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May 29, 1942
9:54 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Congressman
Summers: Hello, Mr. Secretary.

HMJr: Hello Mr. Summers. How are you?

S: Fine. Yesterday, Mr. Steingut - you may recall he was in to see you.

HMJr: Yes, I certainly do.

S: Yes. I had a conversation with him, and at leaving he said, "I think it would be well if you were to call Mr. Morgenthau." Well, now, I didn't know whether that was just his suggestion or something you had said to him, and if it was something you had said to him, I wanted to do so, you know.

HMJr: Well, I'd be glad to see you because he went into the whole question, and - because I've only heard his side of the story.

S: Yes, sir.

HMJr: So if you wanted to come down this morning.....

S: Any time at your convenience, sir.

HMJr: Well, I'd say about a quarter of eleven.

S: Quarter of eleven. I'll be there. Thank you a lot, Mr. Secretary.

HMJr: Thank you.

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May 29, 1942
10:00 a.m.

GROUP

Present:

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

H.M.JR: And a good time was had by all last night. I just want to let you know how I suffered. After this thing was over I said to these gentlemen, "Which is the most dignified bar in town?" They all said the Carlton was, and I said, "Let's go and have a drink", and John Sullivan wouldn't let me go. He said it wasn't dignified for the Secretary of the Treasury to drink in a public place.

MR. SULLIVAN: Tell it all. I said that after doing this job it wasn't a good time to go to a cocktail bar for the first time in nine years.

MR. FOLEY: Always got to be a kill-joy.

H.M.JR: Well, John, you did a good job up to the time I wanted to go to the bar - I had no right to practice the Washington bar.

Everybody did a good job, Gaston, Kuhn, Blough. We had a good time, and the committee enjoyed it, didn't they?

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MR. SULLIVAN: Yes, I think they did.

MR. GASTON: Doughton was all right?

H.M.JR: I don't know what John did to him, but when I came up there he was just beaming as though he had - I don't know what it is like in North Carolina, but whatever it is he had it.

MR. KUHN: I think the Tribune story was one of the best jobs ever done by the Treasury.

MR. SCHWARZ: Sam Bell.

MR. KUHN: Sam Bell - a fine job.

H.M.JR: I found myself whistling this morning for the first time in weeks. I really had a good time last night, and I think the important thing is that it centers the Treasury as the prop of the committee, who should police excess profits. It ought not to do your War Bonds any harm, either.

Incidentally, through Miss Chauncey I sent word that I hope you people who are interested in War Bonds are reading those reports out of Canada because they are awfully good - a swell job, if anybody is interested in what is going on in War Bonds. Harry White sent somebody to Canada, who is going from place to place - for instance, what they did in the Ford factory of Canada, very interesting.

MR. GASTON: Does Ferdie have them?

H.M.JR: No, White.

MR. WHITE: I sent copies to Graves, and I imagine to you.

H.M.JR: They were very interesting.

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MR. WHITE: The last batch are here.

H.M.JR: How they handle the labor situation in the Ford factory, how they say they don't want anybody from any committee or any white-collar worker coming down and telling them how they should subscribe to bonds; they want to do it themselves.

MR. ODEGARD: Mr. Secretary, would you like, when Mr. Budden and Mr. Mansur from the Canadian war savings committee are in town, to see them for a few minutes?

H.M.JR: Sure.

MR. WHITE: In that connection--

H.M.JR: Excuse me, I want to say that on labor they are doing a swell job up there.

MR. WHITE: In that connection, Mr. Hoflich says that there is a certain man up there whom everyone says has done a wonderful job, and he said that they would be glad to send him down here if he could be of any assistance in conferences, or anything.

H.M.JR: They have no compulsory savings, and the other thing they say--

MR. WHITE: Well, that is true - there is one thing, Mr. Hoflich wrote in one of his reports something I think indicates that in many of the factories he was informed quite frankly that the employee has to have a very good reason for not subscribing if he wants to keep his job.

H.M.JR: Well, that was in one case. That wasn't in every case.

MR. WHITE: I said in some of the factories; he said it was pretty general, but it is not compulsory in the sense--

H.M.JR: Well, I mean, Odegard wrote a letter - I had to write a letter because in this company they are

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going to too much extreme. The mayor of Baltimore, wasn't it?

MR. ODEGARD: New Haven.

H.M.JR: We had a good day yesterday. We had the State Department in here, and they had to turn a back somersault on the agreement with the English. They tried to pull a fast one on me. I said something which I hadn't - I read back, Dan, as I had forgotten. So much has happened. The President of the United States, I sent him the request of the Chancellor of the Exchequer, would we take out for the English the balance of the contracts they had on hand; and the President said he did not think this was a very good time to do it. I had kind of forgotten about it.

MR. BELL: That is right.

(The Secretary held a telephone conversation with Mr. Doughton.)

MR. SULLIVAN: Treasury has taken over the Weather Bureau.

H.M.JR: The joke is that yesterday I called up Harold Graves, after we had had this discussion, to find out how he was because Odegard said Graves' family didn't seem to think he was taking care of himself. He hadn't had his temperature taken, so I said I would send somebody to take it for him. Mrs. Klotz thought that Graves ought to be able to take his own temperature.

MR. WHITE: So the nurse you sent over to take it raised it?

H.M.JR: No, we found it was down to normal.

MRS. KLOTZ: It was a male nurse, Harry.

H.M.JR: Well, anyway, did you see him last night?

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MR. ODEGARD: No, I didn't see him last night.

MR. KUHN: I heard that he was much better but he was staying home today.

MRS. KLOTZ: This note says he is better but that the doctor advised him to remain at home today.

H.M.JR: Who sent that?

MRS. KLOTZ: That was from Miss Chauncey.

H.M.JR: I have got a couple of odds and ends. You remember I asked Mr. Bell yesterday when I could have a report on how many Bonds had been subscribed to, for Cabinet. I got word back I couldn't have it until Saturday, and I read it in this morning's paper.

MR. BELL: He didn't get any such word, I am sorry.

H.M.JR: Yes, you ask him - that I couldn't have the final figures until Saturday.

MR. BELL: Well, the final figures, but you said a report, and there it is.

H.M.JR: But here is one in the Tribune this morning.

MR. BELL: That is right. You told me to give it out this morning. I sent you a little note and said that at six o'clock tonight we could give it out, and you said, "O.K., but I want a report for the Cabinet."

H.M.JR: I can't treat you like Dean Acheson, catch you off base.

MR. BELL: No, not in twelve hours. You might in a week or two.

H.M.JR: All right, I have got one other. Maybe you'll put me in my place on that one.

I have been reading in the papers for two days about fiscal agencies seeking to stabilize money rates but not freeze them, and they never give who the fiscal agencies are. Do you know those stories?

MR. BELL: I know that fellow came in to talk to me. I said I knew nothing about the story in yesterday morning's paper; that it indicated that the story had come from the Federal Reserve Board.

H.M.JR: Is it all right?

MR. BELL: I said that generally speaking, from a practical matter, going back over the last few months we have been doing just exactly what the story says, but I said, "We have given out nothing and we have no set plan, and we certainly don't have any plan to freeze rates."

H.M.JR: I have got one more, and this is the last thing, this political - I got two. On the Canadian thing, you ought to read it, George.

MR. BUFFINGTON: I am.

H.M.JR: They keep making apologies for the fact that they are paying the bond salesmen a commission. They keep referring to that all the time, and the workmen say, "Why should we pay for these bonds and these other fellows are making money out of it?" It appears two or three times in the report.

When that man comes back I would like to meet him, Harry. He must be a very able fellow.

MR. WHITE: He is back.

H.M.JR: I think he ought to be circulating among the Bond people.

MR. BELL: On this last issue they paid three-eighths percent to the investment bankers and one-quarter percent to the banks for handling their issue.

H.M.JR: Well, I read every page; I found every page was worth reading.

MR. WHITE: Here are the remainder of his reports. (Documents handed to the Secretary.)

H.M.JR: The ones I have not read?

MR. WHITE: There is a lot of other material that I didn't want to bother you with, which I sent to Mr. Graves.

H.M.JR: I don't have to rush - I can keep it until Monday?

MR. WHITE: There is nothing there that couldn't wait - at your leisure.

H.M.JR: If I keep it, does it mean Graves can't get it?

MR. WHITE: No, it was sent to him simultaneously. Do you want to see him today or next week?

H.M.JR: Next week.

Irwin Steingut came in to see me after seeing the President. He said that they had decided, he being the leader of Andrew Somers' district, that Andrew Somers would not run again because the last time they had asked - and Somers was very doubtful about it - first, would he finance his own campaign, and, two, would he vote for the President's program. He did neither.

Irwin says, "Of course I don't mind paying for his campaign if he would only vote for the President's" - something he didn't vote for, I don't know what. Then he said something about being so useful to us, and I, being a sincere guy, said, "Yes." Then I fell into the trap. "You admit he is useful to you?" I said, "Yes." "Well then, take him off our hands and give him a job."

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MR. SULLIVAN: He is going to run independent.

H.M.JR: He is coming in at quarter of eleven. I don't think so.

MR. SULLIVAN: He said so Tuesday.

H.M.JR: Publicly?

MR. SULLIVAN: No, he was having lunch with Larry Bernard and me.

H.M.JR: What I want to know is if on that famous windfall Tax Board there is a vacancy.

MR. SULLIVAN: No, but there are going to be six. I have got an executive order that Larry Bernard drew up abolishing it.

H.M.JR: Better hold it over until we get what's-his-name on it.

MR. SULLIVAN: Don't talk about that. We have got to get rid of that Board. There are only fifty-four cases over there.

H.M.JR: What do we do with this fellow?

MR. SULLIVAN: I don't know. You are the fellow that fell in the trap.

H.M.JR: He is feeling good this morning.

MR. SULLIVAN: We have got to get rid of that Board, no excuse at all for it - only forty-five in addition to those fifty-four, and the Board of Tax Appeals can take care of those.

H.M.JR: You have been associating with Harry Byrd and getting economy-minded. What I want to ask is, supposing we don't put him on this Board, can you find him another place?

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MR. SULLIVAN: No, that is the only place we have got anywhere in the Bureau of Internal Revenue for people who aren't specially trained.

H.M.JR: Well, Herbert, you have got a political committee, haven't you, of which I think you are chairman?

MR. GASTON: Well, we have a political committee.

H.M.JR: Isn't Sullivan on it?

MR. GASTON: Only the job of that political committee is to turn down people, not to find jobs for them. (Laughter)

H.M.JR: Just add another paragraph.

MR. SULLIVAN: Before you get in too deep, we were having lunch because he is behind quite a lot on taxes, on which he has paid nothing during the last year, and he was summonsed in for Wednesday morning.

H.M.JR: Summonsed?

MR. SULLIVAN: And I was to get him a little time, and he owes quite a bit in back taxes.

H.M.JR: I will listen to him, then ask Mr. Gaston to see him. O.K.?

MR. GASTON: O.K.

H.M.JR: Thank you.

MR. GASTON: He is a lawyer, isn't he?

H.M.JR: No, he is in the paint business.

MR. FOLEY: No.

MR. GASTON: I think he is; Ed says he isn't.

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MR. FOLEY: No.

(Paper handed to the Secretary by Mrs. Klotz.)

H.M.JR: Do you mean that Sloan is away the same week that Graves is sick?

MR. BELL: Sloan is sick, too.

H.M.JR: Who can do things for me in War Savings Bonds? Who is in charge?

MR. ODEGARD: Graves sent an order over there the other day designating Coyne the Acting Executive Director during Sloan's illness.

H.M.JR: Well, take this off me (indicating letter). John J. Cochran is chairman of the Appropriations Committee of the House and he wants something, and as far as I know he is the first person that has asked a question. You fellows have got to go up there to get money. Am I right?

MR. BELL: No.

H.M.JR: Is that the wrong man?

MR. BELL: He was formerly chairman of the Expenditures Committee, but he is now off that and he is on our Coinage Committee. He is from Missouri. He is a very good friend of the Treasury's and helps us out quite a lot.

H.M.JR: Isn't that the man you used to work with?

MR. BELL: I have been working with Cochran for a long time, but I think the man you have in mind is Cannon. They are both from Missouri.

H.M.JR: That was funny; last night the first one was Cannon Manufacturing Company, and Doughton says, "It is not my Cannon, is it?" I said, "No, I made sure

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that it wasn't, Mr. Chairman." "O.K., let's go ahead."

MR. ODEGARD: You didn't want to send a letter to him, did you?

H.M.JR: No. Let's see what the fellow is like. If he is a good fellow, maybe we can use him. He doesn't want any pay. He sounds like a good fellow. But I hate to have these things floating around. Do you mind?

MR. ODEGARD: No.

H.M.JR: I would appreciate it. It is a little out of your line, but somebody has got to do it.

Let's go next to this question of the Quaker thing. Incidentally, again referring to the Canadian report, and reading that this morning made me think of it - you check my memory, Harry - in Canada they have created a special fund - I mean, they have put on a bond a sticker, "This should be used only for Canadian relief", evidently to look after sick people, or something like that, in Canada. Did you read the report, Harry?

MR. WHITE: I didn't know it was--

H.M.JR: The Amish up there - no, not the Amish--

MR. GASTON: Mennonites.

MR. BELL: They have a noninterest-bearing bond, too, that they issue.

H.M.JR: The rest of the time let's devote to this. What is your proposal?

MR. BELL: I think that something should be done about it. I think this fellow has a very good suggestion, that he allow these people to contribute--

H.M.JR: I would like you to explain it.

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MR. BELL: This man French suggests that there be contributions made by these people to a fund which the central organization would control and invest in Government securities, and then they would create a nonprofit corporation to do this, then they would issue to the contributors a participating certificate. We would have nothing to do with the participating certificate, but we would see that they got notice of our special issues - not that, but regular issues, and any funds accumulated they would invest. Then you would give this organization that letter which is attached there.

H.M.JR: What is the matter with that idea?

MR. BELL: I think that is all right. Now, I have talked to General Hershey's man, and they have gone to great lengths to satisfy these people, and the people have contributed and paid all the expenses of these camps. He thinks they are doing a good job because there is an entirely different attitude among the younger generation towards the Army. They have always been taught that the Army persecutes, and he said there is an entirely different attitude now. He thinks they are doing a good job on it. I told him we would like General Hershey to go over any letter we prepared. He said he would be interested.

H.M.JR: Did you speak to Hershey?

MR. BELL: I talked to Hershey, but he sent his special man over, Major McLean.

H.M.JR: Whoever is doing it is doing a beautiful job on conscientious objectors.

MR. BELL: They are really spending a lot of time, have a colonel in charge and a major as assistant.

H.M.JR: Well, if they approve, I am willing to go along.

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MR. BELL: I think that is a good suggestion you have got there.

H.M.JR: Anybody else like to study it?

MR. SULLIVAN: What is it?

MR. BELL: The conscientious objectors investing money in War Bonds. They don't want to invest their money in anything entitled "War Bonds", and what we do is let them invest accumulated funds in our regular issues. They would prefer to have the low interest-bearing issues, such as the certificates and notes, and then they can't be accused of going into this thing for a profit.

MR. KUHN: John, these are chiefly the Mennonites in Pennsylvania and Ohio.

MR. GASTON: And Illinois.

MR. SULLIVAN: We had the same problem a year ago on the defense tax. A lot of them refused to pay that and overpaid their other tax. We didn't have that trouble this year. Of course the defense tax, as such, has been removed, but there were a few letters about not having their tax money go for guns, and that sort.

MR. KUHN: These people are feeling a good deal of pressure in their home towns about the thing, and that is the cause of this arrangement.

MR. SULLIVAN: That is just the reason for my doubts about it. I think that very pressure and awakening to what is happening in the world is driving those people from their previous position, which I think is an unfortunate position for the country as a whole; and I am wondering whether or not we are not encouraging them to retain those views.

MR. GASTON: I don't think so, John. I think that the investment in Government securities, whether called

- 13 -

MR. BELL: I think that is a good suggestion you have got there.

H.M.JR: Anybody else like to study it?

MR. SULLIVAN: What is it?

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MR. GASTON: I don't think so, John. I think that the investment in Government securities, whether called

- 14 -

War Bonds or not, is substantially the same thing. Sell them a low-interest bond, and if they invest in it liberally they are making a retreat from their other position.

MR. SULLIVAN: That may be so.

MR. GASTON: I think if they want a way out we should give them a way out.

MR. BLOUGH: I am surprised they are willing to take that way out.

MRS. KLOTZ: They have asked for it.

MR. BLOUGH: It is a fine thing to do.

MR. KUHN: They were not willing to do it a couple of months ago, which shows that they have retreated to some extent.

MR. GASTON: You recall in Benjamin Franklin's autobiography where the Quakers contributed to the fire department fund for equipment and the fire department bought cannon.

MR. ODEGARD: I thought your letter left no doubt as to the fact that the Treasury is not indulging in any deception of these people by making it clear to them that these funds are not earmarked, and so forth.

MR. BELL: Did you see the letter he suggested, Mr. Secretary?

H.M.JR: Yes. Well, I tell you what I think--

MR. BELL: That is not the certificate that they propose. That is what they are giving for the contributions to expenses of the camps.

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H.M.JR: Well, I think this, that, as I say, if General Hershey's group will pass this thing - I see Gaston has been in on it.

MR. GASTON: The Congressman called me up.

MR. BELL: We have gotten a lot of letters. Herbert sent in the same kind of a letter.

MR. GASTON: That was Bill Heffelfinger.

MR. BELL: Just dozens - I have got six on my desk now. We have been writing letters every day on the thing for months.

H.M.JR: My suggestion is hand it to me Monday so we could go on it Monday.

MR. BELL: I think I can get French in here. His office has been calling. He is at a convention in Philadelphia at the present time.

H.M.JR: I hesitated on this a long time, but I think that--

MR. ODEGARD: Mr. Secretary, these conscientious objectors' camps, service camps, that they have are doing a perfectly magnificent job; in New England, for example, they are taking a good deal of the weight of fighting forest fires, and that sort of thing, and they are not seeking to evade responsibility.

(The Secretary held a telephone conversation with Senator McCarron.)

H.M.JR: If that isn't - could you imagine - boy, oh, boy, why did he leave Walsh off. He made a complete - I never tied up silver and isolationism before, but they seem to have something to do with each other.

Were you through?

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MR. ODEGARD: I have had some experience because I have had a good bit of my students in them.

H.M.JR: I told Bell I thought there was somebody in the Government somewhere who had done the finest job on conscientious objectors that I have ever seen done. I wanted to contact that person and make sure that what we were doing was in tune with what they were doing. We got in touch with Hershey yesterday.

Don't you think that would - have you any other suggestion?

MR. ODEGARD: I think this suggestion is a feasible one, more feasible than the other one suggested.

H.M.JR: That was the first one I got. This one we have only had two or three days.

MR. BELL: It came the first of the week.

H.M.JR: Now, we have got the English outside. Let's take a gallop around the office.

MR. GASTON: The State Department has let us know that they have now arranged with Vichy that we can send a financial attache to Vichy, although some time past when the matter was up they weren't prepared to ask Vichy. I just question whether we want to encourage - it is really a State Department concern, but do we want to encourage relations with Vichy by--

H.M.JR: Well, Herbert, if you don't mind, we have criticized the State Department very severely for financial representations in South America and yesterday when Acheson stayed behind, he said, "I just want to let you know, Mr. Morgenthau, we are sending a whole mission down there, headed by Merle Cochran." I said, "If you don't mind, send Cochran over before he goes down. I would like to talk with him."

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I mean, this is a diplomatic matter. If they want to send somebody I don't want somebody there to immediately say, "We want to help out the Treasury, but they want to pick the posts." I think on every ground you are right except the constant thing vis-a-vis the State Department. O.K.?

MR. GASTON: O.K.

MR. FOLEY: We had most of this information, except this proposal of McCarron's, yesterday from the clerk of the committee, and we are working on the bill and it will be ready either Monday or Tuesday. I will call McCarron and tell him we will have something to show the first of the week.

H.M.JR: You call him.

MR. FOLEY: I will.

MR. SULLIVAN: You may hear from Atlas Powder Company. They asked for an extension of time in filing their return, on the ground that no action had yet been taken by the War Department on the certificate of necessity. It slipped by the Commissioner and came over to me, and their counsel called me and said he understood it was on the way over. He is very anxious to get it. I said I would look it over.

I found out that the three facilities on which they had asked for certificates so that they could receive special immunization altogether came to less than ten thousand dollars, and I disapproved it. I talked with the Commissioner. He said that it slipped by him. I just told these fellows that I disapproved it, and they may try to get to you.

H.M.JR: They won't; it can't be done.

MR. SULLIVAN: That is all.

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MR. BUFFINGTON: This is a wire to the Victory Fund Committee chairmen. It was held up on account of Harold's illness.

H.M.JR: Yes, but the one hasn't gone out to my War Savings Staff yet.

MR. ODEGARD: Yes, it has.

H.M.JR: Did it?

MR. ODEGARD: It went out yesterday.

H.M.JR: Over my name?

MR. ODEGARD: No, it went out as a field memorandum, Mr. Secretary.

H.M.JR: Well, I am going to initial this, but I - it is initialed by Bell and--

MR. BUFFINGTON: Bryce and myself.

H.M.JR: How about Odegard, representing those two men?

MR. ODEGARD: I have seen it.

H.M.JR: And Kuhn. If it is all right with them, it is all right with me. Anything else?

MR. BUFFINGTON: No.

MR. KUHN: The Governor of Ohio and Mr. Trounstine are pressing us for an answer on Cincinnati for the 24th, 25th or 26th of June.

H.M.JR: Well, you keep pressing me and see what happens.

MR. KUHN: I was hoping that I could answer them yes for the 26th; it is a Friday.

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H.M.JR: What is the Spanish word for yesterday?

MRS. KLOTZ: Manana.

H.M.JR: What is manana in reverse? We talk about Lend-Lease in Reverse. Well, anyway, keep after me, Ferdie.

MR. KUHN: I have two things to report to you. The Negro rally in Chicago was a great success, I am told.

H.M.JR: Have we had it?

MR. KUHN: Yes, and I can give you a report on it today from someone who was there. It was good, I was told, in every single respect, crowd, enthusiasm, everything.

H.M.JR: Will you get me the newspapers on the Chicago rally?

MR. SCHWARZ: Yes, I will get the colored paper.

H.M.JR: Could we in New York ask Robeson to get out in front and say, "Gentlemen, I wish you would all join me in singing 'My Country 'Tis of Thee' and 'The Star Spangled Banner'?"

MR. KUHN: I don't see why not.

H.M.JR: Will you make the suggestion?

MR. KUHN: The one in Detroit is Sunday, and Justice Murphy is speaking.

H.M.JR: Could you send word to Detroit--

MR. KUHN: ...to have the same thing done.

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MR. ODEGARD: I am going to talk to Iseby in a few minutes.

H.M.JR: Talk to him, try to get the crowd to sing twice, if possible.

MR. ODEGARD: Iseby is upset. He called yesterday, with great concern, because we hadn't gotten Joe Louis to appear in Detroit.

H.M.JR: Well, anyway, that is water over the dam. But see if in Detroit you can't get Robeson to get out in front and get them to sing twice "My Country 'Tis of Thee" and "The Star Spangled Banner", to get that mass audience to singing, will you?

MR. ODEGARD: That is a good suggestion.

H.M.JR: Get him out there.

MR. FOLEY: Mr. Shields participated in that meeting in Chicago. He called up before to see if there was anything you wanted him to say. I talked to Pete and Ferdie and sent him a copy of the speech that you made with William Green earlier in the winter on the Negro problem.

H.M.JR: But I am going to get a report on this?

MR. KUHN: I will give you a report on the Chicago rally before you go.

The other thing was that LaGuardia was marvelous yesterday, as the result of your call, and our friend Mr. Skouras is all elated about it.

H.M.JR: Thank Mrs. Klotz. I didn't want to make that call.

MR. KUHN: It worked.

H.M.JR: Is he coming in at four?

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MR. KUHN: Four o'clock.

H.M.JR: Peter?

MR. ODEGARD: No, I haven't anything, unless you can take over the railroads to get Justice Murphy's secretary and law clerk space on the train.

H.M.JR: Can't you get them - you mean they are all going out with him?

MR. ODEGARD: He wants to take his secretary and his law clerk with him.

H.M.JR: What is the name of his--

MR. SCHWARZ: Bumgardner.

MR. ODEGARD: Bumgardner is his secretary's name. She called me the other day to see if we would pay the expenses of taking these other two, and Charlie Adams called, and I said I thought we ought to. They had a reservation for the Justice but couldn't get space on the train for the other two, and they wanted to know what we were going to do about it.

MR. FOLEY: Special train.

MR. ODEGARD: So I asked Mr. Fitzgerald to see if we couldn't do something about it.

H.M.JR: All right, Peter, - what we all have to do in the name of War Bonds!

MR. BLOUGH: Has Randolph Paul brought you up to date on the committee?

H.M.JR: No.

MR. BLOUGH: In three words I will say it, practically: Recess until Monday; Paul left yesterday

- 22 -

afternoon, be back Monday morning; in the meantime we get together with Stam to try to lay out what we can agree on in the way of administrative amendments.

MRS. KLOTZ: That was three sentences.

MR. WHITE: Have you noticed the effect of the "P.M." blast on the committee?

MR. BLOUGH: Very noticeable effect, which I think the Secretary and Mr. Sullivan have quieted down so far as the chairman is concerned. I hope so.

MR. WHITE: Anything to the good?

MR. BLOUGH: No, not yet.

H.M.JR: Anything else?

MR. BLOUGH: No.

MR. SCHWARZ: That printing job is under way already.

H.M.JR: Swell.

Harry, only something pressing.

MR. WHITE: I have heard that before.

H.M.JR: Harry always presses me. Harry has had a good week, no complaint, is that right or wrong?

MR. WHITE: Pardon?

H.M.JR: I say you have had your day in court.

MR. WHITE: Oh, yes, have had a good year.

H.M.JR: You had a good week.

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MR. WHITE: That is true, that is included in the year.

Well, Phillips is going to ask on those two things. The other things all can wait - will take several minutes.

H.M.JR: All right. Thank you, Harry.

MR. BELL: I have a number of letters I would like to get signed, regulations, and so forth.

You recall that some time ago I brought up the question about making a labor union down in Texas issuing agent, and you asked me to turn it over to Mr. Houghteling, which I did. Just before he left town last night he said, "I am sorry I delayed on this matter, but the men with whom I want to discuss it have been out of town. It is my opinion the telegram should go which tells them we don't approve it as issuing agent."

H.M.JR: Want me to sign it?

MR. BELL: I just wanted to let you know about it before it went. O.K., agreeable to you?

H.M.JR: O.K.

MR. BELL: The Public Debt service, you know, is moving to Chicago, part of it, and they want to delay the pay-roll allotment plan until August when they get straightened out.

H.M.JR: No.

MR. BELL: It just can't work because--

H.M.JR: I am not going to delay anything - then don't move them.

MR. BELL: Just for that one bureau.

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H.M.JR: Oh.

MR. BELL: Just for that one bureau.

H.M.JR: You mean as affects themselves - oh, that is something else. I thought you meant the whole payroll allotment plan.

MR. BELL: Just the one bureau.

(Order permitting postponement of Pay-roll Allotment Plan in the Public Debt service signed by the Secretary.)

MR. THOMPSON: The President wants a report on the transportation program. The gist of that is that we are eliminating nearly twenty-five hundred private automobiles of employees going to and from work, and we are going to extend it to the field. We will probably make some substantial reductions there.

H.M.JR: O.K.

Just so that all of you can know and can adjust yourselves accordingly, my plans are to leave here on Friday, June 5, to take one week's holiday up at the farm - June 5. Don't you spring any financing on me.

MR. BELL: I will talk to you before June 5.

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

June 2, 1942

MEMORANDUM TO BE INSERTED IN THE 9:30 STAFF MEETING RECORDS:

Just before we went to last Friday's staff meeting, I sent Mr. Thompson an order which would permit the postponement of the drive for the Pay Roll Allotment Plan in the Public Debt Service until about August 1, because a large section of that Service is moving to Chicago and it was thought best to postpone this drive because of the confusion which would be caused by the move.

When we got into the staff meeting, Mr. Thompson handed me another order concerning the Pay Roll Savings Campaign and asked me to take it up with the Secretary. Thinking it was the same order which I had sent in regarding the Public Debt Service, I explained to the Secretary the situation with respect to that organization and asked him to sign the letter which would permit the postponement. He did sign what he thought at the time was the order which I was explaining, but later it turned out that he had signed the order of May 29 to heads of bureaus and offices, which notified them that the Pay Roll Savings Campaign would begin on June 1, 1942, and authorized the placing of posters in the corridors of the buildings occupied by the Treasury. This order also requested the heads of bureaus and offices to see that the scores for their respective divisions, etc., were recorded on these posters not less frequently than every other day from June 2 until the close of the campaign. (Copy of this order is attached.)

