDLE EAST (including MALTA)

<u>British</u>	<u>In the Air</u>	<u>On the Ground</u>
Bombers	3	-
Fighters	14	3
Others	1	-
Total	18	3

Four pilots and one crew are safe.

<u>Enemy</u>	<u>Destroyed</u>	<u>Probably destroyed</u>	<u>Damaged</u>
Bombers	14	1	8
Fighters	24	12	25
Total	38	13	33

Includes one destroyed and six damaged by A.A.

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

6. HOME SECURITY

Estimated civilian casualties for week ending six A.M., 20th. Killed 42 seriously wounded 72, including 35 killed at HULL.

NUMBER 32

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SECRET

COORDINATOR OF INFORMATION

THE WAR THIS WEEK

May 14-21, 1942



Printed for the Board of Analysts

Copy No. 6

The Secretary of the Treasury

MAY 14-21, 1942

SECRET

Coordinator of Information

THE WAR THIS WEEK

In Burma—as in Malaya—the Japanese have loosed an offensive of unexpected power. They have rapidly driven the British to the borders of India, where the threat would be even more serious but for the imminence of the monsoon. They have moved northward to occupy Fort Hertz and close the last of the alternative land supply routes to China. Finally, they have invaded the western reaches of Chinese Yunnan, and cautious military observers are speculating on the possibilities of a widening Japanese offensive in this area, perhaps even coördinated with a renewed drive in Central China and aiming at final liquidation of the "China incident."

In the west the situation—both political and military—is in a state of flux. The occupation of Crimean Kerch gives the Germans a position of some strategic importance if they plan a subsequent drive on the Caucasus. But farther north in the Kharkov sector, neither Russian nor German claims give any precise clues as to the nature and timing of the anticipated Nazi offensive. At Vichy Laval is treading a cautious course, and his failure to espouse a more openly collaborationist policy is now said to be irritating his German masters. And in the Mediterranean outward evidence continues to suggest a lightening of Axis pressure, but an area where air power is of such primary importance is also one where the element of surprise must enter all calculations.

SECRET

Burmese Offensive.

With the conquest of Burma substantially complete, the Japanese have already invaded China on the east and have thrust toward India on the west. Although these drives have been momentarily halted by the barriers of the Salween River and the Arakan Mountains, military observers point out that the Japanese air and troop concentrations in Burma are larger than required for the mere consolidation of gains already made. Hence they anticipate further moves in the direction of China or possibly of India.

The Chinese appear to have recuperated from the first shock of the rapid Japanese advance up the Burma road. They have thrown back the invaders from the west bank of the Salween and have stifled the immediate threat to the strategic air center at Paoshan. In the face of this check, Japanese columns have branched out both to the north and south, with the apparent intention of preparing other crossings at Teng-yueh and Kunglung (see map). They have already occupied Teng-yueh, through which the only other road in this area leads across the Salween, to join the Burma road at Paoshan. At Kunglung, where a projected railroad from Burma to Kunming was to bridge the Salween, the terrain also might facilitate a crossing.

The most considerable Japanese concentrations are believed to be in this vicinity, but farther south, near Kengtung, the Chinese have reported heavy fighting. Estimates of Japanese strength in this region have ranged from 10,000 to 30,000 troops, with one report that both heavy tanks and artillery were being brought into action, but with actual developments still remaining somewhat obscure. This action may have been precipitated by Chinese efforts to regain contact with troops by-passed by the Japanese in their mechanized thrust up the Burma road. It may also

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foreshadow a Japanese attack up the Mekong River valley designed to flank the Salween River defenses.

Japanese Intentions

In the past Chinese leaders at Chungking—including Chiang Kai-shek—and certain Chinese in Washington have tended to discount the possibility of a major offensive against Free China from Burma. News dispatches, however, now quote a Chungking government spokesman as warning the United States that Japan is on the verge of an "all-out" offensive against China and that the latter needs help with the utmost urgency. The Chungking radio also reflects the belief that China will be next on the Japanese list, according to both FCC analysts and BBC broadcasters. American observers in China have not been unimpressed with the possibilities of attack from Burma, and in fact have advised all Americans to leave the Tali area. At Kunming, Chinese army headquarters have issued a proclamation suggesting that civilians leave and citing the precedent at Paoshan, recently raided by a small Japanese force.

Test for War Lords and Appeasers

Whatever their military intentions, the Japanese will doubtless attempt to capitalize to the utmost the crisis which has been created for the Chinese. Thus the threat of imminent danger, following close on the heels of failure in Burma, will not only furnish Chinese appeasers with new arguments but may place a severe strain on Chiang Kai-shek's rather tenuous arrangements with local war lords.

After the fall of Hankow and Chiang's retreat to the western provinces, the central government established a *modus vivendi* with the former war lords, largely without resort to

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actual military showdowns. By judicious concentration of his forces and much compromise, Chiang has been able to obtain substantial administrative authority over their areas while leaving them considerable local power—political, economic, and military.

In Yunnan (where there have been strong concentrations of Central Government troops) the testing period has opened auspiciously. Governor Lung Yun has announced that the Japanese would be met with "several hundred thousand troops." News dispatches have even reported him dramatically rallying a weary Chinese formation to counterattack after their own general had committed suicide, following an unsuccessful attempt to stem the Japanese at the Salween. The pressure, however, is not yet serious, and there are other regions—notably Sikang and the Chengtu plain—where local war lords still have considerable military power.

There are no signs as yet of a strongly organized peace faction in China, according to reliable observers, although Tokyo is making claims to the contrary. But in the complex mosaic of the Kuomintang there are several cliques which have been long and widely suspected of leaning toward an arrangement with Japan. Every military reverse, moreover, adds to the strength and boldness of Chungking appeasers, whose numbers have been augmented recently by wealthy refugees from Hongkong, Singapore, and the Netherlands East Indies, who are now cut off from their property.

Terrain in Yunnan

If the Japanese launch an offensive in southwest China, they will face both lengthening supply lines and a difficult terrain. Hitherto they have succeeded not only in overcoming obstacles offered by terrain, but they have actually turned them to advantage. In Yunnan, however, they face a situation

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different from that in Malaya or the valley of the Irrawaddy. Here there are no jungles through which to infiltrate, and the country is so broken by precipitous mountains that mechanized equipment will be largely restricted to the few existing roads.

Although the Japanese have already driven to the very edge of the Salween, they are now only at the beginning of the difficult terrain (see map). At the Burma Road crossing, there is a drop of 4,500 feet from the top of the mountain pass to the bank of the Salween. With the bridge destroyed, tanks and trucks must find a means to cross a river which is only 150 yards wide but which is swift and deep. Once across, they must again use the road, the only possible means of travel, even for tanks, in the Salween gorge. Off the road, fighting must be done on foot or in the air, and this is true of much of the country through which the Burma Road passes. The latter will be the key to any fighting in Yunnan. Strong air support which could harass the opponent's movements along this road—and destroy his artillery emplacements—might thus be decisive, either for the Japanese or the Chinese.

Invasion Routes from Southern Yunnan

If the Japanese should elect to drive on Kunming, they would probably coordinate an attack along the Burma Road with flanking movements through southern Yunnan, tactics suggested by the current fighting in the Kengtung area. Farther to the east, there are at least four other possible invasion routes—from Indochina. From Laokay, whose importance was emphasized this week by an AVG bombing, the Yunnan-Indochina Railway might be followed. The chief difficulty offered by this route is the precipitous nature of the mountains through which the railway passes, and the

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fact that there are no roads until Kaiyuan is reached—a distance of 124 miles. Moreover, the Chinese have long since blown up the bridges, and are also reported to have torn up the tracks.

A second and easier route leads from Indochinese Hanoi by highway to Ha Giang, thence by trail to Wenshan, and finally by motor highway to Kunming (see map). Two further routes lead from Lai Chau by trail—one to Kaiyuan and the motor highway there, another through broad valleys to Oshau and by highway to Kunming.

Japanese Interest in Central China

Military observers are closely watching Japanese movements in other parts of China. In Chekiang Province reports indicate that Japanese troops are seeking out air bases potentially useful in bombing Japan. More important still, a fresh drive on Changsha in Hunan Province appears to be developing. Chinese leaders themselves view the Japanese campaign in Hupeh Province as the greatest current danger to Free China. The Japanese have long held Ichang in this province, but between Ichang and Chungking lie the gorges of the Yangtze, serious handicaps to military operations.

An alternative route to Chungking extends along the Han River valley to Nan-cheng, thence through a break in the Tapa range, where the Kialing River valley stretches down to Chungking and the Chengtu plain. The Chinese recently reported they had stopped a Japanese drive up the Han River valley, although comparatively small forces appear to have been involved.

There is as yet little indication that the Japanese will now attempt such a grand-scale pincers movement on Chungking as might here be implied. Such an offensive, if successful, would be a serious blow to the United Nations, depriving

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them of access to a valuable base of operations against Japan. Some observers believe, however, that Free China's own continuance in the war depends more upon the effect of the Japanese offensive upon her morale, since no particular area is of sufficient strategic importance to her to make its loss a decisive factor.

Aid to China by Air

The conquest of Burma has cut the land routes from India and left the air as the sole avenue of supply. But transport planes, flying from Assam to Yunnan, face the handicap of long hops and heavy gasoline loads (which must in general be sufficient for the round trip).

In northeastern Assam the best airport for transport planes is Sadiya (see map). Before the Japanese captured Mandalay, plans had been made for flying supplies from Sadiya to Myitkyina, a distance of only 200 miles. With Myitkyina in Japanese hands, freight must be flown from Sadiya to Yunnanyi (about 375 miles) or from Sadiya to Sichang (about 400 miles).

Air experts still maintain that by using about 50 Douglas C47 or Curtiss C53 transports, supplies can be forwarded to Yunnanyi or Sichang at the rate of 4,000 to 6,000 tons per month. But it would be essential for this purpose to maintain sufficient air strength (including anti-aircraft defenses) in northeast India to prevent the Japanese from knocking out Sadiya, and in China to protect the Chinese air terminals.

Sadiya is of critical importance in this scheme, because if it were lost transport planes would be obliged to use the airport at Tezpur, almost 200 miles west-southwest of Sadiya, making the trip from Tezpur to Sichang, for example, nearly 600 miles. Two-motored transports, such as the C47 and the C53, cannot make this trip with a pay load of any size. If

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Tezpur is to be used, four-motored transports would be required. Meanwhile, if the Japanese should push on by sea or land into eastern Bengal and Assam, they would effectively upset all these plans.

Air Raids for India?

With the British falling back from Burma to the northwest, the Japanese find themselves in a position to threaten India as well as China. Air attacks alone might deal a serious blow to the Calcutta area, containing about four-fifths of India's war industry. Here native morale is low, and some reliable observers expect the workers to take to the hills at the first bombing.

Actual invasion of Assam is another matter. With the summer monsoons imminent, this area is subject to the full force of the rain-laden winds from the Indian Ocean. The advantages of this season are by no means all with the defenders. The Japanese now hold the Mandalay basin in Burma, sheltered from the monsoon by the Arakan Mountains, comparatively dry and available for bombers all during this season. The Japanese also have an all-weather field at Akyab on the Burmese coast, some 300 miles by air from Calcutta. On the other hand, the defenders themselves have several all-weather fields at Calcutta, but no such fields elsewhere in this part of India.

British press dispatches meanwhile report that General Alexander, while discounting the possibility of a Japanese invasion during the monsoon season, is preparing for this eventuality. Fresh troops of the Indian Army guard the frontier, across which the weary survivors of the Burma campaign are beginning to return.

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The Battle of the Coral Sea in Retrospect

Further reports now make it possible to clarify certain elements in the Battle of the Coral Sea. Advance Japanese naval units came southward into the Coral Sea area, then diverged eastward, apparently to seize points in the Solomon Islands and thus secure their flank. An American naval force attacked these units in Tulagi Harbor, sinking seven naval vessels.

Presently the main Japanese force entered the Coral Sea by the same route, presumably on its way to attack Port Moresby. An engagement followed on May 7 and 8 between this force and American naval units and naval aviation, near the Louisiade Islands. The Japanese losses were one aircraft carrier sunk and one damaged, and one cruiser sunk and one damaged. American losses have not yet been reported.

During the Battle of the Coral Sea American Army Aircraft were not idle. Based on northeastern Australia, Army Aircraft made a series of heavy raids nearby on Lae and Rabaul, and on Buka, Woodlark and Deboyne Islands, between May 4 and 11. One mission returning from an attack was reported by the press to have stumbled on the battle and to have taken aerial photographs of the action. Another was dispatched on May 8 against a "Japanese convoy" (near the scene of the battle) which was not located. Still another was sent on May 9 to intercept a Japanese carrier, but darkness intervened.

Although the air duel over Australasian bases continues unabated, major Japanese fleet units appear to have moved elsewhere. The lull which has followed the battle has led some observers to anticipate a naval attack in other areas, and the possibility of attack against United States bases is not ruled out.

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Mop-up on the Kerch Peninsula

Soviet resistance on the Kerch peninsula seems to be flickering out. In the opinion of a well-placed military observer, remaining Russian forces are simply holding beachheads to permit the withdrawal of the bulk of the army. Unless the Soviets reinforce this army from the mainland, it appears unlikely that it can prolong its resistance.

Nor does a German attack across the straits toward the Russian naval base at Novorossiisk seem to be the next logical move. The crossing would be difficult and might expose the Nazis to a Soviet counterattack. Furthermore, with the fall of Kerch, the Germans would presumably be in a better position to attack Novorossiisk from the air. Likewise an assault on Sevastopol at the other end of the Crimean peninsula would be an expensive operation at the present time. It seems far more likely that the Germans will continue to soften up Sevastopol by bombardment until such time as they can attack it with comparatively small losses.

Attack on Kharkov

As though to counterbalance the German success on the Kerch Peninsula, the Soviet radio and the Allied press have been playing up the Russian attack toward Kharkov. Despite the fanfare with which it has been launched, American military observers do not regard this drive as an all-out offensive. If it had been such, they point out, it would probably have taken the form of a large enveloping action rather than a head-on attack, and by now it would have achieved a more clear-cut success than press despatches yet reveal. A more likely hypothesis is that it is a local attack which has already brought the Soviet forces within striking distance of the city of Kharkov.

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In the opinion of the Russian ambassador to Turkey, the Soviets launched the assault in an effort to disrupt the greatest German concentration of war equipment, including planes and tanks, on the entire Eastern Front. Berlin vigorously denies that it has relieved Nazi pressure in the Crimea or interfered with the German military program. But the ambassador is sure that even if the attack fails in its main purpose of capturing or destroying large quantities of German equipment, it will succeed in seriously disorganizing Nazi plans for a full-scale offensive. Such considerations may account for the apparent vigor of German counter-attacks in the Kharkov sector.

Laval Continues to Temporize

Although Pierre Laval has now been head of the Vichy government for a little more than a month, he has taken no step of an overt character leading to full collaboration with Germany. As Minister of the Interior, he is purging the regime of known opponents, and appointing men of his own choice to key positions. Marshal Pétain, in turn, is reported to "look forward to working in his garden," relieved to be spared the burdens of office. Pétain is still a factor in the picture, however, for as supreme chief of the French armed forces overseas, his orders are obeyed by administrative officials and officers who might not stomach Laval alone.

A current report describes what are believed to have been Laval's intentions respecting collaboration when he came to office. He is said to have been reconciled to German domination of the Continent, but to have revived his earlier idea of forming a Latin bloc to act as a sort of counterweight to the Nazis. He appears to have met checks here, however, in Italy's territorial demands and in Nazi hostility to his qualified collaboration. The Nazis have evidenced their

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displeasure in the Giraud case and in the current executions in occupied France. They are said to be dissatisfied with Laval and to be giving encouragement to men like Doriot.

Laval has been anxious to avoid any decisive step that might sever relations with the United States. He is taking advantage of the apathy of the French people to establish himself, and is carefully cushioning his position with regard to Franco-American affairs. Apparently with Nazi approval, he has plastered Vichy with posters, which declare: "I wish to say again that a final rupture between our two countries will not come from France."

Reactions in French Africa

Diplomatic sources report that since Laval's return to power, gasoline and trucks are again reaching Rommel's armies via French North Africa. French officials in North Africa, however, have hinted their continuing friendliness to us and would like to see us renew our economic assistance to North Africa, thereby avoiding the threat of French dependence on Germany.

The German Armistice Commission is urging that French defenses of Morocco be improved. It is stated that the Germans are now shipping armaments to this area, with further shipments of synthetic gasoline to follow soon. General Juin is ostensibly complying, but has expressed the opinion that he would rather see Moroccan defenses improved under American than under German direction. On the other hand, rumors suggest that certain high French officials have been won over to Laval's policy, and that Boisson, the Governor-General of strategic Dakar and former political protégé of Laval, has declared himself as highly pleased with the changes in Vichy.

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Vichy is exploiting to the full the recent clash off Algiers involving French and British planes and light naval units, an action which resulted in the loss of one plane by each side. Vichy is presenting it as an example of wanton aggression: "Once again the French see what means our former allies are using."

Negotiations in Martinique

In Martinique Admiral Robert, after the issuance of a virtual ultimatum from the United States, has agreed to the immobilization of French warships. He has also agreed in general that the United States will exercise effective supervision of the islands with continued recognition of the French position of *de jure* sovereignty and possession. Meanwhile, Laval, obviously irritated by the attempt of the United States to negotiate directly with Admiral Robert, has attempted to suggest that such negotiations can only be carried on with Vichy, thus confusing the issue in the public mind.

Azis Pause in the Mediterranean

Malta continued to enjoy a relative respite as Lord Gort, former head of the B. E. F. in France, arrived from Gibraltar to succeed bomb-worn Sir William Dobbie in command of the island fortress. There were clear signs that German bomber strength in Sicily has been reduced for use elsewhere, but diplomatic sources believe that considerable parts of Kesselring's staff and air fleet are still in Sicily.

Indications are that Axis forces in Cyrenaica will not launch any major offensive against Egypt this spring. They are, however, prepared for lesser operations, with supplies estimated to be sufficient for one month of active campaigning.

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Their forces, including two armored and one motorized divisions, are well-located and in good condition. Skirmishes led by enemy tanks this week, especially in the region southwest of Gazala, broke a quiet period on the desert front.

A Report on the Near East

Turkey continues in her determination to defend herself against any and all invaders, a seasoned observer reports, writing at the end of March from Istanbul. Her army is kept in the field and she wants all the arms she can get. Her great fear is that either Germany or Russia will win a clear-cut victory. To forestall the results of either eventuality the Turks expect to call in Allied help. Diplomatic sources report that the Soviets plan to develop the recent Russo-Turkish détente once the bomb trial is over.

The Turkish government, our observer writes, has the complete confidence of the people in political and military affairs, but in economic matters the situation is acute. Trade interruptions, budget strain, abrupt price rises, shortages, and governmental inefficiency in handling the situation have brought about a general uneasiness as to the economic future.

In Syria the Free French, the majority of whom are apparently suspicious of British designs on Madagascar and Syria, are themselves generally regarded as the old imperialists operating with reduced efficiency. British and American prestige has also declined due to military defeat and association with the Zionist cause, an issue exploited by the Axis radio. In Egypt our observer found public opinion in a bad state, with the British, the Palace and its satellites, and the Wafd all hard at work interfering with one another in a snarl of old methods and lack of coordination.

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Drought Comes to Northeastern Brazil

Northeastern Brazil is suffering one of its periodic droughts. This region of "climatic calamities," which is triangular in shape, reaches the coast between São Luiz and Natal, and extends southwestward to an apex somewhere in western Baia. Throughout this area rainfall is uncertain; there are places where in one hundred years there have been fifty years of either flood or drought. In this region no rain has now fallen for more than a year. The vegetation is parched, and the sources of water rapidly disappearing. As usual, under these circumstances, the inhabitants are flocking into the coastal cities, and domestic and wild animals are being widely slaughtered.

Coming at this time, the drought may have several consequences. The homeless and starving refugees will constitute a serious burden on the food supply and on coastal shipping. Civil disorders may be expected, including raids on the food stores in the cities, and a fertile field exists for enemy agents bent on spreading confusion and chaos. It is even possible that the airfields in this region may be in danger of attack, either by disorganized groups or by bands under Axis leadership. On the other hand, prompt action might avert disaster through the recruiting of laborers for work in the rubber forests of the Amazon—a repetition of the great migration into the Amazon under similar circumstances which took place during the historic drought of 1877-1879. This would require coastwise shipping to carry the workers from places like Fortaleza in Ceara to the Amazon.

The Dominican Republic "Elects" a President

The Dominican Republic went through the formality of a presidential election on May 16 in which Generalissimo

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Rafael L. Trujillo was the unopposed and successful candidate. A former president of the country from 1930 to 1938, he will replace M. de J. Troncoso de la Concha. Since 1930 Trujillo has been the acknowledged dictator of the country, and on January 20 of this year he was appointed by the president to the supreme command of the Army and Navy. Present world conditions were used to justify his return to the presidency.

The election was the first in the history of the country in which women were allowed to vote. Dominican exiles in Cuba and Venezuela carried on a vigorous pre-election campaign against Trujillo's dictatorship as inconsistent with the democratic principles of the United Nations. They protested particularly against the decision of the University of Pittsburgh to award Trujillo an honorary degree. Nevertheless, the election was not accompanied by any reported disturbances.

Although Trujillo's term was not scheduled to begin until August he took office immediately. President Troncoso appointed him Secretary of State for War and Navy to succeed his brother, Hector Trujillo, just resigned. Troncoso then submitted his resignation to the National Assembly which unanimously accepted it. Then in accordance with the constitution, Trujillo automatically succeeded to the Presidency.

Reliable evidence indicates that the Nazis are carrying on widespread activity in the Dominican Republic despite the fact that the government has declared war against the Axis. Since 1935 the Dominican government has maintained close diplomatic relations with Germany, and the Trujillo party was reorganized along Nazi lines. The press enjoys no liberty, and no party except Trujillo's is permitted to exist. Army officers are Nazi sympathizers. Nazi agents are either still at large or have been released as a result of "popular"

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demonstration fomented by the government. It is alleged that Trujillo gives lip service to the democracies in order to obtain United States support for his regime.

Chile Moves Toward a Break with the Axis

Chilean Government leaders are reconsidering the possibility of a break in diplomatic relations with the Axis powers, current indications suggest. The Socialist Party, headed by Oscar Schnake, has recently been adding its influence to that of the Communist Party in favoring such a move. While the United States has avoided any appearance of bringing pressure to bear on Chile for a break with the Axis, it has become apparent to Chile's leaders that no substantial economic aid will be forthcoming from us until this issue is squarely met. It may be partly for this reason that the proposed visit of a Chilean Commission to the United States to discuss Chile's critical economic needs has been delayed.

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APPENDIX I

THE PROBLEM OF RUBBER IN THE SOVIET UNION

In the field of synthetic rubber the Russians probably led the world in June 1941, both in experience and production, according to a current report prepared by the East-European Section of the Coordinator's office. The Russian policy of preparedness, designed to obtain a maximum degree of self-sufficiency in strategic raw materials, had led to a rapid expansion of synthetic rubber production in the Soviet Union. Before the outbreak of the war in 1939, the Russian rubber industry had accomplished an almost complete change-over from natural to synthetic rubber. In recent years it has also given much attention to the development of domestic sources of natural rubber. But the actual production of this type of rubber still remained small in June of last year.

Even with this farsighted program, in 1940 Soviet domestic production of raw rubber, plus imports—the total estimated at somewhat more than 103,000 metric tons a year—was probably inadequate to fill Russia's consumption requirements—estimated at 110,000–117,000 tons. Thus, if these estimates are correct, Russia in 1940 was drawing on previously accumulated stocks for a part of her current consumption. Nor is it likely that the war has eased the situation. For increased military demand in all likelihood has offset even the most severe restrictions on civilian consumption.

It is estimated that synthetic rubber (made almost entirely from alcohol) so counted for a production of 82,000 metric tons in 1940. During the first few months of the war synthetic production probably declined to a rate of about 36,000–48,000 metric tons per year. There is some ground for thinking, however, that in recent months the output has increased. Nevertheless, unless both imports and domestic production have recently increased very substantially, it is almost certain that the Soviets face an acute shortage of raw rubber, a shortage which may, unless alleviated, necessitate a very substantial curtailment of the use of this commodity in essential military equipment.

One favorable factor in the situation is that the very large military establishment economizes rubber by the extensive use of tires of steel and hard-rubber on artillery equipment, and by the widespread substitution of caterpillar-tractors for pneumatic-tired trucks as prime movers for artillery.

APPENDIX II

THE JAPANESE POSITION IN FUELS AND NON-FERROUS METALS

Lack of fuels and non-ferrous metals will not notably handicap the Japanese war effort, according to such estimates as can be made on the basis of available information. Nor do the Japanese lack facilities for mining strategic fuels and metals. Of fourteen of these, Japan is not completely self-sustaining in any. But she can supply her deficits adequately for three—tin, tungsten, and coal—from functioning occupied territories.

For five others—manganese, chromium, aluminum, oil, and lead—she has sufficient stocks with which to service her economy without restriction, until she can restore to former capacity sources in conquered areas which have been disorganized by recent military operations (the assumption here is that she will not be handicapped by difficulties of organization or by the renewal of war in these areas). In the case of lead, invisible stocks, such as pipe in buildings, are large and easily recoverable, so that Japan should suffer no shortage until the captured mines can be reorganized. For another metal, zinc, stocks are insufficient unless the captured mines can start producing very soon.

Mineral	Period stocks will bridge	Adequate sources
Manganese.....	6 years.....	Philippine Islands, British Malaya, and Netherlands Indies combined.
Chromite.....	4 years.....	Philippine Islands.
Bauxite.....	2 years.....	Netherlands Indies and British Malaya combined.
Oil.....	2 years.....	Netherlands Indies.
Lead.....	6 months.....	Burma.
Zinc.....	Negligible.....	Burma.

For the rest—copper, nickel, molybdenum, antimony, and mercury—sources now available to Japan will be insufficient after she exhausts her present stocks. Through the conquest of the Far Eastern area, however, Japan could fill her deficits in nickel and antimony and improve her position in the other three. Japan has productive copper mines and could increase their output adequately by the time stocks run low. Stocks of nickel, mercury, and molybdenum are sufficient for two years or more. But Japan has drawn heavily on her antimony stocks in the last two years and has endeavored, as yet without success, to gain control of the transport system in the Chinese province of Hunan (Changsha), which contains the principal Chinese antimony mines.

Metal	Proportion of requirements covered by sources now available (Percent)	Stock Pile Limit	Unconquered Far-Eastern sources	
			Chief Countries	Proportion of requirements they could meet
Nickel.....	50	2 yr....	New Caledonia.....	Entire deficit.
Antimony.....	15	3 mo....	China (Hunan).....	Do.
Mercury.....	5	2 1/4 yr..	China (Kweichow)...	20 percent.
Molybdenum.....	40	15 yr..	Australia.....	18 percent.
Copper.....	55	16 mo..	Australia and India..	10 percent.

Processing these minerals after they are mined may present difficulties, and the effective military use of most minerals which Japan controls in abundance is circumscribed by her steel capacity. This capacity is still only one-tenth that of the United States, and any substantial increase would involve great difficulties for a country of Japan's industrial potential already engaged in a major war (*The War This Week*, April 16-23, pp. 21-24).

In view of the fact that Japan has not issued pertinent statistics since the inception of the China incident in mid-1937, one must in general resort to estimates, which may vary substantially, about the present Japanese position. Fairly reliable 1940 data, however, are available for production in Far Eastern areas outside the Japanese empire. These data, which probably reflect potentialities today with reasonable accuracy, are shown in the appended table in conjunction with estimates of the present situation in the Japanese empire. The use of other ores besides bauxite for the production of aluminum explains the inclusion of both. The aluminum content of bauxite is between 20 and 25 percent. Ferroalloys of manganese, chromium, nickel, tungsten, and molybdenum are more or less interchangeable, a fact which probably accounts for tremendous additions to stocks of some—especially molybdenum—when supplies of others were cut off.

JAPAN'S PRESENT POSITION IN IMPORTANT FUELS AND NON-FERROUS METALS

Commodity	Japanese Empire and Manchuria			Production in 1940			World total
	Consumption	Production	Stocks (Jan. 1, 1943)	Occupied areas		Other Far-Eastern countries	
				Organized	Disorganized		
In thousands of metric tons							
Coal.....	75,000	70,000	(¹) 14,600	2,850	54,000	1,633,600	
Copper.....	230	110	140	15	26	2,300	
Lead.....	120	25	20	88	277	1,750	
Zinc.....	90	60	(¹) 6	30	190	1,815	
Tin.....	12	2	4	25	136	21	245
Bauxite.....	300	0	600	(¹) 338	16	4,627	
Aluminum.....	100	90	10	0	0	800	
Manganese.....	120	70	300	2	75	866	5,250
Chromite.....	60	40	80	0	193	107	1,210
Nickel.....	9	2.5	10	0	3	9	180
Tungsten ore (60% WO ₃).....	5	2.5	(¹) 3.6	7	10	32	
In metric tons							
Molybdenum.....	300	125	2,500	0	0	55	21,220
Antimony.....	4,000	150	1,000	390	126	7,372	34,000
Mercury.....	600	20	1,400	0	0	117	6,000
In thousands of barrels							
Petroleum.....	{35,000	2,639	75,000	0	77,000	6,300	2,150,000
Petroleum substitutes.....	{to 50,000}							5,700	0	160	0	110,000

Japanese Empire: Japan, Korea, Formosa, Southern Sakhalin.
 Organized occupied areas: Indochina, Thailand, occupied China.
 Disorganized occupied areas: British Borneo, Burma, British Malaya, Netherlands Indies, Philippine Islands, Hongkong (lead).
 Other Far-Eastern countries: Australia, Free China, India (British and Portuguese), New Caledonia, New Zealand, Papua (manganese), Northern Sakhalin (petroleum). Continental Siberia is not included.

