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June 19, 1942
10:08 a.m.

HMJr:was at my house last night.

Ted
Gamble:

Yes. } ?

HMJr:

And he was saying that on this - you know, he brought up the simpler thing - he's still for compulsory savings, you know. He's the one that - one of the chief advocates for it around the President.

G:

Yes.

HMJr:

Now, he said that he likes the plan. He likes the plan where - (talks aside) Just a minute. I'll be with you in one second. I want to ask you something.

He likes the plan where they can put so much money, as he put it, in an envelope and send it to the Treasury once a month.

G:

Yes.

HMJr:

I mean, evidently the Treasury sends you an envelope, or something. I'm not quite familiar with it.

G:

Uh huh.

HMJr:

He seems to think I thought that was what the bank did. Do you know what it is?

G:

Well, we had direct mail for awhile, and, of course, people can.....

HMJr:

But isn't there some system, he said, where it comes - there's evidently some system where the Treasury itself - I know one of the President's secretaries had it. Each month they notified her that \$18.75 was due. Look into it, Ted.

G:

All right, sir.

HMJr:

It's something that comes from the Treasury.

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HMJr: Now, there were two points that he made it. One, where you started with the Treasury. He likes it. It's easy, you see.

G: Yes.

HMJr: Two, if you want to get that kind of an envelope anywhere locally, you can't get it.

G: Yes.

HMJr: Inquire where it does. It's something that comes out of the Treasury once a month to you, you see?

G: Yes. Well, that was our direct mail, which we've abandoned, but I'll give you a report on it.

HMJr: No, but I mean, supposing I say to the Treasury, "I'll take \$18.75 a month," and the Treasury each month sends me, he said, an envelope, and you stick your money, a check in, and you get your bond.

G: Yes.

HMJr: Now, they were saying - they brought up the point that you just sign a pledge - I was on your side last night. I wasn't giving anything away.

G: Fine.

HMJr: And why couldn't they have something like this envelope which would come to you, you see?

G: Yes.

HMJr: For the great mass of people that don't have bank accounts.

G: Yes.

HMJr: And the thing occurred to me, that whatever this system is, you'll have to pick it up.

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G: Yes.

HMJr: And maybe for those that write to the post offices.

G: Yes.

HMJr: We could use this, whatever system we'd worked out, and I know a lot of people use it.....

G: Yes.

HMJr:and take that and install that for the people who designate post offices.

G: Yes.

HMJr: Will you give it a thought?

G: Yes, sir. Of course, that's a very simple thing. We always have known that we could do that, Mr. Secretary. We could handle it as we handled direct mail before.

HMJr: Yeah.

G: But it's rather complicated procedure, and there's a time lag, and we were trying to avoid both. And we were also trying to provide for the fellow who don't have \$18.75, but who only wants to put two dollars a week away.

HMJr: Yeah, but to think - look.....

G: Yeah.

HMJr: Now, don't go Treasury on me.

G: (Laughs)

HMJr: Darn you.

G: Okay.

HMJr: And - my wife's here. She's laughing. And don't give me the reasons why I can't.

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G: Oh, I'm not.....

HMJr: Just take a look at it as a possible way for
this large mass of people in New York, see.

G: Right. All right, sir.

HMJr: And then talk to me about it during the day.

G: All right, sir.

HMJr: Thank you.

G: Good-bye.

June 19, 1942
10:15 a.m.

FOREIGN FUNDS

Present:

Mr. Foley
Mr. Bernard Bernstein
Mrs. Klotz

H.M.JR: Well, last night Judge Rosenman had dinner with us, and I talked with him a little bit. He wanted to talk. I gather he is going to try to clean this thing up today, if it is possible.

He got onto this question of income tax, and I told him frankly I didn't know enough about it to argue about it, but I didn't see why these people should be treated any differently than in the Department of Justice or SEC. So he said, "Well, it is not Americans; it is the foreigners, and you can write the rules and regulations." I says, "Can I write the rules and regulations to make it the same as everybody else?" He says, "You have got to be fair about it." I says, "Ain't I always?" He says, "You can say in your rules and regulations that they have got to write you a letter and tell you why", so forth and so on. I says, "I don't know the fine points, and I don't want to argue about it; better let the boys argue with you." But I am just telling you I don't know, and I don't care particularly to know about it. So he told me that.

Now, there is one thing that you fellows may not know, that the reason he had the Budget people there, particularly, was they are to write the rules and regulations about clearance for personnel. Did you know that?

MR. FOLEY: No.

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H.M.JR: So you want to be on guard. I mean, the necessary personnel will be written into the order to go to Chicago to take care of the functions that crowd definitely gets. I didn't think you knew that.

MR. FOLEY: No, that hasn't been raised. They didn't say a word. The Budget people just sat there.

H.M.JR: I said they just sit there. Dean Acheson - he saw him earlier, and Dean is all right. He is urging Dean to make it an exchange of letters between Mr. Hull and myself as to when we should or shouldn't freeze. He says he is urging them to do that, and Dean said, "Well, I have had no trouble with Henry. Henry always has consulted us." He said Dean was fine.

And what else did he cover? He is very conscious that Tom Corcoran is in the background of this thing, very conscious. That is about all, other than what he said - he said he only had two worries: One, that the President really might want to understand it and then get ideas of his own, and the other thing, that Crowley might go directly to the President himself.

MRS. KLOTZ: Of course he will.

H.M.JR: Not necessarily.

MRS. KLOTZ: Oh, yes.

H.M.JR: No.

MR. FOLEY: I think it is going to be difficult for Crowley to do that if both Ben and Oscar say that the order is satisfactory because Crowley apparently is in Chicago and Markham left last night at quarter of six to join him out there. He told Sam that Oscar and Ben would act for them while he was away in the preparation of the order. So Ben said he didn't quite know what they wanted in the order, and Markham indicated that if he said it was all right that was O.K.

H.M.JR: If who said it was all right?

MR. FOLEY: If Ben said it was O.K.

MR. BERNSTEIN: That was the impression I got.

H.M.JR: You are on a very good footing with Ben right now?

MR. FOLEY: You had Sam, I had Ben, and he had Oscar for dinner last night, so we had-- (Laughter)

H.M.JR: What were you (Mrs. Klotz) doing for the Treasury? The least you could have had was Biddle.