Today I explained to the Secretary the mix-up on the two orders and told him he had signed the order concerning the Pay Roll Savings Campaign beginning June 1 and permitting the placing of posters in the corridors of the various Treasury buildings.

The Secretary said this was all right with him and we could go ahead with the idea expressed in the order; he thought it was a good thing.

sub B



MAY 29 1942

TO HEADS OF BUREAUS AND OFFICES,
TREASURY DEPARTMENT

Our Pay-Roll Savings Campaign will begin next Monday, June 1, 1942.

Within the next few days posters will be placed in the corridors of the buildings occupied by the Treasury Department. It is requested that the heads of the bureaus and offices see that the "scores" for their respective divisions, sections, and subordinate units are recorded on these posters not less frequently than every other day from June 2nd up to the close of the campaign.

In order to provide uniformity, it is requested that the "score" be computed on the basis of the percentage which the total amount allotted for the purchase of War Savings Bonds is to the gross amount of the pay roll.

Our goal is at least 10% of the gross pay roll, with from 90 to 100% employee participation.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

*Original
 To Mr. Bantel
 5-29-42 at 12:15 p.m.
 Scullen.*

EFB:hbw 5/28/42



TREASURY DEPARTMENT

WASHINGTON

MAY 29 1942

TO HEADS OF BUREAUS AND OFFICES,
TREASURY DEPARTMENT:

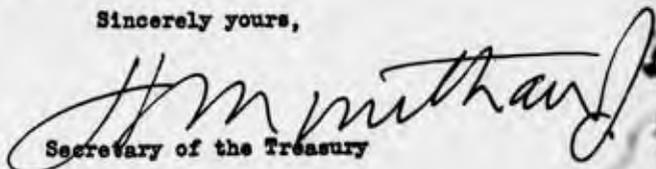
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Sincerely yours,


Secretary of the Treasury

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

MAY 29 1942

My dear Mr. President:

In compliance with instructions contained in your letter of April 28th, the Treasury respectfully submits the following report of the steps which it has taken to obtain the cooperation of its employees in the curtailment of the number of automobiles used by them for transportation to and from work.

In cooperation with the Office of Defense Transportation, this Department has established a transportation-sharing plan which contemplates the immediate organization of cooperative car clubs among the officials and employees of the several bureaus and divisions, the chief objectives of this program being (1) reduction in the number of automobiles used daily for transporting employees; (2) with respect to each car employed, the utilization of the maximum of its capacity; (3) the establishment of tire-exchange facilities for members of the cooperative car clubs; and (4) as a result of the benefits to be attained through these several means, to extend the utilization of privately-owned transportation facilities over the longest possible period.

Since the plan established by this Department is in its formative stage, it is not possible to submit a factual report at this time. However, on the basis of the information now available, it may be reported that of the 5,078 employees of the Treasury in the District of Columbia who own automobiles, 3,335 are either already enrolled as members of transportation-sharing clubs, or have expressed a willingness to join such organizations.

It is estimated that these 3,335 employees can be transported in 899 cars, a reduction of 2,436 in the number of cars to be used each day.

With respect to those car owners who have not been enrolled, the Department will conduct a personal canvass, with a view to eliminating those obstacles which are temporarily precluding the active participation of such owners in the car-sharing program.

In the case of its field offices, the Treasury Department plans to inaugurate a program similar to that established in the District of Columbia. It is felt, however, that it would be preferable first to complete the organization of the Washington personnel, utilizing the experience thus gained in the handling of such special problems as may later arise in connection with our field personnel.

The Treasury Department recognizes the serious nature of this problem in its relation to the war effort, and you may be assured that we shall do everything possible not only to accomplish a reduction in the number of automobiles used in the transportation of our employees, but also to assure the maximum utilization of such privately-owned vehicles as may be used for that purpose.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

JDL/jjs

S. S. Agent 11:15

n m c

Thompson Law file

THE WHITE HOUSE
WASHINGTON

April 28, 1942

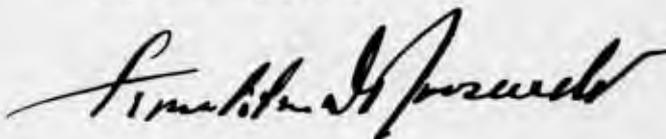
My dear Mr. Secretary:

With the shortage of rubber and the prospective necessity for curtailing the civilian consumption of gasoline, the transportation problem for workers in many communities is rapidly becoming critical. It is imperative that we extend as long as possible that period of time in which we can count on private transportation of factory and office workers to their places of work and home again.

The transportation problem in Washington is no exception to that existing in very many of our communities at present. I am therefore calling upon the heads of the several Federal Departments and Agencies to work out a program for their employees which will substantially reduce the number of automobiles which are necessary to take men and women to and from their places of work. This program should be undertaken immediately and thoroughly. A few Federal Agencies have already taken steps in this direction and an interchange of ideas and experiences should facilitate the development of the most effective program. I would like to have a report from each Department and Agency at the end of thirty days relating the effectiveness of steps which have been taken.

I am also sending a copy of this letter to the Council of State Governments, the American Municipal Association and the United States Conference of Mayors asking that they use their influence to bring about the inauguration of similar programs in the State and local Governments.

Very sincerely yours,



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

Original in Mr. C. S. Bell's Office.

May 29, 1942
10:25 a.m.

Operator: Go ahead.

HMJr: Hello.

Senator
McCarran: Hello, Mr. Secretary.

HMJr: How are you?

Mc: Fine, thank you.

HMJr: Good.

Mc: Mr. Secretary, I apologize for not having gotten in touch with you yesterday. I wanted to - something happened and I couldn't get word to you as I promised to do.

HMJr: Oh, what's that?

Mc: Well, I promised to let you know who the committee would be that would deal with your group on the drafting of this legislation.

HMJr: Oh, yes. Well, that's - I knew you had lots to do yesterday.

Mc: Well, the group that will be ready to help out will be Thomas, of Oklahoma; Johnson, of Colorado; Wheeler, of Montana; Thomas, of Idaho; and myself.

HMJr: I see.

Mc: And any time that your people are ready, if they'll call me, I'll arrange for any conference that you want.

HMJr: Well, Mr. Edward Foley, our General Counsel, will get in touch with you.

Mc: Yes.

HMJr: He will.

Mc: I want to put one thought in your head, and.....

- 2 -

HMJr: Go ahead.

Mc:you can turn it over and see if there's anything in it.

HMJr: Go ahead.

Mc: This is my individual thought. I'm not conferring with my colleagues at all.

HMJr: Yeah.

Mc: I'm wondering if it wouldn't be a plan whereby we use all of the bullion and bar silver that there is available that's owned or controlled in any way by the Treasury, in the industry.

HMJr: Yeah.

Mc: Then, in view of the fact that Mexico and nearly all of these other countries that have silver for sale have nationalized their silver and there practically isn't any more, let's buy the American silver only and utilizing all this bar silver and bullion silver, take it out into the industry and then fill it up with American silver brought in as it comes in to you and confine it to American silver only.

HMJr: Well.....

Mc: I think we could work out something, but it's only a thought in my mind.

HMJr: Well, naturally, we'll give it careful consideration. If I'm correct, I don't think that Mexico is - we're buying hardly any Mexican silver, because.....

Mc: I know that. They've nationalized it.

HMJr: No. Well, yes they have, but I mean the point is that all the Mexican silver is going into industry in United States.

Mc: That so?

HMJr: And we're not buying it, because industry is paying

- 3 -

oh, a quarter or half a cent more.....

Mc: Yeah.

HMJr:and they get it. So I think the way the matter stands, I think it's been some time since we've bought any Mexican silver.

Mc: I see. It just struck me that there was a chance there for - to popularize the whole thing.

HMJr: Well, we'll look into it, but - and when Foley comes up, I'll tell him to discuss it with you.

Mc: All right.

HMJr: Thank you so much.

Mc: Thank you, Mr. Secretary.

Conference in Secretary Morgenthau's Office

May 29, 1942
10:30 A.M.Present: Secretary Morgenthau
Sir Frederick Phillips
Mr. White

Sir Frederick called on Secretary Morgenthau at 10:30 A.M. He previously had asked for an appointment to take up two matters.

Sir Frederick first raised the question on the British contemplated loan to China. He said that their proposed terms differed from the American terms and that the Chinese were raising some objections to the condition imposed that they couldn't spend any of the loan after the war. Sir Frederick said he hoped that the British would receive Secretary Morgenthau's approval to the terms and the Secretary replied that the terms of the arrangement were a matter between the British Government and the Chinese Government. He added it was taking them ~~some~~ a long time to make that loan. Sir Frederick replied that there had been considerable difficulty in getting agreement and said that the Chinese were apt to come around to Secretary Morgenthau grumbling about the terms and he was hoping the Secretary would find it possible not to give them any encouragement on the matter. The Secretary replied that whenever the Chinese came to the Treasury they would receive courteous treatment, and the matter of loan arrangements was between the British and Chinese Governments.

Sir Frederick then raised the question of the use of the dollars in China's Stabilization Fund for meeting the sterling claims. The sterling assets of the Stabilization Fund would be used up and more sterling would have to be acquired by the Fund if the sterling claims were to be met. The Secretary replied he wanted to think about that but it seemed to him that the British Government ought to supply the sterling. The Secretary wanted to know whether the matter couldn't wait. He said: "Let's cross that bridge when we come to it." Mr. White replied he was afraid the bridge was practically there. The Secretary wanted to know whether the Chinese were pressing for an answer and Mr. White replied they were not, the British were interested in receiving an answer because the matter may relate to the terms of the contemplated loan the British were arranging with the Chinese. Mr. White explained that the dollars which the Chinese had placed in the Fund and the Sterling had all been used up, but it had been expected that the British loan was soon to be consummated and it was hoped possibly the Stabilization Fund could acquire the necessary sterling by purchasing the

sterling from the Chinese Minister of Finance, who in turn would get it from the funds made available to the Chinese by the British. The British, however, did not wish the new loan to be used for that purpose which raises the immediate problem of employing dollars the Fund had to acquire the necessary sterling. The Secretary stated that before making a decision on that matter the Chinese ought to be given a hearing and asked Sir Frederick whether the matter couldn't wait a few days. Phillips said it could.

Phillips then raised the question of relief from the balance due on British commitments in the United States made prior to Lend-Lease. Phillips stated that the unpaid balances represented plane contracts and now all the airplanes were going into one pool. Phillips said he had been discussing the matter with the State Department and he wanted to know whether the question had been finally decided as he planned to go back to England for a month or six weeks and would like to take the information back with him.

The Secretary replied that an interdepartmental meeting had been held at the Treasury the day before, attended by representatives of the State Department, Army, Navy, Lend-Lease, Board of Economic Warfare and Agriculture, and that all agencies represented, except the State Department, had voted in favor of not taking over the outstanding contracts referred to amounting to about \$235 million. The Secretary went on to say that the President had, Phillips would remember, turned down the matter before. The Secretary suggested that Phillips get additional details from Mr. Achesson, with whom the Secretary understood, Phillips had been carrying on conversations. Achesson, the Secretary continued, would go into the situation with Sir Frederick.

The Secretary said that with respect to the current gold production that he had always taken the position that such gold should be included among the available gold and dollar assets of the British Treasury and should not be set aside in a separate secret account.

Phillips said he had left a memorandum with Mr. White in which he had explained that the blocked balances in England were mounting this year — they had increased by \$2 billion — and that the British felt that the fair way to handle it would be to keep their dollar balances down but that their current gold production would be kept in reserve for the day when they would have to meet some of these sterling claims. The Secretary repeated that he felt that the gold produced should be part of their available cash assets.

Sir Frederick said he was going away for a month or six weeks. The Secretary replied that this was a good time since everything was now cleared up. He said that he hoped Sir Frederick would come back.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 29, 1942

TO Mr. White
 FROM Mr. Friedman

Subject: Sterling fund of the Stabilization Board of China.

1. Stabilization Board does not have sufficient sterling assets at present to meet its obligations under the November 1st Agreement with the Central Bank of China which calls for the Stabilization Board providing exchange for Chinese Government requirements.
2. If the Stabilization Board is to meet its outstanding obligations under the November 1st Agreement, it will have to obtain approximately an additional £2,770,000.
3. The following is a brief summary showing approximately the sterling position of the Board as of May 19, 1942:

Existing assets (including 1939 sterling fund)	£2,571,000
Application of Central Bank to meet net Governmental requirements since August 16, 1941	<u>5,341,000</u>
Deficit	2,770,000

4. It can be assumed that, at least during 1942, sterling claims on the Board will exceed receipts.

**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. 35 - Aircraft Despatched
- for week ended May 26, 1942.

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

May 29, 1942.

STATEMENT NO. 35

AIRCRAFT DESPATCHED FROM THE UNITED

STATES DURING WEEK ENDED MAY 26th. 1942

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DEL'D FOR USE IN CANADA
<u>CESSNA</u>					
AT 17 Crane IA	Canada	Canada			4
<u>CONSOLIDATED</u>					
B 24 D	U.K.	Canada en route		8	
<u>MURTISS</u>					
tyhawk 2A	Middle East	Port Sudan		11	
" "	U.K.	U.K.		2	
" IA	Middle East	Port Sudan		2	
<u>LOCKHEED</u>					
A 29A AC 151	U.K.	Canada en route		15	
C 60 Lodestar IIA	U.K.	Canada en route		2	
<u>GLENN MARTIN</u>					
Baltimore	Russia	Basrah		7	
"	Middle East	Port Sudan		8	
<u>NORTH AMERICAN</u>					
Mustang	U.K.	U.K.		19	
<u>IRMAN</u>					
PT 27	Canada	Canada			34
TOTALS			49	25	38

NOTE: Twelve of the fourteen Venturas reported in statement Number 33 (week ended May 12th) as having been exported to the U.K. have now been returned to the United States. The cumulative total will therefore be reduced by that number.

40

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

May 29, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended May 20, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.



1ms-5/29/42

May 29, 1942

H.M.JR: Mr. Nelson had the whole thing set up, what he was going to do on rubber, and everything else. The President came out with the statement that everything was lovely.

He said that the facts are that Goodyear Tire started a plant to manufacture fifteen thousand tons of the kind of rubber they could use for tires, and that with that exception there isn't a thing they can lay their hands on, except they think that Dr. Weizmann has something. They hope to have something in the next two or three weeks.

"But," he said, "We are out of the woods on aluminum, out of the woods on magnesium." He said that the worst thing today is rubber.

Cabinet May 27,
1962

THE WHITE HOUSE
WASHINGTON

at lunch with Nelson
discussed inventories.

He is very much
interested. Does not
know how to handle it. I
suggested I could help
~~them~~ our Capitol
control committee.

I should call meeting
next week.

Speaks to George Buffington

works Peter Odgaard
"Director of Information"

May 29, 1942
3:15 p.m.

CAPITAL ISSUES CONTROL

Present:

Mr. Buffington
Miss Michener
Mrs. Klotz

H.M.JR: I had a very interesting discussion with Mr. Donald Nelson at lunch today about inventories. I don't know who in your shop works on this.

MISS MICHENER: Mr. Daggit works on this.

H.M.JR: You can pass it along, if you will. He frankly admits that inventories are too high, that most big businesses have a minimum of three months' supply - big businesses. He doesn't know how to handle it. They evidently have not been approached by the Chairman of the SEC, because if they had it had not gotten to him. Anything we can do through the financial channel will be greatly welcomed by him.

I said I thought we could do something through limiting the issuance of securities which would bail out the banks after the companies had gone to the banks to borrow money to build up their inventories, and it would have a gradual pressure on companies not to build up their inventories. Mr. Nelson said that is exactly what he wanted. He said he didn't want to clamp down, have them dump a lot of goods. He said his own people tell him that since Easter business has been bad.

I said I thought through the National banks and the SEC - he says, "How about the insurance companies?" - we could stop any company from going and borrowing money with which to either build up inventories or pay off the banks. He said that would be very helpful.

- 2 -

I said that I would arrange for a meeting next week. I said, "Should Mr. Henderson be in?" He said, "Yes, he should be."

I said, "Now, I think at that meeting, to correlate everything, we also should have Beardsley Ruml, who is doing this work for me." He said that I picked the very best man in the country. He said, "You couldn't pick a better man."

I would like you - I can't remember the name of the chairman of the SEC--

MR. BUFFINGTON: Purcell.

H.M.JR: Get Purcell and Beardsley Ruml, and the same people.

MR. BUFFINGTON: Same other group we have had.

H.M.JR: Same group but add Ruml, Nelson, and Henderson. I would like to put them all on notice what it is. Make sure they can all be here. My thought would be we might have the thing Wednesday afternoon or Thursday morning - maybe we could be ready Wednesday afternoon around three or maybe Thursday morning at nine.

I would like you people to be ready, and then we will have a meeting and we will talk about what we have been doing.

MR. BUFFINGTON: I might in the meantime talk with Eccles because he sent out those questionnaires to banks to see if he can get any indication of whether their loans are rising as a result of inventory purchases.

H.M.JR: Go to work, with the help of George Haas' shop - and Miss Michener is his business manager and she knows what is going on. Right?

- 3 -

MISS MICHENER: Yes.

H.M.JR: And work the thing up, you see, and put the other people on notice. Give them at least two days' notice. But the man to get, the most difficult man to get, is Beardsley Ruml; and maybe by that time Dr. Likert might have something.

MISS MICHENER: Did you want Mr. Haas to get in touch with Mr. Ruml?

H.M.JR: Yes.

MISS MICHENER: Any of these others that Mr. Haas should get in touch with?

H.M.JR: You do Ruml and you (Buffington) do the others.

MR. BUFFINGTON: May we have copies of this?

H.M.JR: Yes.

cc: Mr. Buffington
Miss Michener
Mr. Bell

May 29, 1942
3:35 p.m.

WAR BONDS

Present:

Mr. Kuhn
Mr. Duffus
Mr. S. Skouras
Mr. George Skouras
Mr. Lastfogel
Mr. Weitman
Mr. Muto
Mr. Silliphant
Mrs. Klotz

H.M.JR: What have you got?

MR. SKOURAS: We are really on the way to prepare probably the most dramatic demonstration since the War started in every city, about twenty or twenty-one cities, and we will give you just the highlights, how the affair will be handled in New York.

H.M.JR: Did you get in to see the Mayor?

MR. SKOURAS: Yes, he was so glad to see us, cooperated fully.

H.M.JR: Good. Did you work him up to a little enthusiasm?

MR. SKOURAS: We didn't have to.

H.M.JR: I told Fiorello's secretary - that is as close as I could get to him - it was something that really meant something. He hadn't come in yet from Canada.

MR. SKOURAS: That is right. As a matter of fact, he gives us more stimulant than we expected to have from him. He is very, very inspiring, as you know.

- 2 -

Well, this is our plan. We will have a parade, and we will start from the Battery. We will arrange for the fliers to arrive at the Battery, either by way of the Clipper or boat. From there there will be large crowds, and we are to announce in advance by all the radios - we will ask all the advertisers over the radio, every theater in the Metropolitan area, a week in advance, to announce this great event.

We are going to ask all the churches to announce next Sunday this great event and to offer prayer, and will ask everyone if they desire to say something on why we are fighting.

We are going to ask all the schools - the Mayor will do that - to have a rally in the morning, and the adjacent schools in the parade streets.

We expect to have, probably, Archbishop Spellman at the rally to offer a prayer. At nine o'clock at night for one minute the entire city must be silent - radio, everything - for the war heroes.

In Madison Square Garden we will have two speakers, very, very short, the Mayor and probably Mr. Willkie, and then the fliers will relate their experiences in combat.

H.M.JR: May I say one thing: Please don't have Lucy Monroe sing the Star Spangled Banner. That is the only request I make.

MR. SKOURAS: We are going to expect to have--

H.M.JR: No Lucy Monroe. Are we going to have her?

MR. LASTFOGEL: Never thought about her.

MR. SKOURAS: We are going to ask you to do something for us - the Mayor demands, and it is very--

H.M.JR: You know Lucy Monroe?

- 3 -

MR. WEITMAN: Yes.

MR. SKOURAS: You must provide us the Marine Band. There will be no expenses of any kind for the Treasury as to what is going to take place, but we want the Marine Band in New York.

H.M.JR: Look, Mr. Skouras, I can give you the best Army band I can get; Mr. Stimson has been fine. Mr. Frank Knox won't give me any band unless I pay the expenses.

Now, I have got two thoughts. I can get anything from the Army. Frank Knox says if I move them ten feet I have got to pay for them.

Now, here is a thought, Ferdie. There may be in the Brooklyn Navy Yard an English battleship under repairs, and if there is we will take the band off the English battleship as one band, just one, and an Army band, too.

MR. SKOURAS: Now, Mr. Morgenthau, I beg your pardon, that isn't the plan. Those are for the parades. We want a Marine band for the Madison Square Garden as the attraction, the only attraction.

H.M.JR: Look, can't I get you an Army band?

MR. SKOURAS: Please understand this. We are not asking to defray any expenses of any kind except this expense. Now, the reason we want to, we are going to have--

H.M.JR: Is this the Mayor's idea or yours?

MR. SKOURAS: The Mayor's.

H.M.JR: I will take care of Fiorello.

MR. SKOURAS: The Marine band is the Mayor's.

- 4 -

H.M.JR: I will take care of Fiorello.

MR. SKOURAS: The idea is this. We are going to have all the foreign-born American citizens of every nationality there at Madison Square Garden. Outside of the great stories we hear, some of those people are just as bad as I am - they can't speak or understand the English language as well as - you know, when they hear people talking. The Marine band will stimulate their feeling, their imagination, more than anything we can have there. It is really important. That, Mr. Secretary, please don't - don't disappoint us.

H.M.JR: I don't think - is there a Marine band in New York?

MR. KUHN: There is a Marine band in Washington. I said to Mr. Skouras that it is a swell idea but we can't pay the money for it.

MR. SKOURAS: Outside of Fiorello we want it.

H.M.JR: First you said Fiorello.

MR. SKOURAS: He suggested it.

H.M.JR: I can't get it. Look, I sat down and had Admiral King and Frank Knox in for lunch; they both turned me down.

MR. LASTFOGEL: Is it a matter of cost or not being available?

H.M.JR: Cost.

MR. LASTFOGEL: That is something we can discuss.

H.M.JR: It is the matter of paying transportation. They are given to us if we will pay the transportation.

MR. SKOURAS: We will pay the transportation.

- 5 -

H.M.JR: If the transportation is paid, we can get them.

MR. SKOURAS: We will pay the transportation.

H.M.JR: That is what it is.

MR. SKOURAS: If it is only for the transportation, we will take care of it.

H.M.JR: That is what it is.

MR. SKOURAS: Because it is - we don't want to have any other human attraction, no voice, except we want this band, you know, to stimulate.

H.M.JR: If you pay the transportation--

MR. SKOURAS: We will pay the transportation - Mr. Lastfogel and myself knock somebody on the head to get the money.

H.M.JR: "Knox" - K-n-o-x - on the head?

MR. LASTFOGEL: When we came down on the plane I said, "No problem about the money; we get all the money to do everything necessary."

MR. KUHN: Then I got a dinner off them.

H.M.JR: You mean as far as the Secretary goes?

MR. LASTFOGEL: From the Treasury.

MR. SKOURAS: Mr. Secretary, I was told in advance we must not expect for any money.

H.M.JR: I don't want you to put up any money; I don't think it is fair. But I can get you a perfectly good Army band.

MR. SKOURAS: It will not be as good.

- 6 -

H.M.JR: Or from the Brooklyn Navy Yard.

MR. SKOURAS: We are going to use those for the parades. The Marine band - have you ever heard it?

H.M.JR: Yes. I don't think they are so hot.

MR. SKOURAS: From the point of view of spirited - I mean--

MR. LASTFOGEL: We got the band; all we need is the money.

MR. SKOURAS: That is all right. As long as you get the band, we will defray the transportation.

MRS. KLOTZ: You have won your story; stop arguing now.

H.M.JR: All right, we will get you the band if you pay for it.

MR. SKOURAS: The transportation, all right, we understand.

H.M.JR: You have got to bring them from Washington.

MR. SKOURAS: The next thing we must have in New York is Doolittle and James Stewart.

H.M.JR: Who?

MR. SKOURAS: Doolittle and James Stewart.

H.M.JR: I think both of them - look, James Stewart has yet to prove that he can fire a gun. That is number one.

MR. SKOURAS: But, Mr. Secretary, if you only knew - that boy has been in the heart of every person in America for - every woman and child, because he went as buck private and earned his own way.

- 7 -

H.M.JR: Look, as a movie star I love to see James Stewart.

MR. SKOURAS: As a soldier.

H.M.JR: No, a movie star; he has yet to prove he is a soldier.

MR. SKOURAS: He will prove it.

H.M.JR: If you don't mind my saying it, you are wrong there.

MR. SKOURAS: Well now, as somebody that can speak with authority, we want to attract the inspiration of the people; in that instance, allow me to say that James Stewart will give us something that we need there. Now please, Mr. Secretary, I am speaking by experience, not just--

H.M.JR: No, but let me - I have been kidding up to now - let me be serious.

MR. SKOURAS: You was kidding up to this time - all right, then, Marine band without any expenses of any kind.

H.M.JR: This whole thing happens to be my idea.

MR. SKOURAS: I know that.

H.M.JR: And the idea is to bring to the American public people who have risked their lives, were successful in their mission. These people, some American heroes - a lot of people risk their lives, but few have been successful. James Stewart is a wonderful movie actor, but he hasn't done anything.

MR. SKOURAS: I agree with you.

H.M.JR: And I personally think, if you don't mind my saying it, that it cheapens the show - I mean, I think it cheapens the show.

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MR. SKOURAS: May I speak frankly?

H.M.JR: Please do. You and I are both each entitled to our ideas.

MR. SKOURAS: In this instance allow me to say - I won't say you are wrong, but the psychology of the people, you see - the public today, they love their heroes. Now, while Stewart hasn't done anything in the war as yet still he is considered by the children, women, young boys, and many people, as a hero. If Stewart were giving up five thousand a week, why shouldn't--

H.M.JR: He hasn't risked his life. They might hiss him; they might boo him.

MR. SKOURAS: You desire one thing--

H.M.JR: They might boo him.

MR. DUFFUS: From our experience - now I am speaking as coming from the industry and realizing the value to the people - from our experience in the rallies that we have conducted we would not dare use him. We have had a few instances where we have had young men, both in uniform and out of uniform, on the platforms, and there have been people in the front row wanting to know why they are not carrying a gun. I am certain in this, that people are beginning to wonder when Jimmie Stewart is going to be in Australia or Ireland.

MR. SKOURAS: Is he in training at the present time?

MR. KUHN: Yes, he is.

MR. SKOURAS: The American public knows to train for the air force it takes a year. They know that. But we are trying to tell you what implements we need to make this a gigantic success.

- 9 -

H.M.JR: If it is up to me, I am sorry, I am not going to do anything about James Stewart.

MR. SKOURAS: Well now, I don't want to do anything against your wishes--

H.M.JR: I don't want to do it, and I am ninety percent sure that the Secretary of War would agree with me.

MR. SKOURAS: Mr. Morgenthau, we don't want to do anything except we want to do the things you want us to do, and do it well.

H.M.JR: Please--

MR. SKOURAS: Let's don't talk about it any more.

H.M.JR: Let's drop it.

MR. SKOURAS: Now, we want Doolittle.

MR. KUHN: I got an answer of sorts from the Army about Doolittle. Mr. Lovett told me this afternoon that we can have Doolittle for certain of our rallies in the Middle West. He said they were going to make an effort to get him in New York, but there is only a possibility, and they won't know until a short time before the rally.

MR. SKOURAS: How shortly, two or three days?

MR. KUHN: Yes.

MR. SKOURAS: That will be satisfactory.

MR. KUHN: Don't expect it too much because he told me it was doubtful, that Doolittle was on combat training on bombers in the Middle West. He said we could have him for meetings in the Middle West, he would see to that. He has already assigned an Army man to go around with us who wants us to have him wherever possible.

- 10 -

MR. SKOURAS: If we can get him in New York, because in New York it is a model and we are hoping to make it the most extraordinary in the history of New York.

H.M.JR: What you have told me is wonderful. In my official capacity I will do everything that I can to help, as long as I think it is wise.

MR. SKOURAS: We want to be guided properly. We are here for one purpose, to what extent we can aid the things which you want us to do.

H.M.JR: The war effort.

MR. SKOURAS: The war effort, that is all, and if we can get Doolittle there we are sure of success.

H.M.JR: You will have ticker tape when you go up and down Broadway?

MR. SKOURAS: Oh, yes, sure.

H.M.JR: We haven't had that yet.

MR. SKOURAS: This will be the first type of parade--

H.M.JR: No ticker tape, as far as I know.