¹ Negligible.

Four additional metals—magnesium, vanadium, cobalt, and beryllium—are important in war, but pertinent data concerning them are almost completely lacking. Reports indicate that Japan is producing unprecedented amounts of magnesium, which occurs in large quantities and presents chiefly a problem of extraction. The Japanese have not greatly developed the use of vanadium in alloys and presumably obtain all they need from byproducts in the burning of

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fuel oil—especially oil from Venezuela and Colombia, which is rich in vanadium. Little is known about the Japanese positions in cobalt and beryllium. Japan's cobalt production and stocks are low in relation to potential demand, but other metals can take the place of cobalt in ferro-alloys with minor exceptions. Beryllium, a comparative newcomer in the field of alloys, has as yet little application in Japan, although she imported at least ten tons metal content of beryllium ore in 1940 and 1941.

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APPENDIX III

SCANDINAVIA AND THE GERMAN WAR ECONOMY

Ever since Germany overran Denmark and Norway in 1940 as a preliminary to her Western offensive, Scandinavia has had a triple importance to the war. Norwegian air and naval bases have served in operations against Britain and the northern supply lines to Russia; Finland's bases and troops have been employed against Russia and the Murmansk supply route; finally the strategic resources of the entire region have contributed substantially to German war production.

The accompanying chart shows the relative importance of Scandinavian mineral production to the German economy. Scandinavian mineral and timber resources, manufactured products, and, to some extent, foodstuffs are now being exported to Germany. Although, in return, Germany sends some commodities to the area, notably coal and pig iron to Sweden, and foodstuffs to Finland, the balance is heavily in her favor. It is not, however, the size of Germany's favorable trade balance, but rather the strategic nature of several Scandinavian products that makes the area of importance to the German economy.

Iron ore.—Germany has no shortage of iron ore. In the Ukraine alone Germany holds resources, probably unused, of fully 16 million tons a year. Nevertheless Swedish ores, which are believed to be going to Germany at a rate of 12 million tons per year, are of great importance to the Nazi economy. They are of high metallic content, averaging 60 percent, and their conversion to steel, therefore, involves savings in coke and manganese, both of which are relatively scarce in Germany. Also to change over German furnaces, labor and transport facilities for the use of other ores would involve loss of time and efficiency.

Molybdenum.—German technology has been making increasing use of molybdenum as a substitute in various steel-hardening alloys, of which the Reich is believed to have barely adequate supplies. Scandinavian sources, amounting to at least 22 percent of the total German molybdenum supply, are thus of some importance, and may be enhanced if recent reports of large scale increases in Norwegian output are correct.

Nickel.—Norwegian nickel production (1,250 tons) normally constitutes about one-third of the total continental supply. Reports indicate that an additional 5,000 to 10,000 tons (metal content), not shown on the accompanying chart, will be exported from the Petsamo district of Finland in 1942. This may significantly ease Germany's tight position in steel-hardening alloys.

Copper.—The German position here is barely adequate. Loss of the copper flowing from Scandinavian areas, amounting perhaps to 30 percent of the total current German supply, might have repercussions on the war economy. Recent reports indicate that Scandinavia is expanding its contribution here.

Aluminum.—Scandinavia is not a major element in the 500,000 tons of virgin aluminum which Germany was estimated to control in 1942. Norway's pre-war production of 30,000 tons was cut in half by the war, and German schemes for its expansion have apparently been abandoned in favor of a Hungarian program.

Pyrites.—Germany has ample sources of pyrites, and thus sulphur, with major deposits in Germany, Italy, Spain and Portugal. The loss of the Scandinavian deposits would probably involve only slight reorganization in the sulphur supply system.

Tungsten.—Swedish tungsten output is small relative to Portugal, Germany's principal source. It is in fact likely that Germany is not receiving directly any Swedish tungsten, though benefitting indirectly from the high grade steel products coming from Sweden.

Timber and its products.—Aside from the strategic minerals Scandinavia's largest contribution to the German war effort consists of its significant exports of timber, paper, and wood pulp. The demand for wood pulp has increased, cellulose being an important element in the manufacture of explosives and substitute textiles and fodder. Should this long-established source of pulp, paper and cardboard be lost, Germany would have extreme difficulty in finding adequate alternative sources or substitutes.

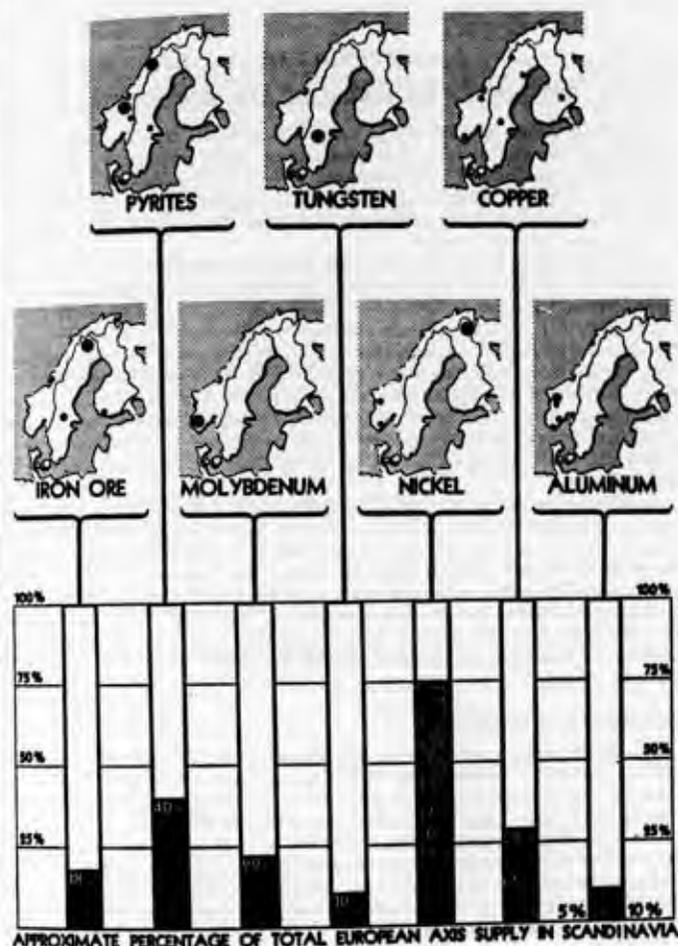
Foodstuffs.—At present Finland is a deficit food area, drawing some imports, largely sugar and bread grains, from the Reich and from Sweden, itself a slight surplus area except for fodder. Norway is under an enforced food shortage as a result of sending quantities of fish to Germany.

Shipbuilding.—In 1941 Norway and Sweden produced together an estimated 185,000 tons of merchant shipping, amounting to fully 26 percent of the estimated tonnage turned out from shipyards under German control. Despite the probable existence of considerable idle shipyard capacity in Europe, this contribution is important because the Scandinavian yards are well-run and well-manned.

Industrial Production.—Sweden is importing coal and coke in quantity from Germany to maintain her economy. In return she exports semi-manufactured metals and finished machinery, tools, motors, etc. These items were 22 percent of Sweden's exports in 1938, and production has probably not declined. This saves Germany much skilled labor of a type notably scarce on the Continent.

Summary.—The net contribution of Scandinavia to the German war effort, though not large in monetary terms, is thus extremely important strategically, most notably so in the cases of steel-hardening alloys, machinery, copper, and to a lesser degree, iron ore, shipbuilding, and wood pulp supplies. Account must be taken, however, of the goods which Germany provides Scandinavia in exchange.

STRATEGIC MINERALS IN SCANDINAVIA



Aluminum.—Scandinavia is not a major element in the 500,000 tons of virgin aluminum which Germany was estimated to control in 1942. Norway's pre-war production of 30,000 tons was cut in half by the war, and German schemes for its expansion have apparently been abandoned in favor of a Hungarian program.

Pyrites.—Germany has ample sources of pyrites, and thus sulphur, with major deposits in Germany, Italy, Spain and Portugal. The loss of the Scandinavian deposits would probably involve only slight reorganization in the sulphur supply system.

Tungsten.—Swedish tungsten output is small relative to Portugal, Germany's principal source. It is in fact likely that Germany is not receiving directly any Swedish tungsten, though benefitting indirectly from the high grade steel products coming from Sweden.

Timber and its products.—Aside from the strategic minerals Scandinavia's largest contribution to the German war effort consists of its significant exports of timber, paper, and wood pulp. The demand for wood pulp has increased, cellulose being an important element in the manufacture of explosives and substitute textiles and fodder. Should this long-established source of pulp, paper and cardboard be lost, Germany would have extreme difficulty in finding adequate alternative sources or substitutes.

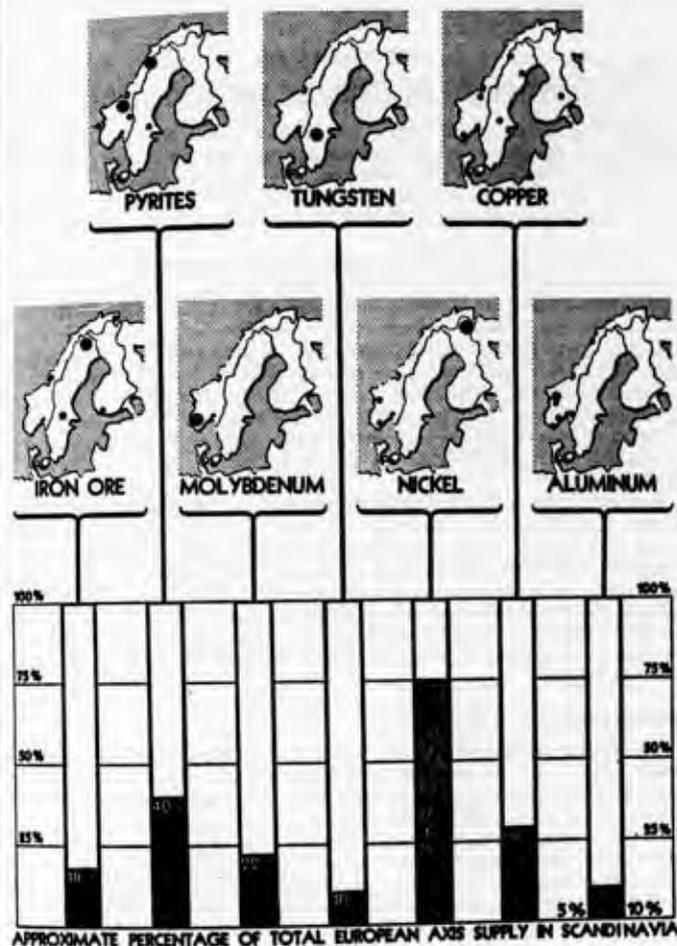
Foodstuffs.—At present Finland is a deficit food area, drawing some imports, largely sugar and bread grains, from the Reich and from Sweden, itself a slight surplus area except for fodder. Norway is under an enforced food shortage as a result of sending quantities of fish to Germany.

Shipbuilding.—In 1941 Norway and Sweden produced together an estimated 185,000 tons of merchant shipping, amounting to fully 26 percent of the estimated tonnage turned out from shipyards under German control. Despite the probable existence of considerable idle shipyard capacity in Europe, this contribution is important because the Scandinavian yards are well-run and well-manned.

Industrial Production.—Sweden is importing coal and coke in quantity from Germany to maintain her economy. In return she exports semi-manufactured metals and finished machinery, tools, motors, etc. These items were 22 percent of Sweden's exports in 1938, and production has probably not declined. This saves Germany much skilled labor of a type notably scarce on the Continent.

Summary.—The net contribution of Scandinavia to the German war effort, though not large in monetary terms, is thus extremely important strategically, most notably so in the cases of steel-hardening alloys, machinery, copper, and to a lesser degree, iron ore, shipbuilding, and wood pulp supplies. Account must be taken, however, of the goods which Germany provides Scandinavia in exchange.

STRATEGIC MINERALS IN SCANDINAVIA



APPENDIX IV

ESTIMATES OF GERMAN AIR STRENGTH

Estimating the air strength of our enemies is at best a tricky business. Any computation contains so many variables and so many unknowns that current estimates necessarily show wide variations. Yet there is apparently substantial agreement on certain figures; experts currently regard 1,800 to 2,000 as a safe average for German monthly production of combat types, and 4,300 to 5,000 as a fair estimate of first line strength.

It is in the figure for reserves that the real discrepancies occur. Competent estimates run all the way from less than 2,000 to more to 10,000 planes. One source of these variations is the incompleteness of our figures on German air losses. It is obvious that a small percentage variation in the estimates of losses per month will cause a very large percentage variation in the estimate of reserves at a given date. While RAF reports on planes shot down on the Western Front or in the Mediterranean are no doubt reliable, any totals for German aircraft lost in Russia are simply estimates. Furthermore, non-combat losses and the wastage of combat planes in training schools are impossible to gauge with any exactitude; the rule of thumb ratio of 1:1 used in estimating combat as against non-combat losses may be too optimistic.

Variation in the method of computing reserves is a further source of discordant figures. The most obvious method is, of course, to add German production since the start of the war to an estimate of air strength in September 1939, and from this total to subtract combat, other operational, and training losses. A more usual method is, however, to base deductions on the number and activity of planes actually committed in certain critical theaters. Exponents of the first method are likely to arrive at a considerably higher figure than those who follow the second method, and to suggest the existence of a hidden reserve of strength not yet exposed to combat.

Definition of First Line Strength

Two further factors are of prime importance in any estimate of German air power. The first is the definition of first line strength—here considered to include all combat types assigned to operational units, but to exclude transports, trainers and combat types used for training or held in stored reserves.

One is bound to note the smallness of first line-strength in relation to the volume of resources—men, materials, and equipment—necessary to sustain that strength under active conditions of operation and combat. Furthermore, a considerable part of a plane's life is spent undergoing routine maintenance and repair. Consequently the number of planes ready to fly at any one time is considerably smaller

than the "first line strength" as defined above. With a given first line strength, the number of planes ready to fly is less during periods of active operations than in periods of inactivity, since increased activity requires increased time spent in servicing.

The Labor Factor

A second factor is the labor supply situation in Germany itself. It is probable that a working force of about a million would be required in German airframe, engine, and equipment factories to produce 2,500 new planes a month (all types), provide spare parts, and repair damaged aircraft. This production figure implies an expansion of 29 percent from an estimate of 1,900 planes a month for the beginning of 1941. Such an expansion would have required an increase of something like 250,000 workers in factories alone—plus those employed in constructing the new plants themselves, in providing raw materials, and in supporting services.

In other words, although the German government assigns a high priority to aircraft production, it is at least questionable whether they have been able to make available a labor supply adequate for contemplated expansion. Prior to the Russian campaign, they followed a practice of releasing men from the armed forces for industrial work in periods of military inactivity—thus relieving the strain on industrial manpower. Since the spring of 1941, however, when the Nazis undertook full mobilization in preparation for the Russian campaign, they have been unable to continue this policy and in recent months have resorted to additional call-ups and comb-outs for military service. Although the government has sought to offset this drain by the employment of women and foreign workers in increased numbers, and by curtailing certain civilian industries, it is doubtful whether such measures have been effective enough to permit further expansion of armament production.

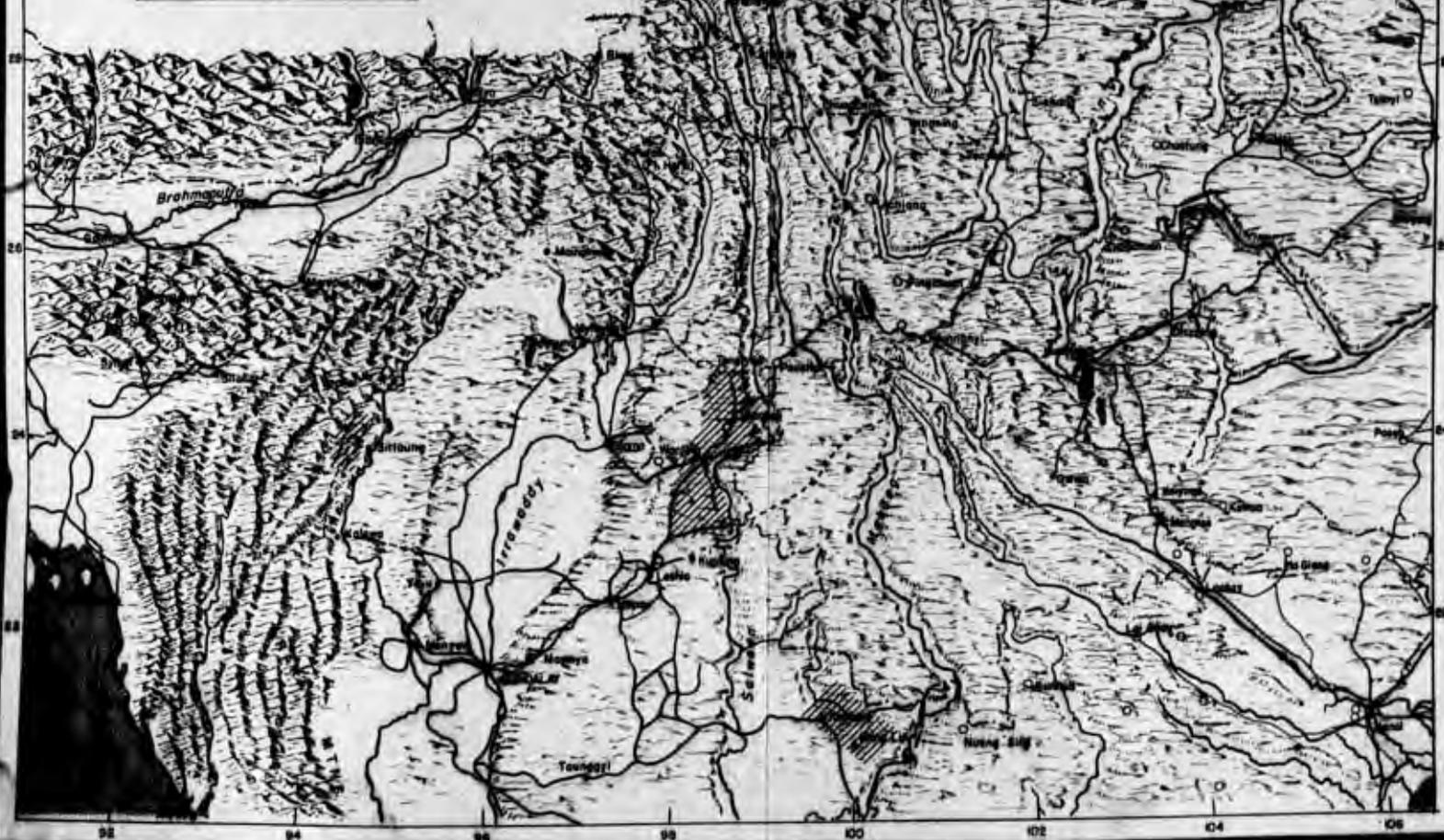
BURMESE THEATER OF OPERATIONS

//// Active Fronts as of May 21st

- | | |
|---------------------|----------------------------------|
| — All Weather Road | — Railway (1 M. Gauge) |
| — Fair Weather Road | - - - Railway Dismantled |
| — Proposed Route | - - - Railway Under Construction |
| Trail | □ Airfield |

Scale of Miles

0 100 200



May 22, 1942
10:05 a.m.

GROUP

Present:

Mr. Gaston
Mr. Sullivan
Mr. Bell
Mr. White
Mr. Paul
Mr. Blough
Mr. Haas
Mr. Buffington
Mr. Thompson
Mr. Kuhn
Mr. Odegard
Mr. Schwarz
Mr. Foley
Mrs. Klotz

H.M.JR: I see you tax boys are attracting a lot of attention around the country.

MR. PAUL: That is the intention of the Committee. They are getting a feel on the thing through us.

H.M.JR: I see. Do you think ten-percent withholding is enough?

MR. PAUL: That question is academic; if you get that, you will be doing well.

H.M.JR: I see.

MR. PAUL: I hope you noted this morning that you got support on your tax exempts and on depletion from Lindley, and T. V. Smith made a very good speech last night.

- 2 -

H.M.JR: Have you been talking with Lindley?

MR. PAUL: Yes, right along. Another man that supported you was T. V.--

H.M.JR: Soong? (Laughter)

MR. PAUL: He is a retired businessman.

MR. FOLEY: I didn't think Lindley's column was awfully good.

H.M.JR: I thought it was lousy.

MR. PAUL: At least he supported us.

H.M.JR: "Morgenthau's and Treasury's program is inadequate but"--

MR. FOLEY: It is not as inadequate as the House's.

MR. PAUL: The New Republic had one this week, too, supporting you on tax exempts.

MR. BLOUGH: That is what is called praising you with faint damns.

H.M.JR: Yes; the dam has got a hole in it. Well, anyway, for that which we receive we are thankful.

MR. BLOUGH: The Smith speech was pretty good, though - T. V. Smith.

H.M.JR: Is he the Congressman?

MR. BLOUGH: Formerly; he is out now.

H.M.JR: Oh, he is a professor at the University of Chicago, isn't he, or Northwestern?

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MR. FOLEY: Chicago. He used to be in the Senate out there in Illinois and ran for Congress.

H.M.JR: Did he get licked?

MR. FOLEY: He was here one term.

MR. BLOUGH: He got licked, that is right.

MR. PAUL: There are two other things I would like to bring up.

One is that Time magazine is after us on this charitable limitation and wants an interview this noon. What would be our policy on that? It is just on the one you decided, not the one we debated. Should we indicate to them some of our more detailed - the estate tax, not this business income--

H.M.JR: I am all right on the estate tax.

MR. PAUL: Do you think it would be a good idea to tell Time a little about it?

H.M.JR: No. Did you read their article today? I mean, there is nothing friendly there. If they are interested, they are only interested for ulterior motives.

Of course what I would do, and I have been here now for nine years - I have tried awfully hard to only give information to the regular Treasury press crowd, and every time that I go out of that I am sorry about it afterwards. If you give a special explanation to Time and don't give it to the Treasury press crowd, after a while they get down on you.

MR. PAUL: On the other hand, I don't know what Time will write up if they don't get the straight story.

H.M.JR: Have you given it on the Hill yet?

MR. PAUL: No.

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H.M.JR: I certainly wouldn't, then. I would tell them to wait until you give the explanation on the Hill.

MR. PAUL: The only other thing is that we are going to give you later today, in about an hour, or two hours, a statement we propose to make on the Hill regarding the twenty-five thousand limitation; and we would like to get clearance on it as soon as possible.

H.M.JR: Well, I am awfully sorry, but I am leaving this afternoon. I won't get a chance to see you.

MR. PAUL: Will you be back Monday?

H.M.JR: Yes.

MR. BLOUGH: Would you like to take it to the country?

H.M.JR: No. The President said, "It is a detail, isn't it, the Treasury could explain."

MR. PAUL: Well, we feel--

H.M.JR: When are you going to explain it?

MR. PAUL: We put them off yesterday. We ought to explain it early next week. We can stall them until Monday, I guess.

H.M.JR: All right. I am sure they won't weep.

MR. PAUL: They won't weep; they have said merely that they will give courteous attention.

H.M.JR: Of course if Roy wants to fly with me to Charleston he can go along and explain it on the way down.

MR. BLOUGH: Well--

H.M.JR: He is sick.

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MR. BLOUGH: I will be sick by the end of the afternoon.

H.M.JR: All they say is, thundershowers on the way down.

MR. BELL: A little rough.

MR. BLOUGH: I am always glad to do my duty, but I would a little rather that that wasn't my duty.

H.M.JR: Do you feel we have to clear it today?

MR. PAUL: We will clear it Monday.

MR. BLOUGH: I don't think it needs to be cleared that badly.

H.M.JR: I want it on the record I gave you an opportunity.

MR. BLOUGH: Well, we may yet take that up but only if the Committee presses us hard this morning.

H.M.JR: If you don't want to go, Kuhn is a candidate.

MR. SULLIVAN: Send them to Scranton some time; that will toughen them up.

MRS. KLOTZ: If you always threaten to take them along, they will never press you.

MR. PAUL: I wish you would put it down for Monday because there are a number of policy questions.

H.M.JR: I will.

(Mr. Schwarz entered the conference.)

MR. PAUL: I must go if I am going to talk to Helvering.

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H.M.JR: All right, give him a little B₁.

MR. PAUL: Some kind of vitamins - he needs them.

MR. SULLIVAN: He is all right.

MR. BLOUGH: The Committee is not; they are not happy; they are afraid it is an entering wedge for more social security.

H.M.JR: The plane leaves at three-thirty.

MR. BLOUGH: Well, I might be there, but I hope not.

(Mr. Blough and Mr. Paul left the conference.)

H.M.JR: When he got off the plane I didn't realize he had been ill. I said, "Isn't it wonderful to get up here and get this Dutchess County air and see the green fields."

MR. BELL: He was green otherwise?

H.M.JR: Yes.

Norman, have you got that thing? (Paper handed to the Secretary.) I am making Ted Gamble an Assistant to the Secretary at a dollar a year. Now, that doesn't mean, does it, that - that doesn't really use up that title?

MR. THOMPSON: That is right.

H.M.JR: And for those in War Bonds, he is going to stay with me as long as I want. I didn't put much pressure on him, but all I told him was that if he left Harold Graves would have a collapse, and that if Harold Graves had one I would. Otherwise everything was nice; I left it to him to make up his own mind.

MR. SULLIVAN: Did Harold go to Chicago?

- 7 -

H.M.JR: Cleveland. Otherwise, I would let him make up his own mind; but he is a swell guy. He admits that since he has come to Washington his business has improved steadily.

MR. SULLIVAN: Is he the little fellow, very nice?

MRS. KLOTZ: Able.

H.M.JR: Very able.

What else?

MR. THOMPSON: That is all.

H.M.JR: Want to settle this two weeks' question? I am in a good humor this morning. I understand Harry White thinks one week is enough.

MR. WHITE: I didn't say that, but I do think there ought not to be any specific term unless it is a week. I think it ought to be, rather, left in general terms, such as people to take as much as they need, with the assumption that it will rarely be more than one week. But to say two weeks - I mean, supposing the workers were to say, "We want two weeks' vacation" and--

MR. THOMPSON: It isn't intended to require two weeks - not in excess at any one time.

H.M.JR: Which side are you on, Harry?

MR. WHITE: Well, I think a good many of them can be satisfied with one or two weeks, but the only question in my mind is the pronouncement that it shall be two weeks. I thought that was the term.

MR. FOLEY: If you do it just the way Norman suggested, Harry, then it would be all right - not in excess of two weeks at any one time.

MR. THOMPSON: That was the Personnel Council's recommendation.

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H.M.JR: Not in excess of two weeks at any one time?

MR. THOMPSON: That is right.

MR. WHITE: Not in excess of two weeks during the war, you mean?

MR. FOLEY: No, I wouldn't say that.

MR. BELL: No, during this year.

H.M.JR: I wouldn't even say that.

MR. BELL: I wonder why you have to say anything. Is anybody going to get more than that?

MR. FOLEY: Put them on notice.

MR. BELL: I haven't seen anybody that is counting on any vacation.

MRS. KLOTZ: They don't know unless there is an announcement.

MR. SULLIVAN: I think they ought to get it.

MR. WHITE: They ought to get enough to obtain their highest efficiency, whatever that may be. It varies in different cases.

MR. BELL: Thirty days.

MR. THOMPSON: The employees will want a day off at a time, or two days, but their real vacation is not to exceed two weeks.

H.M.JR: Go ahead.

MR. THOMPSON: It is going to be uniform.

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H.M.JR: Dan, tell these fellows for a minute or two about the financing. I think that they ought to be sufficiently interested. I don't think they think I am doing anything these days. Just tell them for a minute or two.

MR. BELL: You mean about what we have got to do next week?

H.M.JR: Yes, and why not also just give them three minutes on what we have got to do for the next two months.

MR. BELL: Well, we have got a refunding operation, which will be announced Monday, aggregating one billion one hundred fifty-one million, composed of two and a quarter percent HOLC's in the amount of eight hundred and seventy-five million, and one and a half percent RFC notes, amounting to two hundred seventy-six million, both maturing on July 1.

We expect to offer a note in exchange for those securities on Monday; that note will be in the area of four or five years.

During the month of June we have got to raise as much as a billion seven hundred and fifty million dollars in cash on major financing operations, in addition to whatever we sell in tax notes and savings bonds. We estimate that we ought to get in about seven hundred and fifty million dollars from those two sources.

In July we will have to raise approximately two billion dollars on major financing operations, in addition to approximately a billion two hundred and fifty million from savings bonds and tax notes; and from there on our major financing operations will get larger and larger until they reach possibly three and a half billion dollars in the fall a month.

So that, as the Secretary said, if you think he is not doing anything, this is a program that needs his constant attention. We won't any more than get through

- 10 -

with one and we will have to start on another one.

H.M.JR: I want to say what I said Monday when he came in and said there was going to be a refunding this week.

MR. BELL: I don't remember.

H.M.JR: I swore a little bit. I said, "What, another?" I shocked Dan. He doesn't hear me swear much.

What else?