MRS. KLOTZ: I would leave him to you.

MR. BERNSTEIN: The dirty job.

MRS. KLOTZ: The dirtiest job.

H.M.JR: She is good at it.

MR. FOLEY: Well, I thought that the one thing you wouldn't want to give him was the income tax returns, and that is why I put up the argument. That is the first time they have pulled that one on us.

H.M.JR: Well, he said this, that he thought our fellows were fair, that we were tough, and I don't understand - I didn't give away anything, but if we can write the rules and regulations - I tell you, it is just as good to have something to fight about which isn't important that you know that you can give up, so you might just as well fight for it.

MRS. KLOTZ: You don't know what you said.

H.M.JR: It is true. You don't want to fight hard for something--

MRS. KLOTZ: ...that you know you are going to lose.

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H.M.JR: Well, in a pinch, if they let us write the regulations, what the heck.

MR. BERNSTEIN: By the time we finished talking about it last night with Cox, he agreed to leave out the business about the taxes. Now, there again you might do it by exchange--

H.M.JR: Excuse me, may I ask you - Bernie, look, just give me, for a layman, a summary of what happened last night, without getting too technical. I mean, I don't want to get into the technical thing. I mean, I have got an awful lot to do; just give me the drift of the thing.

MR. BERNSTEIN: The big point that was considered yesterday was giving somebody the power to vest other than business enterprises. Both Cox and Cohen felt that power ought to be somewhere, and they thought it ought to be in the Treasury but that when it was vested it would be vested in the Alien Property Custodian, on such terms and conditions as the Secretary determined.

Now, we played a waiting game on that one and let them develop the whole argument as to why it ought to be in the Secretary of the Treasury, the power to vest.

Judge Rosenman was a bit opposed to giving you that power to vest. He thought the President ought to decide such a big problem, but finally everyone else agreed; and in this draft of the order that we are typing up this morning we will have that power to vest in the Secretary, but when he vests he vests it in the Alien Property Custodian on such terms as you fix, after consultation with State and the APC.

H.M.JR: Now, let me ask you something because I don't think - if I understand it correctly, it isn't what I want. You were talking about the French thing. Let's say, for argument's sake, that the French have a billion dollars' worth of gold. What have they got?

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MR. BERNSTEIN: They have two billions of gold dollars and securities.

H.M.JR: They have got two billion dollars and we declare war on Vichy, France, and we are at war with France. Of course we have the gold now, haven't we?

MR. FOLEY: It is here, that is right.

H.M.JR: Well, let me tell you the result I want to get at and then you tell me. I want to keep in the Treasury those six billion dollars - we will stick to the French. I want to keep in the Treasury the French gold, the Belgian gold, the Dutch gold, in my possession.

MR. BERNSTEIN: When you say "keep in the Treasury", you mean keep in the Treasury under your control, as you have it now. You will have that under that order, and much more.

H.M.JR: What did you mean when you said I vest and then give it to them?

MR. BERNSTEIN: That is when the Government actually wants to take title to the gold. That is very unlikely.

H.M.JR: Then why should it go to Crowley?

MR. BERNSTEIN: There they argue that if the Government is holding title one agency should be doing the holding of the title.

MR. FOLEY: As the order was last Saturday--

H.M.JR: I want to understand that because we are talking about six billion dollars. This is important, and I want to understand this, and I don't understand it.

MR. FOLEY: Well, as it was last week the order was entirely silent insofar as vesting the enemy-owned

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gold securities and bank accounts, as well as the neutral gold, bank accounts, and securities. The order was entirely silent on that, which meant that if we ever came to the conclusion that it was in our interest to vest the gold and then divest it by transferring it to, say, the DeGaulle government, you would walk across the street with a little memorandum to the President and you would tell him what you wanted to do, and you would ask him to put "O.K., F.D.R."

H.M.JR: You mean to give some of this gold to DeGaulle. I see that, but why does Crowley come in the picture?

MR. FOLEY: Well, the way they want to do it now is to say that that gold and those securities will be vested on such terms and conditions as you shall prescribe, and the actual mechanical taking of title would be in the APC. However, you would have the entire discretion as to how it vested and when it vested and where it goes after you do vest it.

H.M.JR: Let me stick to the French thing. The French gold and French securities are in my custody now?

MR. FOLEY: Yes.

MR. BEINSTEIN: The word "custody" - say under your control. You don't have the physical possession, nor do you have title to it. You have the control, the Government control as to who can use it.

H.M.JR: I don't have because we are not at war with Vichy.

MR. BEINSTEIN: Simply because we haven't taken title.

MR. FOLEY: It is still their property, subject to your license.

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H.M.JR: Now, the point that you are looking forward to is the time we take physical control, actual control?

MR. FOLEY: That is right.

H.M.JR: If we go to war with them, if we go to war with France, and I say that I should be the depository - is that a good word - custodian - I should be the custodian for these two billion dollars' worth of enemy France.

MR. BERNSTEIN: I think that raises a serious question. I would like to describe what I think will happen.

H.M.JR: Is that what you have got or isn't it?

MR. FOLEY: Well, I mean, that was the debate all yesterday afternoon, and the thing isn't settled.

H.M.JR: Well, let me give you my reasons for it. Well now, if that isn't the way it is, I want to get it and I will tell you why. I make the distinction between Government and Central Bank assets and private assets of enemy France. Of the two billion dollars' worth of gold and securities--

MR. FOLEY: I think we can do business on this basis, Bernie. We will give up the other, and we will take this.

H.M.JR: I mean, what belongs to the Government I want to keep.

MR. FOLEY: And the Central Banks and the banks because there are some big accounts in those banks.

H.M.JR: But what belongs to private citizens--

MR. FOLEY: The nationals they can have.

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H.M.JR: The nationals--

MR. FOLEY: ...they can have. That is the argument that Dean was making coming out to the car, Bernie.

H.M.JR: Let me give you my reasons for it. The day may come where I may want to take the French gold and through some transfer or other use it to invest in U. S. Government Bonds, to use it for the war effort. They are securities I may want to use, the enemy assets, and that is something that I have got to do. I am the sole responsible person under the President for the raising of the money.