MR. SKOURAS: No, never have been up to this time in no demonstration for the war effort yet. This will be the first one up to this time. Now, you have the war heroes and--

MR. LASTFOGEL: This comes five days ahead of the big parade June 13.

H.M.JR: And the Mayor doesn't mind?

MR. LASTFOGEL: That is where we expected the opposition, but he fell right in line.

H.M.JR: You would think he wouldn't want two parades in a week.

- 10 -

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- 11 -

MR. SKOURAS: Now, something the Mayor is going to call you on at four o'clock - entirely secret, so I am not going to violate my agreement with him because I need him a great deal on this effort here, and you know he gets sore easily. His temperament is just--

H.M.JR: He and I get along beautifully.

MR. SKOURAS: He loves you.

MR. LASTFOGEL: I think that is the only reason why he came in so fast, with such enthusiasm.

H.M.JR: Just tip me off so I know what it is.

MR. SKOURAS: Please don't.

H.M.JR: All right, all right.

MR. SKOURAS: He asked us not to tell you in advance because he is going to call you.

H.M.JR: All right.

MR. KUHN: These are the cities they are going to and the size of the hall in each place, and the local man who will be in charge, and so on. (Document handed to the Secretary.)

H.M.JR: Are you going to charge admission to Madison Square Garden?

MR. SKOURAS: No.

H.M.JR: You pay for that, or we?

MR. SKOURAS: No, we are not going to ask you - no, please, we would like to do something without the Department have to advance us any money. We want to do it as an American spirit proposition.

MR. LASTFOGEL: You have changed.

- 12 -

H.M.JR: He is working for the Treasury now.

MR. SKOURAS: Listen, I don't want Mr. Morgenthau furnish - if we going to ask Mr. Morgenthau something we ask for something, you know, hundred million dollars.

MR. LASTFOGEL: Mr. Morgenthau saved my company - one of my associates, Bill Murray.

H.M.JR: Are you with Bill Murray?

MR. LASTFOGEL: He is the head of our radio department.

H.M.JR: You are with--

MR. WEITMAN: I am with Paramount.

MR. SKOURAS: Mr. Morgenthau, the things which we would like to have - we must have some Naval officers. We don't want - and this is also Mayor LaGuardia's suggestion - with the Army we must have some Navy officers.

MR. KUHN: That is understood. We are probably going to have that Coast Guard hero, Jester - you know about him.

H.M.JR: What did he do?

MR. KUHN: It is going to break in the papers any day. He brought in thirty-eight German prisoners single-handed from a submarine. Admiral Waesche is all thrilled about it and says he would be delighted if we were to take this man and include him among our Naval people.

H.M.JR: Waesche bore down on me for half an hour this morning asking me to do various things for him; he never mentioned this.

- 13 -

MR. KUHN: The Navy has to O.K. it, but Waesche wants it, and I think he would be one of the swell Naval people we could get.

MR. LASTFOGEL: Possibility of a Naval flier?

MR. KUHN: No.

H.M.JR: In that big entourage with Quezon he brought a lot of Filipinos.

MR. KUHN: Not that Filipino ace?

H.M.JR: Filipino general.

MR. SKOURAS: Any Filipino will be a wonderful thing.

H.M.JR: He had about fifteen Filipinos, Army people, with him.

MR. SKOURAS: Any Filipino will be a wonderful thing.

MR. KUHN: I will get after it.

MR. DUFFUS: There is that Filipino marine that is his personal aide here - he is quite a hero over there.

MR. SKOURAS: If we could get a Filipino here, because we are going to call these the War Air Heroes Parades- that will be the title.

H.M.JR: A little bit long.

MR. LASTFOGEL: I don't like that first word.

MR. SKOURAS: Air Heroes Parade.

MR. KUHN: They are not all air heroes.

MR. SKOURAS: Call it War Heroes Parade. That will be the same title throughout the United States.

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H.M.JR: War Heroes Parade?

MR. SKOURAS: Yes, everywhere, you see, and the chairman, and all that, will be by that name.

H.M.JR: You don't want to put in another word for me, War "Bonds" Heroes Parade?

MR. LASTFOGEL: That puts a commercial on it.

MR. SKOURAS: I beg your pardon, the whole intent would be to stimulate the sale of bonds. Now, we had some thoughts of having someone to say something of buying bonds, but the majority feel that will not act as effectively as if no mention was made. Personally, I don't believe in it.

H.M.JR: You are not going to say anything about War Bonds?

MR. LASTFOGEL: That is my feeling. We are at issue about it.

MR. KUHN: I would do it at the meetings. At the end of the meeting I would have the local bigwig, whoever he is - he is known in his community and respected - say something about Bonds, and it can be done in such a way that people will be inspired.

MR. SKOURAS: That is the reason we want Stewart, to sell Bonds. That was the idea; that was our plan.

H.M.JR: We have got minutemen all over the country, citizens - only talk sixty seconds.

MR. LASTFOGEL: Could we stay on that particular point for a minute? As Mr. Kuhn said, made the statement the other night, after any unusual incident connected with the war effort and the sale of Bonds there is a tremendous upsurge just from that particular

- 15 -

incident. That was one of the important reasons that I felt that it might not be necessary to tie in the sale of Bonds with this tour.

H.M.JR: I haven't thought it through, but I might make this suggestion. We have very good posters. The hall might be decorated with our War Bond posters and let it go at that.

MR. DUFFUS: Have booths set up in the lobbies, like we always do, to sell them.

H.M.JR: And have the posters around the balconies.

MR. SKOURAS: Without any direct canvass.

MR. LASTFOGEL: Being very commercial about it, I feel, even though it is for Treasury Bonds, although the Treasury Bond is not a commercial - I still feel that if you can keep that away from it as a direct statement--

H.M.JR: But would you mind, for instance, if they hung from the balconies?

MR. LASTFOGEL: No, not at all.

H.M.JR: I mean, from the balcony in back of the stage - I mean, have the stage dressed up with Treasury posters, "Buy War Bonds", as a background.

MR. LASTFOGEL: I see no objection to that.

MR. KUHN: Or booths in the lobby, stamp booths in the lobby.

MR. DUFFUS: This would be indirect and tell our story exactly, if on the day of the celebration in each city the firm that received their minuteman flag that day was so decorated on the stage that night for having achieved over ninety percent - be very nice.

- 16 -

H.M.JR: I will leave it to these men. I just give it as a suggestion, the possibility of the background on the stage being dressed up with War Bond posters, and from the balconies, and that sort of thing.

MR. LASTFOGEL: You would be satisfied if there were no direct appeal for the sale of Bonds?

H.M.JR: Yes.

MR. SKOURAS: If you allow me in this instance, if it appeals to you, Mr. Secretary, I honestly feel it is a mistake if we don't have, as I say, one of the speakers, as Mr. Willkie, for the sake of argument, or an outstanding citizen of Philadelphia - I don't agree with Abe that the Bonds is commercialism because that is an implement--

MR. LASTFOGEL: I don't mean it that way.

MR. SKOURAS: Just a minute, Abe, the whole effort is done to stimulate the sale of those Bonds and to stimulate the whole spirit of the War. Now, direct, quite often, is more profitable than indirect, but, in my opinion, in this proposition, the proper time is just about two minutes, or one minute, together with the decorations, would be a wonderful thing.

H.M.JR: I would like it, but I am not going to hold out for it. I will leave it with you.

MR. SKOURAS: O.K.

MR. LASTFOGEL: We can still argue the point on the way home.

H.M.JR: I mean, I would like it, but you happened to be on my side on this thing and so you think it over. After all, we are putting on the show principally to wake up the war spirit, and as a by-product sell the bonds.

- 17 -

MR. SKOURAS: Now, the next thing--

H.M.JR: We have got to raise some money.

MR. SKOURAS: Mr. Kuhn somewhat discouraged us. He likes the idea very much, this idea that we feel that if the President announces the coming of these heroes in his press release and that they are going to visit twenty cities - if the President will not do it, we would like you to do it.

H.M.JR: I promised to do it, and I will ask him to do it; but if he turns us down, I will do it.

MR. SKOURAS: That is correct.

H.M.JR: I would be glad to ask him to do it.

MR. KUHN: Do you want him to announce the names of the people who are coming over before they arrive in New York? As we left it last week, we were not to announce the thing until they actually arrived.

MR. SKOURAS: You don't have to necessarily announce the names. Let me tell you something, if you will allow, that happened in his last speech, the previous one. Mr. Zannuck and myself, we were here, and we left the restaurant and we heard his speech in the taxi. Mr. Zannuck, he being extraordinary, hearing him relate the story of the swallows, he said, "We are going to make a picture out of it." So we are going to send the President a check for making a good picture, and call it "Crash Dive." He told us the whole story, which we can build up and make a picture out of it.

MR. KUHN: One of those other people the President mentioned in his last speech, Wheelless, we are going to get. He is the man who flew in a bomber over the Philippines.

H.M.JR: Who is going along from the Treasury?

- 17 -

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H.M.JR: Who is going along from the Treasury?

- 18 -

MR. KUHN: It hasn't been decided. I would like to talk about that.

H.M.JR: I will tell you who you can break in if you want to, that editor in Cleveland.

MR. KUHN: Fritchey.

H.M.JR: Be a good way to break him in.

MR. KUHN: That is an idea.

H.M.JR: He is editor of a Scripps-Howard paper.

MR. SKOURAS: Ask him to come to see me.

MR. KUHN: The advance man going around is in my office. I thought it would be a good idea if you met him.

H.M.JR: Fritchey will be a good one on this.

MR. KUHN: Yes, and the Army has assigned a very good officer from Public Relations to take care of them on the way.

H.M.JR: I think we ought to get Fritchey.

MR. SKOURAS: We would like to get your reaction. After the first day in New York they will have a day of relaxation, and we will try to avoid any banquets, or any speeches. All we will have is a luncheon and a little shore dinner before they go to Madison Square Garden, then we will ask some very lovely ladies to take care of the boys, to give them parties in some night clubs some place, something of the kind.

Does that meet with your approval?

- 19 -

MR. KUHN: No banquets on this whole tour, no appearances at banquets.

MR. SKOURAS: They are tired out - they visit with people, go out to dance, things like that, feel much better.

MR. LASTFOGEL: If Bob Hope happens to be in New York, a boy like Bob will come over.

H.M.JR: No banquets?

MR. LASTFOGEL: Have a boy like Bob Hope, Gertrude Lawrence to sing "Jenny", just a few spots, highlight things.

MR. SKOURAS: Abe, have I forgotten anything?

MR. LASTFOGEL: I think you have covered everything very well, except you didn't get any money.

MR. SKOURAS: Well, I didn't try to because we feel that as long as motion pictures was asked to do something, we like to do it. It will not cost any money to the Treasury. After all, if we want to spend, we have to pay for it.

MR. LASTFOGEL: We will be able to give Mr. Kuhn a complete memorandum of what we intend to do, subject, again, to your final approval.

MR. SKOURAS: Mr. Kuhn is going to take care of all the mayors and all our contact men.

MR. KUHN: Telegrams to all the people.

(Mr. George Skouras, Mr. Silliphant, Mr. Muto entered the conference.)

- 20 -

MR. SKOURAS: Mr. Silliphant will be our advance man to contact our people. He is going to be ahead of the parade everywhere.

MR. LASTFOGEL: Mr. Weitman will go along with the company.

MR. SKOURAS: Is there anything else, Abe?

MR. WEITMAN: We are going to get a complete list of the Army and the Navy men?

MR. SKOURAS: We will get it.

H.M.JR: I think we ought to announce that Mr. Skouras is doing this for the Treasury.

MR. KUHN: I think so, too.

H.M.JR: When we announce the men are coming, I think we should announce that I have asked Mr. Skouras to do it.

MR. SKOURAS: Don't you think it would be better if we say--

MR. LASTFOGEL: I subscribe to Mr. Morgenthau's suggestion because it has been your enterprise and your drive that makes it possible. You are part of the Motion Picture Activities Committee, and they can be tied in that way.

MR. SKOURAS: Of course I will be the biggest four-flusher in the world - other people will do the job.

H.M.JR: I think you can let me announce that you are doing it.

MR. SKOURAS: Any way you like. The main thing is to do a good job, and I believe we will do it.

- 21 -

Now, the Mayor is supposed to call you at four o'clock.

H.M.JR: I think I will take it alone.

MR. SKOURAS: I am afraid--

H.M.JR: I am afraid.

MR. SKOURAS: We will leave it to the Mayor to tell you the story, and we want to thank you very much.

H.M.JR: I want to thank you.

MR. SKOURAS: Well, it is a great honor. We want to support you.

H.M.JR: May I make a suggestion. The secretary of the Mayors' Committee lives here in Washington. What is his name?

MR. MUTO: You mean the Mayors' Council - no, I can't recall his name.

H.M.JR: If he hasn't gone to work with some other Government agency, if he is here, he would be very useful.

MR. MUTO: There is a man in Washington who is paid for by all the mayors of the cities, and he is a very bright young fellow. Want me to get in touch with him?

H.M.JR: Yes. He is always fighting the Treasury, so we can for once be together.

PLAN OF THE NEW YORK RECEPTION FOR WAR AIR HEROES:

Immediately following the emanation of news concerning this program from the President at a press conference, and the subsequent national breakage of news and comment, we would be in the process of the following campaign in New York City.

1. The entire party of war air heroes would be landed by Clipper plane in New York Harbor adjacent to the Battery. (If it is impossible from physical reasons to accomplish this, they could be brought in by PT-patrol boat).
2. They would be met at the Battery by one end of the long lines of spectators, and by the New York welcoming committee composed of all organizations, etc. and also met by *Mayer La Guardia*. They would be driven in cars up to City Hall from the Battery, along a prescribed line of march, and at City Hall there would be appropriate ceremonies of a brief and stepped-up nature.
3. At the Battery, they will be greeted in addition by press photographers, newsreel cameramen and a four-network coast to coast hook-up special events broadcast, which would describe the event, permit the heroes to be introduced only, so that they would give no part of their speeches and thereby take any possible edge of their subsequent appearance at the night rally.
4. The Parade will be of the ticker-tape kind, with street banners and flags along the entire line of march. Both civic and military organizations and bands will participate, and mechanized war equipment will also be included.
5. The parade will start from the Battery at 11:45, and the Mayor will have the Unions and their workers to lunch fifteen minutes early on June 8.
6. A special luncheon of honor will be held, at which the heroes will merely be introduced, and will not speak. There will be entertainment at this luncheon.
7. In the afternoon the party will visit one or two adjacent war plants or industries.
8. They will also reserve an hour in the afternoon for press interviews.
9. An honorary dinner will be held for them before the rally, with Bob Hope as master of ceremonies, and Gertrude Lawrence present, together with many others.

May 29, 1942
4:39 p.m.

HMJr: Hello.

Operator: Colonel Harrison.

HMJr: Hello. Colonel Harrison.

Colonel
Harrison: Yes, Mr. Secretary.

HMJr: Colonel, after Cabinet I asked Mr. Stimson if I wanted to get him something in a hurry how to do it, and he said to do it through you.

H: Yes, sir.

HMJr: We're in a sort of a jam. We're having a big Negro mass meeting Sunday afternoon in Detroit, at which - for War Bonds - at which Justice Murphy is going to speak; and without saying anything to us, our State Administrator out there went ahead and announced that Louis, the fighter, would appear on the stage. Hello.

H: Yes.

HMJr: And our people contacted a Colonel O'Brien in New York, who evidently looks after Louis.

H: Yeah.

HMJr: And I understand, I think he's in Baltimore tonight, or something - somewhere in New Jersey tonight. He isn't scheduled anywhere for Sunday, and if it would be possible to have him appear in Detroit Sunday, it would be quite helpful to us; and I'd appreciate it if Mr. Stimson could see his way clear to give the necessary orders.

H: Yes. Well, I may be able to handle that right here, sir, without bothering the Secretary.

HMJr: That would be wonderful.

H: And I'll call - when can I call you back, sir?

- 2 -

HMJr: Well, if you don't mind calling back Mr. Peter Odegard, O-d-e-g-a-r-d - hello - and if you'll call him on District 2626 - that's my own switchboard.

H: Yes, sir.

HMJr: You see?

H: Yes, I'll do that.

HMJr: And we are in a jam, and, of course, if you could see your way - the only thing I heard was that he's busy tonight, but he has - I understand he has nothing Saturday night.

H: Yes, sir.

HMJr: And he's free Sunday, according to Colonel O'Brien. Do you know who he is?

H: No, sir, but I think he's probably in the Public Relations up there.....

HMJr: That's right.

H:in New York.

HMJr: And we'd consider it a real favor if we get us out of this hole.

H: Well, I'll see what we can do, sir, and I think maybe we can fix it up right here.

HMJr: Thank you so much.

H: Yes, sir.

HMJr: Good-bye.

May 29, 1942
4:55 p.m.

HMJr: How are you?

Fiorello
LaGuardia: Pretty good. Henry, I saw your League of Nations
yesterday.

HMJr: You saw what?

L: Your League of Nations - the Morgenthau League
of Nations. <

HMJr: (Laughs) Wonderful!

L: And - well, we'll do our best, Henry. I'm a little
frightened at Madison Square Garden, unless we can
jazz it up and whoop it up a bit.

HMJr: Yeah.

L: And for that, I think we ought to have the Marine
Band.

HMJr: Well, I tell you what. In the first place, let
me say that he - Skouras - said that you gave him
a wonderful reception, for which I thank you.

L: Well, I always want to help.

HMJr: Now, on the Marine Band, I went all through this
with Frank Knox and Admiral King, and they refused
to give us anything unless we pay every time we
move them.

L: Well, that's all right. You've got all the money
you need.

HMJr: And - we don't for that - but Skouras has agreed
to pay for the transportation.

L: Oh, that's fine.

HMJr: Hello.

L: That's fine.

- 2 -

HMJr: So he's agreed to pay for the transportation, so all I've got to do is get the Marine Band.

L: Good. Now, look, did he talk to you about the Chairman?

HMJr: He said you had something and pledged him to secrecy, and he wouldn't tell me.

L: Well, I've got - I want you to help me get Barney Baruch.

HMJr: Oh.

L: And then I think most of our little financial troubles might be over.

HMJr: I see.

L: Get the idea?

HMJr: Uh huh.

L: And we only have one item, and that's the actual disbursements of Madison Square Garden.

HMJr: Yeah.

L: All the rest I can say, "It's a deal or it isn't."

HMJr: Uh huh.

L: But Joe Patrick says he has about twenty-five hundred to three thousand dollars of actual out-of-pocket disbursements every time he opens the door.

HMJr: Yeah.

L: And, of course, we can't argue against that; so I thought if you put in a plea for Barney and I joined, we may get him to come along.

HMJr: Oh, I think Barney'd love it.

L: Oh, don't you?

- 3 -

HMJr: Yeah.

L: I do, too, because.....

HMJr: I think he'd love it.

L: So, will you ask him first?

HMJr: Sure.

L: All right. Then I'll follow up - I'll follow up tomorrow afternoon so he'll get my letter Monday.

HMJr: Fine.

L: Okay?

HMJr: That's easy.

L: All right.

HMJr: Skouras made it so secret I didn't know what you - I thought you were going to ask me for another Federal building, or something.

L: No, no, I - (Laughs) - don't you ever talk Federal buildings to me as long as you live.

HMJr: (Laughs) All right. That's easy.

L: All right, then. I'll keep in touch.

HMJr: Thank you.

L: Thank you, Henry.

HMJr: Good-bye.



Hatchville, Mass

May 29, 1942

Dear Uncle Henry,

Thank you ever so much for attending to my letter. I hate to think I added even one more thing for you to do, when you are so busy. It was awfully nice of you.

The FBI men came, day before

yesterday, and they told me the place
has been reported before - so perhaps
they will eventually find there is no
smoke without a fire.

Anyway I'm very relieved to know
Kajie's on the job.

Gratefully yours,

Ruth

Cabinet 74



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

May 29, 1942

TO THE SECRETARY:

The following shows the results of the refunding operation offered by the Treasury on Monday of this week: On that day the Treasury announced that it would offer a 1-1/2% 4 1/2-year Treasury note in exchange for HOLC 2-1/4% bonds, of which there were outstanding \$875,000,000, and for RFC 1% notes, of which \$276,000,000 were outstanding, both of which mature on July 1, 1942.

	<u>Amount exchanged</u>	<u>Amount not exchanged</u>
HOLC	\$ 835 M	\$ 40 M
RFC	271	5
	<u>\$1,106 M</u>	<u>\$ 45 M</u>

SWB



TREASURY DEPARTMENT

75

INTER OFFICE COMMUNICATION

DATE May 29, 1942

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

The past week was marked by the successful refinancing of the HOLC 2-1/4 percent bonds, called for redemption as of July 1, 1942, and the RFC 1 percent notes due on the same date. Reports through the close of business last night indicated that \$1,106 millions of these two issues, out of a total amount of \$1,151 millions outstanding, had been tendered in exchange for the new issue of 1-1/2 percent Treasury notes maturing December 15, 1946. On Monday the opening bid price of the new note was 100-12/32, while last night the premium stood at 15/32 on the basis of the mean of closing bid and asked quotations.

During the week ended last night, the market generally had a strong tone. Taxable bonds continued their gains of the previous week, with the premium on the new 2's of 1949-51 reaching a new high of 21/32 at the close yesterday. Even greater strength was shown by long-term partially tax-exempt bonds, most of these issues reaching new highs for the year. The note market remained practically unchanged from a week ago.

A comparison with prices on March 19, 1942, shows the same general situation as existed a week ago. Long-term securities, both taxable and tax-exempt, are above their levels of that date, while medium and short-term securities of both classes remain below. (See attached chart and tables.)

The bill rate in the third week of the expanded bill program remained unchanged from a week ago at 0.36 percent. Certificates of indebtedness closed last night at 0.48 percent, a slight improvement over the rate of 0.49 percent quoted the previous week.

Purchases by the Federal Open Market Account during the week ended last night totaled \$66 millions. These were offset in part by sales of \$13 millions and by maturities of \$10 millions, so that the net increase in the portfolio was \$43 millions.

Secretary Morgenthau

- 2 -

May 29, 1942

The details are summarized in the following table, which excludes, however, the refunding of \$2 millions of the called HOLL bond into the new Treasury note:

Changes in Government Security Holdings of
Federal Open Market Account

Week ended May 28

(In millions of dollars)

Class of Issue	Purchases	Sales	Maturities	Net changes in portfolio
Treasury bills	34	7	10	+17
Certificates	11			+11
New 1-1/2% Treasury notes	12			+12
Other issues	9	6		+ 3
Total	66	13	10	+43

Attachments

Table I

Price and Yield Changes of United States Securities
May 21, 1942 to May 28, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	May 21, 1942	May 28, 1942	Change	May 21, 1942	May 28, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
<u>Bills</u>						
Average rate last issue	-	-	-	.36	.36	.00
<u>Certificates</u>						
1/2% 11/1/42	-	-	-	.49	.48	-.01
<u>Taxable Notes</u>						
3/4% 3/15/43	100.06	100.06	.00	.52	.51	-.01
3/4 6/15/44	99.22	99.22	.00	.89	.89	.00
3/4 12/15/45	99.09	99.11	+.02	.96	.94	-.02
1 3/15/46	99.20	99.20	.00	1.10	1.10	.00
1-1/2 12/15/46	-	100.15w1	-	-	1.39w1	-
<u>Taxable Bonds</u>						
2% 3/15/48-50	101.10	101.15	+.05	1.76	1.73	-.03
2 6/15/49-51	100.17	100.23	+.06	1.92	1.89	-.03
2 9/15/49-51	100.16	100.21	+.05	1.93	1.90	-.03
2 12/15/51-55	100.10	100.11	+.01	1.96	1.96	.00
2-1/2 3/15/52-54	103.31	104.03	+.04	2.05	2.04	-.01
2-1/4 6/15/52-55	101.12	101.15	+.03	2.10	2.09	-.01
2-1/2 3/15/56-58	103.08	103.11	+.03	2.23	2.22	-.01
2-1/2 6/15/62-67	-	-	-	-	-	-
2-1/2 9/15/67-72	101.05	101.07	+.02	2.44	2.44	.00
<u>Wholly Tax-exempt Notes</u>						
2% 9/15/42	100.20	100.20	.00	.02	1/32*	+1/32*
1-3/4 12/15/42	100.30	100.30	.00	.09	.03	-.06
1-1/8 6/15/43	100.25	100.26	+.01	.39	.35	-.04
1 9/15/43	100.24	100.25	+.01	.43	.40	-.03
1-1/8 12/15/43	101.02	101.05	+.03	.44	.37	-.07
1 3/15/44	101.00	101.00	.00	.45	.44	-.01
3/4 6/15/44	100.18	100.17	-.01	.48	.49	+.01
1 9/15/44	101.06	101.06	.00	.48	.48	.00
3/4 3/15/45	100.22	100.19	-.03	.50	.54	+.04
<u>Partially Tax-exempt Bonds</u>						
3-3/8% 6/15/43-47	102.31	102.31	.00	.58	.53	-.05
3-1/4 10/15/43-45	103.15	103.16	+.01	.75	.70	-.05
3-1/4 4/15/44-46	104.16	104.17	+.01	.86	.82	-.04
4 12/15/44-54	107.23	107.24	+.01	.95	.91	-.04
2-3/4 9/15/45-47	105.19	105.20	+.01	1.03	1.01	-.02
2-1/2 12/15/45	105.09	105.10	+.01	.99	.97	-.02
3-3/4 3/15/46-56	109.21	109.19	-.02	1.16	1.16	.00
3 6/15/46-48	107.10	107.09	-.01	1.15	1.15	.00
3-1/8 6/15/46-49	107.23	107.23	.00	1.18	1.17	-.01
4-1/4 10/15/47-52	115.04	115.08	+.04	1.34	1.31	-.03
2 12/15/47	104.20	104.22	+.02	1.14	1.13	-.01
2-3/4 3/15/48-51	107.20	107.23	+.03	1.38	1.36	-.02
2-1/2 9/15/48	107.00	107.02	+.02	1.34	1.33	-.01
2 12/15/48-50	104.19	104.22	+.03	1.27	1.25	-.02
3-1/8 12/15/49-52	110.24	110.28	+.04	1.61	1.59	-.02
2-1/2 12/15/49-53	106.18	106.24	+.06	1.58	1.55	-.03
2-1/2 9/15/50-52	106.26	107.00	+.06	1.62	1.60	-.02
2-3/4 6/15/51-54	108.23	108.30	+.07	1.71	1.68	-.03
3 9/15/51-55	110.26	110.30	+.04	1.74	1.72	-.02
2-1/4 12/15/51-53	105.08	105.15	+.07	1.65	1.63	-.02
2 6/15/53-55	103.22	104.04	+.14	1.63	1.59	-.04
2-1/4 6/15/54-56	105.09	105.19	+.10	1.76	1.73	-.03
2-7/8 3/15/55-60	110.08	110.17	+.09	1.97	1.94	-.03
2-3/4 9/15/56-59	109.19	109.28	+.09	1.98	1.96	-.02
2-3/4 6/15/58-63	109.26	110.01	+.07	2.03	2.02	-.01
2-3/4 12/15/60-65	110.08	110.17	+.09	2.08	2.06	-.02

Treasury Department, Division of Research and Statistics.

May 28, 1942.

* Excess of price over zero yield.