MR. BELL: You asked me to discuss with Eccles the question of the F and G savings bonds limitation, which I have done. He is against raising it, raising the limit, but has no objection if you want to go ahead. He thinks that the two and a half percent is pretty rich for that twelve-year security, and yet you are giving away something, although he has no objection.

H.M.JR: What did I tell Graves?

MR. BELL: You said that we would go ahead and raise the limit to a hundred thousand on July 1. I am sorry Harold isn't here because he raised the question day before yesterday that if we are going to raise it we ought to announce it now and not wait until we get up against the quota in July and announce it and then have them say that you are doing it in order to fill the quota; if you are going to do it, you ought to announce it immediately that we are going to do it beginning July 1. It will take about that long to get the literature and the bonds, and everything.

We have been working with Interior, War, and Navy on a setup in Hawaii to protect the currency and securities out there in case of invasion. What we plan to do is have a special kind of security or take our regular security and put the word "Hawaii" on it and have a perforated "H" punched through all of the securities, and the currency can't circulate outside of the Territory of

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Hawaii. What we want to do is have the War Department send a cable to the military governor of Hawaii outlining the plan in rather general terms, asking him to consult other people out there and let us know whether or not that would have any material effect on the morale of the populace if it were announced.

H.M.JR: There is a man out there that Ickes has who is running the show for us.

MR. FOLEY: He is back now. He called up, and he is stimulating this thing. His name is Ben Thoron.

H.M.JR: Isn't that the man you suggested several times that I take in the Treasury?

MR. FOLEY: He is the fellow, yes; you talked with him one time with McReynolds.

H.M.JR: That you wanted to be suggested--

MR. FOLEY: I think very well of him. He was the financial man over in PWA. He is a good man.

H.M.JR: Ickes thinks the world of him.

MR. BELL: This has been worked on for a long time, and this conference was held in the Interior Department.

H.M.JR: Do you want me to sign something?

MR. BELL: No, I just wanted to tell you it was going forward.

H.M.JR: I think that ought to be kept secret.

MR. BELL: It is confidential. It will go in code out there.

We have about two billion eight hundred million dollars of Federal Reserve notes with the gold clause in

May 22, 1942
9:55 a.m.

Operator: Go ahead.

HMJr: Hello.

Ganson Purcell: Mr. Secretary.

HMJr: Talking.

P: Ganson Purcell speaking.

HMJr: Good morning.

P: Good morning, sir. I'm calling because the R. H. Macy proposed bond issue has been speeded up by the Macy people, and they're asking for effectiveness of it tomorrow.

HMJr: Yes.

P: It - the issue follows the pattern of American Tobacco, Philip Morris, and National Distillers.

HMJr: Yeah.

P: And pay off bank loans and promissory notes that have been incurred and accumulating inventory, so as to put themselves in a position where they can accumulate further inventory.

HMJr: Yeah.

P: You'll remember that in discussing this matter we were asked to get in touch with Henderson and Nelson to ask their views on the accumulation of inventory of non-essential character, such as department stores.

HMJr: Yeah.

P: I haven't yet been able to - I haven't received an answer from my letter to Nelson.

HMJr: Yeah.

P: Henderson has been out of town a good deal, but

- 2 -

one of our people saw him and spoke briefly to him in general terms, and he expressed opposition to the idea of department stores and the like accumulating inventory.....

HMJr:

Yeah.

P:

.....but I haven't had an opportunity to discuss with him the type of case.

HMJr:

Yeah.

P:

I have talked to - I'm sort of polling the committee because of this sudden change in their course and not being able to get it before the committee before effectiveness. I talked to Lauch Currie. He pointed out, of course, the similarity of this issue to others which we have approved.....

HMJr:

Yeah.

P:

.....but he wondered if perhaps the committee shouldn't request the Commission to ask the Macy people to hold up for two or three days, so that we can get an expression of the policy from the war agencies. Now.....

HMJr:

Oh, I don't think I'd do that.

P:

You'd - your view of it would be.....

HMJr:

Well, we're too uncertain ourselves and.....

P:

It's difficult, very difficult.

HMJr:

Well, until - I don't think it's fair to Macy - I mean, if we don't have a policy ourselves that we should ask them to stall while we try to formulate a policy.

P:

I see. It - yes, it is. It has its elements of unfairness.

HMJr:

What?

P:

There are the elements of unfairness, certainly.

- 3 -

- HMJr: And - I mean, they do this, and next week if somebody has a policy and some other department store comes along, we simply say, "Well, this is a new policy. Yesterday you could have gasoline; today you can't, and we're sorry."
- P: (Laughe) Well, perhaps that's the best way of handling it, rather than spring it on these people at this time.
- HMJr: Oh, you start up a whole thing, then they go to Nelson and they go to Henderson - neither know about it - and you don't know what they'll say.
- P: Yeah, that's right.
- HMJr: I mean, they immediately bombard them and say, "Well, what's this?" And they're unprepared. I think - it will be again one of these - doing something which is half-baked and it would throw it into Nelson's and Henderson's lap, and they wouldn't know what it was all about.....
- P: Very true.
- HMJr:and you'd only - all you'd get is bad publicity.
- P: Well, I'll tell you what I'll do then, sir. I'll push on Henderson and Nelson and get their reply. We'll let this go through according to schedule.
- HMJr: That's what I'd do.
- P: Unless they have - they have some accounting difficulties which may hold them up.
- HMJr: Well, that's something else again.
- P: Yeah.
- HMJr: But as far as I'm concerned, I wouldn't hold this up while Washington is trying to make up its mind.
- P: All right, sir.

- 4 -

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

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them, gold statement, and about four hundred and fifty million of Federal Reserve bank notes in our vaults. The Federal Reserve Board has asked us two or three times as to whether we couldn't work out some way of circulating those notes and save the expense of printing and at the same time save paper. We think we can do it, and I am in touch with Eccles. We are going to have a conference next week and see whether or not we might be able to line it out workable in gold and issue a very carefully-drawn press statement at the time we issue the notes. We think we can protect ourselves legally.

H.M.JR: I still think that to prevent hoarding that that suggestion that we shouldn't print anything above a twenty-dollar bill--

MR. BELL: Well, I am still considering that. I have got one memorandum and have been promised one from Haas.

H.M.JR: I don't see, except to have some particular form of security to exchange between banks so the banks can settle their balances - for the public I think a twenty-dollar bill is plenty.

MR. WHITE: What would you do with those that are outside?

H.M.JR: They will get worn out. The thing is if somebody wants to hoard the chances are nine out of ten that he goes to the bank.

MR. FOLEY: You can call them in.

MR. WHITE: You can call them in, but there are a lot of angles to it. It is not as easy as it seemed at first; the more one goes into it, the more difficult it is. It is not impossible, but it raised a lot of physical difficulties.

MR. BELL: We have been considering it, but, as Harry says, there are a lot of angles to it.

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H.M.JR: Anything else?

MR. BELL: Congressman Haines brought in a thousand-dollar savings bond yesterday and donated it to the Treasury on behalf of the Sons of Italy of York, Pennsylvania. I wonder if you would sign a letter to him. (Letter handed to the Secretary.)

H.M.JR: All right.

MR. BELL: Just one other item: The Bureau of Internal Revenue has drawn up regulations to take in United States savings bonds in payment of taxes, under the provisions of that amendment we got to the Public Debt Act this spring. I don't believe we ought to do that now, do you? I think we just ought to shelve it for the time being because when we are trying to sell the other notes - it will make it easy for them to turn them in. I think it ought to be shelved.

MR. SULLIVAN: Whatever you say.

MR. BELL: I think it ought to be shelved and not permit them to turn them in in payment of the taxes unless we get more pressure for it.

H.M.JR: O.K. Anything else?

MR. BELL: That is all.

H.M.JR: While I think of it, I didn't see it but Mrs. Morgenthau said she cut it out. She said they had some meeting up at Harvard, which was reported yesterday in the Times, of psychiatrists. They went into the whole question of psychology, and she noted it and was particularly interested because it took the side which I have been preaching and getting nowhere on, on what we should do on war psychology. Did you see it?

MR. ODEGARD: No. I just saw the heading, didn't read it.

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H.M.JR: You might take a look at it. She thought it was good because I have been taking that angle for some months now. They evidently were talking about - they couldn't understand why MacLeish didn't have a psychiatrist on his staff, for instance.

MR. ODEGARD: Well, I - you mean for the staff?
(Laughter)

MRS. KLOTZ: That is not so funny.

H.M.JR: I am going to read it.

Harry?

MR. WHITE: Did you want to take up the question which the British have raised with respect to their Chinese agreement at the same time as the British Lend-Lease? They are awaiting a word from you before--

H.M.JR: I hope to get back - I sent you word.

MR. WHITE: For Monday?

H.M.JR: No, I said I would get in touch with you - if it is a rainy day and you are not playing tennis Sunday I may ask you to come over.

MR. WHITE: All right.

H.M.JR: If it is a nice day I won't bother you, but if it is a rainy day, or something, when I get back, if you come over I will give you as many hours as you need to clean up a lot of stuff.

MR. WHITE: You always say that, but somehow it always ends up - well, less than that.

H.M.JR: Well, it is the carrot - it is the carrot before the nose.

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MR. WHITE: I have been called many things but not a donkey. Well, let's not be meticulous.

H.M.JR: Particular?

MR. WHITE: Meticulous I said.

H.M.JR: After all, I have seen some very fine, thoroughbred horses eat carrots.

MR. WHITE: Yes. We never think of donkeys in Washington.

You may be interested in knowing that there is a resolution,--

H.M.JR: Listen, Professor Odegard, isn't that the second Freudian thing he has said?

MR. WHITE: Maybe we do need a psychiatrist here.

H.M.JR: Notice he refers to the thing as a donkey; he leaves it sexless.

MR. WHITE: Well, resolution six of the Rio conference called for a--

MRS. KLOTZ: They won't give you a chance.

MR. FOLEY: Better take it up Sunday.

MR. WHITE: This isn't important. ... a meeting of central bankers to discuss foreign-exchange control here. The State Department has indicated they would expect the Treasury to take the lead in it, and there are quite a few negotiations, and preparation on the agenda is going forward. We will probably hear a little more about it after it finishes.

H.M.JR: Did you hear from A. A. Berle?

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MR. WHITE: He called up. I suggested that we might try a draft of a bill, and he said he had a draft then which he said he would be glad to send over. I am turning it over to the legal division to work out something to present to you. His general idea I gather you are familiar with.

H.M.JR: Yes. If some of these countries need some money, why, O.K.

MR. WHITE: There doesn't seem to be, off-hand, unless the boys feel differently, any existing authority to use funds of that character, certainly not as far as the Treasury is concerned.

H.M.JR: What is item seven?

MR. WHITE: Pardon?

H.M.JR: Anything else?

MR. WHITE: There was a Board of Economic Warfare meeting. Maybe if you want to hear about it, I can tell you very briefly here.

H.M.JR:- Yes. Did the President's announcement as to who was boss of that come before or after the meeting?

MR. WHITE: Maybe some persons knew about it before, but I didn't; but there is no doubt now.

H.M.JR: What happened at the meeting?

MR. WHITE: Two things were raised, Sweden - and Batt was present to--

H.M.JR: To represent SKF or American Bosch?

MR. WHITE: I think there he represented the WPB; he spoke on why aid should be given to Sweden, but I think he prefaced his remarks by saying he was biased.

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The result of the discussion was that a subcommittee has been appointed to consider some of the details. Stimson and Patterson both took the view rather strongly that nothing that was vital to us should go to Sweden because Sweden's war effort, even on our side, was unimportant relative to the use which could be made of the materials. A subcommittee is going to consider that now.

Knox felt that they should be given crude oil because we have got plenty of it, provided they come over and get it.

H.M.JR: Give Sweden crude oil?

MR. WHITE: Yes.

H.M.JR: I think that it is terrible.

MR. WHITE: Well, as the discussion first went, it seemed as though they were almost going to give everything to Sweden. I raised the question that if it was so helpful to the Allies why was it that Germany was letting it through, because they previously said Germany would let it by. I couldn't understand that, since Germany certainly knows as much about what is going on in Sweden as we do. That led to a discussion, and then Stimson joined in and Patterson joined in and they took a rather strong position.

Argentine was the second thing they took up. Wallace said after the subcommittee report which was presented, which was rather a good one, stating the Treasury position and the position of the State Department, among the other agencies - Wallace said that it was his understanding that the Treasury was going to make the study.

I said I thought it was my understanding that the Treasury was going to continue but that the other agencies were going to continue as they had been. The

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way Wallace put it, it was the Treasury's total responsibility. Wallace said he might be wrong. I said I would clear it up, that I might have misunderstood.

H.M.JR: What I told the President was this. I said, "We consider we are your financial detectives, and as such do you want us to continue?" I didn't talk about any other agency, and the President said, "Absolutely." I think what I would do is this: So that they don't go back on us again I would continue to take the full responsibility, asking the State Department to give us the help, which now Breckinridge Long says he will do, and asking J. Edgar Hoover to give us the help which he said he would, and ask any other agency. But I think otherwise they would go back, and they will say - the President will say, "I didn't tell that to Morgenthau. I told him he should go in." See?

MR. WHITE: Acheson had some material there which he said they were forwarding to their Argentine Embassy, which he said he was clearing with the Treasury, which indicated they were taking much more aggressive and effective action.

H.M.JR: I would assume the responsibility to do that job, asking everybody else to help us.

MR. WHITE: Do you still think that we ought to send somebody down, because if so, I think we can send - I would like to send Southard down. The reason I would like to is that we are going to lose him anyway in a week or so, and maybe we can postpone it on that basis.

H.M.JR: O.K.

MR. WHITE: Take that up with the State Department?

H.M.JR: I would.

MR. WHITE: Maybe send some man with him.

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H.M.JR: I would take it up with Breckinridge Long.

MR. WHITE: As you said when I was here with two or three men from the Treasury, if you feel you want to continue to take the responsibility it is the information that we could get, not what they would want to give us.

H.M.JR: I would take it up with Breckinridge Long, and tell him we would have to be under the wing of the ambassador down there.

MR. WHITE: Mr. Long?

H.M.JR: I would take it up with Mr. Breckinridge Long.

MR. FOLEY: I have got a good fellow, John Lawler. He speaks Spanish.

MR. WHITE: Yes.

H.M.JR: Just as long as they think there is a chance of getting moving-picture money out of England they will treat us all right, Harry.

MR. WHITE: Well, let's keep them waiting.

That is all that happened there, really. They asked for you.

H.M.JR: Breckinridge Long is ambassador extraordinary plenipotentiary for Mr. Hull to me to try to get us to help the moving-picture industry get their money out of England, Mr. Kennedy no longer being there.

MR. SULLIVAN: Stopford called me - I think that is his name - of the British Embassy, on the Marlene Dietrich thing. She owes us one hundred and sixty-five thousand dollars in taxes, and the money is frozen over there.

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H.M.JR: Do you know the name of the corporation she operates under over there?

MR. KUHN: Isle of Man.

H.M.JR: She is incorporated in England under the name of Isle of Man. (Laughter)

MR. WHITE: She must have a lot of subscribers to stock. (Laughter)

MR. SULLIVAN: I think if American taxpayers owe us money and have no other assets with which to discharge their tax liabilities that if we can get the money out of there we should do it.

H.M.JR: Mr. Kuhn is looking after Marlene, so you had better see him.

MR. SULLIVAN: No. They just took care of her when she was in town; it is on my desk now.

Have you any objection to our getting that money out if we can?

H.M.JR: You have to talk to Harry. I am serious now. I don't know, but we are taking the position - this is the position that we are taking. It is very amusing. Jones calls up Harry, and Frank Walker - Harry says he never knew him before to call up; Mr. Hull sends this fellow over here, Breckinridge Long - all the pressure in the world. We simply say, "Is this a special case? Does the State Department say it takes special consideration over all other American business?" "Oh, no, no."

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MR. WHITE: There is an amusing story Joe O'Connell told me yesterday. He met somebody up at Aniline and Dye who said he had encountered these movie men in New York, and he said, "Is there anybody you know who knows Harry White? If we can only get to him." They think that decision rests with me. I didn't disillusion them, because - (Laughter) So I expect to get some subtle offers.

H.M.JR: Good.

MR. WHITE: I can't stand temptation.

MR. FOLEY: Not the subtle kind.

H.M.JR: All right.

MR. SULLIVAN: If Harry agrees with me on this thing, will we go ahead?

H.M.JR: No, sir, any special money out of England I want to know about.

Go ahead, Harry. Are you finished?

MR. WHITE: That is all.

H.M.JR: Chick?

MR. SCHWARZ: We caught that announcement at ten o'clock on the ticker.

H.M.JR: Good. Peter?

MR. ODEGARD: No, I haven't anything.

H.M.JR: Where do you people stand vis-a-vis General Motors on the thing they want to do?

MR. KUHN: The General Motors people were told that they could use seventy-five percent of their material, but that we did not approve of the use of the figure. They said they had their doubts about it, too. They rushed back to Detroit to kill "Mr. Axi" and all his manifestations, and invited us to submit our own suggestions for a substitute, so everything was friendly, and they took it very well.

H.M.JR: When are you going to do that?

MR. ODEGARD: They are going to come here today, I understand.

H.M.JR: But you were holding out for Low cartoons against--

MR. KUHN: I have a figure which I saw in the book that Mrs. Morgenthau--

H.M.JR: I thought you were holding out for Low.

MR. KUHN: I couldn't find what I was looking for.

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H.M.JR: I knew you couldn't.

MR. ODEGARD: There is a nice figure by - is it Szyk?

H.M.JR: May I once in a while have a little thing my way? Is this fellow a Pole, this man?

MR. KUHN: I think so.

MR. ODEGARD: Yes.

H.M.JR: Well, I would like him to do a new figure for us. Let us see if there isn't something there. What's his name?

MR. KUHN: Szyk.

H.M.JR: I would like him to do the figure.

MR. KUHN: One figure he has got in there is perfectly good, as far as I am concerned.

H.M.JR: Don't let's fool around with it. I mean, let's--

MR. KUHN: I would like to show it to them and see if they couldn't use it.

H.M.JR: Send for this man to do another one. If not, you take up my suggestion with General Motors. Take it up; get them to do one picture with Disney.

MR. KUHN: Disney is coming to Washington Monday, and I gather that his idea hasn't progressed. I would like to find out definitely from him whether he is going ahead with it.

H.M.JR: I can tell you now he won't, so now what about getting General Motors to take it up?

MR. KUHN: I think one obstacle is Disney himself.

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I don't think he wants to do it any more.

H.M.JR: Supposing he thinks he is making a tie-up with General Motors - I mean, is that thing being pushed?

MR. KUHN: Yes. It would have to be put up to ~~Disney~~, also.

H.M.JR: Yes, but General Motors - get General Motors to say they are willing to do it. Can you get them together on Monday?

MR. KUHN: I can try.

H.M.JR: You are handling that?

MR. KUHN: Yes, sir.

H.M.JR: I very, very much want to get one Disney picture done. Who in General Motors did you talk to, how high up?

MR. KUHN: Who was the man they suggested the other day?

MR. ODEGARD: Well, the man who was coming here is a fellow named Walker.

MR. KUHN: Walker.

H.M.JR: I rode on a train last night, and a man introduced himself; he was the General Motors' man in charge of General Motors' publicity. What's his name?

MR. ODEGARD: Garrett - Paul Garrett.

H.M.JR: Yes. Now, Ferdie, I would like you to get on the phone this morning to Paul Garrett and tell him that Henry Morgenthau, Jr. would like him to take a look at this Disney picture - I would like this done this morning without fail - and that I am very much interested

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to see whether they would be willing to take this over. Now, what Garrett is doing - they are way ahead of us on all of this stuff and they are sending me down, as a result of meeting this man on the train - they say they simply can't have their workmen grinding away each day on a little piece of a tool and not know what is going on in the world, so they have developed their own technique to keep the workmen sold on what is going on in the world, where the machines are used, what battle fronts. They are going to send me a complete set of that, and, after all, General Motors is way ahead of some of these other things.

Now, I would like to meet Garrett myself next week. They have that on bulletin boards and radio records, and everything else; they are going to have a continuous sale, just like the Russians do to their people, to let these workmen know what the fighting is for, whether their machines are on the Russian front. They are going to let them know. They say they are having trouble getting releases from the Army to do this stuff, but they are doing just as much as they can. And Garrett is the man, and I would like to see if we can't sell Garrett this Disney picture.

MR. KUHN: I will call him.

H.M.JR: And I would like to see him next week, myself.

George?

MR. HAAS: Would you like to know the status of this Dr. Likert job?

H.M.JR: Very much.

MR. HAAS: I called him back, but he had gone over and seen the people at BLS and also the Budget Bureau and then he talked to people in Facts and Figures, and - check me, Ferdie - and there is a man over there in charge of another survey. His name is Dubois. He thought he could do a better job than Dr. Likert thought he could.

MR. KUHN: He is Likert's own man. They all work together, and they do the kind of survey that each is fitted for.

MR. HAAS: The situation is this. They have a list of two thousand families which they are using for another purpose, and they could get this type of information. They get income as of a year ago by income classes, and income now by income classes. They can't give a breakdown and find out how much the family is saving; that involves a very complicated schedule, but they can ask them the amount of bonds and stamps they are purchasing. Now, I would say that if you feel you need another source to get some information, all right; they need three thousand dollars, which we would have to pay them to get this.

H.M.JR: George, this is what I want to know and I don't want to be told how difficult it is; that doesn't interest me, see? But I want to know, are people buying silk shirts or aren't they buying silk shirts; are they going to spend this money, or are they going to keep it? The only way to find it - I haven't got the time to go out and talk to families myself, but I want somebody to do it so that I can know. I mean, what are these people doing?

MR. HAAS: That is what I was coming to, Mr. Secretary. They cannot get that. To do that type of job would cost the BLS three hundred and fifty thousand a year, Home Economics four hundred and fifty thousand, and they would not have this even fragmentary information until July 7. I would be inclined to stay with BLS and the Bureau of Home Economics. They are trained in this work; they are experts in it. These other people - it is a side line to them and a diversion into a very technical field. They know little about it.

H.M.JR: George, they are all blind. George, give me a man or a woman - I don't care - out of your office who is intelligent. Let me talk to them for five minutes, and I will send them into the field. Let me make a check. Let me send one person.

MR. HAAS: Well, I mean - anything you want, be glad to, but my recommendation would be that this data wouldn't be worth the effort you put out.

H.M.JR: Let me find out. I sit here, and I haven't got anything. Do all the other things, but give me some man or woman, somebody out of Home Economics and Cornell, some trained person.

MR. GASTON: What about Beardsley Ruml?

H.M.JR: I am going to pull a Roosevelt on you. I had dreamt it; I thought of that yesterday.

MR. GASTON: Perfectly all right.

H.M.JR: I thought of that yesterday. I am glad you reminded me.

MR. GASTON: Half a dozen cities--

H.M.JR: That is thought transference. I will ask him.

MR. GASTON: Have Donald Nelson name a man in their organization.

H.M.JR: I will tell Beardsley Ruml he can do it.

MR. HAAS: You can tell what types of goods they are buying. I thought you wanted to know that a man makes so much, and how much spent, how much saved; and of the amount he spends, what does he spend it for, and of the amount of savings, where does he put it.

H.M.JR: Yes, but more about how he feels.

MR. HAAS: Then this man will do that job, the attitude job.

H.M.JR: More how they feel.

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MR. HAAS: These men can do that. I am misunderstanding what you are after.

H.M.JR: No, I started with the thing - I want their mental attitude.

MR. HAAS: That is different. They can do it. Let them go ahead.

H.M.JR: Will you?

MR. HAAS: Glad to.

H.M.JR: How much does it cost?

MR. HAAS: Three thousand dollars.

H.M.JR: I am going to have Ruml do it besides.

MR. GASTON: The reactions that I have seen are reflections of the War Savings Bond publicity, giving back to us what has been emphasized in the publicity.

H.M.JR: You mean it is not satisfactory?

MR. GASTON: Well, I think it is a good clue for us as to what change of emphasis may be needed. I think we are just getting back to us what have been the emphatic points of the sales promotion on the Savings Bonds.

MR. ODEGARD: That is what happens with most of those surveys; that is, the public-opinion polling tends to be polling of newspapers.

MR. GASTON: They show you how you need to change direction, but they are not spontaneous.

MR. ODEGARD: Likert gets deeper than the others because Likert let's people talk.

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H.M.JR: Let's spend three thousand, George.

MR. HAAS: I think it is all right for that purpose. The other, the BLS and Home Economics, will give you some information you can use in the determination of your fiscal policy. This information is for your sales campaign.

The other thing is these new orders you have been getting for a number of years now are on a very confidential basis, and they are not of much use under these conditions. I thought it would be a nice gesture if you would be willing to sign a thank-you letter and say to resume it after the war.

H.M.JR: Just thank them - yes, O.K. I wouldn't say anything about resuming. I would just stop them.

MR. HAAS: All right, that is all. There is one other thing in connection with some of this information that Kamarck needs for you on munitions production, and so on. There are a couple of very confidential reports that Stacy May gets out. Is it all right to ask them to send them over to you? He sent some but didn't send these two particular reports.

H.M.JR: Yes. Ferdie?

MR. KUHN: Admiral Conard wants to launch his intra-Governmental, interdepartmental scheme for pay-roll savings by means of a big meeting in Constitution Hall, at which there would be fifty or a hundred people from each agency who will have the direct responsibility of sales. He thinks it will have a psychological effect on the country, showing the country that the Government workers are on their toes in this effort. He wants to have a couple of big speakers. He would like to have you there that evening, early in June, and he was thinking of asking Leon Henderson, and Nelson, and Eccles, subject to your approval. I am not sure that he is right in his choice, but it is his show.

H.M.JR: No. Let it go for a day or so; hit it Monday.

(The Secretary held a telephone conversation with Mr. Beardsley Ruml.)

May 22, 1942
10:49 a.m.

HMJr: Hello.

Operator: I have Mr. Ruml at his New York office.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Beardsley
Ruml: Hello, Mr. Secretary.

HMJr: How are you? Can you hear me?

R: Yes, sir.

HMJr: I wonder if you could give me a little help.

R: Yes.

HMJr: It's more in your capacity with Macy's that I'm thinking about, or in any capacity. I am very much interested in trying to find out week to week what the - hello.....

R: Hello.

HMJr:what the munitions workers - men and women - are doing with their money. Hello.

R: Yes, sir.

HMJr: Are they saving it? Are they paying up back doctors' bills, or is it going into luxuries, or are they - is it a pressure on the market to drive up prices?

R: Yes.

HMJr: Now, you people, through your own stores and your own connections, could let me know from week to week. I mean, is the price ceiling working or is there so much pressure that you can't hold it down? Hello.

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R: Yeah.

HMJr: Do you get the idea?

R: Yes. I will have to do it by observing our customers, principally, of course.

HMJr: Well, that's what I was thinking. It's the attitude of the shoppers who come in. Hello.

R: Yes, sir. I'm thinking while you're talking as to how we can do it. We'll do the best we can, and we'll see how - what - I understand perfectly what you want. The thing you want is a flash as to what consumers are doing with their money.

HMJr: Well, now, you, for instance, have a lot of trained people who aid people in their shopping, don't they?

R: Yes, but that's mostly on the de luxe level, Mr. Secretary.

HMJr: Well.....

R: But even so, we can find something.

HMJr: Well, the thing - we're all talking about this seventeen billion dollars.

R: Yeah.

HMJr: Well, now what I'd like to do is to get right down behind the counter.....

R: Yes.

HMJr:where the man and woman come to do their buying and what's happening to that money and how much pressure is there.

R: Yes.

HMJr: You see?

R: Quite right.

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HMJr: We may all be on the wrong track.

R: Well, that's my suspicion. I don't see it.

HMJr: You don't see it?

R: I don't see it, and furthermore, I just stepped out of an executive committee meeting over at Bamberger's. Instead of running twelve per cent ahead, they're running twelve per cent behind this week as a result of the automobile situation.

HMJr: Yeah. Now, Ruml, if you need any money to help you - clerical help or anything else.....

R: Yeah.

HMJr:we'd be glad to furnish it.

R: Well, we've got a little research unit here, that I think we probably can turn right to work on it. Is there someone in the Treasury that is especially responsible.....

HMJr: Yes.

R:so that I can put Mr. West in touch with him?

HMJr: George Haas.

R: George.....

HMJr: H-a-a-s.

R: Oh, I know George, sure.

HMJr: Yes. And he.....

R: Well, he knows all about it, does he?

HMJr: Yes. And he's working on the Government end, whatever we can get from BLS and from the Department of Agriculture.

R: Yes.

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HMJr: And we have Dr. Likert out - L-i-k-e-r-t.

R: Yes.

HMJr: You know Likert?

R: No.

HMJr: Well, he's up - he's doing some work - but I'm not satisfied with anything that I'm getting and I'm just playing a hunch.

R: Yeah. Well, I tell you, you ought to use some people in addition to us, on account of the fact that New York is not very typical. We have a store in Toledo.....

HMJr: Yeah.

R:which is a defense area, but I would rather - let me think about it.....

HMJr: Well, would you think about it, and then what other organizations we should contact; but I'd like to get your own brain on this.

R: Yeah. Well, I'll - are you going to be in your office tomorrow?

HMJr: No, but I'll be here all of next week.

R: Yeah.

HMJr: And I'd like very much to sit down with you.

R: All right. Well, let me do what I can on it, and I'll.....

HMJr: We can have a meal together and talk about it.

R: All right, fine.

HMJr: Does it interest you?

R: Very much. I think it's very important, and I have exactly the same feeling you have that

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if all these statistics are true, where in hell
is the inflation?