Now, I don't want these things - I don't want to have to call up Leo Crowley and say, "Leo, I want to use this or that or change it from open account to another, to use it to help finance the war." I mean, getting down now to the guts, and the question of Government - of Central Banks, or, if you want to add banks - I don't know, but those things that belong to the enemies I want in the Treasury. The things that belong to enemy private citizens he can have. I mean, I don't care. The thing is I want anything that belongs to the enemy Government in the way of gold or assets I want in the Treasury because I deal with governments; he doesn't. That brings in an entirely new person in an entirely new field; but when it comes to running businesses in this country belonging to enemies he can have it. I have said so right along; that is what the President said.

Now, am I not consistent?

MR. FOLEY: That is consistent.

H.M.JR: But that isn't the way, evidently, it went?

MR. FOLEY: That isn't the way Rosenman wants. Rosenman wants all vesting in the APC, and these other

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fellows--

H.M.JR: Where is Dean on this?

MR. FOLEY: Dean would support that view.

H.M.JR: Now, after all, I am accustomed to dealing with foreign governments, and all the rest, and I think if you explain to Sam that in connection with my financing I may need this money, may have to hock it, may have to do anything with it to help finance the war - I may want to take the French gold, China, Burma. We may recapture the Dutch East Indies and say, "We will fight for you." They want gold. What are we going to do? Why not use some of the enemy gold? The gold and those securities should be under my control to help me finance the war. That is my position.

MR. FOLEY: Well, I think what Bernie--

H.M.JR: You see, it is a clean-cut thing, and it isn't that I want this or that. I have got a definite reason for it.

MR. BERNSTEIN: The order gives you all the power, Mr. Secretary, and what it does - it is somewhat face-saving for him. It makes him a bookkeeper.

H.M.JR: I don't want him a bookkeeper.

MR. BERNSTEIN: Then that is the answer.

H.M.JR: I don't want him a bookkeeper. I don't want him in the picture. I don't want his dirty nose around here.

MR. FOLEY: All right, and we will give up the property of the enemy nationals in exchange for the right to vest, if it ever becomes necessary, the gold, the securities, and the bank accounts of the governments and the central banks.

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H.M.JR: And the nationals he can have, and I think I am on perfectly sound ground.

MR. FOLEY: That is the suggestion Dean was making.

H.M.JR: That is what Dean--

MR. FOLEY: That was the suggestion of Dean.

H.M.JR: Then I have got good support.

MR. FOLEY: And he said to me going out, "If you split it on that line I think you are on safe ground."

H.M.JR: Should I call up Oscar and tell him this is the way I feel myself? Oscar likes it - it is a compliment, you know.

MR. FOLEY: That is all right with me. I was just thinking where it would do the most good. I was thinking that if you told Sam it might be better.

H.M.JR: No, no. It's like going to the judge--

MR. FOLEY: I know, before he has decided the case - while the case is under consideration.

H.M.JR: He is seeing you when?

MR. FOLEY: Two-thirty.

H.M.JR: Let me try it out on Oscar first. Oscar likes me to call him, you know.

MR. FOLEY: I know; sure he does.

MRS. KLOTZ: Yes, but he is right, wherever it would do the most good.

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H.M.JR: If Oscar agrees with me and Acheson - we all agree, and Oscar Cox is recommending Leo Crowley - I mean, if I go to Sam now--

MRS. KLOTZ: What harm can that do?

H.M.JR: Well, has he said no on the thing?

MR. FOLEY: He has indicated very strongly that his personal belief is that all the vesting should be in one place, namely, the AFC, and he was opposed in the beginning to it, that when the gold and the bank accounts were vested they should not be subject to the rules and regulations that you prescribe, and the others swung him around on that.

H.M.JR: Let me just try this thing. If Oscar agrees with me then I don't have to go to Sam, do I?

MR. FOLEY: Well, I don't think we will have much trouble getting Oscar to agree on this point. Sam is going to be the one that is going to be hard to convince. I mean, I can convince Dean, and Ben will see the wisdom of this. Ben may hold out a little bit because of face-saving that Ben is trying to retain for Crowley.

H.M.JR: Let me just talk with Oscar a minute.

MRS. KLOTZ: Nobody can present it to Sam like you can yourself, direct.

MR. FOLEY: How have you got it now, Bernie? Does this apply to the enemies as well as the neutrals?

MR. BERNSTEIN: Yes.

MR. FOLEY: Everything.

H.M.JR: This applies to what?

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MR. BERNSTEIN: This applies to all dollars, gold and securities, no matter by whom owned, as it is now drafted.

H.M.JR: I don't think I know what you are saying.

MR. BERNSTEIN: This power in you to vest in the APC.

(The Secretary held a telephone conversation with Mr. Cox, as follows:)

June 19, 1942
10:35 a.m.

HMJr: Hello.

Operator: Mr. Cox.

HMJr: Hello.

Oscar
Cox: Yes, Mr. Secretary. !

HMJr: Are you so you can talk a little bit, Oscar?

C: Yes.

HMJr: Oscar, I've been going over what you and Bernie were doing last night.

C: Yeah.

HMJr: And I find myself for the first time - how should I say, a little bit at difference. I want to explain to you my position. I may not do it very good on legal grounds, but at least tell you how I feel. If we should go at war.....

C: Yeah.

HMJr:go to war.....

C: Yeah.

HMJr:with Vichy, France.....

C: Yeah.

HMJr:the gold and securities belonging to the government of France or the Central Bank of France.....

C: Yeah.

HMJr:I'd like to have it in my control.

C: Yeah.

HMJr: I'll tell you why.

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C: Oh, I agree.

HMJr: Well, just imagine you don't agree to it. (Laughs)
I want to try to see to the intelligence, and I'd like to convince you.

C: I know you are.

HMJr: Well, let me just give you the - my reasons, which you most likely have thought of, but let me tell them to you anyway. My responsibility under the President - I have the sole responsibility for financing this war.

C: Yeah.

HMJr: If this war continues over a number of years, I may have to use the securities and the gold of our enemies.....

C: Right.

HMJr: And if I do, I don't want to have to go and ask anybody about it except the President.

C: Right.

HMJr: Does that make sense?

C: Sure.

HMJr: What?

C: That's the way we tried to get the Order drafted.

HMJr: But as I understand from Foley and Bernie, that isn't the way it is now.

C: Oh, no.....

HMJr: What?