Table II

Price and Yield Changes of United States Securities
March 19, 1942 to May 28, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	March 19, 1942	May 28, 1942	Change	March 19, 1942	May 28, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
Bills						
Average rate last issue	-	-	-	.20	.36	+1.16
Certificates						
1/2% 11/1/42	-	-	-	-	.48	-
Taxable Notes						
3/4% 3/15/43	100.12	100.06	-.06	.37	.51	+1.14
3/4 9/15/44	99.31	99.22	-.09	.76	.89	+1.13
3/4 12/15/45	99.21	99.11	-.10	.84	.94	+1.10
1 3/15/46	99.29	99.20	-.09	1.02	1.10	+1.08
1-1/2 12/15/46	-	100.15w1	-	-	1.39w1	-
Taxable Bonds						
2% 3/15/48-50	101.28	101.15	-.13	1.67	1.73	+0.06
2 6/15/49-51	101.04	100.23	-.13	1.83	1.89	+0.06
2 9/15/49-51	-	100.21	-	-	1.90	-
2 12/15/51-55	100.12	100.11	-.01	1.96	1.96	.00
2-1/2 3/15/52-54	103.23	104.03	+1.12	2.09	2.04	-.05
2-1/4 6/15/52-55	101.06	101.15	+0.09	2.12	2.09	-.03
2-1/2 3/15/56-58	103.05	103.11	+0.06	2.24	2.22	-.02
2-1/2 6/15/62-67	-	-	-	-	-	-
2-1/2 9/15/67-72	100.27	101.07	+1.12	2.46	2.44	-.02
Wholly Tax-exempt Notes						
2% 9/15/42	101.04	100.20	-.16	5/32*	1/32*	-4/32*
1-3/4 12/15/42	101.11	100.30	-.13	2/32*	.03	-3/32*
1-1/8 6/15/43	101.04	100.26	-.10	.22	.35	+1.13
1 9/15/43	101.03	100.25	-.10	.26	.40	+1.14
1-1/8 12/15/43	101.16	101.05	-.11	.26	.37	+1.11
1 3/15/44	101.10	101.00	-.10	.34	.44	+1.10
3/4 6/15/44	100.27	100.17	-.10	.37	.49	+1.12
1 9/15/44	101.16	101.06	-.10	.39	.48	+0.09
3/4 3/15/45	101.00	100.19	-.13	.41	.54	+1.13
Partially Tax-exempt Bonds						
3-3/8% 6/15/43-47	103.21	102.31	-.22	.41	.53	+1.12
3-1/4 10/15/43-45	104.06	103.16	-.22	.57	.70	+1.13
3-1/4 4/15/44-46	105.06	104.17	-.21	.72	.82	+1.10
4 12/15/44-54	108.11	107.24	-.19	.91	.91	.00
2-3/4 9/15/45-47	106.06	105.20	-.18	.94	1.01	+0.07
2-1/2 12/15/45	105.28	105.10	-.18	.90	.97	+0.07
3-3/4 3/15/46-56	110.08	109.19	-.21	1.11	1.16	+0.05
3 6/15/46-48	107.28	107.09	-.19	1.09	1.15	+0.06
3-1/8 6/15/46-49	108.08	107.23	-.17	1.13	1.17	+0.04
4-1/4 10/15/47-52	115.20	115.08	-.12	1.33	1.31	-.02
2 12/15/47	104.23	104.22	-.01	1.15	1.13	-.02
2-3/4 3/15/48-51	107.28	107.23	-.05	1.38	1.36	-.02
2-1/2 9/15/48	107.07	107.02	-.05	1.33	1.33	.00
2 12/15/48-50	104.21	104.22	+0.01	1.28	1.25	-.03
3-1/8 12/15/49-52	110.22	110.28	+0.06	1.65	1.59	-.06
2-1/2 12/15/49-53	106.16	106.24	+0.08	1.60	1.55	-.05
2-1/2 9/15/50-52	106.20	107.00	+1.12	1.66	1.60	-.06
2-3/4 6/15/51-54	108.18	108.30	+1.12	1.74	1.68	-.06
3 9/15/51-55	110.20	110.30	+1.10	1.78	1.72	-.06
2-1/4 12/15/51-53	104.29	105.15	+1.18	1.70	1.63	-.07
2 6/15/53-55	103.10	104.04	+1.26	1.68	1.59	-.09
2-1/4 6/15/54-56	104.28	105.19	+1.23	1.80	1.73	-.07
2-7/8 3/15/55-60	110.00	110.17	+1.17	2.00	1.94	-.06
2-3/4 9/15/56-59	109.10	109.28	+1.18	2.01	1.96	-.05
2-3/4 6/15/58-63	109.12	110.01	+1.21	2.07	2.02	-.05
2-3/4 12/15/60-65	110.00	110.17	+1.17	2.10	2.06	-.04

Treasury Department, Division of Research and Statistics.

May 28, 1942.

* Excess of price over zero yield.

Expenses of Loans A&E

May 29, 1942.

To Presidents, Federal Reserve Banks:

Boston, Mass.
New York, N. Y.
Philadelphia, Pa.
Cleveland, Ohio
Richmond, Va.
Atlanta, Ga.

Chicago, Ill.
St. Louis, Mo.
Minneapolis, Minn.
Kansas City, Mo.
Dallas, Texas
San Francisco, Calif.

In order to clarify the activities of Victory Fund Committees, it has been decided today that the War Savings Staff in each state is charged with the full responsibility for promotion of the sale of all War Savings Bonds, including Series F and G. The facilities of the Victory Fund Committees will be used in connection with Treasury Financing other than War Savings issues

(Initialed) H. M. Jr.

Henry Morgenthau, Jr.,
Secretary of the Treasury.

1942 MAY 29 DIA 1 59

W11WASH B173 NY 29-149P RUSH
SECRETARY OF TREASURY

470

YOUR WIRE TODAY. CONSIDER IT MOST UNFORTUNATE THAT JUST AS VICTORY FUND ORGANIZATION IS BEING SET UP ON BASIS OF FUNCTIONS ALREADY PUBLICLY ANNOUNCED THOSE FUNCTIONS SHOULD BE REDUCED BY ELIMINATING VICTORY FUND COMMITTEES FROM PARTICIPATION IN SALE OF SERIES F AND G WAR SAVINGS BONDS. THIS MATTER WAS DISCUSSED BY ALL PARTIES CONCERNED AT MEETING WITH YOU WHICH RESULTED IN FORMATION OF VICTORY FUND COMMITTEES AND IMPORTANCE OF COORDINATED EFFORT OF WAR SAVINGS STAFF AND VICTORY FUND COMMITTEES ON SERIES F AND G BONDS WAS, I THOUGHT, GENERALLY ACCEPTED. I STILL BELIEVE SUCH COORDINATION IS POSSIBLE AND HOPE THAT YOU WILL RECONSIDER YOUR DECISION AT LEAST UNTIL FURTHER ATTEMPT CAN BE MADE TO WORK OUT AN ACCEPTABLE PROGRAM. I URGE THIS BECAUSE I THINK IT HAS AN IMPORTANCE WHICH TRANSCENDS ANY QUESTIONS OF JURISDICTIONAL LINES OR IMMEDIATE DIFFICULTIES IN FINDING THE PROPER SOLUTION.

SPROUL.

May 29, 1942

TO: Mr. Bell
Mr. Graves

FROM: The Secretary

I think you have a copy of George Haas' memo of 5/28, "Number of Days it takes to receive a war savings bond issued by a Federal Reserve Bank or by a corporation issuing agent."

We still must have improvement.

- 2 -

*Hon. I. N. McCrary
Mayor of Fort Worth
Fort Worth, Texas

Hon. John Russell Young,
President, Board of Commissioners
Washington, D. C.

May 29, 1942.

Dear Mayor LaGuardia:

I am writing with some advance information which I wish you would treat with strict confidence. Sometime between the 8th of June and the 4th of July, an Army plane will arrive at your city with about a dozen outstanding war heroes who have distinguished themselves in actual combat. Some of these men will be from our own Army, Navy and Coast Guard; some of them will be British bomber crews, Commandos, and other fighting men who are being flown to this country at the invitation of the Treasury Department. The group will tour the principal cities of the nation to tell the story of their experiences and thereby to help in promoting the sale of War Bonds and Stamps.

New York City has been selected as one of a number of the more important cities to be visited by this group of heroes in uniform. To attain the best possible results, we feel that a public rally and parade should be staged in your city to welcome them.

It goes without saying that we shall need your active assistance. I realize, of course, that your time is severely taxed, but I shall appreciate your designation of a member of your official family or some other outstanding citizen who can take charge of all the arrangements. A member of the War Savings Staff of New York City will call on you and discuss the various details with you. For your information, we would suggest June 8th as a tentative date on which the visitors could appear in New York City,

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. F. H. LaGuardia,
Mayor of New York City,
New York, New York.

FK:eg

May 29, 1942

FOLLOW-UP FOR THE SECRETARY:

The attached memo to Mr. Graves is still pending.

Submitted 5/29/42

May 25, 1942.

Harold Graves
Secretary Morgenthau

On the bill-board of Charleston, South Carolina
I saw the RCA advertisement of Lucy Monroe, the girl
who sings the Star Spangled Banner. I want you to get
a copy of this bill-board advertisement at once, and
after you get it, I want to go over it with you.

TREASURY DEPARTMENT

87

INTER OFFICE COMMUNICATION

DATE May 29, 1942

TO Secretary Morgenthau
FROM Kenneth Carpenter (Mr. Callahan's Office)

The Chicago War Bond Musical Rally was held in the International Amphitheater in Chicago on Wednesday evening, May 27th, at 8:00 PM under the auspices of the Joint Citizens' Committee and sponsored by the Illinois War Savings Staff of the U. S. Treasury.

The principal stars who appeared on our program were Marian Anderson, Richard Crooks, and Olivia de Havilland, as well as a forty piece Army band, two colored choruses and two white choruses. The principal speakers were Mayor Edward J. Kelly; Norman J. Collins, State Administrator; Oscar G. Mayer, Cook County Chairman; Reverend Archibald Carey (colored); and Herbert Agar, editor of the Louisville Courier Journal. The last half hour of this two hour program was broadcast over the Mutual Network.

The Amphitheater was filled with approximately 10,000 people in attendance, sixty per cent colored and forty per cent white. It was most enthusiastically received by all.

-2-

All arrangements and decisions in regard to the rally were mutually agreed upon by the committee of approximately thirty people, half white and half colored. The desire to make the rally successful and the ability of the colored people to do a job was remarkable and most encouraging to the War Savings Staff of Illinois

The Chicago newspapers, both colored and white, as well as all of the radio stations cooperated to the fullest extent.

Kenneth Carpenter.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 29, 1942

TO Secretary Morgenthau
FROM Mr. Duffus

I am indeed sorry that you could not have been present at the Chicago rally Wednesday evening, as it was necessary to see the people together to appreciate fully the enthusiastic response not only to the program itself, but to the feeling behind it.

From a showmanship standpoint, I do not believe we could have had a better program, as Olivia DeHaviland, Marian Anderson and Richard Crooks were superb. Both the white and negro choirs, which were on the stage together and naturally very impressive, did excellent jobs. Mayor Kelly, State Administrator Norman Collins, and Reverend Carey of the First Methodist Church of Chicago gave very fine talks and covered the phases of the program well.

I do not believe that in the future we should have Mr. Agar of Louisville on any of our programs, nor do I believe a talk such as his should be used, as my feeling was that it aroused the spectators to too high a pitch. As soon as he had finished, a part of the crowd started dropping circulars from the balcony, calling for a Negro "March on Washington" June 26. This was unfortunate, but we naturally anticipate that things of this nature are likely to take place at affairs of this kind.

see
6/11

All in all, I feel that the rally was a venture very much worthwhile and that we gained from it considerable knowledge which will be useful in Detroit, New York and other cities to come.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 29, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

Here are the first samples of what the magazine covers are going to look like early in July. As you know, our War Bond people helped greatly to push this idea, and you will see on each cover there is a little War Bond ad.

The man most responsible for this excellent job was Paul MacNamara of Hearst Magazines, and I think it would be nice to send the letter.

Att.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 29, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

Here are the first samples of what the magazine covers are going to look like early in July. As you know, our War Bond people helped greatly to push this idea, and you will see on each cover there is a little War Bond ad.

The man most responsible for this excellent job was Paul MacNamara of Hearst Magazines, and I think it would be nice to send the letter.

Att.

WOMAN'S
HOME

Companion

JULY 1942 • 15 CENTS



UNITED WE STAND

*** BUY U. S. WAR
BONDS AND STAMPS

HOUSE BEAUTIFUL

COMBINED WITH HOME AND FIELD

92



50 Decorating Ideas you can afford to use...

War's

BAZAAR

July 1942



**BUY WAR
BONDS AND STAMPS**

50 cents • 60 cents in Canada • 20s in London

Regraded Unclassified

MOTOR

JUNE 1942

"UNITED WE STAND"



AND

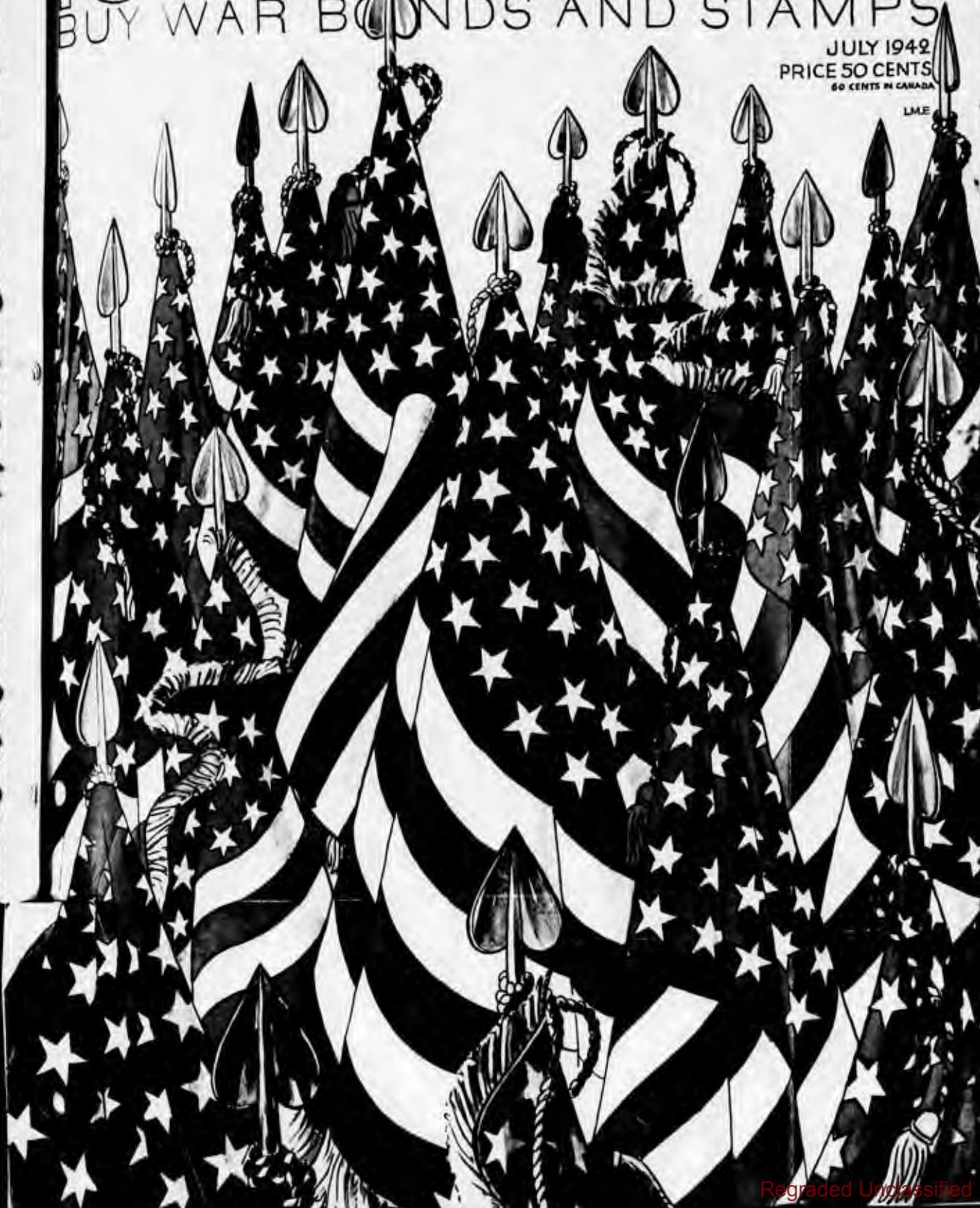
VICTORY

TOWN & COUNTRY

BUY WAR BONDS AND STAMPS

JULY 1942
PRICE 50 CENTS
60 CENTS IN CANADA

L.M.E.



Vina Delmar
Isabel Moore
Adm. Rogers St. Johns

The Return of
HIRAM HOLLIDAY

By Paul Gallico

90
Faith Baldwin
Sophie Kerr
Louis Bromfield

Hearst's International combined with

Cosmopolitan



"United We Stand"



AUGUST 35¢

AUGUST

REDBOOK

25 CENTS

M A G A Z I N E

"UNITED WE STAND"

Beginning a New Serial by **MARGARET AYER BARNES**

New Claudia

BY ROSE FRANKEN



BY BEN HECHT

Charm

WANTED • Girls by thousands

for **NEW JOBS**

on AIR LINES

a **MADE-OVER**

Business Girl

a Love Story by

RICHARD

ENGLISH



"UNITED WE STAND"

WITNESS
AND SIGN
FOR VICTORY



JULY 1942 • 15 CENTS 20 CENTS IN CANADA

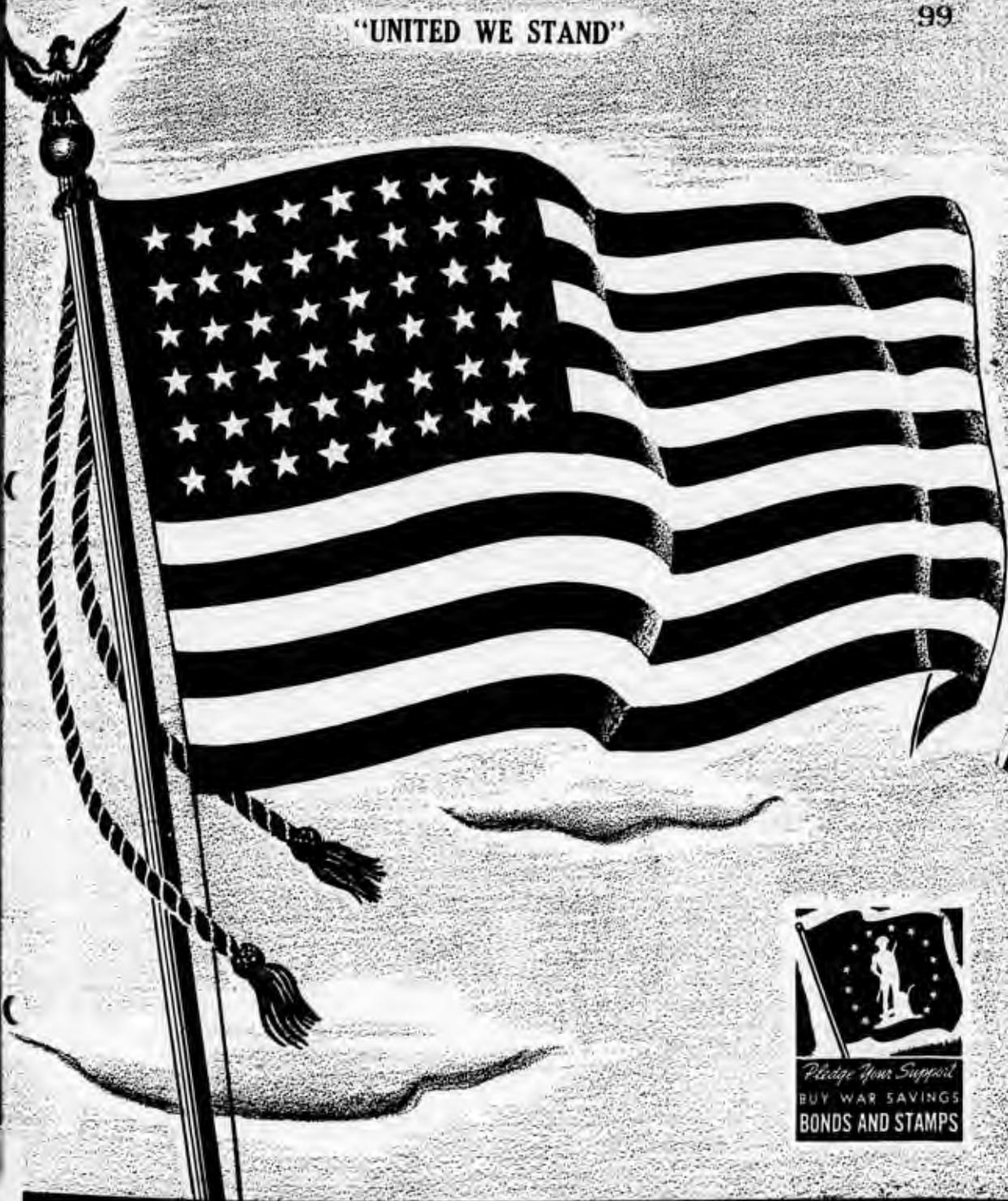
*REG. U. S. PATENT OFFICE

Regraded Unclassified

SAVINGS BANK JOURNAL

"UNITED WE STAND"

99



JUNE

Convention Issue

1942

Regraded Unclassified

American Druggist



JULY
UNITED STATES
WAR
BONDS
AND
STAMPS

The

ON GUARD ★★★

10¢
15¢
in CANADA

AMERICAN HOME

United We Stand



LEARN to LIVE this summer!

SERVICE WEDDING :: Air Warden Party :: CAN for VICTORY!

Patriotic Quilts :: Yard & Beach Furniture



Buy
FOR VICTORY

JULY
1942

July

Good Housekeeping

25 Cents
30¢ IN CANADA

102



Mary Roberts Rinehart
Nelia Gardner White · Fannie Hurst
Viña Delmar · Elizabeth Dunn · Maxine Davis

BUY U.S. WAR BONDS AND STAMPS

Regraded Unclassified

M^cCALL'S

THREE MAGAZINES IN ONE

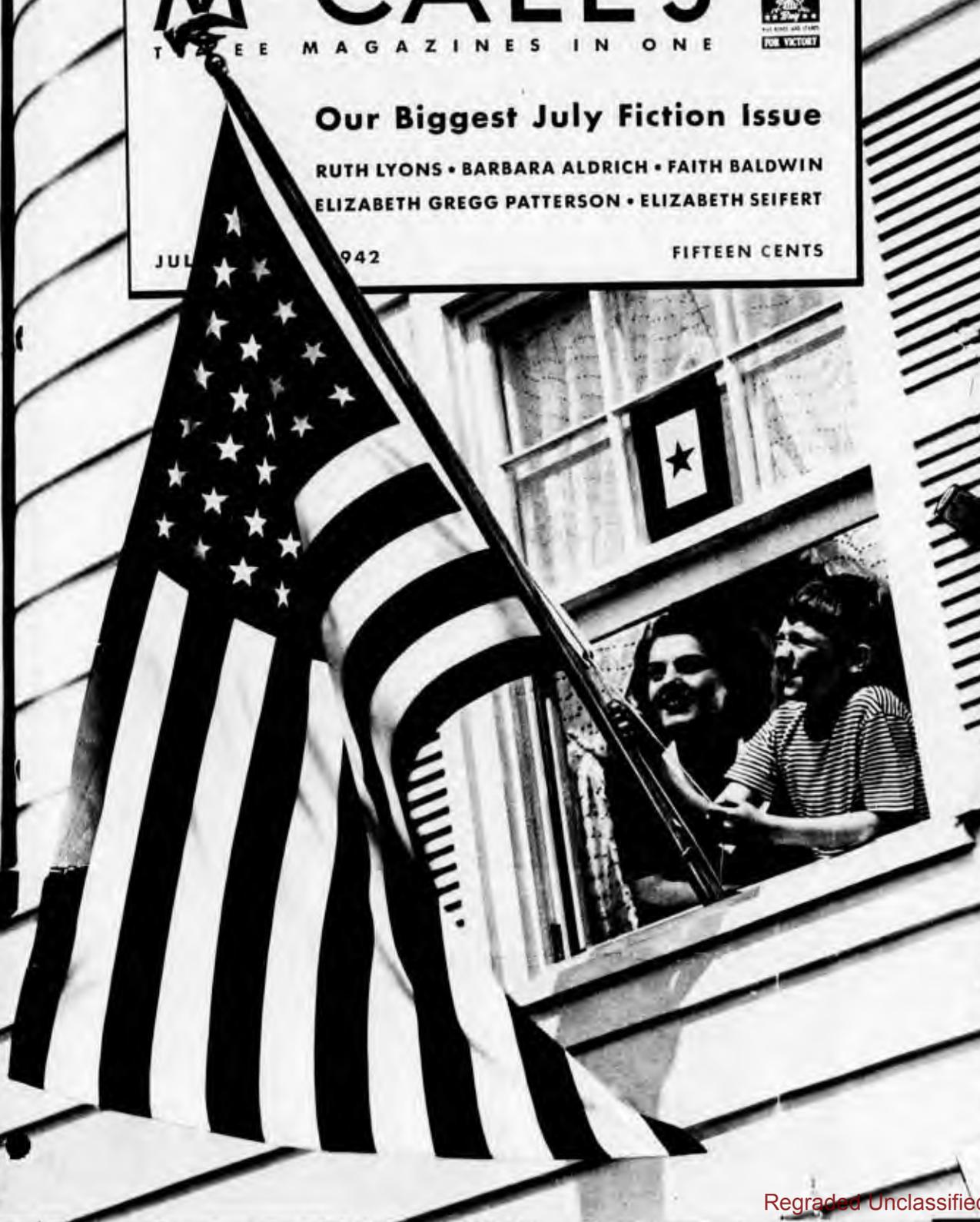


Our Biggest July Fiction Issue

RUTH LYONS • BARBARA ALDRICH • FAITH BALDWIN
ELIZABETH GREGG PATTERSON • ELIZABETH SEIFERT

JULY 1942

FIFTEEN CENTS



LADIES HOME

THE MAGAZINE WOMEN BELIEVE IN
FIFTEEN CENTS JULY 1942



**BUY UNITED STATES
WAR SAVINGS
BONDS AND STAMPS**

Analysis of Exposure to Payroll Savings Plans

May 23, 1942

	Number exposed to payroll savings plans	Total number in the country (estimated)	Percent of total exposed
Part A - Summary by Number of Organizations Exposed			
I. Business organizations			
(1) Firms with 5,000 employees or more.....	473	477	99
(2) Firms with 500 to 4,999 employees.....	4,722	6,097	77
(3) Firms with 100 to 499 employees.....	<u>17,703</u>	<u>26,966</u>	<u>66</u>
(4) Subtotal - large firms.....	22,898	33,540	68
(5) Firms with less than 100 employees.....	<u>63,334</u>	*	*
(6) Total business organizations.....	86,232	*	*
II. Governmental organizations.....	*	*	*
III. Grand total.....	<u>86,232</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed

I. Business organizations			
(1) Firms with 5,000 employees or more.....	7,760,000	*	*
(2) Firms with 500 to 4,999 employees.....	6,457,939	*	*
(3) Firms with 100 to 499 employees.....	<u>4,243,684</u>	*	*
(4) Subtotal - large firms.....	18,461,623	*	*
(5) Firms with less than 100 employees.....	<u>1,788,409</u>	*	*
(6) Total business organizations.....	20,250,032	30,400,000 ^{1/}	67
II. Governmental organizations			
(1) Federal Government.....	397,981	1,700,000 ^{1/}	23
(2) State and local governments.....	<u>1,097,233</u>	<u>2,700,000</u>	<u>41</u>
(3) Total governmental organizations.....	<u>1,495,214</u>	<u>4,400,000</u>	<u>34</u>
III. Grand total.....	<u>21,745,246</u>	<u>34,800,000 ^{1/}</u>	<u>62</u>

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

May 29, 1942.

^{1/} Excludes agricultural employees, military personnel, employees on WPA or NYA or CCC projects, proprietors, firm members, self-employed, casual workers and persons in domestic service.

* Data not available.

Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans

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

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	May 16	May 23		Apr. 18	May 16	May 23
Alabama.....	149	194	205	285	52	68	72
Arizona.....	43	48	49	64	67	75	77
Arkansas.....	44	47	47	142	31	33	33
Northern California.....	512	561	572	572	90	98	98
Southern California.....	756	797	802	1,171	65	68	68
Colorado.....	113	116	118	124	91	94	95
Connecticut.....	277	285	294	622	45	46	47
Delaware.....	21	43	49	85	25	51	58
District of Columbia.....	52	62	71	152	34	41	47
Florida.....	147	165	169	169	87	98	100
Georgia.....	133	191	203	590	23	32	34
Idaho.....	31	31	31	39	79	79	79
Illinois.....	1,300	1,420	1,464	2,252	58	63	65
Indiana.....	415	511	519	587	71	87	88
Iowa.....	165	199	200	272	61	73	74
Kansas.....	276	276	276	276	100	100	100
Kentucky.....	136	151	171	312	44	48	55
Louisiana.....	179	222	230	384	47	58	60
Maine.....	60	73	76	198	30	37	38
Maryland.....	177	213	217	405	44	53	54
Massachusetts.....	639	675	692	1,523	42	44	45
Michigan.....	689	774	779	1,022	67	76	76
Minnesota.....	376	407	409	409	92	99	100
Mississippi.....	59	62	62	143	41	43	43
Missouri.....	472	531	559	664	71	80	84
Montana.....	40	42	43	43	93	98	100
Nebraska.....	103	106	108	123	84	86	88
Nevada.....	14	16	16	21	67	76	76
New Hampshire.....	89	98	100	145	61	68	69
New Jersey.....	463	572	586	867	53	66	68
New Mexico.....	33	33	33*	42	79	79	79
New York.....	2,060	2,155	2,553	4,240	49	58	60
North Carolina.....	282	320	345	499	57	64	69
North Dakota.....	14	18	19	29	48	62	66
Ohio.....	1,126	1,178	1,179	1,739	65	68	68
Oklahoma.....	166	178	201	345	48	52	58
Oregon.....	211	252	255	271	78	93	94
Pennsylvania.....	1,682	1,819	1,842	2,032	83	90	91
Rhode Island.....	154	173	175	224	69	77	78
South Carolina.....	71	92	99	174	41	53	57
South Dakota.....	21	22	22	23	91	96	96
Tennessee.....	199	199	199*	449	44	44	44
Texas.....	326	403	403*	1,376	24	29	29
Utah.....	36	38	44	111	32	34	40
Vermont.....	59	60	60	63	94	95	95
Virginia.....	281	338	341	341	82	99	100
Washington.....	234	253	264	323	72	78	82
West Virginia.....	134	140	140	272	49	51	51
Wisconsin.....	278	322	343	680	41	47	50
Wyoming.....	17	17	18	18	94	94	100
Alaska.....	2	2	2*	2	100	100	100
Railroads.....	49	49	49	52	94	94	94
Total.....	<u>15,365</u>	<u>17,249</u>	<u>17,703</u>	<u>26,966</u>	<u>57</u>	<u>64</u>	<u>66</u>

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

May 29, 1942.