HMJr: Right.

R: What?

HMJr: Okay.

R: All right.

HMJr: Thank you.

R: Good-bye.

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H.M.JR: He says he has exactly the same idea I have. If all these statistics are true, where the hell is all this inflation? He says he just stepped out of a meeting from the Bamberger Store, and their sales are off twelve percent. He says - and that is indicative - he says, "Where the hell is it all?" He says he has got exactly the same hunch I have, but he says he needs other chain stores besides his, because he says they are not sufficiently in industrial areas.

MR. FOLEY: I think that the gasoline rationing has probably had more effect than people realize on making people aware of it.

H.M.JR: But the thing is, everybody talks about the gap, and the funny thing is that they have all gone, to my way of thinking, absolutely orthodox in their economic thinking on this thing - a seventeen billion dollar gap, and you have to have inflation.

Now, I am not sure at all that this is true; and where there is terrific pressure on me to do things on taxes and everything else, I want to know; and when I want to know, I keep digging and digging until I find out. If I can't find out, I will go out and sit behind a counter myself and listen, but I am going to meet the buyer at the market where he buys. I am going to find out. But, as I say, if I have got to go and sit in a radio store in Hartford, Connecticut, or Detroit, I will go and do it for a day, and I will learn more that way than I will anywhere else; but I am going to find out. And all these other people, they just absolutely are single track in their thinking. They may be right; I have a hunch they are not. But Ruml is a smart fellow; he said he would love to do this. They have their own little research staff in Macy's.

Are you all right - take it up Monday, Ferdie.

MR. KUHN: I would like him to get started.

H.M.JR: All right. I will come myself; you can count on me.

MR. KUHN: Good, and then he can ask somebody else. He probably won't get Henderson.

H.M.JR: I think we ought to have somebody rather than Nelson. In my own conscience I think we should have some civil-service employee - I think somebody like McReynolds, somebody like that.

MR. BELL: Yes.

MR. KUHN: Who is the best speaker you can think of among civil-service men?

MRS. KLOTZ: Danny Bell.

MR. BELL: There aren't any.

MR. THOMPSON: Burlew, Kerlin, and Dan.

MR. FOLEY: I think Dan is the best, and I think Dan is the most popular, that they would rather hear it from Dan than these other fellows.

H.M.JR: If that is the case, it might be better not to have me appear at all, and then it would be on a level of one civilian employee--

MR. KUHN: This is not a Treasury affair; it is intradepartmental.

H.M.JR: No, but if I come as a Cabinet officer and if Dan comes, a man who is the highest-ranking civil-service employee in the Government--

MR. FOLEY: That's right.

H.M.JR: He is the highest-ranking civil-service employee in the Government; and if he comes and talks, it would be much more effective than my talk.

MR. FOLEY: He could be introduced in that fashion.

H.M.JR: Yes, he is the highest-ranking civil-service employee. Dan accepts.

MR. BELL: I accept.

H.M.JR: All right. Do you check, Mrs. Klotz?

MRS. KLOTZ: Yes, I introduced it. I suggested it.

H.M.JR: You suggested it?

MR. BELL: Just a dream, as far as you are concerned.

MRS. KLOTZ: I said it. Somebody suggested McReynolds, and I suggested Dan Bell.

H.M.JR: All right. I have got to stop in three minutes.

MR. BUFFINGTON: Nothing.

MR. SULLIVAN: You want me to talk with George, or rather, with Doughton, on that joint committee to hear you with Heintz and the rest of them?

H.M.JR: Any time - Tuesday or Wednesday.

MR. SULLIVAN: That is all.

MR. FOLEY: Harry and I saw Jones in connection with the sale to the Metals Reserve Corporation of the five million ounces of silver ordinary. I was going to--

H.M.JR: What is silver extraordinary?

MR. FOLEY: We haven't gotten any of that. I think you have to have it longer to get extraordinary. It is just ordinary now.

The other thing is we have extended the license to include not only securities but also currency, so that all currency that comes in now over two hundred fifty dollars in amount goes to a Federal Reserve Bank, and there the person has to explain where he got it, what he intends to do with it.

H.M.JR: Were you boys in on the thing that Brazil did?

MR. WHITE: Yes, in the earlier stages. When he was down here, he raised the question. He initially wanted us to do something. Foley said I would see about it when I came back. We talked about it, and this resulted finally from that. Ed sent them a cable yesterday congratulating them on their prompt cooperation.

H.M.JR: All right, the best way is you walk over with me. As we wait for the President, you can talk to him.

MR. GASTON: On this letter of Jesse Jones asking that the Secret Service protect the silver, not only in transportation but in the hands of the ultimate users, Frank Wilson talked to me about that several days ago. I had to go back and tell Jesse Jones' representative we wouldn't do that after looking at the contract, which makes them solely responsible, but we would give them the advice on how to guard it.

Then Jesse writes you this letter in which he asks the same thing, that we undertake to guard the silver. There are just two things we could do. I could write and tell him we won't guard it but will give advice in forming an organization for guarding it, or we could write and tell them we will assign a man or two to them and let them organize and develop a guard organization, for which we will not be responsible.

H.M.JR: Which do you recommend?

MR. FOLEY: They also could provide in their lease that the lessee--

MR. WHITE: We ought not to have anything to do with it.

MR. FOLEY: I wouldn't, either; let them make that provision.

MR. GASTON: We have already told them that we will suggest to them - give them advice about what kind of an organization is desirable. We referred them to Maloney

particularly, in New York, who is an expert in that sort of thing. I think that is as far as we ought to go.

H.M.JR: I will leave it with you. Whatever you do will be O.K. Anything else?

MR. GASTON: You might be interested to know that some time ago Turkey offered some opium in trade for wheat; and we put it up to the Board of Economic Warfare, and the State Department didn't want to trade wheat for opium. The British made the trade of wheat for opium, and then passed it over to us. The State Department and the Defense Supplies Corporation assumed responsibility for the contract, and the price, measured by the current price of wheat, is just about twice the going price for opium.

Now, Turkey offered another thousand chests of opium. Ambassador Steinhardt has accepted their proposition at a price which is again just exactly twice the going price for opium. I say it is a State Department matter between them and RFC, whether they want to go through with a thing like that; but Turkey is just holding us up, and I don't think they are going to get any good will out of it.

H.M.JR: They have a word in Turkey for that, known as "Baksheesh."

MR. GASTON: They have been playing a smart game, thirty-three dollars a pound.

H.M.JR: Well, maybe you can use some of the State Department sterling, moving-picture sterling, in England to pay for it.

MR. GASTON: They may have some if Turkey--

H.M.JR: Incidentally, if you want any moving-picture stars, Harry White is the fellow to see now.

MR. ODEGARD: That is the kind of carrot Harry White needs. (Laughter) He doesn't need much, either.

MRS. KLOTZ: That is marvelous.

H.M.JR: O.K.

MR. WHITE: I had a dream last night.

MAY 22 1942

Mr. Ted R. Gamble,
War Savings Staff.

Sir:

You are hereby appointed an Assistant to the Secretary, with compensation at the rate of \$1.00 per annum, payable from the appropriation "Expenses of Loans, Act of September 24, 1917, as Amended and Extended," the appointment to be effective today.

Very truly yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

May
March 22, 1942.

Dear Jesse:

This is in response to your letter of May 19 on the subject of guarding the Treasury silver which is to be lent for use as bus bars and for other industrial purposes in order to relieve the shortage of other strategical materials.

This matter has been discussed, informally, by your representative with Chief Wilson and Assistant Chief Murphy of the Secret Service and we have come to the conclusion that it will not be feasible for us to supply a Secret Service force adequate to safeguard the silver during its transportation, fabrication and use. Our force, under present conditions, is simply not adequate to supply the necessary number of men.

By my direction, however, Chief Wilson will stand ready to give such advice as he can as to appropriate measures for safeguarding the silver and may be able to assist your people in recruiting the necessary organization.

I regret that it does not seem possible for us to do more than this.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable
The Secretary of Commerce.

*H. W. C. photo file
File to Thompson
By Messenger Brown 9:16
5/26/42*

HEG:pm



THE SECRETARY OF COMMERCE
WASHINGTON

May 19, 1942.

Dear Henry:

In connection with the program to use Treasury silver for bus bars and other purposes in order to relieve the shortage of other critical and strategical materials, it is necessary that the utmost protection be afforded in guarding the silver particularly during such times as it is in transit by truck and in the possession of the various fabricating companies.

I feel that this can be most adequately accomplished by the use of the Secret Service Personnel who are experienced in this respect. I am advised that this has been discussed informally with representatives of the Secret Service and can be accomplished if you are agreeable.

It would be appreciated if you would advise me as to your willingness to make this arrangement as soon as possible.

Cordially yours,

A handwritten signature in cursive script, appearing to read "James Jones", is written below the typed name.

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

ESTIMATED PUBLIC DEBT OPERATIONS FOR
JUNE AND JULY

	<u>June</u>	<u>July</u>
Trust fund investments ...	-	\$ 130 M
Savings bonds	\$ 800 M	1,000
Treasury bills	400	500
Tax notes	150	250
Major financing	1,750	2,000
	<u>\$3,100 M</u>	<u>\$3,880 M</u>

Treasury bill and Tax note maturities in June disregarded for purposes of this statement.

May 22, 1942

*Seey took to Wrd.
Haw 5/22/42.*

May 22, 1942
3:13 p.m.

Merriner
Eccles:

Hello. Henry?

HMJr:

I was just going out of the door.

E:

Oh. I got this letter from you on this Chicago situation.

HMJr:

Yeah.

E:

I didn't want to reply in a letter at this time, and I wanted to tell you that I appreciate getting the letter, and I've been authorized by the Board.....

HMJr:

Yeah.

E:

.....to ask this fellow for his resignation.

HMJr:

Good.

E:

So I'm going to get him on the phone.....

HMJr:

Good.

E:

.....and have him come in here.

HMJr:

Yeah.

E:

I also think that there are others involved. I think this fellow Cummings, if we could get at it, I'm sure we'll find he's - this fellow Lewis is rather a naive person.....

HMJr:

Yeah.

E:

.....and he's a fellow I'd like to have had out of there, but Szymczak and some others felt he ought to serve this year out.

HMJr:

Yeah.

E:

And - I mean, they felt this last year, when we didn't want to appoint him.

HMJr:

Yeah.

- 2 -

E: But I'm sure he's just Cummings' man.

HMJr: Yeah.

E: And I think that what he's done, he's done no doubt with Cummings' assistance.

HMJr: Well, Marriner, I'll be back here late tomorrow, and Monday I'll get in touch with you. Bell is entirely familiar, but I'd like to sit down and talk to you about it myself.

E: Well, we're going to send an examiner.....

HMJr: Yes.

E:a fellow out there to see what - to be sure that there's nobody in Fed involved, and likewise whatever we can find additional, we'd like to find it. In the meantime, there's enough on this other fellow that we're going to bring him in and ask for his resignation.

HMJr: And just to show no favoritism, we're going into the other banks.

E: Well, that's - I think that's a good thing.

HMJr: We're going into the other banks.

E: Well, it wouldn't - there's nothing illegal about it, but the thing that gets me is.....

HMJr: It's unethical.

E:here's a fellow that's a chairman of the Federal Reserve Bank and the Federal Reserve Banks have got the job of policing this very thing.

HMJr: Yeah.

E: And - I mean, that in itself is - well, it's an immoral thing to do.

HMJr: Yeah. I agree with you a hundred per cent.

E: So I just wanted to let you know that we're

- 3 -

going to follow through on it.

HMJr: Well, I'm delighted, and I'd like to talk to you about it Monday.

E: Yeah. Okay.

HMJr: I thank you.

E: Good-bye.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 22, 1942

TO Secretary's files
FROM Ferdinand Kuhn, Jr.

~~Time Magazine~~
Time Magazine is apt to be stupid and sarcastic about any public figure, and I think it would be unwise and futile to have such a talk with a Time representative.

F. K.

May 22, 1942.

Ferdie Kuhn

Secretary Morgenthau

I wish you would read Time magazine this week and their write-up on me - the stupid, sarcastic manner in which they refer to me. I don't know whether anything can be done, but I wonder if you would be willing to sit down and have a talk with them on how they cover the Treasury and me, in particular. Only do this if you are so inclined and think well of it.

See Kuhn's memo of 5/22/42

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 22, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Recent Changes in Prices and Yields of Government Securities

Taxable bonds were strong during the week ended last night. The 2-1/2's of 1967-72 gained 12/32, rising to 101-5/32. This compares with a price of 100-27/32 on March 19. The premium on the new 2's of 1949-51 reached a new high at 16/32 yesterday, as compared with 11/32 a week ago. The market for taxable notes was practically unchanged during the week. The announcement in the press yesterday morning that the July HOLC and RFC securities would be refunded into a Treasury note occasioned no weakness in the note market yesterday.

In general, long-term taxable securities are somewhat above their March 19 prices, while medium and short-term taxable securities remain below. A similar situation obtains with respect to tax-exempt securities. (See attached chart and tables.)

For the first time in two months, the bill rate of the current week did not increase over that of the previous week. This week's rate of 0.365 percent was down fractionally from last week. Certificates of indebtedness closed last night unchanged from a week ago, being quoted at 0.49 percent.

After several successive weeks during which the Federal Open Market Account increased its holdings of Government securities, there was a net decline of \$17 millions in its holdings during the week ended last night. Purchases of \$14 millions during the week, consisting almost entirely of bills, were offset by bill maturities aggregating \$21 millions and by sales of certificates amounting to \$10 millions. It is reported that increased demand in the market for bills and certificates was responsible for the cessation of portfolio increases by the Account.

Attachments.

Table I

Price and Yield Changes of United States Securities
May 14, 1942 to May 21, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	May 14, 1942	May 21, 1942	Change	May 14, 1942	May 21, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
U.S. Savings Bonds	-	-	-	.37	.36	-.01
Average rate last issue	-	-	-	.49	.49	.00
Government Certificates	-	-	-	.49	.49	.00
1 1/2% 11/1/42	-	-	-	.49	.49	.00
Government Variable Notes						
3/4% 3/15/43	100.06	100.06	.00	.52	.52	.00
5/4 3/15/44	99.22	99.22	.00	.89	.89	.00
5/4 12/15/45	99.08	99.09	+.01	.96	.96	.00
1 3/15/46	99.20	99.20	.00	1.10	1.10	.00
Government Variable Bonds						
2% 3/15/48-50	101.04	101.10	+.06	1.80	1.76	-.04
2% 6/15/49-51	100.14	100.17	+.03	1.93	1.92	-.01
2 6/15/49-51	100.11w1	100.16	+.05	1.95w1	1.93	-.02
2 9/15/49-51	100.03	100.10	+.07	1.99	1.96	-.03
2 12/15/51-55	103.22	103.31	+.09	2.08	2.05	-.03
2-1/2 3/15/52-54	101.04	101.12	+.08	2.13	2.10	-.03
2-1/4 6/15/52-55	102.28	103.08	+.12	2.26	2.23	-.03
2-1/2 3/15/56-58	-	-	-	-	-	-
2-1/2 6/15/62-67	100.25	101.05	+.12	2.46	2.44	-.02
2-1/2 9/15/67-72	-	-	-	-	-	-
Government Fully Tax-exempt Notes						
2% 9/15/42	100.21	100.20	-.01	.04	.02	-.02
1-3/4 12/15/42	100.29	100.30	+.01	.20	.09	-.11
1-1/8 6/15/43	100.26	100.25	-.01	.37	.39	+.02
1 9/15/43	100.26	100.24	-.02	.39	.43	+.04
1 9/15/43	101.04	101.02	-.02	.41	.44	+.03
1-1/8 12/15/43	101.01	101.00	-.01	.43	.45	+.02
1 3/15/44	100.20	100.18	-.02	.45	.48	+.03
3/4 6/15/44	101.09	101.06	-.03	.45	.48	+.03
1 9/15/44	100.25	100.22	-.03	.47	.50	+.03
3/4 3/15/45	-	-	-	-	-	-
Government Partially Tax-exempt Bonds						
3-3/8% 6/15/43-47	103.00	102.31	-.01	.60	.58	-.02
3-1/4 10/15/43-45	103.15	103.15	.00	.79	.75	-.04
3-1/4 4/15/44-46	104.16	104.16	.00	.88	.86	-.02
4 12/15/44-54	107.24	107.23	-.01	.96	.95	-.01
2-3/4 9/15/45-47	105.21	105.19	-.02	1.02	1.03	+.01
2-1/2 12/15/45	105.10	105.09	-.01	.99	.99	.00
3-3/4 3/15/46-56	109.22	109.21	-.01	1.16	1.16	.00
3 6/15/46-48	107.11	107.10	-.01	1.15	1.15	.00
3-1/8 6/15/46-49	107.24	107.23	-.01	1.18	1.18	.00
4-1/4 10/15/47-52	115.08	115.04	-.04	1.32	1.34	+.02
2 12/15/47	104.20	104.20	.00	1.14	1.14	.00
2-3/4 3/15/48-51	107.19	107.20	+.01	1.39	1.38	-.01
2-1/2 9/15/48	107.00	107.00	.00	1.34	1.34	.00
2 12/15/48-50	104.18	104.19	+.01	1.28	1.27	-.01
3-1/8 12/15/49-52	110.22	110.24	+.02	1.62	1.61	-.01
2-1/2 12/15/49-53	106.14	106.18	+.04	1.60	1.58	-.02
2-1/2 9/15/50-52	106.19	106.26	+.07	1.65	1.62	-.03
2-3/4 6/15/51-54	108.15	108.23	+.08	1.74	1.71	-.03
3 9/15/51-55	110.20	110.26	+.06	1.76	1.74	-.02
2-1/4 12/15/51-53	105.02	105.08	+.06	1.68	1.65	-.03
2 6/15/53-55	103.18	103.22	+.04	1.65	1.63	-.02
2-1/4 6/15/54-56	105.02	105.09	+.07	1.78	1.76	-.02
2-7/8 3/15/55-60	110.01	110.08	+.07	1.99	1.97	-.02
2-3/4 9/15/56-59	109.07	109.19	+.12	2.01	1.98	-.03
2-3/4 6/15/58-63	109.14	109.26	+.12	2.06	2.03	-.03
2-3/4 12/15/60-65	110.01	110.08	+.07	2.10	2.08	-.02

May 21, 1942.

Table II

Price and Yield Changes of United States Securities
March 19, 1942 to May 21, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	March 19, 1942	May 21, 1942	Change	March 19, 1942	May 21, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
Bills						
Average rate last issue	-	-	-	.20	.36	+16
Certificates						
1/2% 11/1/42	-	-	-	-	.49	-
Taxable Notes						
3/4% 3/15/43	100.12	100.06	-.06	.37	.52	+15
3/4 9/15/44	99.31	99.22	-.09	.76	.89	+13
3/4 12/15/45	99.21	99.09	-.12	.84	.96	+12
1 3/15/46	99.29	99.20	-.09	1.02	1.10	+08
Taxable Bonds						
2% 3/15/48-50	101.28	101.10	-.18	1.67	1.76	+09
2 6/15/49-51	101.04	100.17	-.19	1.83	1.92	+09
2 9/15/49-51	-	100.16	-	-	1.93	-
2 12/15/51-55	100.12	100.10	-.02	1.96	1.96	-00
2-1/2 3/15/52-54	103.23	103.31	+08	2.09	2.05	-.04
2-1/4 6/15/52-55	101.06	101.12	+06	2.12	2.10	-.02
2-1/2 3/15/56-58	103.05	103.08	+03	2.24	2.23	-.01
2-1/2 6/15/62-67	-	-	-	-	-	-
2-1/2 9/15/67-72	100.27	101.05	+10	2.46	2.44	-.02
Wholly Tax-exempt Notes						
2% 9/15/42	101.04	100.20	-.16	5/32*	.02	-5/32*
1-3/4 12/15/42	101.11	100.30	-.13	2/32*	.09	-4/32*
1-1/8 6/15/43	101.04	100.25	-.11	.22	.39	+17
1 9/15/43	101.03	100.24	-.11	.26	.43	+17
1-1/8 12/15/43	101.16	101.02	-.14	.26	.44	+18
1 3/15/44	101.10	101.00	-.10	.34	.45	+11
3/4 6/15/44	100.27	100.18	-.09	.37	.48	+11
1 9/15/44	101.16	101.06	-.10	.39	.48	+09
3/4 3/15/45	101.00	100.22	-.10	.41	.50	+09
Partially Tax-exempt Bonds						
3-3/8% 6/15/43-47	103.21	102.31	-.22	.41	.58	+17
3-1/4 10/15/43-45	104.06	103.15	-.23	.57	.75	+18
3-1/4 4/15/44-46	105.06	104.16	-.22	.72	.86	+14
4 12/15/44-54	108.11	107.23	-.20	.91	.95	+04
2-3/4 9/15/45-47	106.06	105.19	-.19	.94	1.03	+09
2-1/2 12/15/45	105.28	105.09	-.19	.90	.99	+09
3-3/4 3/15/46-56	110.08	109.21	-.19	1.11	1.16	+05
3 6/15/46-48	107.28	107.10	-.18	1.09	1.15	+06
3-1/8 6/15/46-49	108.08	107.23	-.17	1.13	1.18	+05
4-1/4 10/15/47-52	115.20	115.04	-.16	1.33	1.34	+01
2 12/15/47	104.23	104.20	-.03	1.15	1.14	-.01
2-3/4 3/15/48-51	107.28	107.20	-.08	1.38	1.38	-00
2-1/2 9/15/48	107.07	107.00	-.07	1.33	1.34	+01
2 12/15/48-50	104.21	104.19	-.02	1.28	1.27	-.01
3-1/8 12/15/49-52	110.22	110.24	+02	1.65	1.61	-.04
2-1/2 12/15/49-53	106.16	106.18	+02	1.60	1.58	-.02
2-1/2 9/15/50-52	106.20	106.26	+06	1.66	1.62	-.04
2-3/4 6/15/51-54	108.18	108.23	+05	1.74	1.71	-.03
3 9/15/51-55	110.20	110.26	+06	1.78	1.74	-.04
2-1/4 12/15/51-53	104.29	105.08	+11	1.70	1.65	-.05
2 6/15/53-55	103.10	103.22	+12	1.68	1.63	-.05
2-1/4 6/15/54-56	104.28	105.09	+13	1.80	1.76	-.04
2-7/8 3/15/55-60	110.00	110.08	+08	2.00	1.97	-.03
2-3/4 9/15/56-59	109.10	109.19	+09	2.01	1.98	-.03
2-3/4 6/15/58-63	109.12	109.26	+14	2.07	2.03	-.04
2-3/4 12/15/60-65	110.00	110.08	+08	2.10	2.08	-.02

Treasury Department, Division of Research and Statistics.

May 21, 1942.

* Excess of price over zero yield.

TREASURY DEPARTMENT

298

INTER OFFICE COMMUNICATION

DATE May 22, 1942

TO Secretary Morgenthau
FROM Mr. Haas

I am transmitting herewith a group of rough charts that compare by Federal Reserve Districts the amount of savings bonds sold since the beginning of the month with the quota for the month of May. ^{1/} The figures are presented cumulatively so as to show the aggregate progress that has been made to date in each district.

The sales of war savings bonds are below the quota, it is noted, in the three Federal Reserve Districts along the northeast Atlantic coast -- the Boston, New York and Philadelphia Districts. These are the three Districts in which the market for F and G bonds lies, and any failure of F and G sales to reach the established quota is immediately reflected in the charts. We should like to portray this situation more clearly, however, and are accordingly undertaking to have the figures for the charts classified so as to show E bond sales separately from the sales of F and G bonds.

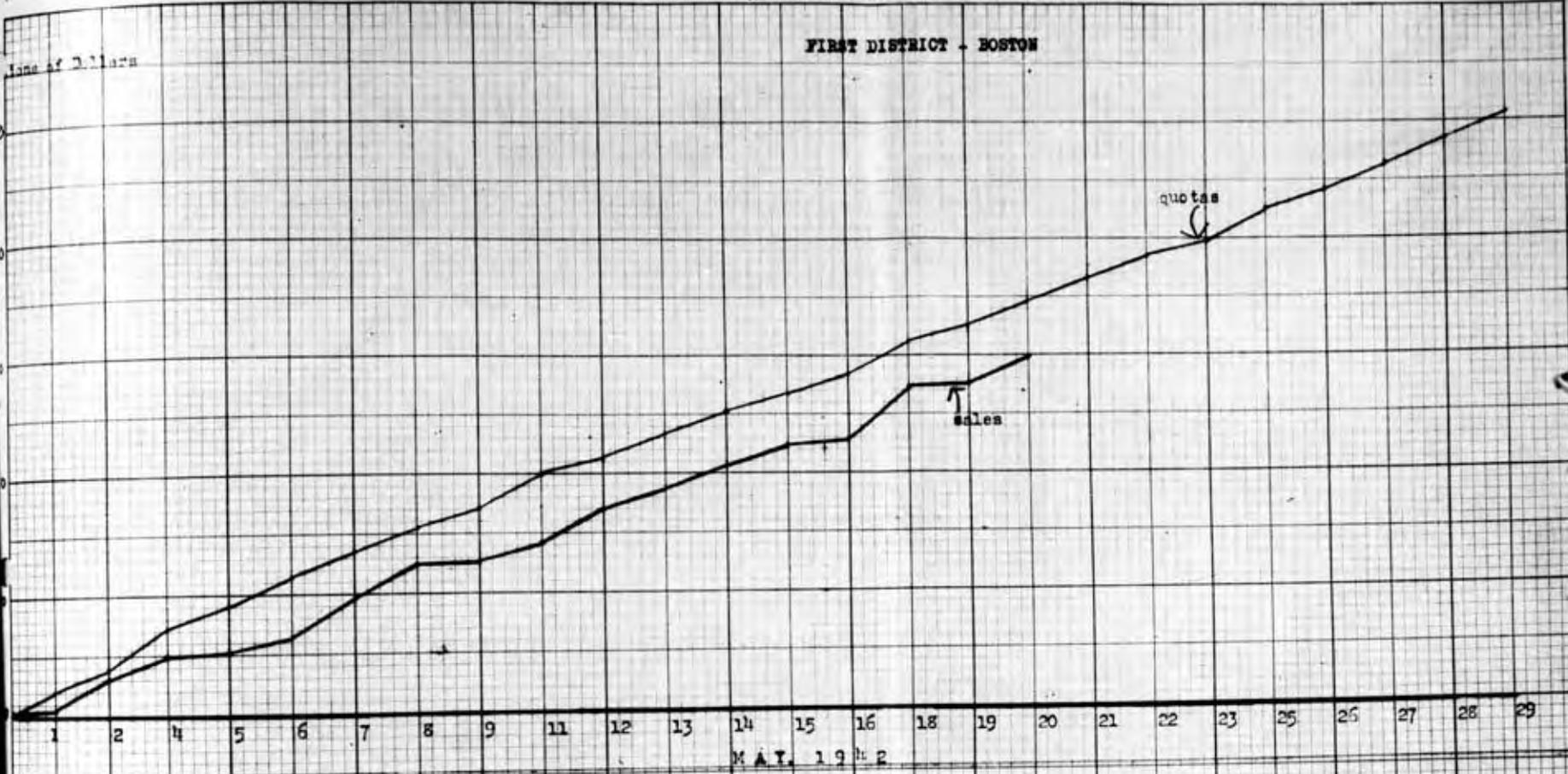
Attachments

^{1/} The May quota for the country as a whole has been distributed pro rata by Districts. The resulting figures take into account the adjustments that have been made in the national totals for the seasonal trend of the total sales by the days of the week, and the F and G bond sales by the weeks of the month.