C:it is, because what it does - I mean, it seems to me the most practical way to carry out that idea, which I agree with a hundred per cent.....

HMJr: Yeah.

C:because the APC certainly isn't in international finance or fiscal policy domestically.

HMJr: Not yet.

- 3 -

C: Well, and I hope he never will be.

HMJr: Yeah.

C: Therefore, he ought not to be given the vesting power as to that kind of property.

HMJr: Yeah.

C: If you want a practical means of executing that, we drafted the Order so that - in that - with reference to those kind of assets, you're the only fellow who can, on your own steam, decide whether the property ought to be vested, or whether action ought to be taken just short of vesting, with the vesting thing as the fulcrum to get it through. Now that's what the Order does. You would, therefore, be the only fellow who could go to the President, after talking to the State Department as an informal matter, and say that I think we ought to do A, B, C, and D with the French gold and the French Central Bank assets and the French national assets and so forth.

HMJr: No, I - the French nationals - APC can have those.

C: Well, now, you don't know yet. In other words, suppose a new government comes into the picture, which for political and other reasons we think we ought to recognize. You may then come forward and say to the State Department and the President, "The most practical thing to do is to let - unfreeze those assets to the extent that we let the new government draw on them."

HMJr: Yeah.

C: And if the new government does what the British did, that is, to vest the assets of their nationals.....

HMJr: Yeah.

C:to say, "Well, we'll back them up to the extent that we've got the power to do."

- 4 -

HMJr: Well, I understand that, but I don't think we're together if I understand it. What you're saying is this, that the way the Order is drawn now - the one that you and Bernie worked on last night - it's up to me to decide when we should vest.....

C: That's right.

HMJr:the French gold. All right, let's say I decide I want to vest it tomorrow.

C: Yeah.

HMJr: Then who has title to the gold?

C: Well, that depends upon the conditions on which you vest it. If you just say "vest" period, then the APC gets it.

HMJr: Yeah.

C: But if you, before vesting, go to the President and say, "I think we ought to vest it on the condition that A, B, C, D" - you may have fifteen different conditions. One of the conditions may be that the Treasury keeps it.

HMJr: Well, that.....

C: That condition would apply to the vesting.

HMJr: Well, are you sure that.....

C: Oh, sure. I don't have any question about it. And furthermore, if you go to the President and get approved that condition, in addition to the legal problem, I can't imagine the APC saying, "Well, the President didn't know what he was doing."

HMJr: But now wait a minute. If - once I vest, who gets the title to the French gold, the way the Order stands?

C: Well, that depends on how you vest it.

HMJr: But I mean - are you sure that the title doesn't go to the APC?

- 5 -

- C: Oh, sure, because you see, under the statute, you can impose any conditions on the vesting that you want to. Now, one of the conditions may be that it be turned over to the DeGaulle government. I mean, I don't know what's going to happen, but.....
- HMJr: Yeah, but doesn't - but in between that period, doesn't it - doesn't the title flow to the APC?
- C: No, not if you say it shall vest in the DeGaulle government.
- HMJr: Yeah, but can I say it should vest in the - the title should go to the Treasury.
- C: Oh, sure.
- HMJr: Are you sure of that?
- C: Sure. There's no question about that as a legal proposition; or, if you want to clarify it as an emotional psychological thing, then you can say in the Order that the Treasury has not only got the power to vest under those circumstances after consultation with the Secretary of State, but can impose the conditions of the vesting.
- HMJr: Well, for emotional, psychological, and practical, I would like to have it so there is no doubt.
- C: Well, I think we can remove the doubt, just putting in those three words.
- HMJr: Oscar, that once - and I'm only confining myself to Government and Central Banks.
- C: Well, I wouldn't try to draw that distinction.
- HMJr: Well, I'm trying to be fair.
- C: Yeah. But that doesn't top a practical distinction.
- HMJr: Well - I mean, I'm trying to be not only fair, but consistent, you see.
- C: Yeah.

- 6 -

HMJr: But if you fellows - but - to have it so that there's no doubt that if we vest that stuff, the title remains with the Treasury on Government and Central Bank stuff. Now, if you want to throw in the other, that's something else.

C: Okay.

HMJr: Now, do you think that could be done?

C: I think so.

HMJr: What?

C: I think we could convince them.

HMJr: You think you could. Well, to me it's - to me it's the guts of the whole thing.....

C: Yeah.

HMJr:now that we've crossed the bridge that there's to be a new Order. That was the first thing. Well, no one's arguing about that any more, are they?

C: I don't think so.

HMJr: What?

C: I don't think so.

HMJr: You evidently must have done a good job on Biddle.

C: All I can say is I tried.

HMJr: Well, you must have done a good job.

C: Well.....

HMJr: And see what you can do on this now.

C: Okay.

HMJr: Thank you.

- 7 -

C: Right.

HMJr: Thank you.

- 13 -

H.M.JR: Do you still think I ought to see Sam, because he is a little bit wiggly on that. I am perfectly willing to see Sam.

MR. FOLEY: Well, I mean Sam is the one.

H.M.JR: He is the one that is fighting this?

MR. FOLEY: Yes.

H.M.JR: All right.

MR. BERNSTEIN: Would this be possible, let us try and draft a provision and see if we can get an agreement, at least with Oscar, before the two-thirty meeting?

H.M.JR: I won't have a chance. I expect to leave here at three and won't be back until Monday noon. Sam wants to clean this up this afternoon.

(The Secretary put in a call to Judge Rosenman, but he was away.)

H.M.JR: He is up with Justice Frankfurter, and he will be in at eleven, so when I go I will take you two boys with me.

MRS. KLOTZ: You are going over there?

H.M.JR: I will go over. There is no use doing it on the phone.

MRS. KLOTZ: Quezon is coming in at eleven.

H.M.JR: Well, I can go right after that.

MR. BERNSTEIN: I will work on something right now.

H.M.JR: Well, you see what I want, and it is very important in connection with financing the war.

- 14 -

MR. BERNSTEIN: In that area you don't want the APC in any way, shape or form, as I get it.

H.M.JR: No. I mean, why should he keep the books for me? Of the Federal Reserve, I mean, yes, but why should he keep the books for me? I mean, why should he be custodian for this large amount of money? In the first place, he isn't on a Government pay roll, and this is something which has to do with the financing of the war and I need it. I want to keep it, and I will tell it to Sam if you fellows feel he is the stumbling block.