* Data are for May 16, inasmuch as no May 23 report was received.

Regraded Unclassified

Firms Employing 500 Persons or More Participating in Payroll Savings Plans
(As reported by the Defense Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	May 16	May 23		Apr. 18	May 16	May 23
Alabama.....	41	49	53	75	55	65	71
Arizona.....	9	9	9	12	75	75	75
Arkansas.....	16	16	16	22	73	73	73
Northern California.....	122	123	124	175	70	70	71
Southern California.....	121	125	126	161	75	78	78
Colorado.....	25	26	26	27	93	96	96
Connecticut.....	114	115	116	152	75	76	76
Delaware.....	15	17	18	24	63	71	75
District of Columbia.....	32	32	32	53	60	60	60
Florida.....	28	30	30	63	44	48	48
Georgia.....	86	105	105	110	78	95	95
Idaho.....	11	11	11	11	100	100	100
Illinois.....	391	407	413	544	72	75	76
Indiana.....	88	114	117	167	53	68	70
Iowa.....	22	29	29	41	54	71	71
Kansas.....	23	24	24	24	96	100	100
Kentucky.....	38	39	42	71	54	55	59
Louisiana.....	29	36	37	77	38	47	48
Maine.....	48	53	53	58	83	91	91
Maryland.....	84	88	88	106	79	83	83
Massachusetts.....	237	252	259	349	68	72	74
Michigan.....	265	271	271	308	86	88	88
Minnesota.....	79	79	80	84	94	94	95
Mississippi.....	26	29	29	37	70	78	78
Missouri.....	103	112	114	134	77	84	85
Montana.....	3	3	3	3	100	100	100
Nebraska.....	23	24	24	31	74	77	77
Nevada.....	4	4	4	5	80	80	80
New Hampshire.....	29	31	31	31	94	100	100
New Jersey.....	142	153	155	195	73	78	79
New Mexico.....	5	5	5*	5	100	100	100
New York.....	759	788	795	1,080	70	73	74
North Carolina.....	103	120	126	160	64	75	79
North Dakota.....	0	0	0	0	0	0	0
Ohio.....	412	419	419	491	84	85	85
Oklahoma.....	31	37	38	50	62	74	76
Oregon.....	48	53	53	53	91	100	100
Pennsylvania.....	551	565	570	619	89	91	92
Rhode Island.....	61	69	69	81	75	85	85
South Carolina.....	84	93	94	103	82	90	91
South Dakota.....	5	5	5	5	100	100	100
Tennessee.....	50	50	50*	102	49	49	49
Texas.....	63	74	74*	142	44	52	52
Utah.....	8	8	10	16	50	50	63
Vermont.....	12	12	12	12	100	100	100
Virginia.....	93	97	97	100	93	97	97
Washington.....	49	50	50	71	69	70	70
West Virginia.....	36	40	40	61	59	66	66
Wisconsin.....	127	134	136	153	83	88	89
Wyoming.....	1	1	1	1	100	100	100
Alaska.....	3	3	3*	3	100	100	100
Railroads.....	109	109	109	115	95	95	95
Total.....	4,864	5,138	5,195	6,573	74	78	79

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

May 29, 1942.

* Data are for May 16, inasmuch as no May 23 report was received.

Sales of United States Savings Bonds
From May 1 through May 28, 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
	May 1	to	May 1	to Date	May 1	to	May 1	to Date	May 1	to	May 1	to Date
Daily	Date	Date	as % of	Daily	Date	Date*	as % of	Daily	Date	Date	as % of	
			Quota				Quota				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
9	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	19.1	309.6	266.0	116.4	7.1	156.6	189.8	82.5	26.2	466.2	455.8	102.3
23	14.1	323.7	277.7	116.6	4.8	161.4	196.8	82.0	18.9	485.1	474.5	102.2
25	23.8	347.5	299.8	115.9	9.9	171.3	210.3	81.5	33.7	518.8	510.1	101.7
26	13.1	360.6	309.8	116.4	7.9	179.2	217.9	82.2	20.9	539.8	527.7	102.3
27	15.1	375.7	322.5	116.5	10.1	189.3	230.5	82.1	25.2	565.0	553.0	102.2
28	16.9	392.6	336.0	116.8	6.9	196.2	241.0	81.4	23.8	588.8	577.0	102.0
29			350.0				250.0			600.0		

May 29, 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 daily trend within the week, but does not take into account the trend by weeks during the month.

General

MEMORANDUM FOR THE SECRETARY.

May 29, 1942.

Mail Report

Bonds and taxes continue to be the two subjects with which the fan mail deals almost exclusively. No new trends have developed, but the comments continue in the same general tenor and proportion as reviewed during the recent weeks.

On the new income tax proposals for lower exemptions, the ratio is 25 unfavorable to 3 favorable. On compulsory deductions for income taxes, there is a ratio of 28 unfavorable to 3 favorable, with a number suggesting methods of collection, if the proposition goes through, but without indicating either approval or disapproval.

There is an increasing number of letters urging tax-exemption for Bond purchases. These total 17, as against 22 letters speaking of the Sales Tax -- 19 favorable and 3 opposed. 8 letters mentioned joint income tax returns -- 3 favorable, 5 unfavorable. There continue to be a number of letters endorsing a flat income tax levy for those who file no return, or very small ones. There was only one statement from organized labor. It opposed lowered exemptions and favored a salary ceiling of \$25,000. Several other letters approved this, and one mentioned \$10,000 as the upper limit.

There were 5 letters urging an adjustment in tax rulings on alimony. 1 letter of protest on the Rosenberg case, and 1 on the Jack & Heintz case.

There were 20 abusive communications -- 18 anonymous, and 2 signed.

J. F. Forbush

Abundant calls re investigation & report to me. T.M.P. - see Chicago office 6/4/42.

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General Comments on Present Emergency

Mrs. Edwin Campbell, Hotel Delmonico, N.Y.C. As I have money deposited in Savings Banks in New York City, I am writing to ask you what basis there is for the statement now offered by all classes of society, that the Government can, at any moment, take possession of one's money in a Savings Bank. Today, one of our largest Bond houses informed me, via the telephone, that if one has money "just lying idle" in a Savings Bank, the Government can take it for war purposes; and that it is much "safer" to purchase, through them, of course, high class bonds such as Bethlehem Steel, etc. The average woman thinks that a Savings Bank keeps her money in a sock under the mattress, and these unverified rumors can create a very ugly situation.

Keith Layne, Secretary, Third Grade, Tulsa, Oklahoma. The Third Grade of Pleasant Porter School wishes to send our Government \$1.85 to help buy a bomber. We earned this money by selling the vegetables we raised in our school Victory Garden.

Solomon Czernik, Colon, R. de P. Being an alien and a resident of the Republic of Panama, I have not been permitted to buy Defense Bonds. I wish to make a contribution toward the War Effort of the United States Government, and for that reason I hereby enclose a Money Order in the amount of \$100, as my small contribution to the great effort in which your Government is engaged.

William Devine Burns, N.Y.C. According to an article in the New York Times of May 24, the Mexican Government has applied to this Government for loans to develop electrification, build steel mills and construct roads in Mexico. As the decidedly unfortunate owner of defaulted Mexican Government securities, I emphatically protest against this Government granting any loans or credits whatever to the dishonest nation to the South. If any loans are made, the money will never be repaid, nor will any attempt ever be made to liquidate or reduce the obligation. To give the funds of our taxpayers to the Mexicans is dishonest use of public finances and reprehensible in the extreme. * * *

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Mrs. J. Feigelson, Beaumont, Texas, sends a Money Order for \$18.92, with the following note: "A donation to the best Government on earth -- may it help protect that Government!"

Mrs. Herbert C. Scherer, Los Angeles, Calif. As the wife of one of those "forgotten men", the small business man, I am making this appeal. I have tried to get an expression, from several sources, as to what our future will be, but without success, so I am putting the matter before you. We run a Super Service Station, where we repair cars, paint and lubricate them, in addition to selling gasoline. * * * We have a lease at \$500 per month which has 3½ years more to run. During the last 3½ years, we have purchased machinery, etc., and had built up a fair business. Now, we see ourselves, at middle-age, absolutely broke and all of our efforts wasted. Is there any redress for people in our position? Must we lose everything we have worked for? If our lease can be enforced, the landlord will be able to get a judgment against us and we will have to pay for the rest of our lives. We are good citizens, we have paid taxes of all kinds and have been happy to do it. We want to buy War Bonds and be able to pay a good income tax, but we can't do either if we can't even make a living. What are we to do?

Favorable Comments on Taxation

C. M. Salter, Agent, Detroit Fire & Marine Insurance Company, Detroit, Mich. This is to congratulate you on your stand on the current tax bill. I am writing for our group of 50 people interested in encouraging good Government. We were delighted by your first advice to Congress, and stand against a general sales tax. * * * We urge a heavier excess profits tax, but more liberal allowance for depreciation at option of taxpayer. This for unity effect, to stop complaints of unfair profits for one, and less pay for others on account of the war.

Norman Sherwin Rose, Newton Highlands, Mass. Thousands of salaried men in the "middle-income" class would join me in the hope that some attention may be paid to Mr. Magill's suggestion. It would be a "life saver" for many who are going to be squeezed dry under Federal and State income taxes, life insurance premiums, retirement deductions, and other commitments that are going to leave little to live on. (Sends New York Times editorial)

Raymond Rodriguez, Rockville Centre, N.Y. * * * I am a working man, married and have two small children. I have a good job and you can bet that I shall be willing to pay the increased taxes, and more, if necessary. However, please remember one thing, I work for a corporation, and if you tax my corporation out of business, I won't have a job.

Louis J. Newman, Newman, Calif. Knowing how badly the Government would like to have cash this year for its operations, would suggest that the large taxpayers who are patriotic at heart, be allowed to anticipate their taxes for next year, and pay a proportion of them this year -- say one-half of what they think the tax will be; and in that way the Government will have the money to spend ahead of time. * * * I understand the tax anticipation warrants are only up to \$1,200, which is not very much. A receipt for not less than \$1,000 could be given for these payments, and when the final audit is made next March, these receipts could be used as cash in payment of the tax. * * *

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Israel Bardas, Los Angeles, Calif. I believe that the Congress of U.S.A. will accept your proposition for a tax of \$5 on filing income tax returns. It is too long for me to wait until the vote will be passed by the Congress. My common sense advised me that it is better earlier than later. Herewith I enclose a draft for the amount, payable to your office.

Hans Faxdahl, N.Y.C. * * * I was employed by the Dept. of Taxation in Denmark from 1919 to 1926, and the hard times after the World War made heavy taxation necessary. Danish taxpayers are permitted to pay their taxes in 10 monthly installments -- no tax is due for July (vacation time), and December (Christmas). This system proved to be very successful, and was greatly appreciated by the taxpayers. It also gave less work to the Administration, as 10 payments, instead of 12, naturally simplifies the entire system. * * *

Edmond Higginson, Mechanical Engineer, Olson Rug Co., Chicago, Ill. I believe that the 10% salary deduction weekly is highly constructive and should be enacted, because you collect as a person earns, then they have their payments made for taxes. This way, they are happy, their Government is happy. The Government gets the tax, and the person the great satisfaction. I would suggest, however, that the money deducted be paid to the employee in the form of an Income Tax Stamp, which may be applied toward the income tax he is to pay, and if there is any balance, the employee could take the change in War Savings Stamps or Bonds. * * *

Bernard J. Weis, Boise, Idaho. (Copy of letter sent to Senator John Thomas of Idaho.) * * * It may be said that we taxpayers should save out of each month's earnings, sufficient to meet our tax obligations at the close of the year. In theory this is correct. However, although I personally resolved that I would follow such a program at the beginning of this year, I am honest enough to admit that thus far I have failed. I do not gamble, I do not spend excessive amounts of money for liquor or amusements, and I will not concede that I spend my earnings

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foolishly. The only explanation I can make, is the one that thousands of married men make to their wives after all monthly bills have been paid -- "Where the hell did it all go to?". * * * Most wage earners are not living luxuriously, and there is an understandable tendency to spend the residue of monthly earnings on what the average family considers necessities. Therefore, if we as a people are expected to make sacrifices in behalf of our war effort, (and we DO want to make these sacrifices), then in the name of common sense let the Government help us to be practical and make these sacrifices. Nobody, in my opinion, but a confirmed tax-dodger would or could object to the tax withholding plan, so long as an opportunity is provided at the close of the year for a final adjustment of total payments based on a determination of the actual amount due.

Robert H. Jamison, Lawyer, Cleveland, Ohio. * * * Many, if not most, labor unions devote a considerable portion of their funds to political activities. Here, in Cleveland, I know definitely in the mayoralty campaign last year the A.F. of L. unions particularly, financed the campaign of one of the candidates, and, of course, it is quite notorious that the C.I.O. unions contributed very largely to the campaign of the Democratic Party in 1940. It would seem to me that this fact -- that the labor unions do contribute to political campaigns -- should take them out of the exemption of Section 101, and should make their income subject to taxation. I am glad to note that the Ways and Means Committee have asked for a report on the subject.

J. H. Atkinson, Detroit, Mich. * * * May I take this opportunity of endorsing the new plan of lower exemptions applying to income taxes. The proposal is equitable, in that the usual allowances are made for a family man. Even with an exemption of \$2,600 for six of my seven children, it will be a pleasure for me to commence initial income tax payments. * * * I am buying Bonds on the Stamp purchase plan now, but will pledge the purchase of a \$25 Bond every month, as soon as possible.

Nathan Geffer, Manufacturer of Men's Neckwear, Chicago, Ill. How long will Treasury Dept. and the people of America permit the Congressmen to play around and not to act fast on the proposed tax by the Treasury Dept. to help to cover the cost of the war. * * * We the men who are not on the fighting force and are able to make a nice living, we shall give all we can to help win the war. * * * I am a married man, have 2 children, work very hard. My wife helps me. My net profits for the year 1941 was \$7,360.00. My drawings from the business were \$3,686.00. The income tax that I am paying for the year 1941 is about \$700.00. Now do I have any use of the profit that I have left; a large inventory, for which I have no use for now. If my taxes would be larger to pay than \$700.00, then I would not have a large inventory and could pay more tax to the Government to help cover the expenses for the war. * * * The Congress is to be told that they are not doing any good to the American people by taxing them less. We all have to work together to win this war. One does the fighting, one works to supply the tools, and the other one who has the money, as to pay for, to be sure for victory and to work the American way. Wake up, Mr. Congressman. * * * I am an American citizen since 1939.

Unfavorable Comments on Taxation

Dan Truitt, D.O., Magnolia Hospital, Long Beach, Calif. We people realize the need for more taxes to pay for our huge national expenditures. You are a fair man, I hope, in considering the dependents' credit phase of the income in that you realize many of us are not making any more today than we were before, and its costing us more to exist. Some countries, I am told by the press, in spite of war are giving subsidies to parents. We don't need subsidies in our country, but the family man is on a spot. The \$90 a week single shipyard worker isn't. Thank you for doing the best you can by putting yourself in some of our positions.

Wm. E. Clow, Jr., Chicago, Ill. * * * You simply cannot imagine the pall of gloom that has settled over Lake Forest, and similar communities. * * * One of the reasons that the so-called better class of people are so discouraged today is because the feeling persists that the Roosevelt Administration is out to get anybody who either has anything, or is in any way successful, and this is killing initiative and enterprise. You and I know that this impression is false - but actions speak louder than words. And while the financial loss to the Government would be very little, nevertheless the gain in morale would be tremendous, if the present unnecessary high taxes under consideration were lowered before they became law, and if in addition to that, there could be some amelioration of the present high and basically unsound capital gains taxes, it would also be very stimulating. * * * But with everything to lose - and very little to gain on account of high taxes, if successful, the very men who ought to be right now scheming to build the economic future of America are discouraged and their initiative and enterprise dulled, if not altogether removed.

Ralph P. Gage, Los Angeles, Calif. Please tell me why the Finance Committee of the Senate rejected your proposal to tax the now tax-exempt Bonds. The common herd of people watch the papers very carefully these days, and they are plenty indignant at this idea of not taxing

the VERY wealthy. I know 3 or 4 women here from the East with their cars and drivers, living like Queens, each having from \$500,000 to one million dollars in tax-exempt Bonds, and are bragging about it - that they don't have to pay any cost of the war because their fathers or husbands were smart enough to buy all tax-exempt Bonds. * * * Then these old ladies don't buy Defense Bonds to any great extent. * * * Can I do anything to help you smoke these slackers out? If so, let me know and I'll put the heat on so they will feel it. I own a \$1,000 Defense Bond, and will buy more if I know you intend making the rich guys buy 'em too.

Mrs. Ida Lenken, Philadelphia, Pa. As a patriotic American I address you in regard to recent income tax proposed by Congress. I am a housewife and a business woman. Therefore, this tax is a great item in my daily life. Please hear my case. I believe I represent many American families and also plead their cause. Does not Congress realize that in taxing the lower bracket citizens they will decrease the sale of Bonds and Stamps? Most Americans are thrifty and dread a debt. If they are forced to pay a large income tax they will retrench, and that will mean money spent on Bonds will be saved for income tax. * * * I have found from contact and observation that the lower bracket people are the Americans most willing to sacrifice for our Country. Why not give us a chance to do this willingly, instead of taxing us so highly that giving is impossible? Surely this is a logical way. * * * I wish to quote our earnings, and also my monthly budget. This may not be of interest to you, but it will show that I have considered this matter seriously. My husband and I made a \$250 loan from a bank so that he could do defense work to aid his country. He knew at the time he enrolled for his course that his salary in this work would not be a large one. He now makes approximately \$30 weekly. Out of this money he pays \$6 weekly for Bonds. I make \$95 monthly and buy one \$18.75 Bond monthly. We have endeavored to put aside \$10 monthly toward our income tax. Our other expenses are as follows:

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Rent	\$35.00
Insurance	8.00
Bank Loan	15.00
City Tax	4.00
Hospitalization	1.50
Food	9.00

This item has been increased due to the high prices of food. After expenses and savings are taken out, we have a small amount for the necessity of living. Clothing, transportation, doctor's bills, etc., must also be met. * * * For our old age we must keep up our insurance. Hospitalization is necessary in case of illness. As honest people, we must pay our bank debt. Clothing is also a necessity. So if we retrench, we must do so in the buying of Bonds. At this time our Bonds cost us \$42.75. This we consider a privilege and a saving. It is our contribution as a testimonial to our faith in our Country and its leaders. If we must have a higher income tax and salary reductions, this privilege will be denied us. * * *

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Favorable Comments on Bonds

A. L. Ebert, Route 1, Mt. Gilead, Ohio. * * * I am enclosing a letter which I received from the Morrow County, Ohio, Chairman of the AAA. After reading it, you will see they offer to pay me \$211.10 if I comply with the AAA program. Now a week ago, a community leader for our block was around asking us to pledge 10% of our income to buy Bonds. That \$211.10 represents just about 10% of my gross income the past year, so here is a suggestion. You keep the \$211.10, even if it is appropriated for the AAA, and use it to make bombs to drop on Berlin and Tokyo, and I will try to farm my land so as to bring in enough to buy Bonds out of my earnings, not what the Government gave me, for that wouldn't be doing anything for my Country. There are too many farmers today who are taking more from the Government than they are paying back in any form of taxes or Bonds. You know no Government can go on forever when it gives more than it gets back -- and we must win this war. * * *

Ethelyn E. Sexton, Editorial Dept., The State Journal, Lansing, Mich. You are to be congratulated on your plan of permitting the American people to make voluntary contributions to war maintenance before attempting more drastic measures. However, as long as strikes are permitted, your plan is to be less effectual than it would otherwise have been. We at the State Journal forced, of course, to belong to the Newspaper Guild, are soon to start paying assessments to help these strikers. I have pledged myself to buy War Bonds "as long as I am financially able". I have dependents and I cannot contribute to everything demanded in these war days. I could certainly afford to be more generous, however, if the Unions would leave us alone in their demands. * * *

Robert M. Neeson, Milton, N.Y. Have received and read your Treasury Circular, "Our America", with interest. Although I have not signed any pledge, have instructed my employer to lay aside 33 1/3% of my weekly pay check toward the purchase of Bonds, which he has been doing. And when I tell you it takes three weeks for me to acquire a Bond, you can see I belong in the lower wage group. * * *

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R. L. Douglass, Administrator, Nevada War Savings Staff, Reno, Nevada. We are highly elated over Mrs. Eleanor Wilson McAdoo's presence here in Reno, Nevada. Her grace, natural charm and personality, together with a thorough understanding of all phases of women's activities relating to our problem in common, the sale of War Bonds and Stamps, played a most important part in stimulating greater participation among all groups in our community. * * * The attached clippings, taken from our two local papers, give fully the enthusiastic response to Mrs. McAdoo's appearance here. During the day, we were able to meet many of our State officials, namely; Governor E. P. Carville, Secretary of State, Malcolm McEachin, and others. As you know, Governor Carville has been very reluctant to accept the sponsorship of our Payroll Savings Program for State employees. Mrs. McAdoo very ably and intelligently discussed the importance of Payroll Savings with the Governor. He readily agreed, that he of a sudden saw what it would mean to State employees. He is gradually leaning toward full participation. * * *

Albert E. Collis, First Assistant Engineer, U.S.S. Keystone State, c/o Postmaster, N.Y.C. It took the chart on War Bonds buying of the past year to jolt my conscience into action. The tragic drop in buying since the peak in January alarms me. * * * I believe, Mr. Secretary, that the American people do not mean to neglect these things. The fact is, that the cause gets to be too commonplace. You can't read a paper or an ad or listen to the radio without hearing the appeal to buy more and more Bonds. Maybe they are getting a sort of immunity toward the matter. Perhaps they figure that the urge for Bond buying will be just as great tomorrow and so why bother today. Tonight, Mr. Secretary, I left that bunch. And I did it in a very simple way. After I stared at that plummeting line on the chart, I said to myself,

"I SWEAR TO GOD THAT I'LL BUY A BOND A MONTH!"

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Nadine Wolcuff, Levering School, Roxboro, Philadelphia, Pa. The third floor of Levering School has made a chart of our Defense Stamp sales. Each month a different class room has charge of it. A child goes to every room on the floor for the order each morning. Up to the present time, the fifth grade in Room 309, which is in charge, is in the lead. But today, May 26, 1942, I brought in a check for \$75 to buy a \$100 Bond. Every one was glad because this sale will give us first place. Our bank will not accept my check because my father made it out to you, so I am writing to you. You will find the check enclosed in this letter. Please send me the Bond as soon as possible. Thank you very much. I am in 6th Grade and 10 years of age. I hope it is no bother for you to send me it.

A. F. Hoffsommer, Harrisburg, Pa. * * * The present movement to enlist employees to invest 10% of their income in War Bonds, in which I am heartily in favor, is, I find, killing the purchase of life insurance in many cases where it is sorely needed. This should not be, as life insurance with the masses is a bulwark in our national prosperity. * * * I would suggest, therefore, that our Government take somewhat the same position which I understand has been taken by the Canadian Government, to encourage the purchase of life insurance along with War Bond buying. I would suggest it be made known that where employees can show receipts for newly purchased life insurance, that the amount represented in these receipts, up to one-half -- or at least one-third -- of the 10% sought, the employee will be considered a hundred per center as a War Bond buyer. * * *

Fred G. Eglinton, Chicago, Ill. Having been honored by being selected for a Minute Man, I believe the impressions I received during the process of securing pledges for our worthy cause may be of interest to you. * * * The names I canvassed originated in every country on the continent of Europe, including England, Ireland, Scotland and Wales. Every one that I contacted was sympathetic to our cause and evidenced a desire to do everything in their power. One lady even came to my home to sign her pledge, making sure

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she would not miss it. * * * All agreed that their pledge was conservative and expected to increase the amount materially. With such loyalty as this, America can't go wrong. If it is possible for the foreign born people and their descendants to live in peace in our marvelous democratic country, is it not feasible to endeavor to instill our peace ideals in the peoples of other countries, especially those countries we may have to rehabilitate when Peace rules at last? * * *

Sarah Smerling, Perth Amboy, N.J. I like to write to you a few lines to tell you, Mr. Secretary Morgenthau, that you are so good, so kind, so fine, so divine; you are working in the Treasury Department so very hard. You are a wonderful Secretary for the Treasury Department. You are trying your very best to sell much more security in the way of War Bonds and Stamps, for a sure victory for our beloved land and the whole world, too. Etc., etc.

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Unfavorable Comments on Bonds

Frank Peratrovich, Victory Board Committee, Klawock, Alaska. (Telegram) We repeatedly requested Bonds from Juneau for here, but no result to date. Money on hand for which receipts are issued; awaiting arrival of Bonds. Unless same is forthcoming, I will be compelled to return money to those leaving town. Canning season now here. Chances of selling more increased from now on. Suggest five thousand Series E Bonds be arranged for here.

Francis J. Frederick, Rochester, N.Y. * * * Along with others, I signed for the weekly purchase of Defense Stamps, from my Newspaper Carrier. Since that time there has been considerable dissatisfaction -- too many weeks have passed that the boy has no Stamps, and his reason is that the newspaper can't get them, which we know to be untrue. I have asked the boy, when he misses a week, to double up the next time, and he claims this to be impossible as the paper will give him only his weekly quota. There have been several one-week misses, one run of five weeks of no Stamps, and this week just ended, is the third week of this run. Publisher Frank E. Gannett controls both the morning and evening papers in this town, so perhaps this is not entirely accidental, as I am sure any bank or Post Office will be glad to sell them enough to fill their orders. I think it comes to the usual Republican Sabotage of the war effort, and that it should be checked, and people be allowed to have all the Stamps they signed for.

Anonymous, Constantine, Mich. We expect higher taxes to prosecute this war. We also expect that the Government, as well as the citizen, make an all-out effort. By this, we do not mean propaganda. The cost of this latter equals at least the cost of 250 Flying Fortresses a year. We know there is a war on - it isn't necessary to keep telling us, especially not so expensively. Why should we buy Bonds when we know the money is going to be spent on such foolishness? Which are our armed forces going to get -- aircraft or hot air?

- 14 -

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Francis J. Frederick, Rochester, N.Y. * * * Along with others, I signed for the weekly purchase of Defense Stamps, from my Newspaper Carrier. Since that time there has been considerable dissatisfaction -- too many weeks have passed that the boy has no Stamps, and his reason is that the newspaper can't get them, which we know to be untrue. I have asked the boy, when he misses a week, to double up the next time, and he claims this to be impossible as the paper will give him only his weekly quota. There have been several one-week misses, one run of five weeks of no Stamps, and this week just ended, is the third week of this run. Publisher Frank E. Gannett controls both the morning and evening papers in this town, so perhaps this is not entirely accidental, as I am sure any bank or Post Office will be glad to sell them enough to fill their orders. I think it comes to the usual Republican Sabotage of the war effort, and that it should be checked, and people be allowed to have all the Stamps they signed for.

Anonymous, Constantine, Mich. We expect higher taxes to prosecute this war. We also expect that the Government, as well as the citizen, make an all-out effort. By this, we do not mean propaganda. The cost of this latter equals at least the cost of 250 Flying Fortresses a year. We know there is a war on - it isn't necessary to keep telling us, especially not so expensively. Why should we buy Bonds when we know the money is going to be spent on such foolishness? Which are our armed forces going to get -- aircraft or hot air?