209
CUMULATIVE DAILY QUOTAS AND SALES OF U.S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY 1942
(At Issue Price In Millions Of Dollars)

FIRST DISTRICT - BOSTON

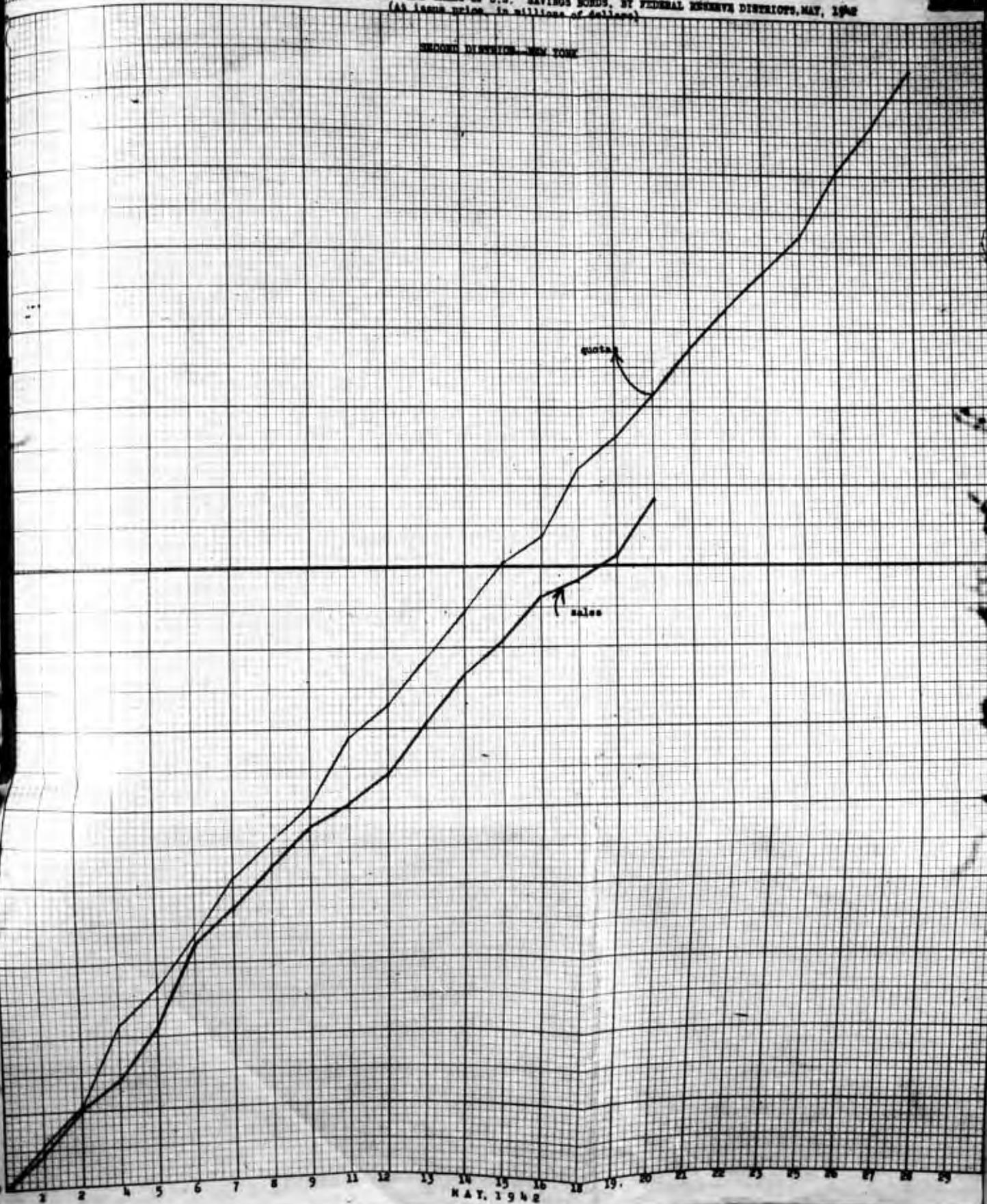
Line of Dollars



MAY 1942

300
CUMULATIVE DAILY QUOTAS AND SALES OF U.S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY, 1942
(At issue price, in millions of dollars)

SECOND DISTRICT - NEW YORK

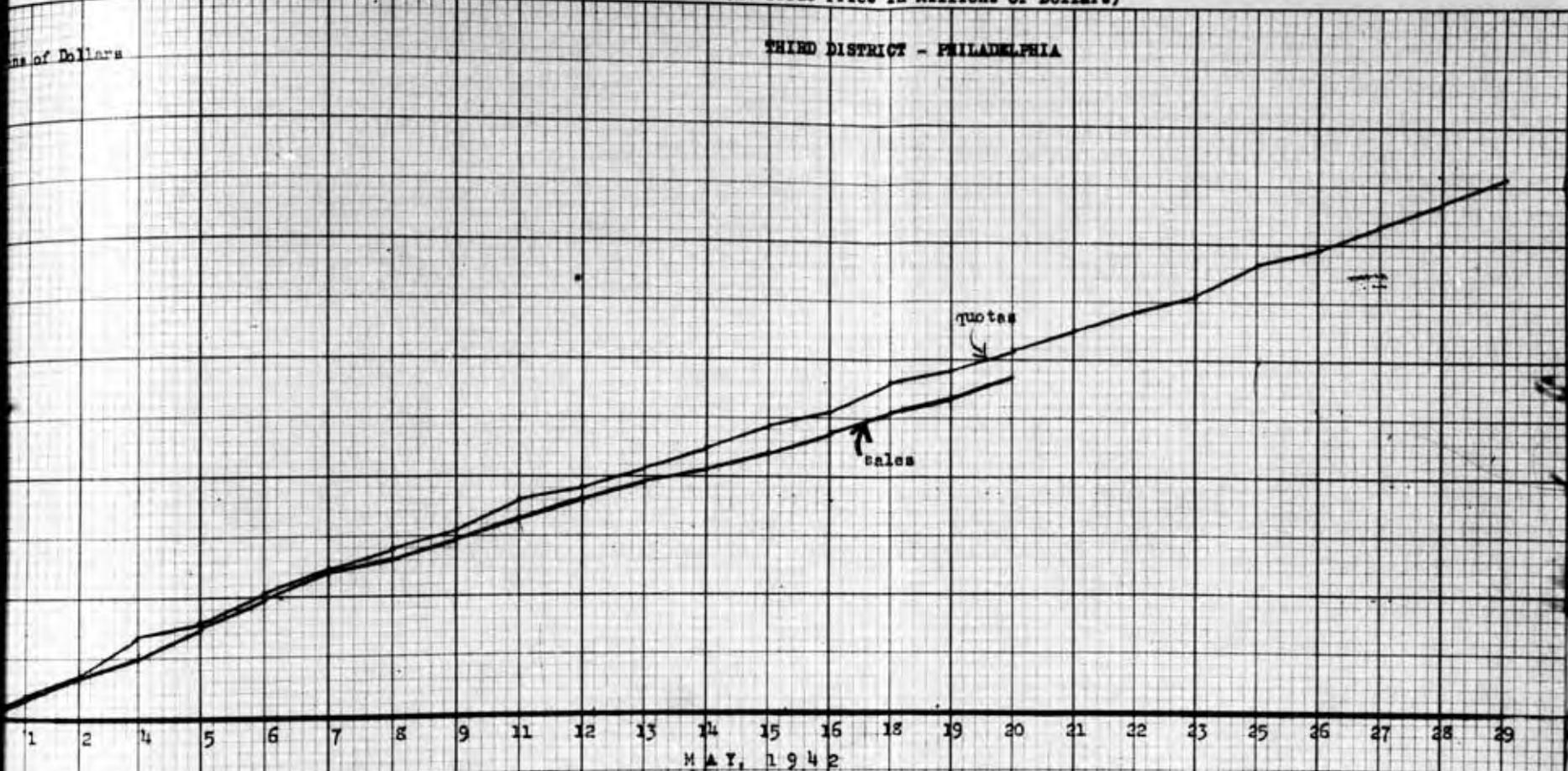


MAY, 1942

CUMULATIVE DAILY QUOTAS AND ~~304~~ SALES OF U.S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY 1942
(At Issue Price in Millions Of Dollars)

Millions of Dollars

THIRD DISTRICT - PHILADELPHIA

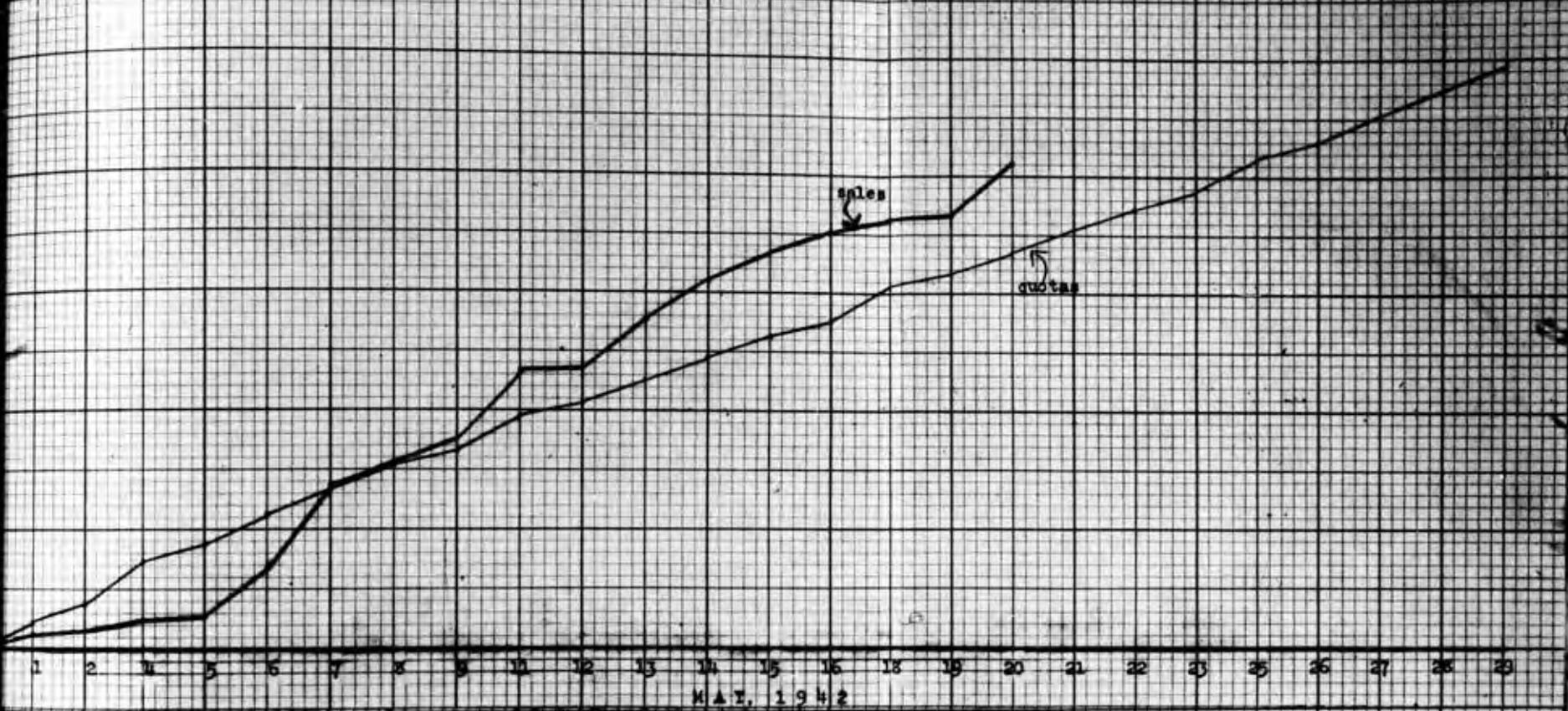


MAY, 1942

CUMULATIVE DAILY QUOTAS **363** SALES OF U.S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY 1942
 (At Issue Price In Millions Of Dollars)

FOURTH DISTRICT - CLEVELAND

Millions of Dollars



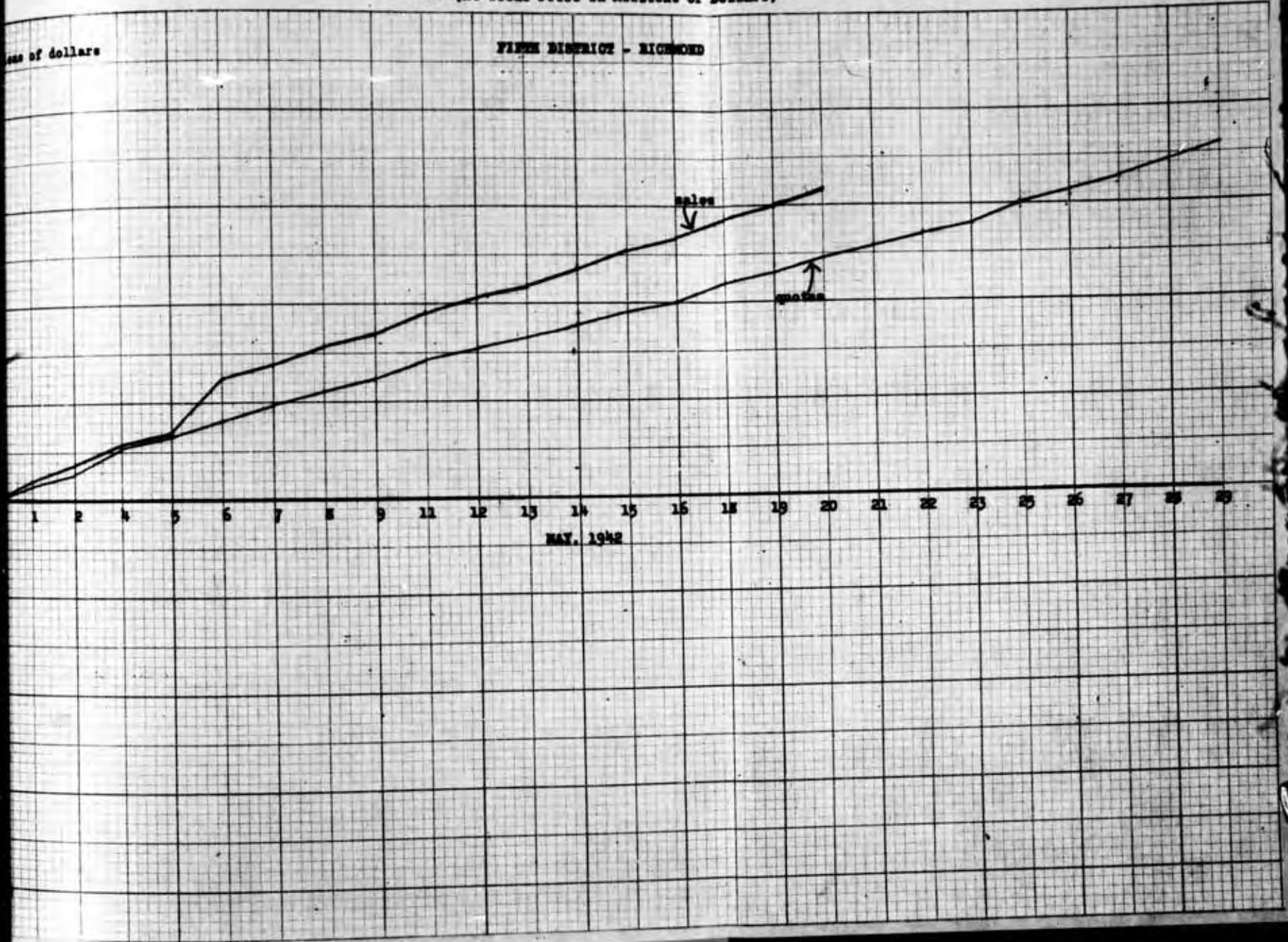
MAY, 1942

1 2 3

CUMULATIVE DAILY QUOTAS AND SALES OF U. S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY 1942
30 (at Issue Price in Millions Of Dollars)

Millions of dollars

FIFTH DISTRICT - RICHMOND



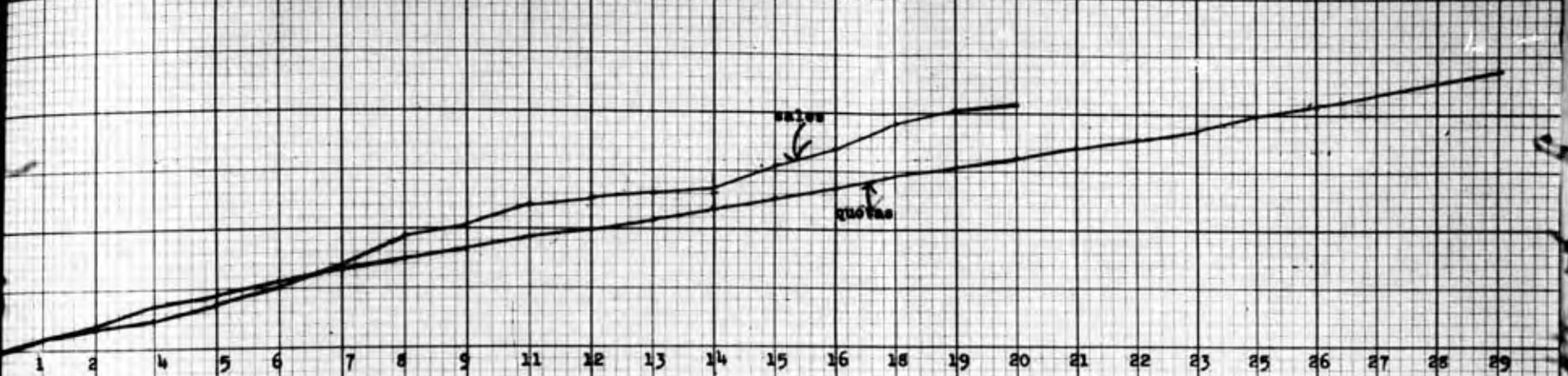
MAY, 1942

1 2 1

CUMULATIVE DAILY QUOTAS AND SALES OF U. S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY, 1942
304 (At issue price in millions of dollars)

SIXTH DISTRICT—ATLANTA

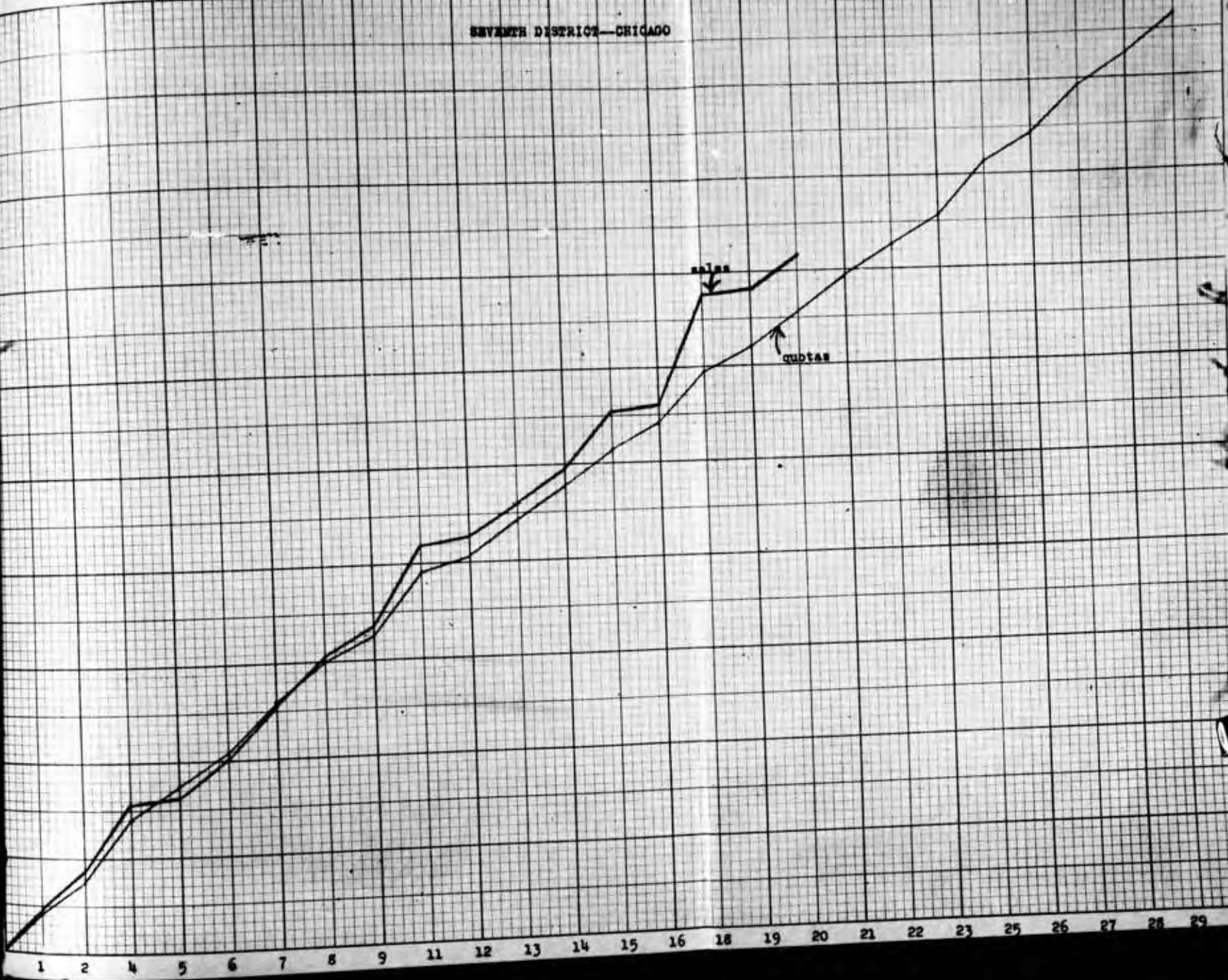
Millions of dollars



MAY, 1942

CUMULATIVE DAILY QUOTAS AND SALES OF U.S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY, 1942
30%
(at issue price, in millions of dollars)

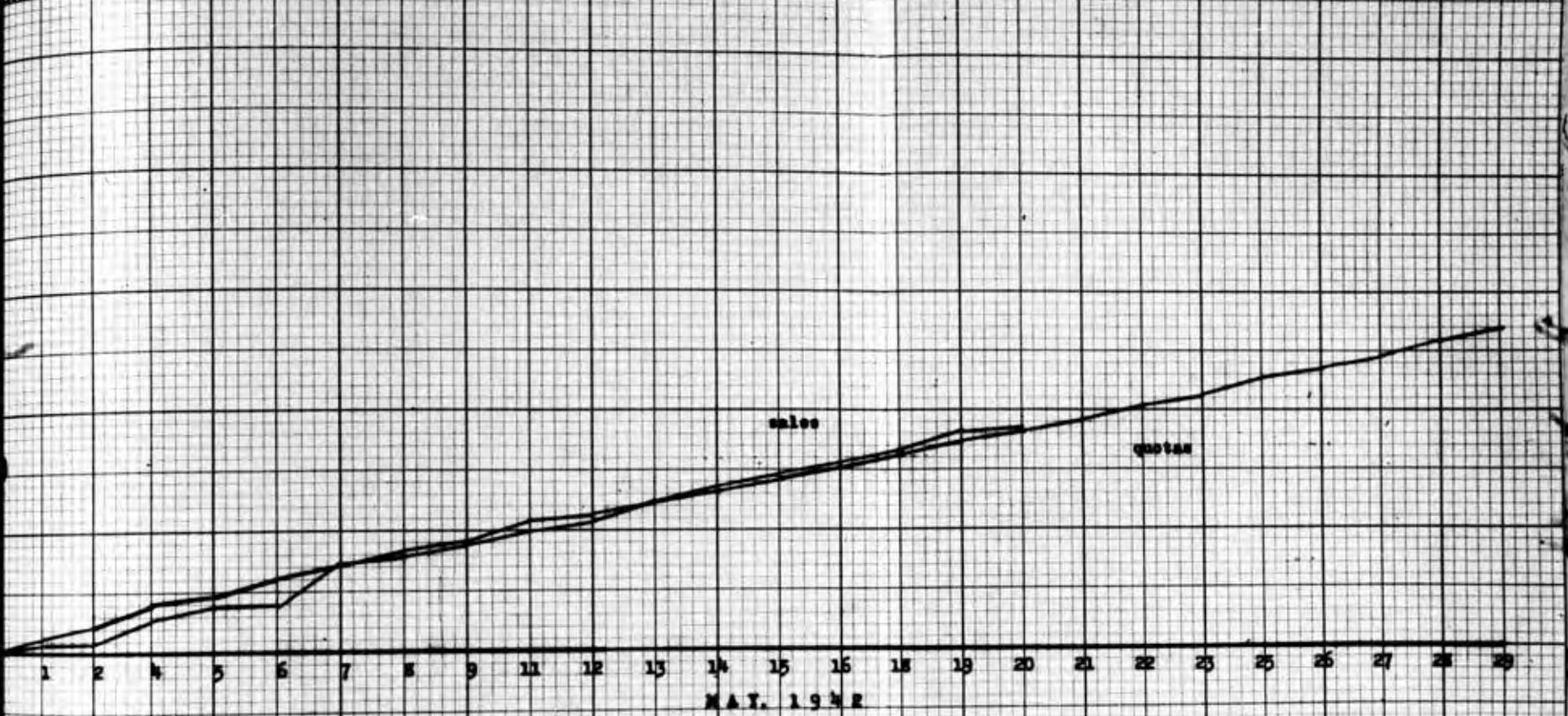
SEVENTH DISTRICT—CHICAGO



306
CUMULATIVE DAILY QUOTAS AND SALES OF U. S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY 1942
(At Issue Price in Millions of Dollars)

Millions of dollars

EIGHTH DISTRICT - ST. LOUIS

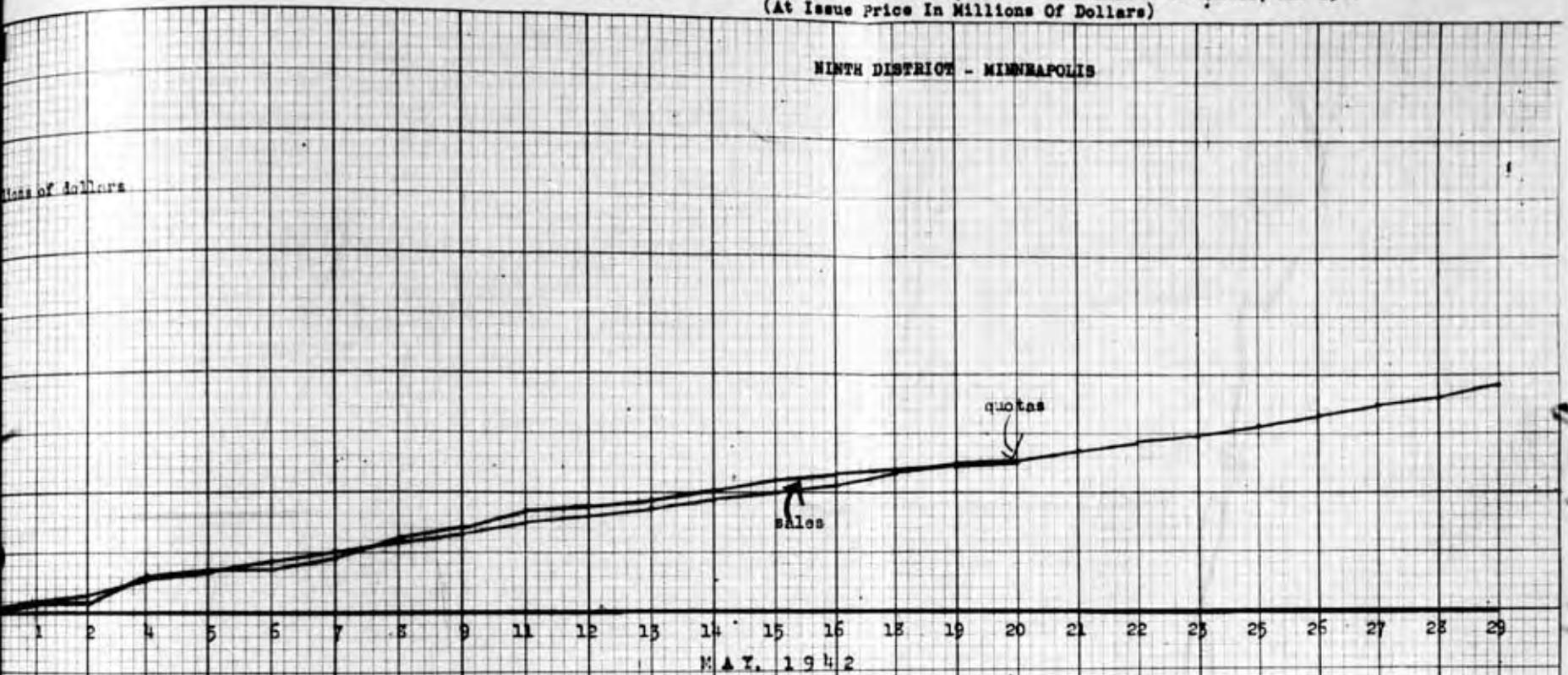


MAY, 1942

CUMULATIVE DAILY QUOTAS AND SALES OF U.S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY 1942
(At Issue Price In Millions Of Dollars)

NINTH DISTRICT - MINNEAPOLIS

Millions of dollars

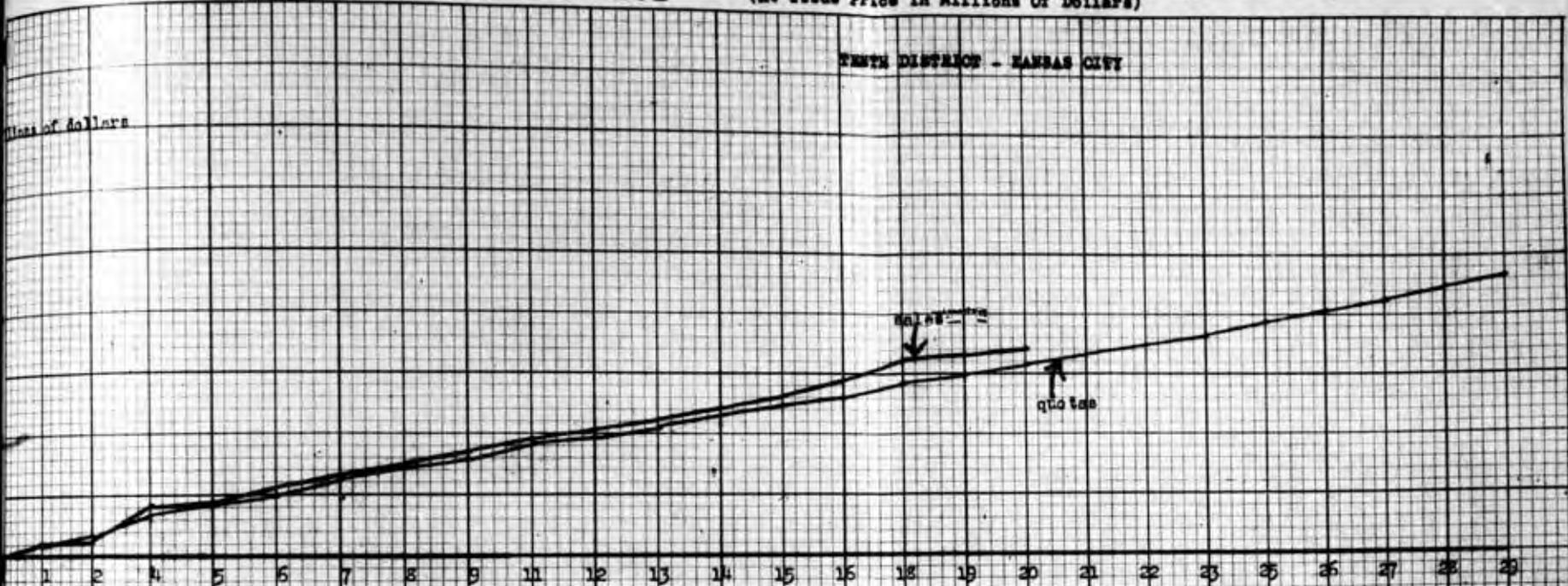


MAY, 1942

CUMULATIVE DAILY QUOTAS AND SALES OF U.S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY 1942
308
(At Issue Price in Millions of Dollars)