June 19, 1942.

Conference in Secretary Morgenthau's Office
June 19, 1942
11:00 A. M.

Present: Secretary Morgenthau
President Quezon, President of Philippines
Under Secretary of Finance, Philippines
Mr. D. W. Bell
Mr. H. D. White

The meeting was called apparently at President Quezon's request. He stated that he had been asked by the Treasury to make a radio speech on the bond-selling program. He said he did not feel he could do so since he did not believe it was appropriate for him to tell the American people what to do with their money. However, he stated his Government had several million dollars which they wouldn't need soon and they would be very happy to invest it in Government bonds if the Secretary thought that would be at all helpful.

The Secretary replied he didn't want their money, but he did want the President's cooperation. The Secretary explained to him he did not wish him to tell the people what to do with their money, he merely wanted the President to go on the air and tell the American people what a courageous fight the Philippine people were putting up and what it would mean for them to regain their independence. The Secretary said he was much impressed with the kind of speech President Quezon had made at a recent luncheon which the Secretary had attended and as a result of that impression, the Secretary had wished him to make a speech to the American people. The Secretary further stated that someone would go on the air before or after President Quezon made his speech and point out that an effective contribution the people could make toward helping the Philippines gain their independence would be to subscribe to war bonds.

President Quezon said that was an entirely different matter and he would be only too happy to help and he was at the Secretary's disposal. The Secretary said he would have Mr. Kuhn get in touch with President Quezon and they could arrange the time and other details.

H. D. White

H. D. White

June 19, 1942

12:10 pm

The Secretary called Judge Rosenman over the White House telephone and the following is the Secretary's end of their conversation:

"Where have you been hiding this morning?

"Sam, I went over with my boys what they had been doing last night and I found that a certain part of it I was not in agreement with myself. Briefly it is this. Do you want to hear it now? It's this: When, using the French as an example, it is decided, let's say, that we are at war -- the State Department says we are at war with Vichy, we want to take over the French Government gold and assets belonging to the French Government or the French Central Bank. I feel that I want to keep control of it here, for the following reason: I may need it if this war lasts a long time. I may need that money to help finance the war.

"I mean I am talking about the gold and the assets belonging either to the French Government or the French Central Bank. I am not talking about their nationals.

"And the way the thing is now, as I understand it, if you want to vest it, it would be in Crowley's safe deposit box and the way I feel -- I feel quite strongly about this -- that to carry out this terrific borrowing program, before I get through I may have to scrape the barrel.

"That's right, but it will be in the Treasury's lock box and not in somebody else's lock box.

"Yes, but as I understand the thing, the way the thing is written now when it should be vested

-2-

it rests with the Secretary of the Treasury

"Yes, but when once it's vested I lose control.

"But why not ~~sett~~le it now. I understand from my boys that Dean Acheson agrees with my position, with what I am saying.

"Well, I called up Oscar to tell him my position and he said my position is a perfectly reasonable one. The way I look at it, I am making the distinction as between enemy Government assets and private assets. You see? And when this thing is settled I don't want to have to come to you or to the President again and I just -- let's look -- what argument is there for putting enemy property in the lock box of another agency?

"Well, I am making the distinction of just Government or Central Bank, which is quasi-Government. That's all. I am not talking about private nationals.

"Which they don't. It's just gold and money that I am talking about, and I only want it

"But they don't.

"That's right.

"But, I mean, I have no ulterior motive other than the President looks to me to finance the war and I may need to use all of that French gold and I don't want to go to anybody but the President.

"But why not make it easier, drawing the distinction between Government and quasi-Government, and nationals.

"You will have no trouble with Oscar on this.

"Now, I don't follow you, Sam.

-3-

"Well, you will have to explain.

"Well, you are raising something new.

"Well, I thought

"Well, I thought the way it is now that I did the vesting.

"See if I understand this thing. Using the French, because that's the best example and the most imminent, the question comes up, let's say we declare war on Vichy. Then the question comes, What are we going to do with their \$2,000,000,000 assets? And as I understand it, the way the thing is drawn, the taking possession of that, the actual taking possession, would rest with the Treasury, but once we took possession of it we would hand it over to Crowley.

"Well, that's the part I object to.

"Because he has no use for it. I have. Why should I turn it over to Crowley any more than I should turn it over to Jesse Jones? It's a Government matter and up to now all vis-a-vis Government -- one Government against another -- has always been with the Treasury and I say it should continue because I have use for it and he hasn't.

"Then I have got to go all through this fight again of Crowley saying "That's my money" and so forth and so on, and I don't think that his organization should be trusted with that much money.

"Well, I mean, it's -- I thought from what you said that the President -- that you checked and there were three items of \$2,000,000,000 and he said those things should stay with the Treasury.

"That's right. He had a blank check on it.

"You mean he can't get it unless I say so? Could you detach yourself for a moment and just look

-4-

"at it from my side. What I am saying, in view of the fact that there is a possibility we will need to use that money in our Treasury financing, don't you think we should be the depository for it?

"He might give it to Victor Emanuel. I don't know.

"Well, I haven't evidently made much of a dent, but I draw the distinction between the thing that has to do with Governments and private individuals, private nationals.

"If you could. I mean, this part really means quite a lot to me. It's the only part that has come up all during these discussions that I have not let the thing flow, but when I got this thing explained to me this morning, I was quite upset.

"Oh, yes! That's the only point I make. The national stuff can go to him, but Government I think should stay with the Government - the Treasury.

"He's not in the room.

"They said 2:30.

"No. He said he was expected over at 2:30.

"Try it, will you? It really means quite a lot to me.

* * * * *

Mr. Foley, Mr. Bernstein and Mrs. Klotz came into the Secretary's office following the above conversation.

HM, Jr: Sam said, "The argument you gave me,

-4-

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* * * * *

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HM, Jr: Sam said, "The argument you gave me,

-5-

Henry, was that you did not want Crowley to have a blank check on you so he could draw on you for \$6,000,000,000." He says, "Now, he can't do it because you vest. Then he gets it." I said, "That just the thing." He said, "Well, you don't have to vest unless you know what happens to it." I said, "I don't want any more Orders. I want it in the Treasury lock box. I don't want it in Crowley's. For all I know, he might give it to Victor Emanuel."