Charles T. Cooper, Jr., General Deputy Collector, Miscellaneous Tax Unit, N.Y.C. * * * I wish to explain my circumstances in regard to this payroll allotment, 10% deduction, plan. Each of us feel that our problems are different and justifiable. Several years before the United States entered this war I contracted for a certain obligation in the purchase of farm property for a home. I have loan payments, some monthly, F.H.A. modernization loans, and some semi-annually to the Federal Land Bank, in addition to taxes and insurance on this property. I also have other smaller obligations due each month. I will be glad to prepare and submit a detailed list of my payments on request. * * * Last June I signed a pledge card to the Treasury Department for a certain amount each payday for the purchase of War Savings Bonds. I felt at that time that I had allotted all I could possibly spare from my salary. I would like very much to keep the property which I have contracted for, yet if I am required to purchase more Bonds, I will have to neglect some of my other payments, and in time, I am sure my creditors will start foreclosure proceedings. I want to be patriotic and do my part in this war. I served in the World War I from April, 1917, to June, 1919, and have volunteered my services in this war. I also do not want to embarrass my supervisor by not signing the payroll allotment plan, and yet I do not want to place myself in an embarrassing position. * * * I will appreciate your advice in this matter and will be guided accordingly.

C. L. Newcomer, Secretary, The Bryan Business Men's Association, Bryan, Ohio. (Sends copy of letter he has written to Mr. Mann.) Your telegram requesting all retail merchants "to cooperate in a nation-wide tribute to America's war effort on July 1, at twelve noon, by suspending all sales of merchandise for fifteen minutes, and devoting this brief period to sale of War Savings Stamps and Bonds exclusively", has been received. This community is selling every month more than its quota of War Savings Stamps and Bonds. There are 40 days between the date of your telegram and the time you are asking these merchants to sell Bonds. You spent between \$4 and \$5 to send me the telegram. A letter with the same information that was in

the telegram would have reached me the same day or the next day. * * * If you and your associates did not waste the money which we are getting for the Government by the sale of Stamps, by sending such telegrams, we would appreciate it very much. * * * The country is aroused to the war situation. Some of the officials who are spending the money are not aroused sufficiently to use this money for the purposes for which it is raised. * * *

George I. Kemble, Ridgewood, N.J. I refer to an editorial in Colliers Magazine captioned, "War Bonds As Investments". In my humble opinion, this is certainly a very startling presentation of our possible financial position. Is it a fact that there are such radicals in Washington? Are we, the people, supposed to invest in Government Bonds with any thought of repudiation? Should the Government sell their securities to a poor unsuspecting public based on that editorial, in order to be frank and honest with them? I would like to have your honest opinion of this editorial for I will admit it took a bit of wind out of my sails. * * * As an owner of a fair amount of savings and war bonds I would appreciate hearing from you.

J. M. MacAdam, Secretary, American Concrete and Steel Pipe Company, Los Angeles, Calif., sends copy of letter received from one of their plants. * * * This evening after our Chollas payroll was completed and in an envelope, ready to be mailed, we had final word from the F.W.A. that payroll deductions for War Bond purchases would not be allowed. Earlier this week we were assured that such deductions were entirely legal and advised to go ahead with the Payroll Allotment Plan. So, at least for the duration of this job, we will not be able to join the office in its payroll allotment plan. Since we are on a Government job, we are denied the right to do our bit for the war effort -- at least via this plan. Those of us who signed the Plan were already buying Bonds on our own hook, and will continue to do so. It seems odd that while one branch of the Government attempts to encourage Payroll Allotment Plans, another branch should discourage them. * * *

- 17 -

Albert Cullon, San Francisco, Calif. The Bank of America (main bank) has a wonderful display -- Buy Bonds and Stamps. But nobody in the Bank is interested in selling Bonds or Stamps. * * * I stood in line for more than one-half hour to purchase \$5 in 25¢ Stamps -- said no one is interested in selling Bonds or Stamps. The clerk said, "Do you wish to make a deposit?" Completely evaded my statement that I wished to buy \$5 in 25¢ stamps. * * * Banking is obstructing Bond sales.



Mary Mulligan, Newark, N.J. * * * Following suggestions made by the Wartime Commission of the U.S. Office of Education, I have organized sales of War Stamps in my class. * * * Many pupils, who had not thought of saving Stamps, have begun to do so. They fully understand that the Stamps cannot be redeemed unless they save enough of them to exchange for Bonds. Now, the edict has gone forth that we are not to sell Stamps in school because "so many of them were not redeemed in the First World War, resulting in unearned profits for the banks". * * * Newark also seems to be doing little in other lines of war effort. Citizens are becoming lax in salvage efforts because the authorities do not help, and some junk men take only what suits them. What is wrong with Newark? I know it is a Nazi stronghold, but I also believed there were a few patriots left. Please omit my name if you do anything about the Stamp sales. There are possibilities of "reprisals" in the school field.

- 17 -

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May 29, 1943.

Dear Mr. Taft:

We have been informed that letters now being received in the Treasury, both in the direct mail and by reference from other Federal Agencies, and dealing with the subject of liquor control in and around Army Camps, may be referred to your office. Such letters as we have already received on this topic have been acknowledged here, and have become a part of our general files. If it is consistent with your policies, however, in the future we shall forward such letters to you without acknowledging them, the understanding being, that you will both note the contents and make such acknowledgment as may be necessary to the writer.

I would appreciate it if you would let me know whether this course meets with your approval. Also, would you be so good as to inform me whether anything can be done to correct the evil in question?

I am enclosing a postal card from Miss Mary Bonham, Chilhowie, Virginia, as an example of the type of mail to which I refer. As you will see, this is a reply to our formal acknowledgment to Miss Bonham's earlier letter.

Sincerely,

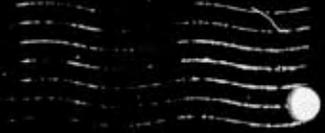
(Signed) H. Morgenthau, JWD

Honorable Charles Taft,
Assistant Coordinator,
Office of Defense Help and Welfare
Service,
Federal Security Agency,
Washington, D. C.

file n.m.c.

Enclosure.

7/dbs



Mr. [illegible] [illegible] [illegible]
Navy Dept
Washington
D C

Chesham, Va

5-22-42

- Sir
- I letter card sent to Roosevelt wanting him to stop this awful liquor business.
 - II Card referred to you.
 - III You send thanks for my expressing views!
 - IV What satisfaction did I get?

NOTE

Query: Are you folks in Washington going to let booze take the country?

Query: Why don't you do something to sober up America?

Disgusted Remain. Miss Mary Bonham

MAY 29 1942

Dear Harold:

I have your letter of May 19, 1942, renewing your suggestion that the cost of changing from oil burning to coal burning furnaces be allowed as a deduction under the income tax. You stress the benefits to the morale of the little fellow that would result.

Although morale is an important consideration, I continue to believe that it would be unwise to recommend this deduction to Congress. If it were recommended, there would be the strongest pressure to allow many other deductions which seem to their sponsors as meritorious as this one. The war is imposing and will impose many financial hardships, including extra expenses and losses of capital. It would be most regrettable if the income tax were made the instrument whereby Government sought to compensate for such burdens and losses of war. The complications in the tax law and the undermining of long-standing principles of income determination which would result would, in my judgment, be much more serious than any benefit which might be conferred in this manner.

I can see no objection to publicizing the provisions of the income tax law and regulations relating to the deduction of expenses involved in the conversion from oil burning to coal burning furnaces by persons engaged in the business of leasing living quarters.

Sincerely yours,

[Signed] H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Harold L. Ikes,

Secretary of the Interior.

RB:mw:ec

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



THE SECRETARY OF THE INTERIOR
WASHINGTON

MAY 19 1942

Dear Henry:

I appreciate your letter of May 12 in reply to my suggestion that the cost of changing from oil burning to coal burning furnaces be allowed as a deduction under the income tax.

I hesitate to enter into a discussion with you concerning the intricacies of tax policy, but the basic issue under discussion vitally affects the urgent problem of supplying sufficient fuel to power essential war industries and to heat homes in the Atlantic coast states.

As I said in my letter of May 4, I believe that the cost of conversion is a charge which the whole country should share; and I feel that the Government should provide some encouragement for people who change from oil burning to coal burning equipment.

I am glad to have you say that, under existing law and regulations, the expense of making this change on premises used for income producing purposes--whether they be a commercial plant or a home which is rented to others--can be capitalized and made part of the depreciation basis, for income tax purposes. Will you advise me whether you have any objection to our giving this publicity in connection with our campaign to induce conversions from oil to coal burning equipment? If you have no objection, we shall, of course, consult with your office as to the proper wording of any statement concerning this matter.

It seems to me that this leaves out in the cold (literally as well as figuratively) only the person who owns the house in which he lives. I must say that as to this class I find your letter not persuasive. You urge that "home owners now derive considerable special advantage under the income tax from the deductibility of property taxes and interest on debt", and therefore urge that the discrimination between them and persons who own premises which they rent to others is not inequitable. It is my understanding that the latter, as well as home owners, can deduct property taxes and interest on debt. Accordingly, it seems clear that this is not a benefit peculiar to home owners which offsets the benefit to persons who happen to rent to others the house or houses which they own.

It still seems to me that a bill which would allow home owners to deduct the cost of changing from oil to coal burning equipment would be most desirable. It would make the little fellow feel that the Government is not calling on him to make all of the sacrifices. At the same time, as I said in my letter of May 4, it would not mean much financially to the Government or even to the beneficiaries. As a matter of fact in most instances, the cost to a home owner for converting his furnace will be less than a hundred dollars and may even run as low as \$35.

Sincerely yours,

Harold Z. Fisher

Secretary of the Interior.

Hon. Henry Morgenthau, Jr.,

Secretary of the Treasury.



May 29, 1942

Dear Mr. Acheson:

We have gone over the copy of the cable which the State Department is about to send to the American Ambassador at Buenos Aires, and we wish to advise you that we have no objection to the sending of the same and we are glad to see the step being taken.

Very truly yours,

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

Honorable Dean Acheson,
Assistant Secretary of State,
Washington, D. C.

BB/vls 5/29/42

Sent by messenger 5/29/42
cc Miss Cross
cc Mr. Bernstein

C
O
P
YSTRICTLY CONFIDENTIALAIR MAIL

No.

The Honorable
Norman Armour,
American Ambassador,
Buenos Aires.

Sir:

Reference is made to the telegram, no. 680,
May 14, 1942, 6:00 p.m., "From the Secretary to the
Ambassador". There are now enclosed:

(1) A memorandum of the Treasury Department dated
May 12, 1942, proposing the freezing of Argentine funds
because of the pro-Axis financial and commercial trans-
actions which are occurring in Argentina either
because of the failure of the Argentine Government to
impose adequate controls, or to apply effectively the
controls which have been put into operation;

(2) A memorandum of the Department of Justice
dated May 12, 1942, entitled "Axis Funds and Financial
Activities in Argentina".

As you know, it is of paramount importance to
eliminate pro-Axis financial and commercial transactions
which are being executed in Argentina. To accomplish
this, not only is it necessary for the staff of the
Embassy effectively to implement the various control
measures which have been adopted by our Government, but
it is also necessary to induce, if possible, the Argentine
Government to adopt complementary controls in accordance
with the provisions of Resolution V adopted at the Rio
Conference. This Department, and the other interested
government agencies, view with grave concern the pro-Axis
transactions which are being carried on in Argentina and

the

the uncooperative attitude of the Argentine Government. It is, therefore, suggested that you personally follow questions raised by action designed to strengthen United States control measures or to induce the Argentine Government to carry out the commitments embodied in Resolution V.

I

In communications between the Embassy and the Department, and in discussions between various missions from Washington and the Embassy, measures which would strengthen United States controls have, of course, been suggested from time to time. In accordance with those suggestions, and with steps already taken by the Embassy, further vigorous action along the following lines, among others, is an indispensable prerequisite to increasing the effectiveness of our controls:

(1) In so far as possible, a careful check should be made regarding the liquidation of looted currency and securities, with a view to implementing General Ruling No. 5, as amended. (Reference is made to the circular telegram of May 18, 1942.) Information regarding the specific firms or persons or other channels direct or indirect through which such currency and securities are flowing, and information regarding serial numbers, or any other identifying marks on such currency or securities, would, of course, particularly facilitate the administration of that Ruling.

(2) A careful check should be made of holding companies, dubious exchange houses, and other firms which are suspected of being engaged in cloaking activities. Evidence of cloaking by firms in Argentina should, of course, result in their immediate recommendation for inclusion on the Proclaimed List. Such evidence regarding firms in the United States or firms in Argentina suspected of having accounts in the United States should, of course, be submitted as a possible basis for ad hoc freezing by the United States Treasury Department. That Department is making an investigation regarding the material under item 2 of its memorandum and has been requested to submit information or suggestions which would aid investigation by members of the Embassy staff.

(3) Investigation should be made of the amount of remittances to Axis territory directly, or indirectly through neutral countries. It is suggested that information might be secured through the Central Bank or otherwise, regarding remittances to each neutral country for the last four years. These figures might be analyzed in the light of the trade balances between Argentina and the countries involved, and an estimate might be made of the amount of remittances not referable to "legitimate trade transactions" which have been made

to

- 3 -

to Axis territory directly, or indirectly through neutral European countries. In this connection, it is, of course, significant that officials of the Central Bank and the Argentine Government have repeatedly stated that remittances to neutrals are limited to those connected with "legitimate trade transactions". An explanation of the transactions which are deemed "legitimate trade transactions" by the Argentine authorities should also be submitted.

(4) A careful check should be made of the progress of negotiations between the Argentine Government and the Spanish trade mission. Any significant development should be reported to the Department by telegram.

(5) A careful check should be made on the possible flow of goods between Europe and Argentina, with a view to recommending the strengthening of the navicert system.

(6) A careful check should be made of all transactions which appear to involve, directly or indirectly, an Axis interest. Important transactions should be reported in summary by telegram, but details on all of the transactions described above should be sent by air mail.

Reports to the Department on the foregoing items, including suggestions for remedial action, should be kept current. In addition, an immediate report on the accuracy of the facts set forth in the attached memoranda is requested.

II

The Argentine Ambassador to the United States has already been informed of the Treasury proposal, its rejection, and the view of the United States Government that Argentina's cooperation under Resolution V has been unsatisfactory in character. In addition, you should make strong representations to the Argentine Government regarding its failure to implement Resolution V by severing commercial and financial intercourse direct or indirect between Argentina and the nations signatory to the Tripartite Pact, and its failure to take measures to eliminate financial and commercial activities which are prejudicial to the welfare and security of the American republics. It is requested that, in the first instance, this matter should be taken up with the President of Argentina to insure his receiving a proper report of the attitude of this Government.

The Department is also preparing an instruction suggestion representations to be made to the Argentine Government concerning pro-Axis activities in Argentina, in fields other than commercial and financial. It is suggested that you do not seek an interview with the President until you have received that instruction and are prepared to make representations concerning both the matters covered herein and in that instruction.

Your representations regarding Resolution V should, unless you perceive some objection, include reference to the following:

(1) As a

(1) As a result of Argentina's failure to implement Resolution V and the consequent inadequacy of Argentine controls, the nations signatory to the Tripartite Pact, the territories dominated by such nations, and the nationals and partisans of both, are executing financial and commercial transactions in Argentina, or through the use of Argentine facilities, which prejudice the welfare and security of the American republics.

For illustrative purposes, unless you perceive some objection, you may refer to the following transactions (and similar transactions of which the Embassy is aware) which have been executed in Argentina with the apparent approval or knowledge of the Argentine Government, notwithstanding that those transactions run directly counter to Resolution V, since they prejudice the welfare and security of the American republics by increasing the strength of the signatories to the Tripartite Pact:

(a) With the authorization of the Argentine monetary authorities, remittances have been made to Axis nationals to service Argentina's external debt owed to the residents of Axis Countries. (Despatch No. 4925 dated May 1, 1942.)

(b) Substantial private remittances have been made to, or for the benefit of, firms or persons in Axis territory.

(c) Substantial transfers have been made to occupied France, contrary to assurances by the Central Bank that no payments would be made outside of the Argentine-French payment agreement. Although the pesos which may be made available to French banks as a result of such transfers are blocked, it is the understanding of the United States Government that such funds may, under existing Argentine controls, be freely unblocked and used for purposes which prejudice the welfare and security of the United States and the other American republics.

(2) As a further result of Argentina's inadequate controls, shipments of material from the United States to Argentina, and the extension of public or private credit by the United States to Argentina may directly or indirectly increase the economic and financial power of Axis agents and other axis partisans in Argentina who are executing commercial and financial transactions which are inimical to the security and welfare of the American republics. In determining allocations of increasingly scarce material and shipping space and in its total commercial and economic relations with Argentina, the United States Government will be compelled to give appropriate weight to this fact - that shipments from the United States and other transactions between the United States and Argentina may, in the absence of appropriate controls by Argentina, directly or indirectly increase the economic and financial power of the enemies of the United States and of the other American republics.

- 5 -

(3) The United States Government would be constrained to view the future continued failure of Argentina to carry out the commitments embodied in Resolution V adopted at Rio de Janeiro as a definitive indication of Argentina's intention neither to fulfil the obligations, nor to gain the benefits, of the several inter-American instruments with respect to commercial and economic matters, to which she is a party.

It is requested that a copy of any note or aide-memoire which is transmitted to the Argentine Government be submitted to the Department and that the Department be kept fully informed of developments.

Very truly yours,

For the Secretary of State:

Enclosures:

1. Memorandum from the Treasury Department, Dated May 12, 1942
2. Memorandum from the Department of Justice, Dated May 12, 1942.

FF EO PA/LD RA FD A-A

A-A: BM:PS

5/25/42

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F.N. 154.
(Consolidating F.N. 78, 102, 104,
106, 122 and 137).

NOTICE TO BANKS AND BANKERS.

REVISED (FINANCE) REGULATIONS, 1939.

STERLING AREA ACCOUNTS.

This Notice consolidates and amends the instructions relating to the opening and conduct of Sterling Area Accounts.

1. OPENING OF ACCOUNTS.

No Sterling Area Account may be opened unless the written consent of the Bank of England has first been obtained.

Permission will normally be given to open Sterling Area Accounts in the name of individuals who for the purposes of Regulation 3c are regarded as resident in a country listed in paragraph 2, even though it may be that the account can be operated upon by a resident in the Sterling Area. The Bank of England must, however, be notified of the names and addresses of all persons resident in the Sterling Area who are entitled to operate Sterling Area Accounts. Such notification should either be included in the application to open the account or given when the power to operate the account is granted.

More than one Sterling Area Account may be opened for the same individual, e.g., current and deposit accounts, accounts with different banks, etc., but each such account must be authorized in writing by the Bank of England.

Banks conducting Sterling Area Accounts must arrange with all persons entitled to operate such accounts that no entries will be passed through the accounts other than those permitted by this Notice or specially approved by the Bank of England.

Where a Deposit Receipt is issued in respect of funds held on a Sterling Area Account opened as a deposit account it must be made clear to the account holder that the Deposit Receipt may not be transferred to a third party unless permission has first been obtained from the Bank of England.

-2-

2. COUNTRIES TO WHICH THE ARRANGEMENTS APPLY.**Registered Account Countries.**

Switzerland.

United States of America.

Special Account Countries.

Argentina.

Peru.

Bolivia.

Portugal and the Portuguese
Empire.

Brazil.

Chile.

Spain (other than subjects
of the Spanish State).

Paraguay.

Uruguay.

3. APPLICATIONS TO OPEN ACCOUNTS.

Applications for permission to open Sterling Area Accounts should contain the following information:-

- (1) name and present address of the customer;
- (2) nationality;
- (3) country of residence. In cases of doubt full particulars should be furnished;
- (4) branch at which the account will be opened;
- (5) name and address of any person resident in the Sterling Area who will be entitled to operate the account.

4. CONDUCT OF ACCOUNTS.

The responsibility for the proper conduct of Sterling Area Accounts rests on the banks with whom the accounts are held. Banks are requested to bear in mind in supervising Sterling Area Accounts that they are designed solely to meet the personal requirements of individuals.

Items which clearly fall under the headings "Permitted Credits" and "Permitted Debits" may be passed through Sterling Area Accounts without the prior approval of the Bank of England. No other entries may be passed through Sterling Area Accounts unless specially authorized in writing by the Bank of England.

Sterling Transfer Forms should not be completed in respect of credits to a Sterling Area Account, but the responsibility of the bank conducting the account is the same as if it had approved a Form.

-3-

Permitted Credits.

- (a) Sterling amounts due to the account holder from residents of the Sterling Area in respect of:-
- (i) salaries, but not bonuses, payable to employees not being directors or partners;
 - (ii) pensions payable under agreements entered into or resolutions passed prior to the 3rd September, 1939;
 - (iii) the sterling proceeds of coupons or dividends on securities collected in accordance with the instructions from time to time in force regarding the collection and/or negotiation of such items for persons resident outside the Sterling Area;

Note:—U.S. dollar securities and coupons may be collected for any non-resident but reference must be made to the Bank of England before dealing with the dollars. It follows that the proceeds of such collections may not be converted into sterling and credited to Sterling Area Accounts without such reference. (This modifies the Notice on Coupons Dividends and Capital Repayments dated 14th October, 1940.)

- (iv) rents and mortgage interest on property within the Sterling Area in the beneficial ownership of the account holder;
- (v) British Government annuities;
- (vi) sterling annuities granted by Insurance Companies;
- (vii) the proceeds of Life Assurance Policies at maturity;

Note:—This does not include sums received on surrender prior to maturity, the cash value of bonuses on or loans against an Insurance Policy, etc. Prior permission must be obtained in writing from the Bank of England before any such items are credited to a Sterling Area Account.

- (viii) interest due by banks or building societies;
- (ix) sterling interest, dividends, rents and similar income arising out of Trusts set up prior to the 3rd September, 1939 (Trust capital may not be credited);
- (x) refund of U.K. income tax paid on any of the items (i)—(ix) above.

-4-

- (b) Transfers from an existing "old" Account or from a Special or Registered Account of the country of residence of the account holder.
- (c) Transfers from another Sterling Area Account in the same name.
- (d) In the case of Sterling Area Accounts opened for residents of Registered Account countries--transfers from a Sterling Area Account of a resident of the same country as the account holder.

Exceptional Credits.

If it is desired to credit a Sterling Area Account with an item not included in the list of "Permitted Credits," application should be made to the Bank of England by letter. A general authority, limited as to time, will be given in suitable cases for items of a recurrent nature. The application should contain the following information:-

- (i) the title of the account;
- (ii) the country of residence of the holder;
- (iii) the amount and nature of the credit;
- (iv) the name, address and country of residence of the person making the payment;
- (v) if the person making the payment is a non-resident--the type of account to be debited.

E.N.--If the person making the payment is a resident, the application should be supported by the same documentary evidence as would be required in support of a Sterling Transfer Form.

Permitted Debits.

- 4. Sterling Area Accounts maintained for residents of Registered Account countries.
 - (a) Payments to residents of the Sterling Area for:-
 - (i) investments in sterling securities not subject to the securities (Restrictions and Returns) Orders;
 - (ii) any other purpose except payments for exports subject to G.S. 3 procedure.
 - (b) Transfers to a Sterling Area Account of a resident of the same country as the account holder.

-5-

- (c) Transfers to Registered Account of funds representing an accumulation of sterling dividends which could have been transferred through Registered Account direct. A Sterling Transfer Form (A.3) must be completed for every such transfer and approved in the usual manner. Such forms must be endorsed with a declaration by the banker that the funds are sterling dividends eligible for transfer through Registered Account.

1.2.—No other transfer to Registered Account may be effected unless the approval of the Bank of England has been obtained on a Sterling Transfer Form(A. 3).

B. Sterling Area Accounts maintained for residents of Special Account countries.

(a) Payments to residents of the Sterling Area in respect of:-

- (i) living expenses of the account holder and his family during visits to the United Kingdom;
- (ii) expenses—including insurance premiums—arising out of the ownership by the account holder of property in the Sterling Area;
- (iii) rent and rates for property maintained in the Sterling Area for the use of the account holder or his family;
- (iv) educational fees;
- (v) insurance premiums on personal policies of the account holder or his family;
- (vi) allowances to dependants residing in the Sterling Area;
- (vii) Christmas, wedding and birthday gifts provided that the total amount debited to an account does not exceed £50 per annum;
- (viii) donations to charitable organisations;
- (ix) club subscriptions;
- (x) subscriptions to newspapers and periodicals;
- (xi) bank charges;
- (xii) sums due to the Commissioners of Inland Revenue.

(b) Transfers to another Sterling Area Account in the same name.

4

Note.—No transfers from the Sterling Area Account of an individual resident in a Special Account country may be made to the Sterling Area Account of any other person without the prior approval of the Bank of England.

- (a) Transfers to a Special Account of the country of residence of the account holder. A Sterling Transfer Form (A.2) must be completed for every such transfer and approved in the usual manner.

Exceptional Debits.

If it is desired to debit a Sterling Area Account for a purpose not included in the list of "Permitted Debits" application should be made to the Bank of England.

Where it is desired to make a transfer to a Registered Account the application should be made on a Sterling Transfer Form (A.3) and should state the origin of the funds to be transferred. In other cases, application should be made by letter. A general authority, limited as to time, will be given in suitable cases for items of a recurrent nature.

The application should contain the following information:—

- (i) the title of the account;
- (ii) the country of residence of the holder;
- (iii) the amount and nature of the debit;
- (iv) the name, address and country of residence of the person to whom payment is to be made;
- (v) if the payment is being made to a bank—the name of the bank;
- (vi) if the payment is being made to another non-resident—the type of account to be credited;
- (vii) if the payment is connected with a Form C.D.3—the number of the Form.

NOTE.—Banks are no longer required to send to the Bank of England monthly statements of Sterling Area Accounts. The Bank of England may, however, call for statements in particular cases.

BANK OF ENGLAND,
29th May, 1942.

Copy 10:6/20/42

TELEGRAM SENT

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

May 29, 1942

5 p.m.

AMERICAN CONSUL,
SYDNEY (AUSTRALIA)

199

FROM TREASURY.

Your 272, May 28, 11 a.m.

On May 27, Federal Reserve Bank of New York
cabled Commonwealth Bank of Australia advice of credit
\$322,800. Please advise Commonwealth Bank of Australia
that as Navy Department must provide Treasury with funds
to cover Navy bills credits for such bills are usually
delayed several days.

HULL
(FL)

FD:FL:BM

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 29, 1942

TO Secretary Morgenthau

FROM Mr. White

Subject: Digest of cable from Fox dated May 26, 1942.

1. Fox arrived in Chungking on May 25.
2. Fox reports that in last four months economic situation seems to have deteriorated gravely.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: Chungking
DATED: May 26, 1942, 11 a.m.
NUMBER: 608

MESSAGE "TF40" FROM FOX TO THE SECRETARY OF THE
TREASURY.

1. I arrived in Chungking on the 25th day of
MAY-

2. It is my first impression that in the last
four months the economic situation has deteriorated
gravely. In the near future I shall make a detailed
report.

3. Dr. Kung informed me, in a brief conference
this morning, that he had various problems which
concerned Treasury and that at an early opportunity
he would discuss these with me.

4. I have information that Hsi Te Mou is leaving
at the end of this week for Washington. He told me
that he is being sent by Dr. Kung to discuss certain
matters with T. V. Soong, although other sources in-
dicate that he is going for the purpose of represent-
ing the Central Bank.

GAUSS

CSB

TELEGRAM SENT

WMM

May 29, 1942

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

5 p.m.

AMERICAN CONSUL

BOMBAY, (INDIA.)

205

FROM THE SECRETARY OF THE TREASURY

Reference our cable of April 16, 1942.

1. Would appreciate your sending by pouch latest available issue and all future issues of (a) the Monthly Survey of Business Conditions in India issued by the Statistical Research Branch of the Office of the Economic Adviser to the Government of India, and (b) Monthly Statistical Summary issued by the Reserve Bank of India.

2. Would also appreciate your sending by ordinary mail other similar publications which you believe will be of use to the Treasury such as the bulletins issued by the Reserve Bank and the India Trade Journal issued by the Department of Commercial Intelligence and Statistics.

HULL
(FL)

FD:FL:BM

Treasury Department 147
Division of Monetary Research

① Date June 2, 19 42

To: Miss Chauncey

From: Mr. Southard

For the Secretary's files.
Need not be brought to his attention.

General

○

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD 851K.515/1/2

May 29, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch No. 35, dated February 4, 1942, and a copy of despatch No. 37, dated February 21, 1942, together with its enclosures, from the American Consulate, Tahiti, Society Islands, Oceania, concerning the shortage of currency in Tahiti and the possible bearing of the establishment of the Caisse Centrale pour la France Libre on the currency situation in Tahiti.

Enclosures:

1. Despatch No. 35, from
American Consulate,
Tahiti, Society Islands.
2. Despatch No. 37, from
American Consulate,
Tahiti, Society Islands.

Copy:bj:5-29-42

AMERICAN CONSULATE
Tahiti, Society Islands,
February 4, 1942.

149

SUBJECT: Shortage of currency.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to report that there is a shortage of currency in French Oceania at the present time, said to be due largely to the hoarding of bank notes (practically the only currency in circulation) by Chinese merchants. The Banque de l'Indochine, which is the only bank in French Oceania and which is the bank of emission, has had much difficulty in procuring the return of bank notes, and many of the notes, particularly those of five francs, are becoming so ragged and torn that they are almost unusable. It seems that the Chinese merchants are holding the bank notes in order to be prepared to buy vanilla from the small producers particularly in Raiatea and the other outlying islands where most of the vanilla is grown, as the growers will sell their crops only for cash.