TENTH DISTRICT - KANSAS CITY

Millions of Dollars

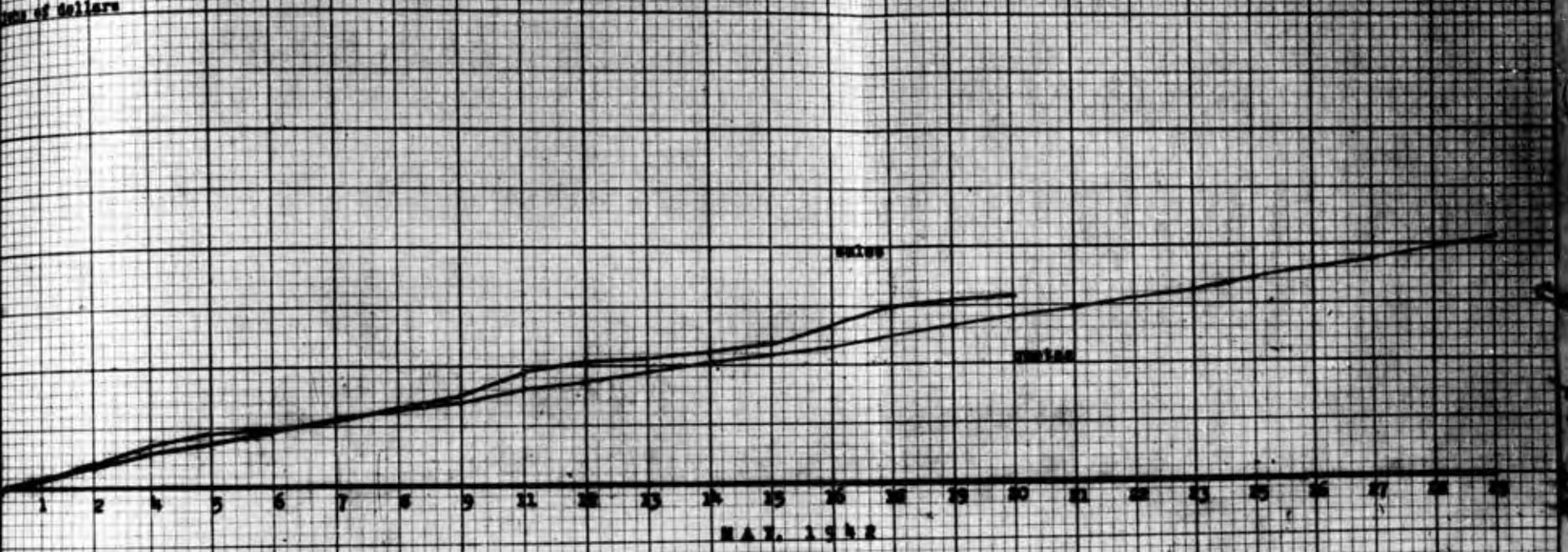


MAY 1942

CUMULATIVE DAILY QUOTES AND SALES OF U. S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY 1942
309 (At Issue Price in Millions of Dollars)

FEDERAL RESERVE DISTRICT - DALLAS

Millions of Dollars

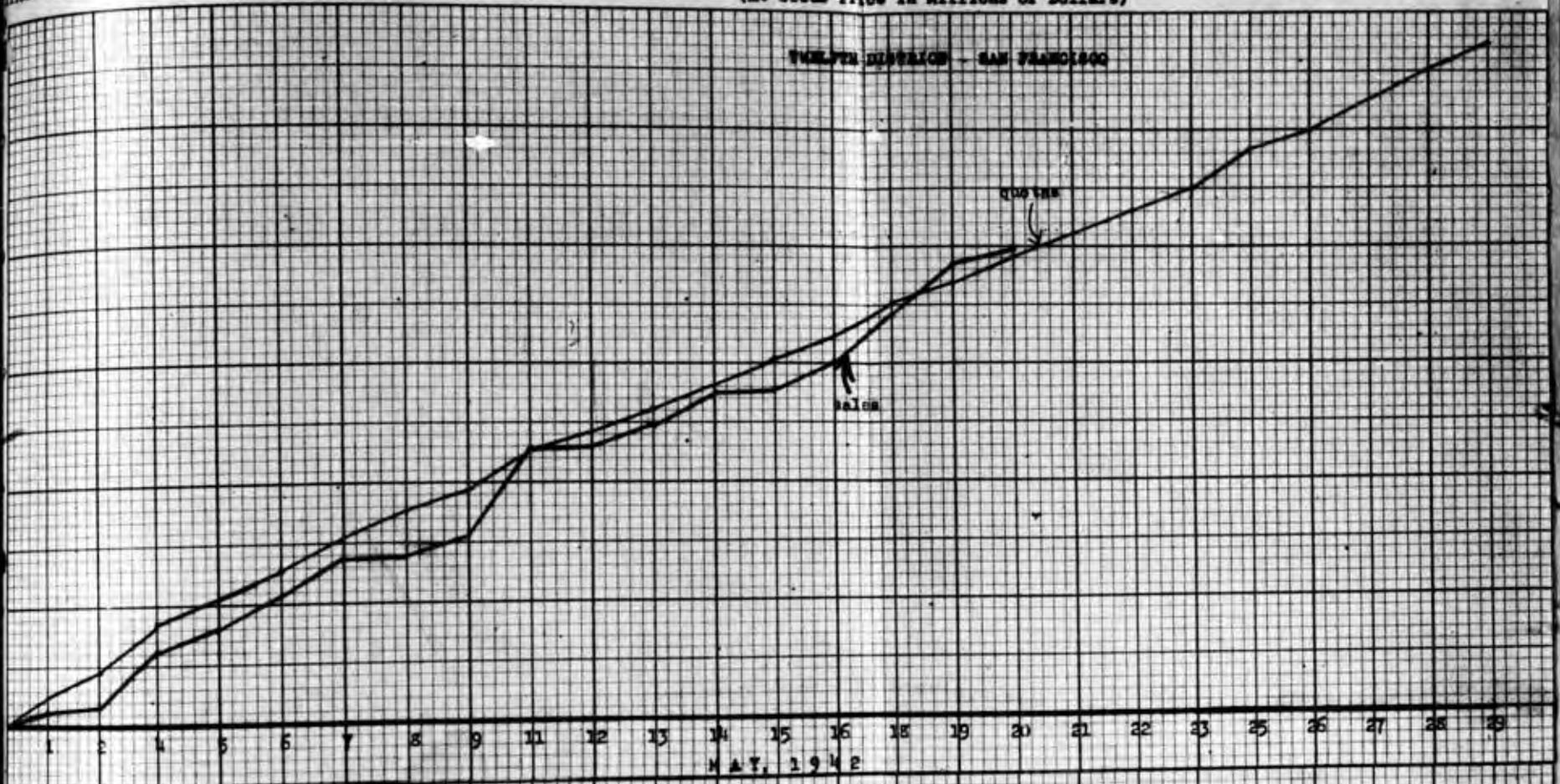


MAY, 1942

Billions of dollars

310
CUMULATIVE DAILY QUOTAS AND SALES OF U.S. SAVINGS BONDS, BY FEDERAL RESERVE DISTRICTS, MAY 1942
(At Issue Price In Millions Of Dollars)

TWELFTH DISTRICT - SAN FRANCISCO



MAY, 1942



TREASURY DEPARTMENT
WASHINGTON

Copy to Mrs. M.
311 5/28/42 -

May 22, 1942.

MEMORANDUM FOR THE SECRETARY:

Chicago Rally: Amphitheater, Wednesday, May 27.

Tentative program for Rally as of May 22:

Assembly Music - Army Band and local orchestras
(white and colored).

Invocation - Leading colored minister.

STAR SPANGLED BANNER - Army Band and audience.

Oath of Allegiance to the Flag - Ranking Army Officer.

Chicago Symphony Orchestra.

Introduction of local committeemen by
State War Savings Official.

Marian Anderson - solo.

Mayor Kelley.

Richard Crooks - solo

Olivia de Havilland - Introduction.

Introduction of local enlistees.

Benediction by leading white minister.

Ted R. Gamble

FOR DEFENSE



Copies to Mrs M. *312* *copy for Mrs. M.*
5/28/42



TREASURY DEPARTMENT
WASHINGTON

May 22, 1942.

MEMORANDUM FOR THE SECRETARY:

New York Rally: Lewisohn Stadium, Wednesday, June 5.

Tentative program for Rally as of May 22.

Assembly Music - Army Band and local orchestras
(white and colored).

Invocation - Leading colored minister.

STAR SPANGLED BANNER - Army Band and audience.

Oath of Allegiance to the Flag - Ranking Army Officer.

Introduction of local committeemen by
State War Savings Official.

Marian Anderson - solo.

Secretary Iokes.

Paul Robeson - solo.

Local Choirs.

Olivia de Havilland - Introduction.

Induction of local enlistees.

Benediction by leading white minister.

We are working on the Tuskegee Quartette.

FOR DEFENSE



Ted R. Gamble

Copy to Min. M. 5/25/42
313



TREASURY DEPARTMENT
WASHINGTON

May 22, 1942.

MEMORANDUM FOR THE SECRETARY:

Detroit Rally: Olympia Stadium, Sunday, May 31.

Tentative program for Rally as of May 22:

Assembly Music - Army Band and local orchestras
(white and colored).

Invocation - Leading colored minister.

STAR SPANGLED BANNER - Army Band and audience.

Oath of Allegiance to the Flag - Ranking Army Officer.

Introduction of local committeemen by
State War Savings Official.

Marian Anderson - solo.

Justice Murphy.

Paul Robeson - solo.

Local Choirs.

Olivia de Havilland - Introduction.

Induction of local enlistees.

Benediction by leading white minister.

Ted R. Gamble

FOR DEFENSE



Sales of United States Savings Bonds
 From May 1 through May 21, 1942
 Compared with Sales Quota for Same Period
 (At issue price in millions of dollars)

Date	Series E				Series F and G				Total			
	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales
	May 1	May 1	May 1	to Date	May 1	May 1	May 1	to Date	May 1	May 1	May 1	to Date
Daily	to	to	as % of	Daily	to	to	as % of	Daily	to	to	as % of	
	Date	Date	Quota		Date	Date*	Quota		Date	Date	Date	Quota
	\$ 12.7	\$ 12.7	\$ 14.0	90.7%	\$ 7.3	\$ 7.3	\$ 12.0	60.8%	\$ 20.0	\$ 20.0	\$ 26.0	76.9%
1	11.6	24.3	25.7	94.6	7.9	15.2	21.4	71.0	19.4	39.4	47.1	83.7
2	22.3	46.5	47.8	97.3	10.3	25.5	39.4	64.7	32.6	72.0	87.2	82.6
4	8.9	55.5	57.8	96.0	7.6	33.1	49.3	67.1	16.6	88.6	107.1	82.7
5	18.4	73.8	70.5	104.7	15.6	48.8	64.9	75.2	34.0	122.6	135.4	90.5
6	23.2	97.0	84.0	115.5	12.1	60.8	76.9	79.1	35.3	157.9	160.9	98.1
7	17.2	114.2	98.0	116.5	6.4	67.2	86.1	78.0	23.6	181.4	184.1	98.5
8	14.5	128.7	109.7	117.3	5.6	72.8	92.6	78.6	20.0	201.5	202.3	99.6
9	23.3	152.0	131.8	115.3	8.1	80.8	104.2	77.5	31.3	232.8	236.0	98.6
11	9.4	161.3	141.8	113.8	4.6	85.4	110.6	77.2	14.0	246.8	252.4	97.8
12	15.8	177.1	154.5	114.6	9.0	94.4	120.8	78.1	24.8	271.5	275.3	98.6
13	16.9	194.0	168.0	115.5	7.7	102.1	129.3	79.0	24.6	296.2	297.3	99.6
14	14.9	208.9	182.0	114.8	6.8	108.9	136.5	79.8	21.7	317.9	318.5	99.8
15	14.3	223.2	193.7	115.2	5.2	114.1	142.1	80.3	19.5	337.4	335.8	100.5
16	24.3	247.5	215.8	114.7	9.4	123.5	153.0	80.7	35.7	371.1	368.8	100.6
18	9.8	257.4	225.8	114.0	4.2	127.7	159.2	80.2	14.0	385.1	385.0	100.0
19	15.7	271.1	238.5	113.7	11.2	138.9	169.6	81.9	24.9	410.0	408.1	100.5
20	19.4	290.5	252.0	113.3	10.6	149.5	178.4	83.8	30.0	440.0	430.4	102.2
21			266.0				186.1				452.1	
22			277.7				192.3				470.0	
23			299.8				204.9				504.7	
25			309.8				212.5				522.3	
26			322.5				226.2				548.7	
27			336.0				238.7				574.7	
28			350.0				250.0				600.0	
29												

May 22, 1942.

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 both the daily trend during the week and the monthly trend during the month.

Regraded Unclassified

Sales of United States Savings Bonds
From May 1 through May 21, 1942
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

CONFIDENTIAL

Date	Series E				Series F and G				Total			
	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales
	Daily	May 1 to Date	May 1 to Date	to Date as % of Quota	Daily	May 1 to Date	May 1 to Date*	to Date as % of Quota	Daily	May 1 to Date	May 1 to Date	to Date as % of Quota
1	\$ 12.7	\$ 12.7	\$ 14.0	90.7%	\$ 7.3	\$ 7.3	\$ 9.0	81.1%	\$ 20.0	\$ 20.0	\$ 23.0	87.0%
2	11.6	24.3	25.7	94.6	7.9	15.2	16.0	95.0	19.4	39.4	41.7	94.5
4	22.3	46.5	47.8	97.3	10.3	25.5	29.5	86.4	32.6	72.0	77.3	93.1
5	8.9	55.5	57.8	96.0	7.6	33.1	37.1	89.2	16.6	88.6	94.9	93.4
6	18.4	73.8	70.5	104.7	15.6	48.8	49.8	98.0	34.0	122.6	120.3	101.9
7	23.2	97.0	84.0	115.5	12.1	60.8	60.3	100.8	35.3	157.9	144.3	109.4
8	17.2	114.2	98.0	116.5	6.4	67.2	69.3	97.0	23.6	181.4	167.3	108.4
9	14.5	128.7	109.7	117.3	5.6	72.8	76.3	95.4	20.0	201.5	186.0	108.3
11	23.3	152.0	131.8	115.3	8.1	80.8	89.8	90.0	31.3	232.8	221.6	105.1
12	9.4	161.3	141.8	113.8	4.6	85.4	97.4	87.7	14.0	246.8	239.2	103.2
13	15.8	177.1	154.5	114.6	9.0	94.4	110.1	85.7	24.8	271.5	264.6	102.6
14	16.9	194.0	168.0	115.5	7.7	102.1	120.6	84.7	24.6	296.2	288.6	102.6
15	14.9	208.9	182.0	114.8	6.8	108.9	129.6	84.0	21.7	317.9	311.6	102.0
16	14.3	223.2	193.7	115.2	5.2	114.1	136.6	83.5	19.5	337.4	330.3	102.1
18	24.3	247.5	215.8	114.7	9.4	123.5	150.1	82.3	33.7	371.1	365.9	101.4
19	9.8	257.4	225.8	114.0	4.2	127.7	157.7	81.0	14.0	385.1	383.5	100.4
20	13.7	271.1	238.5	113.7	11.2	138.9	170.3	81.6	24.9	410.0	408.8	100.3
21	19.4	290.5	252.0	115.3	10.6	149.5	180.8	82.7	30.0	440.0	432.8	101.7
22			266.0				189.8				455.8	
23			277.7				196.8				474.5	
25			299.8				210.3				510.1	
26			309.8				217.9				527.7	
27			322.5				230.5				553.0	
28			336.0				241.0				577.0	
29			350.0				250.0				600.0	

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

May 22, 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 daily trend within the week, but does not take into account the trend by weeks during the month.

Regraded Unclassified



TREASURY DEPARTMENT
WASHINGTON

May 22, 1942.

MEMORANDUM FOR THE SECRETARY:

Dr. W. I. Meyer of Cornell, has agreed to give us a hand and will have considerable time during the months of July and August to spend on our agricultural program.

He was delighted to know that you wanted him to counsel with us.

I am to contact him again on June 1, to take care of all the formalities relative to his acceptance.

Ted R. Gamble

DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

(Signed by the Secy 5/27/42) 317 ✓

FIELD MEMORANDUM #

**Subject: Methods and appeals in
the War Savings Quota
Campaign.**

May 22, 1942.

The response to the War Savings Staff's intensive quota campaign has been heart-warming and encouraging. Editorials and news stories from every part of the country have been enthusiastic in their praise of the manner in which the campaign is being conducted. There is ample evidence that the War Savings Staff now enjoys the confidence and good will of an overwhelming majority of the American people. This good will is a priceless asset, indispensable to our continued success, and we must therefore be on guard against doing anything by word or action that will endanger or undermine it.

Every case of intimidation, threat, or coercion in promoting the sale of War Savings Bonds and Stamps will tend to undermine public confidence in the sincerity of our intention to make this a truly voluntary effort. It is therefore against Treasury policy for anyone connected with the War Savings Staff, or acting under its auspices, to use intimidation or threats of any kind to induce

people to sign pledges, payroll authorization cards, or bond applications. An example of the kind of appeal we must avoid is the following from a recent speech delivered at a war bond rally in an Eastern city. In the course of his remarks the main speaker on this occasion said:

"If there is any person in this hall or in this city, who cannot subscribe to these pledges, they do not belong here, but should march forthwith to an internment camp where they will be properly guarded with others of their type whom the F.B.I. has taken out of circulation for the duration."

In addition to the harmful effects which such methods have upon the general morale of the people, there is one practical consideration which we must always keep in mind. War Savings Bonds and Stamps may be redeemed for cash. There is nothing to prevent the purchaser of a bond from turning it in for cash sixty days after the date of issue. If any considerable number of people are compelled to buy these securities unwillingly under duress, the ratio of such redemptions to total sales is almost certain to increase. The result would be in all such cases that the Treasury would have nothing to show for its pains but a rather expensive bookkeeping transaction. This means simply that ours is a "selling" job in the best sense of the word. We must persuade people to buy War Savings Bonds willingly and enthusiastically, by bringing them to realize

that in doing so they serve their country today and themselves tomorrow. We must not only "sell" bonds and stamps but we must see to it that they stay sold for the duration of the war at least.

This memorandum is being sent to you solely because in one or two instances things have been done and said by over-zealous people, acting in our behalf, which are not consistent with the Treasury's basic policy of making this a genuinely voluntary savings program. The number of such cases has thus far been negligible. The fulsome praise and wholehearted support we have received in every section of the nation and from leaders in every walk of life are well earned. We have a right to be proud of the record we have made. I am enclosing with this memorandum a few representative quotations from newspaper editorials which should serve as an inspiration to us all. I know that when the war is won and our work is done we shall all take justifiable pride and satisfaction in having had a part in an enterprise which so clearly demonstrates a working democracy at its best.

[Signed] H. Morgenthau, Jr.

1. TIME MAGAZINE - May 25, 1942

COMPULSORY VOLUNTEERING:

"The U. S. thought back to the whoopla, the tormented emotions, the naked coercion of the Liberty Loan drives of World War I, and it didn't like what it remembered. Houses of non-buyers, then, were painted yellow by vigilantes. Citizens were free to buy voluntarily -- provided they bought. Said Historians Charles and Mary Beard: "Whoever refused to answer the call was liable to be blacklisted by his neighbors or associates and enrolled in the Doom Book in the Department of Justice."

"Henry Morgenthau was not for this kind of "voluntarism"--in a nation fighting for freedom, he still shied away from candid compulsion. And he was as yet unwilling to admit that truly voluntary sales will not suffice."

2. COLORADO SPRINGS (COLO.) GAZETTE - May 1, 1942

"Liberty Bond sales, nominally voluntary, were made all but compulsory, and some of the methods employed made up one of the blackest pages in the World War effort, a fact now seemingly overlooked."

3. CHATTANOOGA (TENN.) NEWS FREE PRESS - May 1, 1942

"There is no coercion in this campaign. Typical of the appeals made throughout the nation reads one from Oregon where a brilliantly successful campaign already has been waged, as follows:

"This is still a voluntary program. . . . No coercion is to be used, either studied or thoughtless. Explanation, education, good salesmanship are certainly to be desired, but under no condition should any signer do so under duress of "sign this pledge or else". It is up to you to keep this a pleasant sales effort in your district."

(This Oregon appeal is played up in bold-face type.)

4. ATLANTA (GA.) CONSTITUTION - May 2, 1942.

"The cooperation freely given by Atlantans to the War Bond campaign is an inspiring example of the single purpose of every American - the winning of the war..... This is cooperation that can't be bought. It can't be coerced. It is the free expression of free people in the cause of the country."

5. JOPLIN (MO.) GLOBE - May 3, 1942

"If circumstances arise which make it impracticable for you to pay as much as you pledge -- even if later on you should have to stop buying Bonds and Stamps completely -- so stigma would attach to you. Uncle Sam would bring no pressure to bear to make you pay..... But if you have an income you are asked and expected to use some part of it as a loan to Uncle Sam to help prosecute this war."

6. GREENSBORO? NORTH CAROLINA? RECORD - May 1, 1942.

"The Treasury Department favors a voluntary rather than a compulsory plan for the sale of War Savings Stamps and Bonds, and in this its views coincide with the views of the vast majority of the American people."

7. PROVIDENCE (R.I.) JOURNAL, - May 1, 1942

"Secretary Morgenthau has staked his reputation as a prophet on his conviction that the American people will voluntarily buy the bonds necessary to victory. It will be a poor American who disappoints him."

8. NIAGARA FAILS (N.Y.) GAZETTE - May 4, 1942

"So far, all sales have been on a voluntary basis. Various pay roll allotment and similar plans have been put into effect, and have involved some pressure among sales groups to make records, but the proposal to levy part of all income, including wages and salaries, has not been advanced beyond the discussion stage. However, the Treasury Department believes that if the great campaign now under way does not yield a quota of \$1,000,000,000 a month, some form of compulsory subscribing will be put into effect.".....

"The canvass which is now being conducted is well organized and is a credit to the Treasury

1 Department, the state and local organizations and the hundreds of thousands of workers who have qualified to carry the appeal into every home."

9. KENOSHA (WIS.) NEWS - May 1, 1942

"Sales of war stamps and bonds have been kept on a voluntary basis. The success or failure of this campaign throughout the entire country may decide whether or not this beneficial policy can continue."

10. ALBANY (N.Y.) NEWS - May 2, 1942

"An intensified campaign for the sale of War Savings Bonds, with an ultimate goal of a billion dollars a month, has opened throughout the nation under direction of the Treasury Department. Tens of thousands of volunteer Minute Men will endeavor to bring the appeal to the more than 50 million income earners of the country to urge upon every one the duty of setting aside 10 per cent of income for the purchase of these securities.".....

"Success of the campaign would be a rousing demonstration of democracy's capacity and will to carry the load by voluntary effort. Mr. Hitler would be very glad to see it fail."

11. AUGUSTA (GA.) HERALD - May 3, 1942

"It is obviously a matter of both patriotism and good sense for every person who is financially able to support this pledge campaign to the utmost of his or her ability. It is entirely voluntary on your part, but upon the success of this campaign will depend the freedom of America, for without the tanks and guns and supplies to be purchased by your investment, we cannot win this war."

"So join willingly, cheerfully, in this mobilization of American dollars in order that America will continue to be free. Sign the pledge and do your part."

12. AUGUSTA (GA.) CHRONICLE - May 3, 1942

"The Chronicle strongly dislikes any implication that the forthcoming War Bond and Stamp campaign is a high-pressure job of solicitation which requires professional salesmanship to make it a success in this community. This is not the proper

picture of the campaign at all.....It is a happy commentary upon our democratic way of life that this campaign is being conducted on a voluntary basis."

13. NEW HAVEN (CONN.) JOUR.-COURIER - May 2, 1942

"The Treasury has set as its goal for the intensified war-bond drive that opens this month an annual sale equal to 10 per cent of the national income. Since the official estimate of the national income for 1942 is \$117,000,000,000, that means a bond sale of close to \$12,000,000,000—a full billion a month or just about exactly twice the April figure."

"Many of President Roosevelt's advisers have been urging the adoption of a policy of compulsory bond sales, a form of forced savings. Secretary Morgenthau has insisted that voluntary buying can meet the quota and has staked his campaign on his conviction. It was officially adopted as Administration policy for the present in President Roosevelt's seven-point program. It is up to all of us now to make good on that policy."

14. BATON ROUGE (LA.) TIMES - May 2, 1942

"Thus far, there is no compulsion in the buying of these bonds and stamps. It is all voluntary. But there is no mistaking the fact that unless there is a big response to this call, Uncle Sam will be demanding, not asking, a percentage of your income for this purpose."

15. NIAGARA FALLS (N.Y.) GAZETTE - May 4, 1942

"The canvass which is now being conducted is well organized and is a credit to the Treasury Department."

16. PHILADELPHIA (PA.) INQUIRER - May 4, 1942

"If these quotas aren't filled voluntarily it is conceivable that some form of compulsory savings will have to be put into effect. But the free-will plan is vastly better, provided it brings results."

17. FALL RIVER (MASS.) HERALD NEWS - May 4, 1942.

"The great majority of our people, we believe stand solidly behind the voluntary rather than forced buying of War Bonds and Stamps."

18. HARTFORD (CONN.) COURANT 2 May 9, 1942.

"The Treasury's campaign to persuade the public to invest 10 per cent of its income in War Bonds is more of a command than a request. For unless the public curtails its spending voluntarily, compulsory measures may be adopted, since the Bonds are sold not only to finance the war but to curb inflation.".....

"The Treasury prefers to adopt voluntary means of stepping up savings, because, as Mr. Morgenthau has pointed out, there are divergencies in the amount that each family can set aside that can best be adjusted by voluntary methods. But if these fail, the Government may resort to compulsion, which, in addition to being expensive, may work serious injustices on individuals."

Release for

A. M. papers, May 22nd

Address of
NATHAN STRAUS
on the occasion of the
Third Annual Award for Meritorious Housing Service
by
The United Tenants Leagues
of Greater New York
Thursday, May 21, 1942

This is a speech about peace. For one evening let us try to forget the war. The war must be won. The war will be won. That is the most important job in the world. But peace has always come after every war, and peace will come again.

"In time of peace, prepare for war" is an old proverb, and its wisdom has been proven by events. My slogan for tonight is: "In time of war, prepare for peace." Unless we prepare for the days of peace now, the same mistakes and the same weaknesses that made a mockery of the ending of the first World War will threaten, at the end of this War, to engulf us.

The peace to which we look forward must spell a better way of life, a happier world than any we have known before. Certainly, no people can be happy or even healthy unless they live in homes with at least minimum standards of comfort and convenience. For every human being, home lies at the root of true happiness.

During the days of war, of necessity, the public housing program for slum clearance must stop. Public housing today is war housing -- homes for workers in war industries. The USHA has enlisted for the duration. But, though temporarily pushed

- 2 -

into the background, slum clearance must not be forgotten. In loyalty to the leaders of public housing in America, President Roosevelt and Senator Wagner, we must carry on what they have so well begun, when peace returns to the world.

The future of public housing will depend chiefly on those whom it is designed to serve. Organized into effective groups, such as this United Tenants League, they will provide the driving force for maintaining and expanding the slum clearance movement. The United Tenants League deserves our moral and our financial support.

You call this a dinner to do honor to me. I appreciate it deeply. But you honor me only as a symbol of the slum clearance and public housing movement. It is my belief that you should forget the individual and honor the cause. Forget me and honor the USHA.

.....

As I grow older, the world seems to move at an ever accelerating speed, so that it is hard to recall a state of mind of even a few short years ago. Yet I do not know any way of measuring how much has been done and how far we have come in the field of public housing without attempting to recapture the mood of the days when the permanent public housing program was born in the fall of 1937.

- 3 -

So, let us try to think our way back to our feelings in that year. Can you recall the depression of 1932 and 1933 -- the efforts to meet the impact of unemployment by the construction of public housing for families from the slums? Do you remember those first tentative and groping attempts to find a way through the morass of ignorance, lack of technical skill and governmental experience?

Now if similar experimentation in a new and uncharted field had been undertaken by any private corporation, the first unsuccessful experiments would have been generally accepted as something to be anticipated, under the circumstances. The readiness of private capital to strike out into a field of which little was known and in which, therefore, many errors were bound to occur, would have been hailed as a new indication of the vitality and ingenuity of American business enterprise. That is our usual attitude toward experimentation by private business and its progress by the hard road of trial and error.