He said, "Would you want to leave it with no Order for vesting? Leave it all up in the air?" I said, "I can't answer that."

So I said, "This means a lot to me." He said, "Well, this is hard."

The last thing he said was, "All you are asking for is that you just want when you vest the French Government or the quasi-Government, like the Central Bank, that whatever you take stays with you; whatever belongs to a national goes to Crowley." I said, "That's the point." He said, "Well, I will see what I can do about it."

I said, "I understand that Oscar Cox is all right on this. I talked to him."

"Well, Cox isn't important on this."

So I said, "Dean Acheson is all right." He said, "No. Dean wants it some other way." He said, "What you are asking me now is difficult." So I stressed it. The last he said was, "I will see what I can do."

Mr. Foley: Well, the way the order was left last week was not to leave vesting in, but leave it to the President and then you walk across the

-6-

street to see the President and he puts his O. K. on your memorandum and you go ahead and take action. That's the way I would have left it. That was satisfactory to me and Sam said that since the Order was silent in that respect both Dean and Vox had picked it up and said, "What about vesting alien property?" I said, "We are satisfied to leave it to the President and when the Secretary makes up his mind what he wants to do, he will walk across the street and see the President."

Mr. Bernstein: Rosenman was certainly originally inclined to go ahead on that. The APC wanted to get some decision on vesting of alien enemy property and he was advised you would get control over vesting but in certain situations he would actually hold the property and it would be an appeasement on that particular point. The language I drafted I cleared over the phone with Oscar and gives you all the power, including power to vest.

"provided, however, that any property or interest, not belonging to a foreign government or central bank which shall be vested by the Secretary of the Treasury pursuant to this Executive Order, shall be vested in the Alien Property Custodian when, as and upon the terms directed by the Secretary of the Treasury."

HM, Jr: What did he say?

Mr. Bernstein: Cox said it would be all right.

HM, Jr: Why don't you try to clear it with Dean? I can see -- I am smart. I can see what Sam is trying to do. He most likely is saying, "What do you care who has the vesting power? Morgenthau says 'Vest it' and you get the \$8,000,000,000 and the President will tell him 'Morgenthau, you vest it' and he just

- 7 -

has the mechanics and you get the property.' In other words, you put it to me this morning: 'Why not let Crowley be the bookkeeper?' But he's not the bookkeeper. It's his lock box that this stuff goes in. Am I right?

Mr. Foley: Well, we are not going to kid you the way Cox did. Sure you are right. I don't think Oscar was frank on the telephone. Of course the title goes to A.P.C. on such terms and conditions as you describe. But it does put him in the picture.

HM, Jr: I said, "Why not give it to Jesse Jones? There's just as much reason to give it to Jesse Jones as Crowley." He's trying to make it clean cut. I found out last night -- this is an amazing thing and tell this to Harry White -- when Sam got down to the point of putting everybody who deals with information in one place, Hull and Welles came over and for two hours put up a fight for Nelson Rockefeller. "He's part of the family and you can't take it away from us." News to me! And Sam said, "There is no rhyme or reason for it except Hull got nasty about it. Up to recently, Nelson has always come around complaining about the State Department."

Now, what I say is this. I told this to Sam. Government opposite Government, the Treasury; national or private citizens' business, that goes to the A.P.C. He said, "Well, supposing the French Government owns a business." I said, "The answer is they don't. So there is no argument."

If you could get Dean to agree - he doesn't want another person to deal with. And the last thing Sam said was, "I will try to do the best thing I can."

Mr. Bernstein: By "private citizens" you include a French commercial bank that has assets here?

HM, Jr: Yes; I would stick to Government and Central Bank. It has always been Treasury-Treasury; Government-Government. See if you can't get Dean on our side.

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Are you fairly well sold on this?

Mr. Bernstein: I think if we get this, we are certainly that much ahead of where we were this morning.

HM, Jr: What about Ben Cohen on this? Why don't you call Ben and whoever contacts Dean, before 2:30?

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checked - ✓

June 19, 1942.
2:15 p.m.

Edward
Foley:

I spoke to Dean and he's agreeable to our suggestion if we'll put a consultant's clause in the Executive Order, which would mean that before that kind of property could be vested by you, that you would consult with the Secretary of State.

HMJr:

That's all right.

F:

And....

HMJr:

Don't you think so?

F:

Yes, I certainly do. And he said if we could get that in there - he said that an air of good feeling would develop, he was sure, between the State Department and the Treasury.

HMJr:

Yeah....that sounds reasonable.

F:

We - so I thought we'd stick in a general consultant provision to the effect that the Secretary of the Treasury and the Alien Property Custodian shall consult with the Secretary of State before vesting any property or interest pursuant to this Executive Order, and the Secretary of the Treasury shall consult with the Secretary of State before issuing any order adding additional countries to Section 3 of Executive Order No. 8389, as amended.

HMJr:

Consult doesn't mean veto power?

F:

No, no. It just means that you'll talk it over.

HMJr:

Fine. On that he's with us?

F:

He's with us. He says that he can't get to the meeting, but I can say that he thinks that this is the way it ought to be done. And the State Department would - would support this language.

HMJr:

Yeah.

- 2 -

HMJr: Too bad he can't get there.

F: No, he says he can't get there.

HMJr: Well....sold, American tobacco. What else?

F: O.K. Now that's - that's all. The other - do you want me to read the other language to you? The other language....

HMJr: What?

F: ...says that - that the authority is vested in you, and then it says "provided, however, that any property or interest not belonging to a foreign government or a central bank which shall be vested by the Secretary of the Treasury pursuant to this order shall be vested in the Alien Property Custodian when, as, and upon the terms directed by the Secretary of the Treasury."

HMJr: Read it again, please.

F: Yeah...."provided, however, that any property or interest not belonging to a foreign government or a central bank, which shall be vested by the Secretary of the Treasury pursuant to this Executive Order..." In other words....

HMJr: It sounds all right to me.

F: In other words, the property of a foreign government or bank shall be vested by you.

HMJr: That's all right.

F: But as to the other property, other than that kind, it shall be vested in the Alien Property Custodian when, as, and upon the terms directed by the Secretary of the Treasury.

HMJr: It's all right. Now....o.k. What else?

F: Nothing else.