The Bank also explains the shortage by the statement that the value of exports from French Oceania now considerably exceeds the value of imports, and the difference between those two values represents cash which the merchants are holding.

Furthermore, many of the Chinese here formerly sent remittances to China, which represented in the aggregate a considerable amount. The currency with which they bought their drafts from the bank, was automatically brought back into circulation instead of being hoarded, and it is believed that now, when remittances no longer can be sent to China, that also may be a factor in the present shortage of currency.

Heretofore it has been the custom for most of the Chinese retail merchants to place their orders for imports with the larger importing firms and to pay fifty per cent of the value at the time of ordering, the balance to be paid upon delivery. However in order to force the return of currency to circulation the bank now is requiring importers to pay the full price of their imports in advance, and the importers, in turn, are requiring the retail merchants also to advance 100% on the cost of their orders.

Respectfully,

R. M. de Lambert
American Consul.

851.5
deL/mf

AMERICAN CONSULATE
Tahiti, Society Islands,
February 21, 1942.

SUBJECT: Establishment of Central Banking Office at London for Free French Oceania, and local currency shortage.

THE HONORABLE

THE SECRETARY OF STATE,
WASHINGTON.

SIR:

Referring to despatch No. 35 of February 4, 1942 concerning the shortage of currency in circulation in French Oceania, I have the honor to report that there was published in the local Bulletin de Presse on February 19, 1942, a report from London with regard to the establishment there of a Caisse Centrale pour la France Libre, or central Free French bank of issue. Copy and translation of the article in question are enclosed.

It will be noted that the information has been taken from the Financial News of London and that the new institution will serve to consolidate the position of the Free French colonies. Special mention is made of the need of new bank notes by the Banque de l'Afrique Occidentale, but it is added that the new institution "will bring monetary unification to the Free French colonies which, up to this time, have been from this point of view independent of each other."

As the Department is aware, the only bank in French Oceania is the Banque de l'Indochine at Papeete. This institution was, up to the time of the capitulation of France in 1940, a branch of the bank of that same name which had its headquarters at Paris and other branches principally in many different parts of the French empire in the Orient and Pacific areas. Following the occupation of Paris the home office of the Banque de l'Indochine established itself at Marseilles but as it did not prove to be practicable for the branch here to deal directly with Marseilles, arrangements were made for it to receive its instruments from Indo China. However, the Free French Government of French Oceania objected to that procedure and threatened to close the bank here unless it ceased to have relations with the bank in Indo China. Therefore the bank here has had no relations whatever with the outside world during the past two or three months except with its correspondents in the United States, Australia and New Zealand. It has even been cut off from direct communication with the branch at Noumea, New Caledonia, so that the two branches have not been allowed to work together and the head of the bank here does not even know whether the branch in New Caledonia remains under the same direction as before.

The Bank in Papeete has its dollar deposits with the French American Banking Corporation at New York, the International Banking Corporation and several other banks at San Francisco. Its credits outside of French Oceania

are all in dollars, and the amount which it now has on deposit in the United States is more than \$1,000,000. These credits have been built up during 1941 by the sale in the United States of more than half of the total exports of French Oceania.

The local Government and the head of the local bank do not yet know what effect the establishment of the central bank of issue at London may have upon the institution here, as they have not yet received information concerning this affair.

In view of the local shortage of currency (mentioned in the despatch first above referred to) the Banque de l'Indochine of Papeete, on December 15, 1941, wrote to the French American Banking Corporation in New York requesting quotations on:

- 1,000,000 five franc notes,
- 1,000,000 twenty franc notes, and
- 250,000 one hundred franc notes,

a total of 50,000,000 francs. Quotations were received by telegraph from two companies in the United States but the Governor of the Colony now has asked that new bank notes shall not be ordered from either of those companies, but that the matter be postponed until direct word for Tahiti may be received from the Free French Government at London, as he seems to expect that this Colony also may be included in the new currency arrangement.

Meanwhile the currency shortage here is becoming more acute and the smaller denominations of banknotes are becoming dirtier and more ragged.

Respectfully,

R.M. de Lambert
American Consul.

Enclosures:

1. Copy of article in question.
2. Translation of above.

851.5
DEL/mf

A true copy of
the signed original. (1) M.F.

TRANSLATION

London. (February 17) The recent establishment at London by the Free French authorities of a central bank called "Caisse Centrale pour la France Libre" especially for the purpose of providing for the monetary needs of the colonies of Free France, is commented upon this morning in the "Financial News", which declares that this event is of considerable importance.

It will contribute largely to consolidate the position of the Free French Colonies as an independent and economic unit in the sterling block as well as in the more extended economic group of a great alliance. Moreover it will help define the status of the national committee of Free France.

Important African territories recognizing General de Gaulle were, up to the present in a situation more or less uncertain from the monetary point of view. Their bank of emission, the Banque de Afrique-Occidentale has its head office on the territory controlled by Vichy.

In consequence, the branches in the colonies of Free France find themselves cut off from funds and the colonial governments as well as the merchants can not obtain credits or money for their urgent needs.

The establishment of a central cash office provides for these two needs. It breaks the monetary bond existing theoretically between Free France and Vichy France.

On the other hand, it brings monetary unification to the colonies of Free France who up to the present have been independent, one from another, from this point of view.

The separation of the monetary system of the colonies of Free France from that of the colonies under the control of Vichy is a wise measure for as long as the currency stayed identical, there was danger that the colonies of Free France would be inundated by paper money of the Banque de Afrique-Occidentale.

The agents of Vichy and Berlin possess unlimited quantities of these notes and are in a position to utilize them largely for subversive purposes in those colonies.

The sooner these paper bills are taken out of circulation the better it will be and it is the intention of the Caisse Centrale to replace those bills by their own bills.

The Journal ends by declaring that there is no doubt that the establishment of a Caisse Centrale denotes an important step towards a greater recognition for General de GAULLE. For this reason alone, the new project is welcomed by the many friends of France in England.

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD 811.34551K/2

May 29, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a despatch no. 40, dated February 27, 1942, from the American Consulate, Tahiti, Society Islands, concerning the currency to be used at Borabora.

Enclosure:

From Consulate, Tahiti,
no. 40, February 27, 1942.

eh:copy
5-30-42

AMERICAN CONSULATE,

Tahiti, Society Islands,
February 27, 1942.

Subject: Currency to be used at Borabora.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to report that on a secret trip of Colonel Orselli, the Governor of French Oceania, to Borabora in order to familiarize himself with the activities of the American forces there, he conferred with the Rear Admiral in charge of the Naval forces and the General in charge of the land construction there. He left Tahiti on the night of Saturday, February 21st and returned the evening of Tuesday, February 24, 1942.

One of the matters which the Governor discussed with the officers in charge was the currency to be used by the Americans at Borabora. The American officers desired that they should be allowed to use dollar currency directly, but the Governor did not agree. Now the Governor is trying to make an arrangement with the local bank, a branch of the Banque de l'Indochine, to send sufficient francs to Borabora to meet the needs there.

The head of the bank has stated confidentially that he has already sent 250,000 francs to Borabora and that at the urgent request of the Governor, he will try to open a branch there and send 100,000 francs per week to the island hereafter. Despite the local shortage of currency the head of the bank believes that he will be able to do this.

The Governor constantly has his eye on business for the Colony and aside from the question of prestige in connection with the use of francs instead of dollars, he believes that the Colony will stand to gain considerably if the

Americans at Borabora are not allowed to use their own currency. He has heard that many of the sailors and soldiers are sending the local banknotes home to the United States as souvenirs, and aside from the gain in exchange he contemplates the likelihood of much of the money being lost and destroyed as well as much also being carried away and never redeemed.

Respectfully,

R. M. de Lambert
American Consul

851.51
deL:sm

A true copy of the
signed original. sm

eh:copy
5-30-42

COPY NO. 13BRITISH MOST SECRETU.S. SECRET29 May, 1942.OPTEL No. 178LIBYA.

On 28th main enemy armoured force was still in area 10 miles southwest of ACROMA, strength about 150 tanks and 1000 M.T. A large column of about 500 M.T., including tanks, was moving northwest from area 10 miles west of EL GOBI. In the early morning an enemy force believed to comprise most of Ariete Division advanced northwards immediately east of our minefields, but was attacked by two of our armoured brigades 20 miles west of EL ADEM and split up, part going north and part south. In the afternoon German forces, believed part of 90 LT. DIV. formed up to attack EL ADEM from the south, but on being counter attacked by our armoured forces on both flanks, retired southwards. Another German force moved against ACROMA from the south, but attack did not develop. Enemy force split, one column moving northwest and the other westwards. Chief characteristic of fighting on the 28th: attempt by Ariete Division to join up with main German armoured force. Splitting up of enemy armoured formations into small parties and the attempt against EL ADEM. Our light bombers and fighters were employed throughout the day against enemy armoured and supply columns with good results.

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 177

Information received up to 7 A.M., 29th May, 1942.

1. LIBYA

On the night of the 26th, our armoured troops cleared an enemy force, including some tanks, from the EL DUDA-SIDI REZEGH area (10 miles east of EL ADEM), into which it had penetrated. Both areas were reported clear of the enemy on 27th. On the morning of the 27th, BIR HAKEIM was attacked by Italian tanks. The attack is reported to have been repulsed and a number of enemy tanks destroyed. During the afternoon, it became evident that the enemy had 2 main columns. 1 was advancing north on ACROMA and was engaged by our armoured forces about 17 miles west of EL ADEM. The other was directed on EL ADEM and was 15 miles south of that place by nightfall. Early on 28th, our tanks successfully attacked about 400 enemy mechanical transport in the area 17 miles west of EL ADEM. Later in the morning, about 150 enemy tanks were reported in the same area and our armoured forces, with air support, were moving to engage them. It is estimated that on the 28th afternoon the entire enemy armoured force was between ACROMA and a point 9 miles to the south and southwest.

Air. 26th and 26th/27th. Our aircraft bombed enemy columns and carried out low flying attacks on mechanical transport in rear of the columns. Over 200 mechanical transport are estimated to have been destroyed or damaged. 12 enemy aircraft were destroyed, 2 probably destroyed and 8 damaged. 4 of our fighters are missing. Some dive bombing attacks were made by the enemy in the ACROMA area, but little air activity was reported in support of his forward columns.

2. AIR OPERATIONS

WESTERN FRONT. 28th/29th. 21 aircraft were sent against shipping and 19 to attack enemy aerodromes and communications. One Hudson is missing. Preliminary reports indicate that at least 3 enemy ships in convoy off the FRISIAN ISLANDS were set on fire. About 24 enemy aircraft were operating, mainly against shipping, and were minelaying off the east coast. 1 was damaged by a Mosquito (twin engined, two seater, high speed fighter bomber) and another by a Beaufighter.

MALTA. 27th/28th. A Beaufighter attacked about 18 E Boats 20 miles south of MALTA. 3 were hit and explosions resulted.

SICILY. 27th/28th. 6 Wellingtons dropped 11 tons of bombs on the ferry terminus at MESSINA, starting a number of fires.

BURMA. Between 25th and 27th, our aircraft attacked river craft in the vicinity of RANGOON, KALEWA, SITTAUNG and on the MAYU RIVER, the aerodromes at MINGALADON and AKYAB were also bombed.



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

May 29, 1942

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

Dear Henry:

The attached is a digest of the
British Ministry of Information secret
weekly strategy directive.

Sincerely,

Bill
William J. Donovan

Russia:

1. Murmansk. The Russian force which landed on April 28 on the southern shore of Motoviski Gulf was forced to withdraw. New landing has been reported.

2. Kharkov: The battle continues with the German counter-drive towards Isyum continuing to threaten to envelope the Russians within the Barvenkova salient. German reports of large scale Russian attacks elsewhere have had no confirmation.

3. Kerch is an important gain for the Germans since, firstly, it furnishes a springboard for an advance across the strait, secondly, the Russian threat to flank the Germans in the Ukraine is removed, thirdly, the present possibility of Russian relief of Sevastopol is eliminated and, fourthly the Germans are provided with advance air-fields from which they can attack Novorossisk Tuapsi and Western Caucus communications.

Guidance:

It is unwise to draw conclusions on the Donetz battle. The Russians have advanced 40 miles along a front of 100 miles and have inflicted heavy casualties. The balance of manpower is in favor of the Russians. The Luftwaffe is still inadequate on all fronts. Full exploitation of our air superiority is paving the way for an attack in the West.

Far East:

Straight news is advised, with emphasis on growing air strength and its increasing activity against Japanese shipping.

SECRET

Policy:

In order to deepen depression after failure and to diminish confidence in German victory, our attack on German nerves should: (a) Compare early German victories, if any, with the campaigns of last summer and the misleading Nazi reports then. (b) Emphasize unsolved domestic problems, shortages in food and manpower, dangers within, and (c) plug the growing RAF offensive and the coming carefully prepared invasion of Europe which was mentioned in Parliament by Cripps. Instill sense of inevitability of Germany's defeat. Strike the note of complete confidence as the world now sees Germany beset on all sides with growing dangers they cannot escape. Convince the Germans that we are carefully planning victory, that every step is part of a plan and that the initiative will soon pass to us.



TREASURY DEPARTMENT

161

INTER OFFICE COMMUNICATION

DATE May 29, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck

Subject: Summary of Military Reports

Use of American Planes

General MacArthur has sent a strongly-worded report to the War Department that the Japanese Zero planes are superior to both our P-40's and our P-39's (Airacobras).

(In March, we produced 776 pursuit planes. Based on MacArthur's report, about 80 percent of our production is inferior to the Japanese Zero fighters. The remaining types which are our most modern fighters (P-38, P-51, P-47) have not yet, as far as I know, been tested in battle. The detailed classification is on the following page.)

U.S. Production of Pursuit Planes,
March, 1942

<u>Type</u>	<u>Number Produced</u>	<u>Comment</u>
<u>Inferior to "Zero"</u>		
P-40	348	Curtiss "Tomahawk", Kittyhawk"
P-39	141	Bell "Airacobra"
P-43	25	Republic "Lancer", slower than a P-40, produced, I believe, for China.
P-66	14	Vultee, slower than a P-40, produced, I believe, for China.
F-4F	90	Grumman "Martlet", aircraft carrier fighter.
F-2A	<u>1</u>	Brewster "Buffalo", aircraft carrier fighter.
Total	619	
<u>Probably superior to "Zero"</u>		
P-38	100	Lockheed "Lightning", two-motor interceptor.
P-51	52	North American "Mustang", British orders.
P-47	<u>5</u>	Republic "Thunderbolt".
Total	<u>157</u>	
GRAND TOTAL	776	

(Military Intelligence Information; Production figures: W.P.B. by U.S. Treasury, Division of Research and Statistics)

Voice of the Chief

Himmler Intervenes for S.S. Leader

"The Chief" accuses Oberfuehrer Joseph Pitztum of double murder in the 'Kalopka) military hospital May 8.

"How he got into the hospital was itself an outrage. He came to Kalopka on one of his numerous tours of the homeland, which he calls 'propaganda tips.' He goes to the nearest military hospital and demands a bed. He was told that there were none vacant so he goes into a room and gets a bed there. Pitztum was already tipsy.

"About 3 in the morning, a transport of wounded arrived from the front. One man had been shot through the lung, and the chief physician had the Herr Oberfuehrer requested to vacate the room at once. Pitztum roared that he would shoot without further ado if anybody decided to disturb him again. Nobody took him seriously.

"The chief physician, two attendants, and a nurse brought the wounded man on a stretcher through Pitztum's door. And then that happened, which Heinrich Himmler calls justifiable self-defense. Pitztum drew his service pistol and fired. Three bullets killed the physician, one hit the nurse in the face, one hit the man on the stretcher and he died shortly thereafter. Pitztum was subdued and handed over.

"But the S.S. works fast. Even before Air General Kitzinger could open the case against Pitztum, the order was given out by the Heeresgruppe on the direct instructions of the Reichsfuehrer S.S. to the effect that the case against S.S. Oberfuehrer Joseph Pitztum be quashed and that the Oberfuehrer is to be released at once in order to fulfill his duties and that the Reichsfuehrer S.S. has been personally convinced that the S.S. Oberfuehrer Pitztum had acted in justifiable self-defense. And that's the way matters turned out, too."

(Federal Communications Commission, May 28, 1942)

"Chief" Demands Air Blitz on England

"The (obscenity) Englishmen are smashing our towns one after another, but K.D. 30 are sitting in Norway. Mannheim was quite recently badly bombed by the English. Tetranol bombs were dropped by them on the residential quarters--those swine. K.D. 30, the experts for England flights, the boys who

have grown up over England and who would lick all with their ten fingers if they could again rage in the air over London, Coventry and Liverpool, they are sitting tight on Norway and they are flying only once every hundred years or so.

"Those flights up in the fog above the Arctic, looking for enemy convoys, and only once in a blue moon they can find one; that is all they are doing there. Instead of fussing about on the water, they should attack the harbors; they ought to smash Murmansk to smithereens, and likewise the English (obscenity) harbors.

"For weeks, Loehr is urging that his squadron should get out of Norway. They want to go to France again and want to fly in real attacks over England again as in 1940.

"The supplementary squadrons should not be employed to fly over England. What they are meant to do is to go as reserves to their squadrons on the Eastern front whenever they are needed. They are much too weak to hit England so hard that the assaults on our cities will stop. (This agrees with the report of the British that the Germans use reserve squadrons over England.)

"A comrade told us what these engagements look like. The comrade said that, previous to the raid on Exeter, there were only about 19 perfect machines available. The second squadron did not have a single good machine. Yet, after the raid, Sperrle (commander of an air fleet) made an awful fuss, on top of it all, because they had burned themselves a little.

"England must be bombed with intensity, and for weeks and weeks, not merely here a few eggs and there a few eggs; a few eggs on Malta and a few eggs on an English convoy in the fog. London must be smashed."

(Federal Communications Commission, May 26, 1942)

May 30, 1942

MEMORANDUM FOR THE SECRETARY'S FILES

From: Mr. Blough

On the afternoon of Saturday, May 9, 1942, Secretary Morgenthau called Mr. Blough presumably from his farm in New York. He said that he had tried to reach Mr. Paul but did not know his telephone number. He asked Mr. Blough how the Ways and Means Committee was getting along. Mr. Blough mentioned that the Treasury had presented evidence about inflation and that Mr. Milton Friedman had discussed the matter at some length with the Committee. I said that Chairman Doughton had asked why, if inflation was so important in the tax bill, had Leon Henderson not appeared before the Committee.

The Secretary asked for Mr. Paul's telephone number and said he would probably call him the next day.

RB

TREASURY DEPARTMENT
WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

War Savings - Expenses of Loans

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

U. S. GOVERNMENT PRINTING OFFICE

2-14117

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

Mr. Bernard M. Baruch**May 30, 1942**1055 Fifth Avenue
New York City

WE ARE ARRANGING HEROES RALLY IN MADISON SQUARE GARDEN EVENING OF JUNE EIGHTH AT WHICH DOZEN OUTSTANDING AMERICAN AND BRITISH WAR HEROES WILL APPEAR IN PERSON TO TELL THEIR EXPERIENCES. WENDELL WILLKIE AND MAYOR LAGUARDIA HAVE AGREED TO BE PRESENT AND SPEAK. IT WOULD BE A REAL SERVICE TO THE WAR BOND CAMPAIGN AND IT WOULD ADD DISTINCTION TO A MEMORABLE MEETING IF YOU WOULD CONSENT TO BE CHAIRMAN ON THAT EVENING. APPRECIATE YOUR WIRING ME AND HOPE VERY MUCH THAT YOU CAN ACCEPT. SUGGEST YOU DISCUSS IT WITH MAYOR WHO CAN GIVE YOU FULL DETAILS.

Henry Morgenthau, Jr.
Secretary of the Treasury

FK/egk

167 ✓

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

TREASURY DEPARTMENT
WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

War Savings - Expenses of Loans

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

U. S. GOVERNMENT PRINTING OFFICE

2-14117

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

Mr. Alfred Wallenstein,
c/o Station W.O.R.
New York City

May 30, 1942

NOW THAT THE AMERICA PREFERRED SERIES IS ENDING I SHOULD LIKE YOU TO KNOW AGAIN HOW MUCH I APPRECIATE ALL THAT YOU AND YOUR ORCHESTRA HAVE DONE TO MAKE IT A SUCCESS. I KNOW HOW MUCH YOU HAVE GIVEN TO THESE PROGRAMS IN TIME, THOUGHT AND ENERGY, AND ALL OF US HERE ARE MOST GRATEFUL TO YOU.

Henry Morgenthau, Jr.
Secretary of the Treasury.

FK/cgk

TREASURY DEPARTMENT
WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR
War Savings - Expenses of Loans

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

U. S. GOVERNMENT PRINTING OFFICE 2-14117

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

Mr. Deems Taylor
care of Station W.O.R.
New York City

May 30, 1942

HAVE JUST H A R D THAT TONIGHT'S PROGRAM WILL BE THE LAST OF
THE AMERICA PREFERRED SERIES. I WANT YOU TO KNOW HOW DEEPLY
I APPRECIATE ALL THE TIME AND TALENT WHICH YOU HAVE GIVEN
TO THE PREPARATION OF THESE PROGRAMS. ALL OF US HERE ARE
MOST GRATEFUL TO YOU.

Henry Morgenthau, Jr.
Secretary of the Treasury.

FK/cgk

May 30, 1942

Ferdinand Kuhn
Secretary Morgenthau

Think over the idea of letting Mrs. Morgenthau make the bond speech appeal at Madison Square Garden when the English war heroes come. - Mrs. K. said "forget" 6/5/42

Another suggestion I have is if we could work this, and you thought well of it, bring the English war heroes directly to Washington and let them be received by the President and then start them off on their tour; but above all, let them come to the White House and be received by the President. I think that would give the whole thing a wonderful send-off.

Take care of -

TREASURY DEPARTMENT

170

INTER OFFICE COMMUNICATION

DATE

TO

Secretary Morgenthau
Attention Mrs. Klets

FROM

Robert W. Coyne

May 30, 1942

This will refer to your conversation with me this morning in which you wished to make sure that a special study of conditions, made by Harry White in Canada, be made available to the section heads of the War Savings Staff.

This report is now available to all interested persons on the Staff.

RwCoyne

TREASURY DEPARTMENT

171

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
Attention Mrs. Klets

FROM Robert W. Coyne

May 30, 1942

In conversation with me this morning you expressed interest in Professor W. I. Myers of Cornell and his plan for special participation by the farmers in the War Savings Program, on a systematic basis.

Following your talks in New York, Mr. Gamble assigned a member of the Staff to interview Professor Myers at Ithaca. This was done on May 26, 1942. Professor Myers advised he would not be available to come to Washington before June 8 and that, in his opinion, his value would be that of a consultant; his duties would require only several days.

Mr. Gamble is to be in communication with Professor Myers during the second week of June concerning his coming to Washington. I will discuss with Mr. Gamble your desire to use Professor Myers' ideas on a national scale.

Rutledge

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

172

DATE

TO
FROM

Secretary Morgenthau
Attention Mrs. Klots

Robert W. Coyne

May 30, 1942

In our conversation of this morning you expressed great interest in the special promotion on May 29 at Vineland, New Jersey, resulting in subscriptions of upwards of five hundred thousand dollars in bonds and stamps.

This promotion was handled by the local Vineland Committee and State Administrator John E. Manning, but was inspired mainly through the activities of Mr. Franklin Lamb, working with Major Benjamin Mamm's Retail Advisory Committee. I have arranged, in accordance with your request, to have Mr. Falte, of Mr. Mahan's office and who is most active in cooperation with the Retailers, and Mr. Lamb, together with, probably, with someone from this office, to be available in Washington on Tuesday at 10:30 A.M. for a conference with you.

New Jersey has been asked for a special report on the matter, which will be available at that time.

R. W. Coyne

173

Sales of United States Savings Bonds
From May 1 through May 29, 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	19.1	309.6	266.0	116.4	7.1	156.6	189.8	82.5	26.2	466.2	455.8	102.3
23	14.1	323.7	277.7	116.6	4.8	161.4	196.8	82.0	18.9	485.1	474.5	102.2
25	23.8	347.5	299.8	115.9	9.9	171.3	210.3	81.5	33.7	518.8	510.1	101.7
26	13.1	360.6	309.8	116.4	7.9	179.2	217.9	82.2	20.9	539.8	527.7	102.3
27	15.1	375.7	322.5	116.5	10.1	189.3	230.5	82.1	25.2	565.0	553.0	102.2
28	16.9	392.6	336.0	116.8	6.9	196.2	241.0	81.4	23.8	588.8	577.0	102.0
29	15.8	408.4	350.0	116.7	10.7	206.9	250.0	82.8	26.5	615.3	600.0	102.6

May 30, 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 daily trend within the week, but does not take into account the trend by weeks during the month.

THE WHITE HOUSE
WASHINGTON

May 30, 1942

My dear Mr. Secretary:

Pursuant to the authority conferred upon me by section 350 of the Tariff Act of 1930, as amended (48 Stat. 943; U.S.C., 1940 ed., title 19, sec. 1351), I hereby direct that the duties and other import restrictions now in effect and heretofore proclaimed, and the duties and other import restrictions hereafter proclaimed, in connection with trade agreements (other than the trade agreement with Cuba signed on August 24, 1934, as amended) which have been or shall be entered into under the authority of the said section, as originally enacted or as extended (48 Stat. 944, 50 Stat. 24, 54 Stat. 107; U.S.C., 1940 ed., title 19, sec. 1352), shall be applied on and from the date of this letter, or, as the case may be, shall be applied on and after the effective date of such duties and other import restrictions, to articles the growth, produce, or manufacture of all foreign countries except Cuba, so long as such duties and other import restrictions remain in effect and this direction is not modified.

Such proclaimed duties and other import restrictions shall be applied to articles the growth, produce, or manufacture of Cuba in accordance with the provisions of the trade agreement with Cuba signed on August 24, 1934, as amended.

Nothing in this letter shall be deemed to authorize the importation of articles or any other act in violation of the Trading with the Enemy Act, as amended, or any other statute, or any order or regulation issued pursuant thereto.

My letter addressed to you on October 31, 1941 with reference to duties and other import restrictions

- 2 -

heretofore proclaimed in connection with trade agreements is hereby superseded.

You will please cause this direction to be published in an early issue of the weekly Treasury Decisions.

Very sincerely yours,



The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

RECEIVED

MAY 11 1945

OFFICE



DEPARTMENT OF STATE
WASHINGTON

May 30, 1942.

Dear Henry:

This letter is to give you the memorandum which Harry White tells me you would like to have regarding Merle Cochran's mission to Argentina. You will recall that I spoke with you about this yesterday.

The Department is sending to Buenos Aires on the first available plane (which we understand will be next week) Merle Cochran and Bernard Meltzer to assist him. The mission is to assist the Ambassador in carrying out the detailed instructions which were cleared with the Treasury by Mr. Foley's letter of May 29. Briefly these instructions provide for the full and current reporting of transactions which appear to involve directly or indirectly Axis interests, the most important types of which are enumerated and described. The instructions further relate to representations which the Ambassador is directed to make to the Argentine Government in an effort to get that Government to implement Resolution V of the Rio Conference and to institute controls over types of transactions which are described in the instructions.

Mr. Cochran will assist the Ambassador in perfecting the organization of the Embassy staff for this work and will confer with Argentine and American banking officials to obtain their cooperation.

Mr. Cochran will himself return in approximately six weeks to report on the steps which have been taken, their general effectiveness, and to give his recommendations on any further action which may be desirable in

the

The Honorable
Henry Morgenthau,
Secretary of the Treasury.

- 2 -

the execution of the instructions. His place will be taken by Mr. Edward Miller, who is now in Rio de Janeiro assisting Ambassador Caffery. Mr. Miller will return for a brief period to report and will then proceed to Buenos Aires at about the time of Mr. Cochran's return. He will take with him such of the Spanish-speaking, legally trained, auxiliary officers, who will begin next week their training on freezing and export control, as experience may show are necessary to obtain the full and current reports which both the Treasury and this Department believe to be essential.

I believe the foregoing is the substance of what I said about this mission yesterday.

Most sincerely,

Alan Robinson

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

178

DATE May 30, 1942.

TO Secretary Morgenthau

FROM Mr. White *WDR*

Subject: Latin American response to dollar currency controls.

On May 18 a State Department circular telegram to United States Diplomatic Missions in Latin America transmitted the text of the Treasury amendment to General Ruling No. 5 and the proposed press release, and asked that Ministers of Finance be informed of the amendment. Replies from seven countries are summarized below; it may be noted that no replies are included here from Chile, Bolivia, Cuba, Mexico, Uruguay or Venezuela.