However, our attitude toward government is altogether different. When our government proceeds to attack an unsolved problem such as the blight of the slums, we view the attempt with a coldly critical eye. When government tries in a new way to remedy an ancient evil, we are slow to praise and quick to blame. In private business, we realize that to err is human. But public enterprise in every field, including public housing,

- 4 -

must be successful from the outset, wise in every decision and every act, if it is to escape public condemnation.

So when the first brave attempts of the Housing Division of the PWA to create something out of nothing resulted in projects that, although a signal advance in design and construction over housing previously available to families of moderate income, proved faulty in many respects, the anvil chorus of the critics rose.

Private business enterprise had failed in its efforts to clear the slums as evidenced by the persistence and growth of areas of blight throughout the cities and towns of the nation. Yet when the government's first attempt to clear slums was not completely successful, criticism was loud and unsparing. The critics pointed out that construction costs had been too high in these first government housing projects, and reasoned that this was proof that they would always be too high whenever the government tried to build. Because rents in these first projects were above the means of families from the slums, of course they would always be too high. Yet I submit that those first halting steps in the years prior to 1937 must be regarded as the foundation on which it became possible to erect the sound edifice of the USHA program. Had there been no PWA housing program from 1933 to 1937, there never could have been, in my belief, a USHA program from 1937 to 1942.

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The USHA, operating under a new statute, and working with the full, unqualified and loyal support of organized labor, faced the problems and met them. Construction costs in every city, large and small, average from 10% to 15% lower than the average cost of similar construction by private enterprise. The average shelter rent per dwelling in projects erected under the USHA program is \$12.64 a month. In spite of predictions foredooming public housing to perpetual failure, the earlier errors of the PWA housing program were rectified and the critics confounded. The USHA program showed that low construction costs, low rents, re-housing of slum dwellers, elimination of slums, and the reclamation of blighted areas need not be idle hopes and empty dreams, but could become realities of timber, steel, brick and mortar. The USHA showed that legitimate private business need suffer no competition from the slum clearance program, since tenants were drawn only from those families who could not pay an economic rent. On the contrary, slum clearance and reclamation of areas of blight revitalized real estate and stimulated building of homes by private speculators for the higher income groups. But was criticism silenced by these achievements? I wish I could report this to be the case. But, unfortunately, it was not.

Those who had been sincerely in doubt as to the ability of the government to do a job quickly, economically, and efficiently, saw their fears proved groundless by the success of the

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USHA. But others, whose objections to public housing were rooted in the well founded belief, not that it was a failure, but that it was success, were far from silenced. The cries of the slum owners and their allies grew louder as they saw that a movement was being established which would spell the doom of the slums. Entrenched greed, fattening on human misery, felt its very foundations shaken by the success of the USHA.

A Congressman, on the floor of the House of Representatives, thus did not hesitate to say, in debate on the USHA program on August 3, 1939:

"Mr. Straus made a speech in New Haven in which he said 'the loans which the USHA makes to localities for financing the capital development of projects, are absolutely returnable -- every dollar -- with interest.... They do not cost the public a penny.'"

The Congressman characterized my speech as "disseminating the most reprehensible, deceptive and misleading information." As a matter of fact, the Congressman made the unfortunate error of stopping at a semicolon in my speech, omitting the words which immediately followed, and which were as follows:

"The USHA annual contributions, made to help bridge the gap between the rents which decent housing costs and the rents which the lowest income groups can afford to pay, are the only cost to the Federal Government. Under the present Act, these subsidies cannot exceed \$28,000,000. per year."

The Congressman's attack on the USHA was filled with distortions of facts and figures and misquotations of my own statements. But the attack proved effective. In fact, that

speech is the one generally accorded the dubious honor of having killed the bill to continue the slum clearance program.

In December of last year, the President of the National Association of Real Estate Boards, with equal disregard of truth, stated:

"The USHA has built housing beyond the means of the 'lowest one-third,' forcing the slum dwellers to seek living accommodations elsewhere and thereby creating new slums and new slum conditions."

This speech but echoed an assertion in the "Confidential Weekly Letter" of the National Association of Real Estate Boards, which said in October that "USHA housing is limited largely to those who can and should pay economic rents." These misstatements of facts, as you note, are systematically disseminated. I have repeatedly asked the National Association of Real Estate Boards to point to one family, among the more than 100,000 families living in homes built by the USHA program, that could afford to pay the rents charged for decent housing in that same community. I repeat that challenge tonight, with the added incentive that I will pay \$1,000. to any institution or welfare agency the Real Estate Board may care to designate if it can name one family living in a USHA slum clearance project, which conforms to its description.

But I am quite certain that the truth cannot convince some people. "There are none so blind as those who will not see."

Yet it behooves those of us enrolled in the cause of better housing to accept abuse and misstatements with a smile of toleration. When I feel particularly unhappy on reading a

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deliberate untruth about the USHA program, I am consoled by the thought that the venom of an attack is often evidence that the critics and attackers sense that they are engaged in a losing fight. Be it free public education, free public roads, public health work, pure milk for babies, or better housing for the underprivileged, the pattern is the same, and we may be heartened by recalling that the world does move, and that truth is mighty and will prevail.

Misstatements due to ignorance are natural and inevitable in any new program. Doubts of those who find it hard to believe that success has been achieved after so many failures, are quite natural. We must even accept as inevitable the opposition of those whose vested interests are threatened. But, in respect to housing, as in respect to other activities of our government, I would like solemnly to make a plea for fairness and justice in criticism. I believe that it is unpatriotic at a time like the present, to make false statements about a government program. This is a representative government, subject to the public criticism guaranteed by free speech. I plead that criticism be based on facts and figures, truthfully portrayed.

* * * * *

With the end of the war and the return of peace, vast dislocations of occupation and employment will inevitably ensue.

What are we going to do with the doctors and nurses that have been trained to care for the casualties of the war? Will their skill be wasted, or will their activities be transferred from those of war to those of peace? Will we utilize this reservoir of medical skill to attack preventable disease and to heal curable disabilities? As an indication of what might be done, I would like you to know the opinion expressed by one of the highest medical authorities in this country recently, who said:

"More than half of the disabilities, which disqualify men from the armed services, could be remedied at an average cost of \$10.00 per man."

What are we going to do with the large acreage that has been put into the production of food now needed to feed the armies and the civilian population of the Allied Nations, when peace returns to the world and men return from the battlefields and munition-making to their old pursuits of tilling the soil and reaping the harvests in the nations of Europe and Asia? Will we have any use for our excess food production, built up to meet the needs of the war emergency? The answer may be found in a statement by Milo R. Perkins, Chairman of the Board of Economic Warfare:

"If all the people in the United States now living on less than half of the army ration, were brought up to half of the army ration, 2 billion yearly would be added to the nation's food bill and 35 million additional acres would have to be put into cultivation."

The greatest excess of war production will, however, be in the realm of industrial activity -- factories no longer required

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to make material of war, labor trained for war production and threatened with idleness. There is need for a re-employment program which will not compete with private business enterprise, which will provide the maximum of new employment for every dollar of expense, and which will result in the creation of assets of permanent social and economic value.

Perhaps the answer to a large part of this problem may be found in the field of housing. Almost one-third of the dwellings of America are below minimum healthful standards today. This means that they are lacking, either in essential sanitary facilities, or are in such dilapidated condition as to afford inadequate protection from the elements.

One-third of the houses of this country are in such condition. This fact is most significant when considered in connection with the fact that one-half of all the babies born this year in the United States will be born to families with incomes of less than \$1,000. a year. Those are the families who live in the dilapidated and insanitary dwellings. Thus our baby crop, the most precious crop we have, is brought into the world and raised, to the extent of about 50%, in housing that is sub-standard.

The persistence of disease breeding and miserable slums, and the need for a great program of public works to cushion the impact of the post-war period, both impel us to plan now for an America of tomorrow without a slum. I would ask you tonight to

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plan on the basis of concrete facts and demonstrated achievement.

Of course, the major portion of home building, when the war is over, will be done by private enterprise. But, in spite of all the stories you hear about pre-fabricated houses and mass production of homes, private enterprise has produced practically no decent housing within the means of families with incomes of less than \$1,400. a year. Thus all private home building is for the top income half. Let us plan tonight for a building program for the other half.

I propose that we resolve to do the whole job of wiping out every slum, rural and urban, in the U. S. A. I propose a public housing program, after the war ends, of about 300,000 new homes each year, or $4\frac{1}{2}$ million new homes in 15 years. These would replace $4\frac{1}{2}$ million tenements, hovels, and rural shacks. The program would represent an annual investment in slum clearance public housing of approximately $1\frac{1}{4}$ billion dollars a year.

In terms of New York City, with its population of about 5% of the population of the country, the program I recommend would mean 15,000 new homes a year for 15 years, or a total of 225,000 new homes for nearly a million people.

It has been said that there is no pain like the pain of a new idea. Yet I do want to make you realize tonight that the program which I am proposing, to clear away all of the slums throughout the country, is a feasible, practicable plan, based on facts that are known, and figures that have been tested.

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The mechanism to carry out that task exists today, and is being continually refined and improved. I refer, of course, to the more than 600 local housing authorities, many of whom are now engaged in building war housing, and all of whom will be ready to build slum clearance housing in collaboration with the USHA when the time comes.

This entire slum clearance program can be financed from sources other than the Federal Government. A simple but effective amendment of the U. S. Housing Act would, in the opinion of qualified experts in banking, make it possible for all public housing to be financed by the sale of local housing authority bonds to banks and institutional and private investors. The only cost of this comprehensive slum-clearance program would be the amount of the annual subsidies. Over a period of 60 years, these subsidies would amount to less than the cost of the War for the next six months.

The assets created, good homes in place of bad, happy communities in place of areas of blight, would serve to benefit not only the families re-housed, but the entire country.

Let us rededicate ourselves to public housing and its fruit, the America of tomorrow where every family will live in a good home.

MEMORANDUM FOR THE SECRETARY.

May 22, 1942.

Mail Report

The mail continues to deal largely with the subject of income tax and covers varying aspects of the situation.

The question of lowered exemptions has brought forth a storm of protest, although here and there a voice is raised in favor of the recent proposal. The ratio of general comment is 40 unfavorable to 3 favorable, but there are literally hundreds of letters protesting higher taxes in general. Particular adverse comment comes from: Single men who believe that they are penalized by the new proposals; married men wanting larger exemptions for family expenses; Government employees with rising living costs and static salaries; office workers; wives of laborers; anti-labor groups; etc. In other words there is protest from almost every group and walk of life, with definite facts and figures to show how taxes will affect the person registering the complaint.

However, the Secretary's suggestion of a flat fee for filing income tax returns has met more favorable response than any other individual suggestion. This particular levy has been suggested in the past in much of the fan mail. Present mail reflects the same attitude shown in previous letters -- that such a levy should fall on those who do not normally pay income tax, rather than by an additional tax on those who file a return. However, the general idea is approved.

There are three letters against joint returns to one in favor. A number of letters urging exemption

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Memorandum for the Secretary.

May 22, 1942.

for educational expenses, but 3 times the number begging for relief from income tax payment on money spent for necessary medical attention. There were 4 letters from men paying alimony, urging some sort of adjustment, and 4 letters from men who have dropped their insurance because of income tax increase. A number asked whether they should do this in order to buy bonds, and this type of inquiry is increasing.

Letters in favor of the sales tax are 24 as against 13 opposing it. There are, in addition, 10 resolutions from organized labor opposing the sales tax.

There were 2 protests on the Rosenberg case and 2 on the release of Earl Browder. There are also a number of abusive letters, the anonymous ones outnumbering signed letters by 20 to 2. Some of the anonymous ones are signed "I am an American" and came in early in the week, after the celebration of "I am an American day".

General suggestions for additional taxation include: A tax on enemy aliens, on saloons, unions, dogs, etc.

The suggestion that income tax deductions for War Bond purchases be allowed has increased steadily during the week.

J. F. Forbush

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General Comments on Present Emergency

Emery L. Gaydos, (Barber), Weirton, W. Va. Enclosing \$5 in check as a donation to my Government toward winning this war, and I hope to keep it up each month for the duration. With my 6 dependents, my yearly income is too small to pay an income tax, so my family and I will try to make this sacrifice for this worthy cause.

Christopher W. Asche, N.Y.C. (Letter addressed to Mr. Gaston) Allow me to express my feelings in poetry toward National Defense, as per --

Listen Herbert E. Gaston what my one-cent-a-day plan will do
On this auspicious occasion in the year nineteen forty-two.
It will bring one million dollars ready cash a day
For needed armament and Air Training Schools without delay.

Steven J. Avyan, Central Y.M.C.A., Waterbury, Conn.
(Graduate of State School of Paris.) This small Armenian Congregation of the First Congregational Church in New Britain, Conn., gave me the honor of being the principal speaker, and in response to my appeal for voluntary contributions for National Defense, pledged a free will offering of \$100. A check for this amount, bearing the signature of the Minister of the Church, Dr. Yervant Hadidian, is enclosed. * * * I find pleasure in doing my little bit for my adopted country. * * * I was a Lieutenant in the French Army. I know four languages -- Armenian, French, Turkish and English. I am experienced in public speaking and can be used to arouse the patriotic spirit of the people to buy Bonds and to give money freely for national defense. * * * Ever since I came to this land of freedom three years ago, I found a way of life that one who has lived in other lands cannot cease being grateful for. So I am at the disposal of the American Government to do everything within my power to win the war.

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"An Ex-Soldier", Washington, D. C. I am a soldier in the Soldiers' Home. I draw a Spanish American War pension, while some men here draw only \$2 per month. Now I know it is not quite fair for some to have pensions while others have nothing. I am willing to turn all my pension money back to the Government but \$10 a month, provided all others do the same while in an institution. I think all men in a Soldiers' Home should have \$10, no more and no less. * * * Now if the men here knew I wrote this, I would be the most unpopular man in the Home. Yet it is my desire to do all I can to help win the war which we are very deeply in, and which I believe means a great deal more than the average American seems to realize.

Abe Goodman, Shreveport, La. * * * I have great confidence in the outcome of this war, which, in my opinion, this country will wind up Victoriously in the next 15 months. I base it on this -- as long as we have such men at the head of our Government as the President, the Secretary of the Treasury, and Secretary of State, I am confident our Victory is not far off.

Favorable Comments on Taxation

Hugh R. Brown, Dallas, Texas. (Telegram) Your article suggesting that every American to pay tax that files return is positively right and should be made a law. I tried to pay in my last return and couldn't. That 77% has always been willing to pay and wanted to pay. They won and paid for the last World War and will eventually pay for this one. You suggest \$5 for each return. This 77% is willing to pay \$5 every month so long as the struggle lasts. Why don't our Congress awaken to the needs and willingness of the people involved? I am a travelling salesman and will gladly sign to pay \$5 each month for liberty.

Eugene A. Hildreth, Toledo, Ohio. The citizens want to pay as we go for more of the war cost than has been indicated, than either you or the President think they do. On all sides, we hear a willingness expressed to do more than has yet been asked by the Government, so let all men help pay as we go. * * * The only fair way to do it is by a direct Sales Tax so all can share. As a nation, we are used to making monthly payments. We won't be making them "for the duration" to the usual creditors, so let's make regular payments to Uncle Sam.

Newton A. Burgess, N.Y.C. I have noted with interest newspaper reports on the suggestion of making a charge for each Federal income tax return filed, and note also that a fee of \$5 on each return would amount to something in the neighborhood of one hundred million dollars. It has occurred to me that a much more equitable arrangement for the country as a whole would be to make a flat charge of \$5 for each person over certain ages who did not file an income tax return. This has the advantage of requiring each citizen within certain age limits to pay something to the Government, and certainly \$5, or some amount in this vicinity, could not be regarded as much of a burden. It hardly seems fair to add even the small sum of \$5 to the burden of the income taxpayer, leaving the vast majority of the citizens to pay nothing whatever. * * *

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Miss Belle C. Smith, Brooklyn, N.Y. I have been tempted to write to you for a long time about something which has been on my mind, but have refrained from doing so because I know how busy you must be these days. (Relates income tax problems.) * * * I shall close by saying I have a very high regard for you. You are such a quiet, unassuming man who goes about his task in a quiet, unnoticed fashion. Your task is not an easy one, to be sure, and perhaps I should not add an extra burden by asking you to clear up the above matter for the peace of my own mind.

Francis H. Fitzgerald, Duluth, Minn. I was interested to note your plan for a proposed \$5 tax. On December 15, 1941, I suggested a \$5 tax to be paid by all men and women, call it a Citizens Tax. * * * You will reach a group between zero and the lowest income bracket, who are quite able to pay a share of the expenses of the Government they benefit by and from, and who, under the present system, never pay a cent and never will. * * * I am 62. Tried to get a job on Army construction work, too old, so! Wrote the President about it, but had no reply! Adjutant General regrets present age limit causing Army to lose thousands of valuable men. How come?

Dr. F. C. Seids, Perry, Okla. Year after year as I make up my income tax returns and consider the deductions, this thought occurs to me. Why all the accounting of benefits and losses to the Government? It is no fault of the Government if I make a bad loan, or some smooth angler takes me for a fast swim after a highly colored lure, to my treasury's utter exhaustion. * * * There is in my opinion only one way to overcome these drawbacks. Make the tax a gross tax on all receipts. It would need be a very small one to bring into our Treasury double the revenue which it now receives, and I do believe it would be paid in a more cheerful manner. * * *

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Unfavorable Comments on Taxation

H. S. Blossom, LaMesa, Calif. It seems incomprehensible that any one should even suggest such drastic cuts in lower brackets of income, on both married and single people. * * * And in addition, you endeavor to make compulsory a 10% draft on all incomes to buy Stamps and Bonds. Your iniquitous proposition would fall upon all salaried men (other than Government employed), bank clerks, business clerks, elderly couples whose incomes are precarious. Your proposition has the effect of making all taxable incomes pay the deficit caused by those who are exempted by law from paying any income tax on their salaries, which includes all the Supreme Court, down to labor organizations. * * *

Miller Munson, Chicago, Ill. Feeling that the Government is disposed to be as fair as possible in its money raising program, I want to detail my personal situation - which, at the same time represents the problem of others. (Tells of salary cut, alimony and insurance payments.) * * * Now there is the strong possibility of enforced savings, plus the certain knowledge of increased income taxes. Presuming the income tax increases 50%, and the enforced saving plan is 10%, this would take an additional \$710 from me, leaving only \$1,923.60 out of \$5,100. Is this fair? And, more important, how can I get along? Those of us who made unfortunate marriages did not do so on purpose. We do not pay alimony for the fun of it. Why, therefore, should we, who already have the burden of supporting two families, have to pay taxes on the same basis as those who support only one? The facts are, we just can't do it at present and contemplated tax levels. Formerly, we could "get by" and did, but now it is impossible.

Lillian Freeman Hoover, Hotel Stillwell, Los Angeles. I most earnestly suggest you come to California at once and see the poorly clad, undernourished people who are struggling to exist - to get enough to eat and a place to sleep for themselves and family, and then see if you feel the income tax exemption should be lowered. For the few who are making more money, there are a hundred whose wages are still the same, and cost of living has doubled. I am a business woman, travel a great deal and I can't find any of these people you men in Washington think are living so high that you must take more and more away from them.

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Miss J. F. Seligman, Rochester, N.Y. A lot of people paid a few dollars to have some one help them make out their Federal income tax return but if they did so, they got the individual's attention for as long as was necessary. Three years ago I received courteous help gratis from a Federal Agent. This year, however, I was expected to bring in a completed, perfect report for 1941, so that the Agent could, by a single operation, complete what I had to pay. I had to omit an exemption claim allowed later by the State of New York, because no one could answer my question. When I was through, I was physically exhausted. The \$5 fee will enable you to hire more Agents so as to make the filing of an income tax report less of an ordeal. If the Government can claim \$5 for our filing the report, we have a claim to more attention and help in the effort.

Earl C. Webb, South Bend, Ind. * * * I have a peacetime obligation in the form of a mortgage. I don't know why any tax program should be enacted to cause a repudiation of these obligations. If these taxes are necessary, as well as compulsory, I believe the masses of people are entitled to a moratorium which will permit them to retain their property. I would become very bitter and resent any program which permitted the bankers to wax fat by interest accumulations because a home buyer would have to default his payments. My income is such that I am willing to have 50% go into a program that will end this war, but I believe every one is a better citizen to own his home and be permitted to do so. I want to be assured I can own it, and be permitted to meet my peacetime obligations.

Miss E. G. Ryan, N.Y.C. The radio and newspaper headlines tell the sad story: That the erstwhile discrimination against single persons, in the matter of Income Taxes, is to return, in all its glory! * * * This is just one more demonstration of Congress' idea of "democracy" -- and there would be no better time to slip it over than just now, when the vast majority of unmarried men of the Nation are in service, here or abroad, and not likely to be able

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to cast their votes at the next election. No doubt they'll appreciate not only giving more protective service - perhaps their lives - to their country, but also being permitted the privilege of paying more than their proportionate share of the taxes -- again, just because they are single.

E. H. Pfefferle, Cincinnati, Ohio. I think it is a shame that you should even consider reducing the income tax exemption on children. If taxes should be paid according to the ability to pay, the single man or the man without children certainly is a way ahead of the man with children. Prices have increased much faster than the little advantage a man gets for his children's exemption. If you have any children of your own, you ought to know how much it costs to feed and clothe them.

(A single man protests!) Emilio Coneiteo, Long Branch, New Jersey. And once again the screw has been turned against the single men, as though we were a class of dogs. The single men are the last to be hired, the first to be fired, the most heavily taxed, why? * * * Single men for the draft, single men here, single men there. * * * So all of you old men of knowledge and experience should know that single men cannot carry the saddle for the rest of the community. You can force me to disgorge most of my wages, but I can quit my job and not work at all. When I work, married men do not come to help me. I well know what the Japs did at Hong Kong, and what they will do here if we lose. The married men know that too, but they do not move to go and protect their wives -- do their best to get deferred, send their wives to cry before the draft board; in short, I have to go to fight for them, I have to pay the expenses of the war for them. Sir, that does not go, we want equal duties and equal rights.

E. E. Dean, Los Angeles, Calif. The Public is waiting to hear you suggest and cause to be put in force TAXES ON ALL GOVERNMENT PAID SALARIES! For God's sake, why not? None are more easily earned.

Favorable Comments on Bonds

Mrs. Richard M. Samuel, Flushing, N.Y. Tonight on the Treasury Department Program some colored men from Tuskegee Institute sang "America". My husband and I sat in our parlor breathless - our eyes filled with tears. We considered ourselves so sophisticated that we could hardly believe those tears the result of anything other than our cigarette smoke. But we had to realize that we had had a musical and patriotic experience that could be felt only by those who had heard that rendition of "My Country 'Tis of Thee"! May I suggest that a recording of that song, by those singers, be made to be sold for War Bonds or Stamps? * * *

Hill Lakin, Blue Island Publishing Corp., Blue Island, Ill. The enclosed list of merchants and business men of this area have already underwritten ten weeks' campaign on War Bond purchases and are volunteering to do so again in many instances. * * * This is an industrial town of very mixed population. One of the first service men to be missing from this area was a Marine -- Tony Lepore, son of an Italian immigrant. Tony was last heard from on Wake Island. A boy named Peetz, whose father was president of the German-American Club here, was at Pearl Harbor. We are proud of our community, Germans, Italians, Swedes, English, Polish and Mexicans -- they are all fine AMERICANS. * * * Every man in service from this community gets the home paper through a special Citizens Organization.

H. G. Garnett, Tulsa, Okla. It would be interesting for the people of this country to know that the President, Members of the Cabinet, Members of Congress, and the tax flight Government employees have all signed pledges for Bond purchases such as the rank and file are asked to sign.

Mrs. Anna E. Hamilton, Pensacola, Fla. I listened in on your beautiful Treasury Hour Program last evening. Won't you please have those singers sing, "My Country 'Tis of Thee"? Oh, it was glorious. We race through it so fast that we do not have time to think about it, but sung slowly and devoutly as it was last evening, it became holy and dignified. * * * Mrs. Morgenthau has a splendid radio voice. She enunciates well, has no affectations, speaks her piece and quits. It is a fine radio voice. That means so much.

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Hon. Leon Henderson, Administrator, Office of Price Administration, Washington, D. C. * * * I think you are going at this job in a very thorough and effective way. The pamphlet, explaining the operation of the plan among General Electric employees, is particularly well done, and provides what seems to me to be a complete manual answering all conceivable questions. Furthermore, it is well laid out and should prove an excellent sales medium. I wish you every success with it.

Philip Strauss, Manager, Pine Plains Theatre, Pine Plains, New York. * * * A patron of mine was criticized yesterday because he drove five miles in his small truck with his family to attend my theatre. The contention was that he should not have used valuable gasoline for that purpose. Of course, while attending the theatre, they saw and heard Secretary of War Stimson and yourself, and Miss Dorothy Lamour appeal to them to buy War Bonds and Stamps, was shown why to buy his winter's supply of coal now, Gary Cooper urged them to contribute to Army and Navy Relief, which he did, and paid twelve cents in admission tax. They also obtained several hours of much needed relaxation. My theatre is located in a rural community where about 70% of my patronage comes by car. I seek a clarification as to whether our Government feels the use of gas is worthwhile for this purpose.

Maxson F. Judell, Hollywood, Calif. I happened to "catch" the Texaco program last night on which appeared Mrs. Morgenthau. To use a colloquialism -- I like to give the "devil" his due and, having originally projected Eddie Cantor in a major way for radio, discovered Gracie Allen for radio, etc., may I say that Mrs. Morgenthau was most excellent on the air. Her voice had the proper shadings - came clear - and, best of all, had appeal. I heard it for the first time. The first feeling is - well, she's on because she's the wife of Mr. Morgenthau. Therefore I say to YOU -- and by all means, tell her -- that she got by with flying colors on her merits. Never praising except on performance, she -- and you -- can take the compliment as meant. * * *

Aaron M. Frank, Portland, Oregon. * * * Mrs. Morgenthau's eloquent speech and program, which we heard last Sunday, was inspiring and magnificently done.

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John C. Nichols, Representative, The Mutual Life Insurance Company of N.Y., Grand Rapids, Michigan. The agents of our Company are extremely proud of the job that our Company is doing in its percentage of investment in Government Bonds compared to its total assets. We believe that this is the patriotic thing for our Company to do, as well as it being the ultimate in security for our policy-holders. We also believe that all of the larger insurance companies should adopt the same principle for their investment policy, particularly during our national emergency. * * * One of our larger companies, however, is not investing in Government Bonds to the extent that they should during this war, nor did they do so during the last war. Statements for January 1, 1941, showed that The Mutual Life Insurance Company of New York had an investment in United States Government Bonds of \$401,858,397. That figure now is roughly \$540,000,000. In the same period, The Northwestern Mutual Life Insurance Company of Milwaukee, Wisconsin, with approximately the same amount of assets, had an investment of United States Government Bonds of only \$119,856,747. This in spite of the fact that the Government was instrumental a short time ago in relieving Northwestern, through Government emergency loans, of an extremely large amount of farm investments that were not good. * * * Agents of The Northwestern Mutual, after the last war, bragged that their company did not invest in Liberty Bonds during the war but waited until after the war, when they could be bought at a fraction of their face value. * * * Certainly the situation will bear investigation. Criticism of one large company reflects upon the character of all mutual life insurance companies.

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Unfavorable Comments on Bonds

H. G. Waite, Huron, Ohio. As president of the local bank, I have sort of been put on the spot by the current drive to sell War Bonds. On January 15 I suffered a light stroke and am just getting ready to go back to work; in addition, my son has had to have an operation for appendicitis. Naturally I have incurred some medical bills. Should these bills be paid before buying Bonds? I notice there is talk of taking 10% of a person's salary for Bonds, in case voluntary subscription is not a success. My salary is \$2,720 per year, and I have 4 children aged 10, 14, 16 and 19. The oldest, a boy, is just completing his second year in college. I have had an operating loss every year since 1937, which has been absorbed by selling securities bought before my family upkeep became so large. Do you feel that the 10% deduction is fair for people who are already operating in the red? Or should I sell Kansas City Southern at 4, which cost me 60, in order to meet expenses and buy Bonds? Most stocks, as you know, are selling prices much below the average. This letter is not written in a spirit of criticism, but because I feel there must be similar cases and from your experience, you should be able to advise in matters of this kind.