HMJr: Wonderful.

- 3 -

F: Nothing else.

HMJr: Oh, yes. What about Ben?

F: I haven't talked with Ben. He was out, and I left word for him to call. He's going to go to the meeting. His girl said that she didn't know whether he'd be back before he went over there or not.

HMJr: Didn't know he had a girl.

F: His secretary. (Laughs)

HMJr: Oh, I see. All right.

F: All right, Mr. Secretary. Thanks.

June 19, 1942
2:55 p.m.

WAR BONDS

Present:

Mr. Bell
Mr. Gamble
Mrs. Klotz

H.M.JR: I don't know why the post offices shouldn't do exactly for us what the banks are doing, exactly the same thing - act as a bank.

Now, sooner or later, you know - this isn't a month's proposition, and sooner or later the banks are going to get tired of this thing. I am just thinking out loud. This thing has got to continue, and I wish you would think about it, a setup in the post offices to render the same service to these people as the banks are doing now.

MR. BELL: You know, Frank Walker wants to give us the postal savings system, and then they would run our business for us. I think if we had that we have got to do something like this, or a passbook.

H.M.JR: A passbook - who has been talking passbook?

MR. BELL: I have been talking passbook for a long time.

H.M.JR: Instead of a bond?

MR. BELL: Yes, I would like to work out a scheme where a fellow could walk into a post office and give his money to the post office and he would get credit

- 2 -

in the passbook. On March 15 if he wanted to pay his taxes he would send in his passbook and the collector would charge his passbook for the amount of taxes.

H.M.JR: Where you (Gamble) and I make a mistake, in getting into a thing like this, we forget about the boys who have been here for thirty to fifty years - Bell has only been here half that time - and they have got this wealth of experience, like Eddie Bartelt and the boys. I think if Dan and Eddie Bartelt and some of those fellows down in Public Debt did a little thinking about this thing - after all, I don't know what plans they had in New York, but whatever they had let them go ahead with them.

MR. GAMBLE: Yes, it doesn't interfere.

H.M.JR: And give these men a couple of days to think about it.

MR. GAMBLE: Of course this is a wonderful opportunity to experiment with this. We have got the customers; we have got the postal system - everything. If it is successful it would answer a great crying need with people like the farmers, for example; it would be a great thing for them.

H.M.JR: Well, Dan--

MR. BELL: I will have a proof on this tonight.

MR. GAMBLE: I am crazy about this idea. I told Mr. Bell I thought it was splendid.

H.M.JR: Well, the only suggestion I have is about bringing people together, making use of the talents we have here in the Treasury.

MR. BELL: This is a tough thing to get it so that it is simple, so the postmasters that are already

- 3 -

snowed under can do this thing without spending a lot of time on it and making records. What I had in mind was just putting it together, punching a hole, and, "Here is your passbook" - do it like he is handling his mail.

MR. GAMBLE: It is in a sense a passbook.

MR. BELL: Then the follow-up system worries me a little. Ted says he thinks if we could keep a record, a duplicate card in the postmaster's office, and they would allow his people to go in, they probably could go in and take off the record, for the follow-up.

H.M.JR: Your brain is on it now. Is this your own child?

MR. GAMBLE: That is his own. He came up with it ten minutes after he left the office.

MR. BELL: I don't know as it amounts to much.

H.M.JR: I will be back here Monday. Maybe by that time we will have something. Would you want to give it to the chief postal inspector?

MR. BELL: I am going to talk to Fred Ironsides. He has more practical experience than anybody else down there.

MR. GAMBLE: If he makes a decision it carries a lot of weight.

H.M.JR: He is a Frank Walker man.

MR. BELL: The trouble with the other people is they seem to try to find reasons why it can't be done because they are already snowed under, whereas Ironsides is the other way.

H.M.JR: Before I left I just wanted to check up on this thing.

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VINELAND, NEW JERSEY

★ ★

June 19, 1942

My Dear Mr. Secretary:

Your letter concerning our efforts in support of Vineland's Victory Day campaign is greatly appreciated by all of us here.

We did our best to justify Frank Lamb's confidence in his home town, and are happy in the thought that Vineland did not fail in its duty to the country.

May I express to you and the Administration my admiration for the manner in which the nation is being guided during the greatest of all crises in its history.

It does appear that, at long last, Alexander Hamilton may no longer be referred to as "the greatest Secretary of the Treasury".

Sincerely yours,

Max Leuchter

Max Leuchter, Publisher

Vineland Times Journal

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

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Vineland Times Journal

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

June 19, 1942

Dear Mr. Ambassador:

I think the King and Queen will be interested in these newsreel films showing the tremendous enthusiasm created in New York and Boston by the fifteen British and American war heroes who are now touring this country at our invitation.

I wonder if you would be good enough to arrange to have these reels flown to England and delivered for me. They show the depth of our admiration for brave men, whether British or American, and they also show how Squadron Leader Nettleton and his group have captured the imagination of the American people.

Sincerely,

(Signed) H. Morgenthau, Jr.

His Excellency,
The Right Honorable
the Viscount Halifax,
British Ambassador,
Washington, D. C.

FK/cgk

M. M. C.
Copies to Thompson
(I sent original letter to Mr. Keenan's office)

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE June 19, 1942

TO The Secretary of the Treasury
FROM Mr. Houghteling

You have asked me to report on the attached letter from R. J. Thomas, President of the United Automobile, Aircraft, Agricultural Implement Workers Union of America, C. I. O., with regard to the activities of State Chairman Isbey of Michigan.

On this subject I have interviewed:

Mr. Isbey
Other members of the Michigan State War Savings Staff
Mr. Thomas
Walter Reuther
Richard Deverall, Director of Education, U. A. W.
John Fitzpatrick, his assistant
Paul Ste. Marie, President of the Ford Local
No. 600, U. A. W.
Byron Taylor, Chairman of the War Savings Committee,
U. A. W., Local No. 600

and others, and checked with Leo Goodman and Miss Mary McCarthy of my staff.