- Colombia - Minister of Finance considers the ruling can be handled simply in Colombia and will immediately confer with Central Bank head.
- Brazil - Regulations issued immediately to give Bank of Brazil a monopoly over currency shipments and to require deposit of all United States currency by May 25. Minor exceptions are provided.
- Panama - Foreign Minister and Finance Minister approve the new control principle. Government will cooperate through commercial banks. Embassy asks scope of control expected of Panamanian Government, and asks whether general limit on travelers' cash is proposed.
- Argentina - The Central Bank telephoned the banks that large amounts of United States currency were to be offered and suggested caution be observed because United States Government might prevent its repatriation. As result of the news, purchase of U.S. currency by exchange shops and banks has virtually stopped; bids have dropped from 4.15 to 3.20 pesos per dollar.
- Costa Rica - An executive decree of May 21 prohibits foreign trade in non-American currencies and permits trade in U.S. currency only by Banco Nacional; unauthorized drafts, etc., are to be confiscated.
- Paraguay - The Finance Minister indicates a desire to cooperate but advises that some business with Argentina is settled with dollar currency. U.S. Embassy wishes to suggest a provision in decrees to take care of this.
- Peru - The Government will prohibit all imports and exports of foreign currency except through Central Bank.

DEPARTMENT OF STATE
WashingtonIn reply refer to
FF 811.51/4196

May 25, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits for his information a copy of a circular telegram to The Diplomatic Missions in the American Republics, and a copy of each of the replies thereto thus far received, concerning control measures proposed by the United States and the other American republics for the regulation of movements in United States and foreign currencies and particularly the repatriation of the United States dollar currency.

Enclosures:

1. Circular telegram, dated May 18, 1942, To the Diplomatic Missions in the Other American Republics.
2. From Bogota, no. 677, May 19, 1942.
3. From Rio de Janeiro, no. 1707, May 20, 1942.
4. From Panama, no. 518, May 21, 1942.
5. Paraphrase of telegram from Buenos Aires, no. 954, May 21, 1942.
6. From San Jose, no. 262, May 22, 1942.
7. From Asuncion, no. 227, May 22, 1942.
8. From Lima, no. 539, May 23, 1942.
9. From Rio de Janeiro, no. 1742, May 22, 1942.

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5-26-42

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TELEGRAM SENT

May 18, 1942

4 p.m.

PMW

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

TO THE

DIPLOMATIC MISSIONS

IN THE OTHER AMERICAN REPUBLICS.

TRIPLE PRIORITY.

CIRCULAR, Section One.

Treasury Department is about to amend General Ruling No. 5 under Executive Order No. 8389 by adding the following at the end of that Ruling: QUOTE United States and foreign currency imported or otherwise brought into the United States on and after May 19, 1942, shall be deemed to be INNERQUOTE securities or evidences thereof END INNERQUOTE for the purposes of this general ruling. UNQUOTE.

This amendment will extend United States control of currency imports beyond that established under General Ruling No. 6A issued on March 13, 1942.

Treasury is also about to issue the following press release: QUOTE The Treasury Department today extended the controls over importation of securities so as to cover the importation of currency. Prior to today's action, controls over the importation of currency have been limited to importations from blocked countries and Proclaimed List nationals. Under this ruling, currency upon importation into this country will be forwarded immediately to a Federal Reserve Bank as fiscal agent of the United States. The Federal Reserve Bank will thereafter hold such currency or deliver it to a domestic bank to be held until such time as the Treasury Department has authorized its release. It was pointed out that just as in the case of the provisions applicable to securities which are subject to similar control, the provisions of the amended general ruling applicable to currency imported from Latin America will be so administered as to prevent interference with legitimate importations of currency from that area, including the bringing in by travelers of reasonable amounts of currency for traveling expenses. Treasury officials

-2-

suggested that the fact that an importation of currency from Latin American was bona fide could be more easily established if such currency were sent into the United States by and for the account of the central banks (or the equivalent or analogous institutions) of any of the American republics under appropriate assurances from such banks or institutions. UNQUOTE.

Section Two.

You are instructed to arrange as soon as practicable a meeting with the Minister of Finance or other appropriate officials of the government to which you are accredited and bring the foregoing to their attention. You should assure the Minister of Finance, particularly if substantial amounts of American currency circulate from hand to hand in this country, that every effort will be made to prevent interference with legitimate importations of currency into the United States and further that it is not the intent of this Government to impede the use of United States currency as part of the circulating media of such American republics as have found dollar currency a convenient supplement to their own currency.

You may point out, however, that the Axis countries, particularly Germany, are known to have seized large amounts of American dollar currency and that this currency is being disposed of in part by channels involving persons in neutral countries of Europe and various persons in the American republics. By these means the Germans are able to acquire foreign exchange for their war effort.

It is the hope of this Government that the American republics in keeping with the spirit of Resolution No. 7 of the Third Meeting of the Foreign Ministers of the American Republics at Rio will cooperate to the best of their ability in defeating the Axis countries in their efforts to derive advantage from looted currency.

To this end it is suggested that the export of dollar currency from countries having central banks be restricted of such banks, which, it is assumed, will make every effort to convince themselves that all dollar currency which they buy from individuals and other banks is not directly or indirectly related to liquidation of currency by the Axis. Pending investigation by the Central Bank as to whether there is a direct or indirect Axis interest in imported currency, the Central Bank might place such currency into blocked accounts.

It should be emphasized that the mere fact that currency has been imported from Europe is regarded by this Government as prima facie evidence that there is beneficial Axis interest in such currency. Moreover, so long as dollar currency moves freely from neutral European countries to the Western Hemisphere, a market for such currency is

-3-

maintained which is of benefit to the Axis. This Government would view with favor action by the American republics to prohibit further importation of dollar currency from countries outside the Western Hemisphere except reasonable amounts imported by travelers. Such action by the other American republics would be given appropriate weight in the administrative applications of General Ruling No. 5 to currency exported by the central banks of such countries to the United States and would contribute to the protection of their nationals from the risks of loss involved in dealings in currency originating with the Axis.

In the case of countries which do not have a central bank, it is suggested that exports of currency be confined to a similar institution designated by the Government.

Please inform consulates.

HULL
(AAB)

FD:GL:PS
AA:BM:PS

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Bogota

Dated May 19, 1942

Rec'd 2:42 a.m.; 20th

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

Secretary of State,
Washington.

677, May 19, 11 p.m.

Referring to the Department's circular telegram dated May 18, 4 p.m., Minister of Hacienda when informed this afternoon stated that he saw reason for the ruling and considered it could be handled in Colombia very simply. He will immediately study with the head of Banco de La Republica the procedure to be followed here.

LANE

EMB

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5/26/42

PLAIN

Rio de Janeiro

Dated May 20, 1942

Rec'd 6:10 p.m.

FMW

Secretary of State,

Washington.

1707, twentieth, (SECTION ONE).

Department's circular May 18, 4 p.m.

Bank of Brazil at the request of Embassy and with approval of Minister of Finance has issued regulations effective immediately and has instructed its agencies to give them wide publicity.

Regulations provide:

(One) Suspend authorization of banking institutions and exchange houses to buy or sell American bank notes.

(Two) Designate the Bank of Brazil as sole importer and exporter of American notes. The only exception to this is that persons arriving in Brazil from the United States may within fifteen days sell American currency to the Bank of Brazil for milreis up to a total of one hundred dollars.

(Three) Require all holders of American currency to deposit same with Bank of Brazil or its agencies by May 22 if resident in the federal district State of Rio de Janeiro or Sao Paulo and by May 25 in case of residents elsewhere in Brazil.

(Four) Deposit to be accompanied by registration statement of name address and nationality of owner and years of residence in Brazil country of origin of notes name and address of person from whom declarant acquired notes and previous owners to extent known.

(Five) Registration statements are to be forwarded by agencies to central office of bank together with a report on veracity antecedents and political sympathies of declarants.

(Six) Central office will subsequently on the basis of decisions in individual cases either (A) reimburse owners in milreis for dollar notes deposited or (B) subject deposit to control under decree laws 3911 and 4166 or (C) return to bearer.

CAFFERY

OSB

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KD

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

Panama

Dated May 21, 1942

Rec'd. 8:20 p.m.

Secretary of State,

Washington.

518, May 21, 3 p.m.

Your circular telegram May 18, 4 p. m.

I discussed with the Foreign Minister and later in more detail with the Minister of the Treasury the amendment under which the United States has extended control of currency imports. Principle is fully approved.

The fact that Panama has no central bank will be no impediment to the government's full and presumably effective cooperation. Authorities are now conferring with managers of United States branch banks for agreement on methods of procedure with the objective of accomplishing the purpose of the amendment.

Do I understand that such exports from Panama to the United States will be investigated by customs authorities there and that Panama should concern itself principally with exports to other countries and imports to this country?

Is the Treasury considering establishment a limit to amount to cash that traveler permitted to carry on person or is that a matter of local discretion?

WILSON

WSB

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5-26-42

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186

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Buenos Aires
TO: Secretary of State, Washington
DATED: May 21, 1942, 3 p.m.
NUMBER: 954

Reference is made to Circular Telegram of May 18, 4 p.m. from the Department.

On the morning of May 19 the Minister of Finance was informed in this matter as was the Central Bank, confidentially, and the Foreign Office. The Treasury announcement received by the United Press in a despatch late Tuesday was not published until this morning and only then after it had been serviced once and again reserviced at the Embassy's request. During the middle of yesterday afternoon the news broke in the market. The Central Bank at about the same time in very strict confidence telephoned the banks that United States currency in a large amount was to be offered it was understood and suggested that caution be observed by the banks because the United States Government might take measures to prevent repatriation of this currency. In strict confidence, this morning the Central Bank telephoned to the banks saying that the Cabo de Hornos which arrived Tuesday with the Spanish Commercial Mission is reported to have brought a large amount of United States currency and efforts to unload it on the market were being made.

The purchase of United States currency by exchange shops and banks has virtually stopped because of the news. Until yesterday afternoon bids were being made at 4.15 and over while now although there are only a few offers under 3.70, bids are being made at around 3.20.

Although apparently no decision has yet been reached, the Central Bank indicated a desire to cooperate in the matter when the Department's suggestions concerning control measures were being discussed with it by the Embassy. The desirability of granting protection to the exchange shops' and banks' positions as of Tuesday night was mentioned by Grumbach and statements of their dollar currency positions were requested shortly afterwards by the Central Bank it is understood.

ARMOUR

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5-26-42

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188

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

San Jose

Dated May 22, 1942

Rec'd 6:25 p.m.

Secretary of State,

Washington.

RUSH

262, May 22, 1 p.m.

Department's circular May 18, 4 p.m.

Executive decree 18, May 21, 1942, prohibits export
or import of money and bank notes of non-western hemisphere
countries. Import and export of United States money and
bank notes permitted only by Banco Nacional. Post Office
ordered to confiscate and turn over to Board of Control of
Exports all drafts and credit instruments not issued by a
commercial bank. Commercial banks to issue such drafts and
credit instruments only after investigation to determine
that the instruments do not belong to an enemy national or
person or firm included in Proclaimed List nor to anyone
acting in behalf of such persons or firms. Decree effective
on publication May 21.

SCOTTEN

JRL

Copy:bj:5-26-42

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

Asuncion
Dated May 22, 1942
Rec'd 10:32 p.m.

Secretary of State,
Washington.

227, May 22, 6 p.m.

Reference Department's TRIPLE PRIORITY circular
May 18, 4 p.m.

The Paraguayan Finance Minister has indicated his
desire to cooperate fully with new order covering restrictions
on importations of currency. He advises however that
Paraguayan firms have certain business with Argentine
interests in which are received here in dollar currency.
In order to eliminate such payments and restrict open
dollar market to Argentina I should like to suggest to the
Minister that any decree laws to be published by Paraguay
presume that this business can be covered by dollar payments
but only (repeat only) in the form of dollar drafts. I
believe that this suggestion will be accepted but I would
prefer Department's approval of suggestion and recommendations
of Treasury if some other method appears more effective.

FROST.

RR

Copy:bj:5-26-42

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

Lima
Dated May 23, 1942
Rec'd 3:55 p.m.

Secretary of State,
Washington.

539, May 23, 2 p.m.

Reference Department's circular telegram May 18,
4 p.m.

The Peruvian Government has decided to prohibit
the importation and exportation of all foreign currency
except through the Central Reserve Bank where control
measures will be established. The corresponding
resolutions will be issued in the early part of next
week.

PATTERSON

WVC

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RF

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

Rio de Janeiro

Dated May 22, 1942

Rec'd 8:33 p.m.

Secretary of State

Washington

1742, May 22, 4 p.m.

Department's circular telegram of May 18, 4 p.m.; and my 1707.

Registration and depositing of note are proceeding as planned. With the following two exceptions only legitimate future importation of bank notes into the United States from Brazil will be for account of Bank of Brazil.

Exceptions: (1) travelers leaving Brazil for Western Hemisphere destinations before July 22 may take with them up to a maximum of \$400 (repeat 400). (This is to take care of persons whose travel plans have been completed and who have already acquired currency from legitimate sources).

Two. Inexceptional. Bank of Brazil with Embassy approved may from time to time return dollars to persons on route to the United States. In these cases Embassy will telegraph approval to the Department for the information of American authorities. Please request Passport Division to advise future travelers to Brazil including those in transit to take their funds in the form of travelers checks, bank drafts or letters of credit.

CAFFERY

KLP

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DEPARTMENT OF STATE
WASHINGTON

May 30, 1942

In reply refer to
FF 840.51 Frozen Credits/4188

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits paraphrased copies of telegram no. 1323, May 23, 1942, 3 p.m., to the American Embassy at Rio de Janeiro, expressing this Government's appreciation for the prompt and effective cooperation by Brazilian authorities in assisting in the control of the importation of United States currency.

Enclosure:

Paraphrased copies of
telegram no. 1323, May 23, 1942,
from the American Embassy,
Rio de Janeiro.

Copy:bj:6-1-42

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington

TO : AMEMBASSY, Rio de Janeiro

DATED: May 23, 1942, 3 p.m.

NUMBER: 1323

The Embassy's telegram no. 1707, May 20, is referred to.

The Department's profound appreciation for the recent regulations issued by Brazil to assist the United States in the control of the importation of its currency should be expressed to the Finance Minister and the appropriate officials of the Bank of Brazil. The Government is extremely gratified by this further evidence of prompt and effective Brazilian cooperation.

HULL
(DH)

Copy:bj:6-1-42

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DEPARTMENT OF STATE

WASHINGTON

May 30, 1942

In reply refer to
FF 811.51/4208

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits paraphrased copies of telegram no. 1787, dated May 27, 1942, 6 p.m., from the American Embassy at Rio de Janeiro, concerning proposals for the control of United States dollar holdings by Axis in Brazil.

Enclosure:

Paraphrased copies
of telegram no. 1787,
May 27, 1942, from
American Embassy,
Rio de Janeiro.

Copy:lc:6/1/42

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Rio de Janeiro
TO: Secretary of State, Washington
DATED: May 27, 1942, 6 p.m.
NUMBER: 1787

FIRST SECTION.

Reference is made to circular of May 18, 4 p.m. from Department.

Rio de Janeiro has a total of \$1,119,000 in deposits. Approximately \$1,600,000 for the entire country is estimated. It does not appear from the Embassy's review of Rio registration cases of late that all dollar holdings have been deposited by the Axis.

The following alternative recommendations vis a vis objectionable firms or persons who deposited (a) milreis for reimbursement (b) serial numbers of dollars returned to be recorded (c) if milreis deposits are placed by Axis nationals in accounts which are controlled under decree laws 4166 and 3911 has been agreed to by the Embassy under the present arrangement. The Embassy feels that not much damage to Axis nationals will result from the control under (c). From alternative (a) the advantage of removing currency from circulation is derived but will provide milreis funds at the normal rate of exchange of 19 milreis 300 to the Axis. Destruction of Axis assets by the amount of local black exchange depreciation is provided by alternative (b). Purchases by persons desiring to hold for post war speculation provides the only remaining local market. Because of uncertainty this potential market is narrow at the present time.

CAFFERY

WSB

Copy:lc:6/1/42

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, Rio de Janeiro, Brazil.
TO: SECRETARY OF STATE.
DATED: May 27, 1942, 6 p.m.
NO.: 1787

Second section.

Other possible markets remain only in verified* areas especially Argentina which have not implemented amendment to General Ruling 5 by adopting further measures. Will Argentinian dollar market and those elsewhere be sufficiently eliminated by Treasury controls over currency imports from areas besides Brazil? Department's and Treasury's views on alternatives requested by telegraph.

Does the Department recommend that the Bank of Brazil be asked by the Embassy that the United States notes to be returned to (?)s depositors be stamped? What should be the form of the stamp if such is done? This question has not been discussed with the Bank by the Embassy.

Without giving information as to the source, the Spanish Embassy has deposited 110,343.

100,000 in the form of thousand dollar notes with consecutive serial numbers of 934 two B00099801 a ats

(*) Apparent omission or garbled code groups.

-2-

B00099900, was deposited by the French Embassy. For the confidential information of the Department, Vichy was telegraphed by the French Embassy concerning deposit regulations and reported that of the 300,000 held by the Embassy, in order to divide risks the balance would be retained in the Embassy after a deposit of \$150,000 was made. Because of risk and of understanding that the Bank of Brazil was checking with American authorities all deposits, on May 22 the French Embassy telegraphed it had decided that only 100,000 would be deposited. Information on Treasury currency regulations and whether notes would be stamped was requested on May 20 in a telegram to the French Financial Attache. Buenos Aires French Embassy received telegraphic inquiry May 21 asking whether Argentina would take steps similar to those by Brazil and the reply mentioned that the report of dollar holdings which the central bank makes was the only step.

As regards French and Spanish deposits what treatment is recommended by the Department?

Names and amounts follow by air report. The Department is requested to telegraph in regard to cases where Washington may have (*) information to the Embassy.

(Message ended)

CAFFERY

(*) Apparent omission or garbled code groups.

Copy:lc:bj:6-1-42

C
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YDEPARTMENT OF STATE
WASHINGTON

May 30, 1942.

In reply refer to
FD 811.512/765

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of despatch no. 3378 from the American Embassy, Santiago, Chile, dated May 22, 1942, requesting information on taxation of the motion picture industry in the United States.

The Secretary of State would appreciate the advice of the Secretary of the Treasury as to the reply to be made to the inquiry under reference.

Enclosure:

From Embassy, Santiago,
no. 3378, May 22, 1942.

Copy:lc:6/1/42

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No. 3378.

Santiago, May 22, 1942.

Subject: Requesting information on taxation of motion picture industry.

The Honorable
The Secretary of State,
Washington.

Sir:

1/ I have the honor to enclose translation of a letter dated May 11, 1942, from senor Francisco Ceppi M. de Lupe, Chief of the Information and Statistical Bureau of the Chilean Chamber of Deputies, requesting information in regard to tax legislation now in effect in the United States, on public spectacles such as moving pictures and plays. The Embassy was able to give senor Ceppi information in regard to amusement tax, but he was particularly anxious to obtain information concerning the federal taxes which are paid by motion picture corporations; whether a tax is paid on each film produced, on each film shown, et cetera. Senor Ceppi was put in touch with the local representative of RKO, who gave him a general description of our taxation laws affecting the motion picture industry but was unable to supply pertinent detail. Consequently senor Ceppi would be grateful for any material which the Department can furnish on this subject.

Respectfully yours,

CLAUDE G. BOWERS

Enclosures:

No. 1: Translation of
letter of May 11, 1942, from
Francisco Ceppi M. de Lupe.

CBL:ed

851.2/840.6 M.P.

A true copy of
the signed
original (1)

Copy:lc:6/1/42

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Enclosure No. 1 to Despatch
No. 3378 of May 22, 1942,
American Embassy, Santiago.

TRANSLATION:

CAMARA DE DIPUTADOS

CHILE

jlp.17

Santiago, May 11, 1942.

The Secretary of the
Embassy of the United States of N.A.,
Santiago.

Mr. Secretary:

It is of interest to this Corporation
to know the tax legislation in effect in your country on public
spectacles such as moving pictures and plays.

I shall be sincerely grateful to you
if you would be kind enough to inform us how we can consult or
obtain such documentation.

Please excuse the trouble which this
matter may cause you, and, awaiting your advices I am, etc.

(Sgd.) Francisco Ceppi M. de Lupe
Chief of the Service.

Stamp:

Informaciones y
Estadística

Camara de Diputados

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

Capetown

Dated May 30, 1942

Rec'd 2:10 p.m.

Secretary of State,
Washington.

100, May 30, 9 a.m.

FOR THE TREASURY DEPARTMENT

Referring to the Department's telegram no. 11,
February 9, to the Legation.

The Consulate General took delivery of United
States currency totaling \$35,042 from the South
African Reserve Bank May 29.

DENBY.

WWC

BRITISH MOST SECRET
(U.S. SECRET)

Information received up to 7 a.m.
30th May, 1942.

OPTEL No. 179.1. NAVAL.

The attack on the convoy to Russia on the 25th was carried out by 16 Heinkels and 20 Ju. 88's. Enemy casualties were 1 Heinkel and 2 Ju. 88's destroyed, 2 Ju 88's probably destroyed and 2 damaged. A catapult aircraft Merchant ship which subsequently sunk on 26th, flew off her Hurricane which destroyed a Heinkel and damaged another aircraft. An A.M. ship with the homeward convoy flew off her Hurricane on 25th which shot down a Focke Wulf 200 but then crashed in the sea, the pilot being killed. The Polish destroyer has arrived at Murmansk, her casualties were 21 killed and 36 wounded. 2 Free French Chasseurs engaged 2 Me. 109's on 29th off Portsmouth and hit one which was last seen on fire.

2. MILITARY.LIBYA.

On the 29th, our Armoured forces successfully engaged, 17 miles West of El Adem, about 130 enemy tanks which were attempting to move South to join their supply column which was attacked by our aircraft. At Gazala an enemy advance along coastal road was held about 5 miles to the South west where their forces are exposed to our mi artillery fire. Our pivotal positions are generally intact and our columns are harassing the enemy's supply columns to their maximum extent. Situation in Acrroma area reported sound.

ASSAM.

British and Allied forces from Burma have reached India. No opposition from the enemy was encountered during the final stages of their withdrawal.

RUSSIA.

There is no evidence to confirm or refute the German claim of 28th May. To have inflicted considerable losses on the Russian forces South of Kharkov.

3. AIR OPERATIONS.WESTERN FRONT.

28/29. Further reports of the attack on the convoy off the Frisian Islands state that direct hits were made on 8 ships of 1,000 to 3,500 tons and fires broke out in 6 of them. Fighters attacked trains in Northern France and disabled 10 locomotives.

29th. Spitfires on offensive operations destroyed 3 and damaged 4 enemy aircraft. One of them is missing. 29/30. 182 aircraft were sent out Gnome - LERHONÉ works, Gennevilliers 77. Convoy Frisian Islands 30. Cherbourg 31. Dieppe 17. Sea mining 24. Preliminary reports state that 8 direct hits were claimed on the convoy and four ships were hit on fire. 7 aircraft are missing from this operation. At Gennevilliers intense light A.A. fire and searchlight glare hampered observation. 7 bombers are missing. 49 enemy aircraft were operating mainly

against shipping off the East coast. 18 of them came inland and carried out scattered bombing over Eastern coastal counties. 7 enemy aircraft were destroyed and 2 probably destroyed.

LIBYA.

Our bombers carried out night and day attacks on enemy landing grounds. On the 28th, fighters and bombers successfully attacked enemy M.T. concentrations and supply columns in the battle area. Two of our fighters are missing. Enemy aircraft made night attacks on the Tobruk and Gambut areas and on 28th attacked our troops in the forward areas.

SICILY.

28/29. 6 Wellingtons from Malta bombed Catania aerodrome.

OPTEL 180.

LIBYA.

29th. Battle between armoured forces continued throughout afternoon in approximate area Knightsbridge. Enemy Bank forces estimated German 225 Italian 97 were fully engaged by our forces during the day. Strong indications that enemy may try to withdraw through gap in our minefields North-North-West of Bir Hakeim where Free French Brigade showed particular enterprise throughout the day. General situation considered satisfactory.

Our fighters and light bombers continued their attack on enemy supply columns - results good. Fighter patrols over battle area also intercepted two dive-bomber formations forcing them to jettison their bombs.



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

May 30, 1942

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

Dear Henry:

The attached is taken from the British
Ministry of Information Guidance Report.

Sincerely,

WJ
William J. Donovan

SECRET

COORDINATOR OF INFORMATION

It is not likely that a full dress German offensive will be launched on the Eastern front for a week or fortnight. The Russian offensive may delay it further. It is improbable that there will be an Axis offensive against Turkey this summer.

Eastern front. Temporarily the Japanese seem to be taking a rest. There are signs of an imminent attack on Australia, India, Solomons or Russia. Stress the fact that the United Nations are taking full advantage of the breathing space. Japanese offensive Chekiang seeking a clear area usable for bombing Japan but for geographical reasons hardly part of coordinated offensive against Chungking.

It is hard to believe that if Doriot were to replace Laval it would not mean the end of the Vichy system, obliging Germany to make forceful intervention, which would require spending manpower she cannot afford to spend.



BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 181

Information received up to 7 A.M., 31 May, 1942.

1. NAVAL

The convoy to RUSSIA arrived yesterday morning. Out of 34 ships it is now known that 6 were sunk, 6 by aircraft and 1 by U-boat. Total tonnage about 40,000. 2 of the ships were British and 5 U.S. 1 of H.M. tugs was sunk by mine off MALTA on the 30th.

2. MILITARY

LIBYA. 30th. Throughout the morning the armoured battle continued in a general area 20 miles west of EL ADEM with the enemy giving ground towards the west and northwest. A second gap in our mine fields is now reported about 20 miles west of KNIGHTSBRIDGE and there are strong indications that the enemy intend to use this gap as well as the one N.N.W. of BIR HAKEMM. South of these points Free French state that they control all gaps.

RUSSIA. German claims to have surrounded Russian forces in the ISYUM area have been substantiated but the encircled elements are continuing to offer vigorous resistance.

3. AIR OPERATIONS

WESTERN FRONT. 29th/30th. At GENNEVILLIERS 140 tons of H.E. were dropped most of which fell in the target area. Fires included a large one in part of the Goodrich Factory and it is believed that a 4,000 pound bomb fell on the Power Station 30th. In a fighter sweep over Northern FRANCE 2 enemy fighters were damaged, 2 other sweeps were flown without incident.

30th/31st. 1,126 aircraft were sent out - COLOGNE 1,040 bombers including 131 Halifax, 88 Stirling, 73 Lancaster and 48 Manchester. Aerodromes in GERMANY, FRANCE and HOLLAND 48 bombers and 38 fighters. From first report it appears that 43 bombers and 1 fighter are missing and 7 bombers crashed. Visibility at COLOGNE was good and the attack is believed to have been completely successful. Extensive fires were seen and a reconnaissance early this morning reported that a pall of smoke hung over the city at a height of 15,000 feet. Enemy activity was mainly confined to sea mining.

LIBYA. Between 26th and 29th continuous attacks were made on enemy M.T. columns near EL GOBI, ACROMA and BIR HAKEIM. It is estimated that about 550 vehicles were destroyed or damaged. Landing grounds at MARTUBA and TMIMI were

- 2 -

bombed and sea mines laid at BENGHAZI. 22 enemy aircraft were shot down, 2 more were probably destroyed and 22 damaged. Others were destroyed and damaged on the ground. We lost 1 bomber and 22 fighters. Enemy aircraft attacked GAMBUT and other landing grounds between EL ADEM and the frontier but it is reported that no damage was caused.

SICILY. 29th/30th. 6 Wellingtons successfully bombed CATANIA aerodrome. G.A.F. 2 Gruppen of JU 88's (60 aircraft) which were withdrawn from SICILY to FRANCE about 3 weeks ago and have since operated against ENGLAND have now probably moved to South NORWAY.

OPTEL No. 182

LIBYA. During 30th afternoon some enemy forces began general withdrawal through gaps in our minefields. Our air action and artillery fire on the gaps was intense and great damage was inflicted on the enemy. Later on our armoured brigades closed in on the gaps and large parties of enemy were still East of our minefields at nightfall. In area about 20 miles East of BIR HAKEIM an enemy force of about 25 tanks was engaged by columns of United Kingdom, Indian and Free French troops. Enemy workshops in area 12 miles East of BIR HAKEIM were also attacked by Free French with unknown results. Free French Brigade found prisoners of war camp south of BIR HAKEIM including 600 of Third Indian Motor Brigade.

There is no doubt that enemy in his disorderly withdrawal suffered considerable casualties. Every effort is being made to round up those enemy forces still east of our minefields and enemy is being given no respite. Our light bombers and fighters effectively attacked enemy forces trying to pass through our minefields causing great disorder and damage.