Mrs. Laura Lambert, Point Cedar, Ark. I live in a rural district of about 175 or 200 people, and we have had pleas from the board of national defense to sign up to buy Bonds and Stamps, but what we want to know is, how can we buy the Stamps when no one here is allowed to get them to sell? The Postmistress has written to the Post Office Dept. and was told there weren't enough people here to afford this. The 4-H Club boys and girls have been asked to at least buy a 10¢ Stamp each week. We can't buy if our merchants or Postmistress aren't allowed to have them. There aren't so very many of us around here able to buy a whole Bond at one time, but we could buy from 10¢ to \$1.00 in Stamps about every week until after a while it would be a Bond. Will you please tell us how? * * *

- 12 -

Ray W. Druckenmiller, Allentown, Pa. * * * In my business (life insurance) prospects, people who need the benefits of life insurance are more and more advancing as the reason they cannot purchase, the fact that the Government wants them to "Buy Bonds". They say their immediate superiors at work insist that they "Buy Bonds". They agree they need life insurance protection but can't afford both. * * * In my opinion, expression of some kind from your Department, suggesting in effect that where an individual needs the benefits of life insurance protection for his family, he should not purchase U. S. Bonds at the expense of properly providing for his family. * * *

"An Employee", State Social Security Commission of Missouri, St. Louis, Mo. * * * I work in the city office of this organization, and it has hundreds of employees. Not one of them, from the City Director down to the janitors, buys a Bond, but knocks you and our fine leader, President Roosevelt. However, they can draw their fat salaries every month for doing practically nothing. * * *

Robert E. Sherwood, Chairman, Board of Trustees, The First Church of Christ, Springfield, Mass. On May 5, 1941, this church purchased through their Agents, 10 Defense Bonds, Series "G", 2½%, 1953, for the Church Endowment Fund. The Trust Company had them registered as follows: "Trustees of the Funds of First Church of Christ, Congregational in Springfield, Mass., Endowment Fund". You have forwarded the Bonds to the Springfield Safe Deposit & Trust Company, which also furnished you a copy of the Church By-laws pertaining to this authorization. This is sufficient data for you to send the check for the interest made payable, as Bonds are registered, to the Springfield Safe Deposit & Trust Company, State Street, Springfield, Mass. * * * Why, in the name of common sense, does your Department insist that we, the Trustees, make out so many forms which do not relate to our purchase of Defense Bonds? The income from the Bonds is not sufficient for us to hire a lawyer to untangle the mess of forms we are receiving from the Treasury Dept. (1) Why waste paper? (2) Why hire a pack of Attorneys who delight in the "sport" of red tape? It will not be necessary for you to reply to this letter. Just send the interest check to the same source from which you received the funds for the Bonds and all will be well.

- 13 -

M. T. Halbrooks, Birmingham, Ala. On the 14th of May I went into the Post Office in Talladega, Ala., with money enough in small change that my wife and I had saved in new money to buy a Defense Bond. The clerk in charge of the Defense Bond window informed me that they did not count small change, and I would have to put it in wrappers before he would accept it. I went to the Talladega Bank where they gladly counted it and sold me a \$25 Bond. In view of the appeal that you are making for citizens to buy Bonds, and you take money to a Government institution for that purpose, and it is refused because a clerk won't count it, I don't see where you can expect the cooperation of the public.

M. R. Batty, Chicago, Ill. On March 31, I wrote you regarding the possibilities of diverting installment loan payments directly into the purchase of War Bonds. The proposal was not a selling idea. The thought expressed therein was the desirability of absorbing excess current income into War Bonds without allowing the income to get back into the current spending stream. * * * I received no answer from you and naturally believed that, after examining the proposal, the Treasury had decided there was no merit involved. Yesterday morning I noted an article in the Chicago Journal of Commerce indicating that the Colonial Trust Company of Pittsburgh, Pa., was using a plan exactly as outlined in my previous letter. * * * Earlier in this letter I indicated that I had not received a reply from you. This is true, although I did get a letter from Harold Graves informing me that I could get information regarding War Bonds at Room 300, #105 West Adams Street. I was not submitting a selling idea -- I believed I was submitting, and still believe I was submitting, an anti-inflationary measure. * * * I admire your stand for voluntary purchases of War Bonds as an anti-inflationary measure. I do not believe your War Saving Staff, in general, is cognizant of that prime factor in the War Bond and Stamp program. I am in daily contact with dozens engaged in this effort, and it is very seldom that I hear any one of them mention the anti-inflationary element in the program, that the purchases should come out of the current income. The almost universal thought of the War Savings Staff, from my personal observation, is sales, regardless of the source of the funds.

- 14 -

P. J. McGuire, President, General Service Corp., St. Louis, Missouri. This organization subscribed for 2½% and 2% Bonds on December 13, 1941. * * * There has been considerable delay in issuing these Bonds because of the regulations and restrictions of your Department. The 2½% didn't come through until May 5, and we are still short the 2%, although we have made a number of requests for them, and I want to state this is delaying this organization in getting our Bond account straightened out so we can invest possibly more money in future issues. For that reason I am taking the liberty of addressing you on the subject.

Karl M. Wehinger, N.Y.C. * * * I find much reluctance on the part of patriotic citizens who want to buy and who are in a position to do so, but who feel they cannot. The reason is readily understandable and seems to me to be easily corrected without disturbing any of the objectives of our Government. The fly in the ointment is the restriction that the beneficiary may not be changed during the life of the Bond. This produces many complications. The removal of such restriction should help materially. It may also permit business men to use their Bonds as collateral for emergency loans, somewhat after the fashion of life insurance policies.

Charles L. Seleway, Salina, Kan. I am the chairman of a committee in our local Council of Defense, which approves any campaign for the raising of money for war aid purposes, and the sale of Stamps and Bonds. Our county is to sell during this current month, something over \$103,000 worth, and under the plan devised, 600 Air Wardens in our city will make a house to house and business to business campaign during the last week of this month in the hope of not only reaching, but going over the assigned quota. * * * It seems to me, and I am sure that it must appear as entirely inconsistent to every one who knows about the "mooching take" of Mrs. Anna Rosenberg's from the treasury for alleged social services rendered, that our school children, low income families, and others, should be asked to buy 10¢ Stamps, and those who can afford to buy Bonds. I was an ardent New Dealer in 1932, and in 1936 felt that we should continue that plan of Government, but my interest in the New Deal has radically changed because of the utter waste, extension of special privileges and emolument to supporters of this present chaotic and extravagant outlay of public finances. * * *

- 15 -

Anonymous, Detroit, Mich. There would be a wonderful pick-up in the purchase of Defense Bonds if Washington would only give a straight, heart-to-heart talk to the people (in print and over the radio), to the effect that Defense Bond money will be used solely to lick the enemy, and that no more of it will be wickedly wasted through graft and crazy projects of all kinds. * * *

Joe A. Taylor, Jonesboro, Ark. We have just about finished the drive on the sale of Bonds and Stamps. Every one was enthusiastic about them in helping the war effort, but it burns people up to know that a part of the money goes to WPA, CCC and other such agencies, especially the WPA. I bought the first Bond sold in Jonesboro, May 1, 1941, and have bought a \$500 Bond every month since, and I hate like h--l to think that one dime will be squandered on WPA, CCC, NYA or any of the rest of the agencies you are squandering money on.

Arthur W. Soine, U. S. Naval Base, Trinidad, B.W.I. It is my impression that your Department is strongly urging the purchase of War Bonds. There are thousands of U. S. citizens working on construction of military bases in the Trinidad area. We are told that absolutely no provisions have been made for the sale of Bonds outside the U.S.A. It seems strange to me that the opportunity of readily purchasing Bonds be denied to us. I will appreciate a reply.

Miss Helen Peck Young, Montclair, N.J. With President Prado in this country, may I ask that you kindly use your influence to obtain for citizens in this country back interest payments on Peru Bonds purchased in 1928 -- or better still, our capital? * * * The newspaper states that Dr. Prado had been President of the Central Reserve Bank of Peru for five years, prior to his election as President of Peru, so he must be fully aware of Peru's obligations. He should be reminded of these obligations. * * *

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THE SECRETARY OF THE INTERIOR
WASHINGTON

MAY 22 1942

My dear Henry:

I have received the Acting Secretary's letter of May 15 regarding the General Aniline and Film Corporation, which was the subject of previous correspondence. I shall be glad to see that the clearance of this Corporation is conveyed confidentially to the proper officials in the Department.

Sincerely yours,

Harold L. Parks
Secretary of the Interior.

Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose Statement No. 34 - Aircraft Despatched
- for week ended May 19, 1942.

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

May 22, 1942.

STATEMENT NO. 34AIRCRAFT DESPATCHED FROM THE UNITED STATES DURING WEEK ENDED MAY 19th, 1942

DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DEL'D FOR USE IN CAN
7 Crane IA	Canada			7
SS Hawk IA	South Africa		8	
	Middle East		23	
	New Zealand		6	
Hudson IIIA	Canada			1
AC 151	U.K.		3	
n V	Canada			1
n IIIA	New Zealand		12	
ROP				
NANCE	Australia		5	
A L S		54	3	9

sh Air Commission

1st, 1942.

May 22, 1942

Dear Mr. Ambassador:

I have just had the pleasure of reading the foreword you have written for the British edition of "There Were Giants In The Land." As you know, this book was undertaken at the suggestion of the Treasury Department, and we are quite proud of the finished product.

I am so glad that you thought well enough of this collection of essays about great Americans to want to give them your blessing. Still more important are the understanding comments you have made. I am sure they will have their effect in further strengthening the common Anglo-American purpose.

Sincerely,

(Signed) H. Morgenthau, Sr.

His Excellency,
The Right Honorable
the Viscount Halifax,
British Ambassador,
Washington, D. C.

FK/ogk

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

FOREWORD

One effect of the war has been greatly to increase the interest which the people of Great Britain and the United States now take in each other.

This collection of twenty eight short studies of famous Americans of the past by twenty eight American writers of contemporary fame, will nourish the desire of English readers to learn more about their great fellow democracy across the Atlantic.

Historical knowledge is no mere luxury today, but of all necessities the most vital. The more the nations of the world know of each other's past the better will they understand each other's present, and the future role which each may play.

Knowledge of any nation is incomplete if nothing, or little, is known of those who have contributed to its national heritage. You cannot know the mind of a people unless you know something of its heroes - by which term I mean not merely its
great /

great captains, but all those men and women whose memory illumines the ideals by which a great people lives.

The collection presented in this volume constitutes a parade of great Americans from the time of Roger Williams who founded Rhode Island in the seventeenth century, to Associate Justice Benjamin Cardozo who died in 1938.

Only twenty eight names are here. Many great Americans who helped build their country in the field of Science, Industry and Invention have been set aside to make room for others who have contributed to the spiritual life of the nation. The influence of men such as Thomas Edison or Wilbur Wright can be seen every day and in every country. The importance of men such as Walt Whitman, or Cardinal Gibbons, is less easily understood even in the United States itself.

Some of the names will be well known to English readers - George Washington, Abraham Lincoln, Robert E. Lee, and Theodore Roosevelt. Other names will be familiar but will be little

more /

more than names, such as that of Julia Ward Howe, author of the "Battle Hymn of the Republic". Others may be almost unknown. Few, probably, have heard of Frederick Douglass, who was born a negro slave but rose to serve his country as its Minister in Haiti.

When one of America's best known biographers, Carl Sandburg, the author of a life of Abraham Lincoln which has already become a classic, was asked to contribute to this collection he agreed with the words "This country has been good to me". The United States has indeed been good to Americans whether native born or like Carl Schurz, immigrants from Europe. Americans know it, and are eager to repay their debt to America. In these pages they will find new strength to bear the sacrifices they know to be necessary for America's salvation. And we may here gain insight into the great traditions that inspire the people of the United States.

Helifax

May 1942

May 22, 1942

Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the ten-day period ending May 10, 1942

1. Exports to Russia

Exports to Russia as reported during the ten-day period ending May 10, 1942 amounted to nearly \$29,000,000. Military equipment was the principal item, totalling \$9,292,000. However, due to changes in reporting procedure by the Department of Commerce, these figures and those given below do not give a complete report for the period under review. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China during the ten-day period ending May 10, 1942 amounted to about \$296,000, of which military equipment accounted for considerably more than half. (See Appendix D.)

No exports to Burma were reported.

3. Exports to France

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

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Sweden amounting to \$85,000.

ISF/ess
5/23/42

862
STRICTLY CONFIDENTIAL

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

July 28, 1941 to May 10, 1942.

(In thousands of dollars)

	July 28 to April 30	Period ended April 30	Period ended May 10 2/	Total Domestic Exports
U. S. S. R.	\$397,731	\$80,988	\$28,688	\$477,346
Free China	70,866	2,827	296	73,929
Burma 2/	12,196	-	-	12,196
France 3/	6	-	-	6
Occupied France	2	-	-	2
Unoccupied France	28	-	-	28
Spain	2,849	1/	1/	2,849
Switzerland	9,783	223	1/	10,006
Sweden	17,491	155	85	17,721
Portugal	8,744	82	1/	8,795
French North Africa 4/	6,283	-	-	6,283

Treasury Department, Division of Monetary Research

May 20, 1942.

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

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

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

4/ Includes Morocco, Algeria, and Tunisia.

5/ Less than \$500.

6/ Due to changes in reporting procedure by the Department of Commerce, this report is incomplete for the period indicated.

JAN:vi 5/20/42

APPENDIX B

Exports from the U. S. to Free China, Burma and
U. S. S. R. as reported to the Treasury Department
July 26, 1941 - May 10, 1942
(Thousands of Dollars)

	<u>Exports to Free China</u>	<u>Exports to Burma 1/</u>	<u>Exports to U. S. S. R.</u>
July 26 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		986
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	2		1,023
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,281 2/		5,217
Sept. 15 - Sept. 20	3,822 2/		752
Sept. 22 - Sept. 27	110	449	2,333
Sept. 29 - Oct. 4	1,225	684	323
Oct. 6 - Oct. 11	5,312	1,157	6,845
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	403	5,623
Oct. 27 - Nov. 1	4,772	58	4,484
Nov. 3 - Nov. 8	1,672	342	4,552
Nov. 10 - Nov. 15	2,851	88	2,677
Nov. 17 - Nov. 22	1,228	1,021	3,581
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10 4/	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28	2,921	-	28,119
Mar. 1 - Mar. 10	2,879	23	32,509
Mar. 10 - Mar. 20	8,058	3	28,556
Mar. 20 - Mar. 31 6/	2	2	42,435
Apr. 1 - Apr. 10	4,836	447	51,698
Apr. 11 - Apr. 20	5,335	639	66,906
Apr. 21 - Apr. 30	2,827	-	50,958
May 1 - May 10 7/	296	-	28,652
Total	876,592	811,083	8477,832

1. These figures are in part taken from copies of shipping manifests.
2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.

Appendix B
Exports from the U.S. to Free China,
Burma, and U. S. S. R.

Page 2

3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.
6. 11-day period.
7. Due to changes in reporting procedure by the Department of Commerce, this report is incomplete for the period indicated.

APPENDIX G

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the ten-day period ending
May 10, 1942 1/

(Thousands of Dollars)

TOTAL EXPORTS

\$ 28,652

Principal Items:

Military equipment	9,292
Motor trucks	4,232
Eggs, frozen, dried or canned	2,348
Insulated copper wire	1,045
Steel sheets	935
Sausage, canned	875
Steel bars	615
Pork, canned	535
Armor plate	452
Refined copper	458

1. Due to changes in reporting procedure by the Department of Commerce, this report is incomplete for the period indicated.

Treasury Department, Division of Monetary Research May 22, 1942

ISF/af 5/22/42

APPENDIX B

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the ten-day period ending
May 10, 1942 1/

(Thousands of Dollars)

TOTAL EXPORTS	\$ 296
Principal Items:	
Military equipment	188
Ore and rock crushing and sorting machinery	59
Other mining quarrying machinery and parts	47
Iron and steel pipe, n.e.s.	2
Telephone equipment and parts	2
Relief supplies - surgical and hospital equipment	1

1. Due to changes in reporting procedure by the Department of Commerce, this report is incomplete for the period indicated.

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

Capetown

Dated May 22, 1942

Rec'd 1:25 p.m.

Secretary of State,
Washington.

94, May 22, 10 a.m.

Referring to the Department's telegram No. 11,
February 11 to the Legation. The Consulate General
on May 21 took delivery of United States currency
totaling \$20,650 from the South African Reserve Bank.

DENBY

LMS

Copy:bj:5-25-42

C
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369

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 840.51 Frozen Credits/6401

May 22, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report dated May 13, 1942, received from a confidential source within the Government:

"Payments to German Firms by Argentina"

"As of possible interest to you, information has been received from a reliable confidential source which advises that in March 1942, the Argentine Government made payments to German firms on behalf of the Argentine Purchasing Commission Abroad, Lisbon, Portugal, as follows:

<u>Amount</u>	
182.25 Reichmarks	Dresdner Spiralfedernfabrick Strobel & Company, Dresden, Germany
1,607.70 Reichmarks	Franz Seiffert & Company, A.G. Berlin, Germany
2,000.00 Reichmarks	Joseph Meissner, Transportation and Warehousing Expenses"

eh:copy
5-25-42

J.N.P

May 22, 1943

Mr. Livesey**Mr. Dietrich**

Will you please send the following cable to the American Embassy, Rio de Janeiro, "to Exchange Director, Bank of Brazil".

Please have included in this cable the signature of E. H. Foley, Jr., Acting Secretary of the Treasury.

Mr. Foley wishes that this cable be sent today without delay.

CABLE

**TO: EXCHANGE DIRECTOR
BANK OF BRAZIL**

The Treasury Department wishes to express its deep appreciation of the cooperative attitude taken by Brazil in controlling transactions in dollar currency to prevent any benefit being derived from such transactions by the Axis countries. The action taken by Brazil as reported in the morning press will facilitate the enforcement of the rulings of the Treasury Department on the control of such currency.

(Signed) E. H. Foley, Jr.

E. H. Foley, Jr.

Acting Secretary of the Treasury

EMD/jm
5/21/43

PARAPHRASE OF TELEGRAM RECEIVED

372

FROM: American Embassy, Chungking, China.

DATE: May 22, 1942, 2 p.m.

NO.: 588.

The following is a message from Adler for the Secretary of the Treasury and is marked TF-39.

Section 1.

1. April retail prices in Chungking (index of Farmers Bank-January to June 1927 equalling 100)

General Index 3800

Food

These represent increases of more than 40 and 50 per cent on January and of 12 and nearly 18 per cent on March respectively.

2. The circulation of legal tender notes in April was CN\$18840 million. This was an increase of nearly 16 per cent over January and 5.7 per cent over March. The increase of retail prices was more than triple that of the note issue between January and April.

3. Up to May 20, CN\$55 million worth of saving certificates had been sold.

4. Information was received from the Vice Minister of Finance, Mr. Yui, that the plan for the formation of a market for government bonds was deferred.

Section 2.

Shanghai financial conditions up to April 16 were as follows:

1. Originally the notes of the puppet Central Reserve Bank were issued at par with fapi. The number of banks permitted to engage in financial transactions is limited to 60. The amount for money changers with each bank is limited to \$40,000, and the amount for each person per day to \$300. No fapi issued by the Farmers bank in or before 1940 will be accepted. Central Reserve banknotes in circulation on

the

the 11th of April reached a total of \$778.4 million. This was \$77.8 million more than the March total and treble the total reported for December.

2. Military yen on January 20 equalled 3.9 fapi and on April 12, 7. fapi. Subsequent to a fall in December to 2.65 fapi the Hong-Kong dollar recovered to 4.70 fapi. Last reports of the U.S. dollar were at 33 fapi recovering from an earlier fall to 15.30 fapi. The price set on gold bars by the Central Reserve Bank is \$18,650.

3. Only central reserve notes are acceptable to the municipal council, although fapi are acceptable at the official discount. The Shanghai total of fapi in circulation is decreasing. (Reports indicate that materials from free China are being purchased with fapi by Chinese in occupied areas.

4. Allied banks are continuing to liquidate. All deposits of non-belligerent nationals in these banks may be withdrawn by stages, but only up to \$2000 is permitted to nationals of belligerent countries. The Mitsubishi is receiving by transfer all deposits originally in the National City. The Japanese are buying all the United States dollar notes which were in vaults of British banks at 5 Japanese, 55 fapi. They will be sold on the open market. The notes which were in the National City's vaults are being held. The Japanese are selling at falling prices bonds which were held by four Chinese Government banks. Remittances to the South Seas are being monopolized by the Yokohama Specie Bank.

5. Barter agreements have been made by the enemy between Central China and North China, Mongolia and Manchuria. An import and export permit system for trade between Japan and occupied areas and Shanghai has been instituted. Resumption of South Seas trade is reported as being planned.

6. Prices of textiles, foods, and other essentials increased between two and three times between January 20 and April 2. The bulk of the increase occurred last month and it is said to be due to private hoarding and speculation. With the exception of the price of rice, daily prices are still far below Chungking prices.

Apparently

Apparently because of the high cost of rice many people are buying flour. Steps to control prices are being taken by the authorities.

In strict confidence. (A report made available by Mr. K. P. Chen was the primary source for Section Two. Mr. Chen's report was based on clippings from Chinese newspapers in Shanghai up to the 16th of April.)

GAUSS

TELEGRAM SENT

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

May 22, 1942

10 p. m.

AMBASSY,

QUITO (ECUADOR).

349.

Department's 298, May 5, 10 p.m.; 310, May 9,
3 p. m.

Treasury asks when it may expect reply.

HULL
(FL)

FD:FL:BM

RA

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376

DEPARTMENT OF STATE

WASHINGTON

In reply refer to
FD

May 22, 1942.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 25 dated May 21, 1942 from the American Vice Consulate, Suva, Fiji Islands, regarding Fiji Treasurer's decision not to adopt Treasury's scheme for disposal of United States paper currency described in Department's 20, April 27, 5 p.m.

Telegram no. 24 dated May 8, from Suva, referred to herein, was transmitted to the Secretary of the Treasury with the Department's letter of May 8.

Enclosure:

From Vice Consulate, Suva,
no. 25, May 21, 1942.

eh:copy
5-22-42

HRL

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

Suva

Dated May 21, 1942

Rec'd 1:05 p.m.

Secretary of State,
Washington.

25, May 21, 5 p.m.

My 24, May 8, 1 p.m.

Please inform Treasury "Fiji Treasurer today informed this office and the Bank of New South Wales and the Bank of New Zealand that after consideration and in order to follow uniform procedure throughout 'sterling area not to adopt Treasury's scheme for disposal of United States paper currency described in Department's twenty April 27, 5 p.m. but to adhere to procedure outlined in 'Bank of England's notice F.E. 182' relative to this matter.

Despatch will be forwarded by air mail giving particulars of local exchange rates fixed on the basis of dollars 4.03-1/2 per pound net."

ABBOTT

WGC

COPY NO. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 168

Information received up to 7 A.M., 22 May, 1942.

1. NAVAL

Attacks on shipping by U-boat. An outward convoy to FREETOWN was attacked on 20th/21st 140 miles east of the AZORES. 1 ship was sunk. A fleet auxiliary was badly damaged and had to be sunk by gunfire.

2. MILITARY

RUSSIA. The Russian advance on KHARKOV continues. The German advance northwards into the ISYUM area is now developing into a serious threat to the Russian salient south of KHARKOV.

3. AIR OPERATIONS

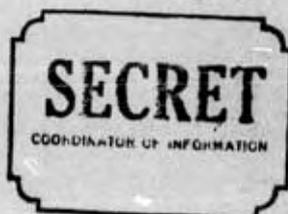
WESTERN FRONT. 21st/22nd. 48 bombers were sent sea mining off the French Atlantic Coast. About 30 enemy aircraft operated between FLAMBOROUGH HEAD and the WASH.

MALTA. 1 ME 109 was shot down.

4. BORDEAUX. Submarine shelters are being constructed in the port. They are designed to accommodate 15 submarines but are unlikely to be finished for several months. They are similar to those at BREST, ST. NAZAIRE and LA PALLICE. The work is being carried out by the Germans O.D.T. Organization although BORDEAUX is only used by Italian submarines.

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



May 22, 1942

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

Dear Henry:

The attached is from the British
Ministry of Information Weekly Guidance. This
item is purely informational and not for pub-
lication.

Sincerely,

William J. Donovan

Attachment

380.
SECRET
COORDINATOR OF INFORMATION

1. German forces Eastern Front probably as great as those with which Summer Campaign 1941 commenced. Satellite forces not more than five per cent. But note paragraph two.

2. Eastern Front.

General policy: Still reckon with probability vast German offensive with considerable initial gains. Offset with wastage German manpower, immensity Russian reserves, Russian genius for manoeuvring in vast spaces at their command. Do not let Germans get away with picture of substantial united European army fighting on Russian Front and set contributions of satellite forces in proper perspective.

3. Far East. Liveliest Japanese strategy southwest Pacific completion of occupation New Guinea rather than attempted immediate invasion Australia. Don't regard Coral Sea battle as conclusive but preliminary fight for control of those waters.

4. Inside Europe. Stress increasingly reports of sabotage disaffection executions, German manpower shortage which dominates every other European problem. But make clear nobody expects collapse Germany Italy until military defeat shakes existing regimes.



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



May 22, 1942

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

Dear Henry:

I am attaching for your
information a report on the British
Political Warfare German directive
(proposed) for the week of May 31
to June 6.

Sincerely,

WJ
William J. Donovan



Plug Goering's speech of May 20. Significant points are:

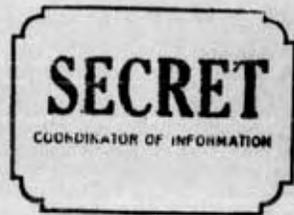
- a. Admission war must be long and last three harvests bad.
- b. Over dramatic version of Eastern campaign. Propaganda aim of speech to justify speedup, special powers at home by enlarging suffering of soldiers.
- c. No attacks on Britain. Jew only enemy. Significant connection with attempted negotiated peace.
- d. Goering accepted story Hitler personally decided not retreat in Russia.

P.W.E. suggested comment:

- a. Expose trick painting Russian winter black to justify events at home.
- b. Bad harvests make intense suffering inevitable in long war.
- c. Goering trying comeback by highlighting Fuehrer's genius in Russia.



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



May 22, 1942

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

Dear Henry:

I am attaching for your
information an advance report on
the British Political Warfare Italian
directive for the week of May 22 to
May 28.

Sincerely,

Bill
William J. Donovan



1. Do not comment on campaign against France or Mussolini's visit to Sardinia.

2. Explain new fiscal measures when they announced as inevitable result Mussolini's mistaken policy with main burden falling on classes least able to bear it and as inadequate solution which fails to help finance the war. Real costs of war are being concealed by Fascists.

3. Do not draw conclusions from withdrawal of German bombers from Malta; stress Mediterranean Allied activity as successful effort to divert Axis forces from Russian front.

4. Report Russian fighting objectively.

5. Stress news to show Allies are able to attack Western Europe to refresh Axis apprehension of possible Allied invasion.

6. Political Warfare Executive will follow above line, but no reason why we should not, and may be reason why we should comment on Italian claims for Nice, Corsica, following line Mussolini repeating show of independence while using customary stab in back tactic of claiming really unimportant spoils from weakened defeated French.

7. If Italians get Corsica agreed line may be:

a. Stab in back; b. Corsica, Nice are useless, will not help economically; c. move made for prestige only is certain to prejudice Italy later by alienating all decent people, solidifying French American opposition at peace table.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE May 22, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Summary of Military Reports

Vichy France

The actual circumstances of the clash between the R.A.F. and the French air force are as follows:

On May 18, a Catalina on anti-submarine patrol was attacked by a French fighter and was forced to alight on the sea, twenty miles north of Algiers. A British destroyer rescued the crew, two of whom were wounded. Later, two French fighters shot down a naval Fulmar fighter, which was protecting British naval units in the Mediterranean. (It is clear from this report that the French attacks on the British airplanes were without any excuse and can only be regarded as acts of provocation.)

(U.K. Operations Report, May 19, 1942)

German Navy

The German pocket battleship, Admiral Scheer, is now at Narvik. The remaining German pocket battleship, the Lutzow, is on its way to join the Admiral Scheer. The Prinz Eugen and four destroyers have arrived at Kiel. (All of the German major naval units which are in a fit condition to fight are now in Trondheim and Narvik in position to threaten the supply line to Russia.)

(U.K. Operations Report, May 7 - 14, 1942; May 19, 20)

Malta

In the afternoon of May 18, further reinforcements of seventeen Spitfires reached the Island. (The British now have around 100 planes of all types on the Island.)

(U.K. Operations Report, May 19, 1942)

Libya

Rommel has finally reached the strength necessary to be able to undertake an offensive, should the strategic situation demand it of him. (The British also are in the similar position of not being completely ready, but being able to take the offensive, if necessary.)

(U.S. Operations Report, May 7 - 14, 1942)

Conditions in Greece

The police in Athens demand the return of the bread ration card of any deceased person, before they will issue a burial permit. As a result, it is a common sight in the streets of Athens to see dead left on the sidewalks during the night with pillows under their heads and their hands crossed piously on their breasts. All identification is removed. In this way, desperate families are able to hold on to the additional bread card.

(Report from C.O.I. representative in Ankara, May 20, 1942)

Use of American Planes (Douglas Bostons, or A-20's)

"...The aircrews, who have been taking their Bostons over France, have some interesting tales to relate. We recently visited a squadron which has made daylight raids on such objectives as the power station at Comines, Hazebruck and Abbeville railway yards, shipyards at Le Trait, shipping at Le Havre, and the Matford motor works at Poissy, near Paris.

"With the intense flak thrown up over these areas, which are highly protected by the Germans, the turn of speed of the Boston III is a useful asset, though this advantage cannot be utilised to its full when the attack is made in formation. A peculiarity of flying through highly concentrated anti-aircraft fire is that damage is caused more by the rain of falling shell fragments than by direct hits or near explosions. A spent shell fragment is not harmless when hit while travelling at something over 300 m.p.h., so the crew, with the exception of the rear gunner, wear steel helmets. The rear gunner cannot wear one as he is operating in an open cockpit, and the slipstream would be sufficient to break his neck if it caught under the helmet.

"One air gunner we spoke to was very proud of having shot down one of the new Focke-Wulf F.W. 190 fighters. The F.W. 190...is very manoeuvrable and fast, but, by present standards, poorly armed, having only six machine guns.

"By virtue of the protection given by our fighters and the fire power of the Bostons themselves, for they each carry no fewer than four fixed guns forward under the control of the pilot, and two free guns pointing aft, no Boston has yet been brought down by enemy fighters."

(Source: "Flight", April 16, 1942, p. 373)