I. Mr. Thomas' first complaint has to do with the award of a flag at the Chrysler Tank Arsenal last January. You were in Detroit at that time and so was Ferdinand Kuhn and you have more first-hand information about this incident than I have. Mr. Isbey tells me that on the day prior to this event he was informed by Mr. Thomas' secretary that Mr. Thomas was out of town and could not possibly take part in the ceremonies. He says that he invited George F. Addes, International Secretary and Treasurer of the U. A. W., to represent the International Union, but Mr. Addes reported that he had to leave town and could not attend. At the last moment Mr. Thomas returned to Detroit for the ceremonies and was finally included in the program, although after a certain amount of unfortunate confusion and misunderstanding.

II. Mr. Thomas criticizes Mr. Isbey for having helped the General Motors Corporation outline its War Bond campaign, without giving due credit to the participation of Organized Labor in its Pay Roll Savings Program. On the basis of information which I believe Mr. Thomas received from Mr. Emmet McCormack, a member of the U. A. W. who is temporarily serving as a deputy for Mr. Isbey, Mr. Thomas

- 2 -

informs us that Mr. Isbey had a number of meetings with officers of the General Motors Corporation before the General Motors Publicity Drive for Pay Roll Savings was formulated. He feels that Mr. Isbey should have insisted that the cooperative efforts of the United Automobile Workers be recognized in the publicity.

Mr. Isbey tells me that the first time he saw this publicity was on the day after Walter Reuther saw it. He says that he commented on the unfortunate omission of all reference to the splendid cooperation of Organized Labor; and was told by General Motors officials that Mr. Reuther of the U. A. W. had approved the copy as it stood.

We know from your own interview with Mr. Reuther that he reluctantly accepted the General Motors publicity because it appeared at that time to be too late to have it changed in a way which would give better recognition to Organized Labor. Mr. Thomas criticizes Mr. Isbey for having personally conducted Messrs. Armstrong and Jerpe of General Motors to Washington to present their plan to you. It is my understanding that Mr. Isbey brought these men to present their plan to you at your invitation.

III. Mr. Thomas' third criticism of Mr. Isbey is that he interfered with a joint War Bond plan being negotiated with the Ford Motor Company by responsible officers of the U. A. W. -- Richard T. Leonard, Director of the Ford Section of U. A. W.; Paul Ste. Marie, President of Ford Local 600, U. A. W.; and Byron Taylor, Chairman of the Ford Division, U. A. W., War Bond Committee -- who were being helped and advised by Leo Goodman of my office. Mr. Goodman went to Detroit under my instructions and at the invitation of the United Automobile Workers, and Mr. Isbey's office was duly notified in advance by the Field Division of the War Savings Staff. U. A. W. representatives had negotiated a very desirable agreement with Messrs. Rauch and Besardi of the Ford Motor Company. Mr. Isbey's office had been notified of these negotiations, but had appeared willing to leave them in Mr. Goodman's hands as representing the Treasury. It was important that the Ford War Savings Program be adopted immediately, prior to the negotiation of a new contract between the Ford Motor Company and the U. A. W.

On the day that it was hoped to conclude an agreement for this joint War Bond Drive of the Ford Motor Company and the U. A. W., Mr. Mills of Under Secretary Bell's office, and Mr. Siler of the Chicago Federal Reserve Bank arrived in Detroit to negotiate with the Ford Motor Company and other large corporations about becoming issuing agents for Series E War Bonds. Through a series of misunderstandings -- for which I am not prepared to blame either the intelligence or good intentions of any of the parties -- these two separate negotiations between Treasury representatives and the Ford Motor Company became confused, to the extent that the Ford officials decided to postpone further negotiations of the War Bond Drive until after the conclusion of their labor negotiations with the U. A. W. When I was in Detroit on Tuesday and Wednesday of this week I made efforts through Mr. Isbey

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to revive these negotiations. Messrs. Ste. Marie and Taylor of the U. A. W. are very anxious to see these negotiations brought to a successful conclusion. I think that this can be accomplished in the near future. Ford officials, however, seem to be somewhat temperamental and the matter will have to be handled with considerable diplomacy.

IV. The U. A. W. is full of factional difficulties and I understand that some of Mr. Isbey's closest contacts among U. A. W. officials are affiliated with a faction hostile to Mr. Thomas. I do not believe, however, that Mr. Isbey is conscious of this fact.

I talked to Mr. Thomas in Washington a few days after you had received his letter. Unfortunately, on that day Mr. Thomas had given to a representative of the Detroit News in Washington a statement regarding his differences with Mr. Isbey; and the Detroit News, an anti-administration newspaper, had published a front-page story that the U. A. W. was demanding the ouster of Isbey. Since then Mr. Thomas has attacked Mr. Isbey in speeches and in his union's weekly publication. I was sorry to find in Detroit that other elements of the C. I. O. tend to back Mr. Thomas up in this matter. On the other hand, Mr. Martel, President of the Michigan Federation of Labor, and other A. F. of L. leaders, are backing Mr. Isbey, as are many other elements in the population.

I find that Walter Reuther, Richard Frankenstein, Paul Ste. Marie, and Byron Taylor, all of the U. A. W., are much more cordially disposed toward Mr. Isbey, although Mr. Reuther and Mr. Ste. Marie will stand with Mr. Thomas as the president of their organization. I have not seen Mr. Frankenstein, who is chairman of the Aircraft Division of the U. A. W. and spends most of his time on the Pacific Coast.

The above situation represents the possibility of very bad relations between the C. I. O. in Michigan and the War Savings Staff. In view of the fact that the U. A. W., at its convention last August, was the first national union to endorse the Pay Roll Savings Plan, and that it was the first national union to adopt a goal of \$50,000,000 for its Pay Roll Savings effort, I think it is of utmost importance that Mr. Isbey and Mr. Thomas be brought together and a reasonable degree of co-operation established between them. Mr. Isbey agrees with me on this point. I am working to establish these better relations.

James L. Hagerty

June 11, 1942

R. J. Thomas, Esq.
President
International Union
United Automobiles, Aircraft, Agricultural Implement
Workers of America, C. I. O.
281 West Grand Boulevard
Detroit, Michigan

My dear Mr. Thomas:

The Secretary of the Treasury has asked me to thank you for your letter of June 1 in which you report to him a number of cases in which it has been difficult for the United Automobile, Aircraft, Agricultural Implement Workers of America, C. I. O., to secure adequate cooperation from Frank N. Isbey, the State Chairman of the War Savings Committee for Michigan. Secretary Morgenthau has asked me to go into this matter thoroughly, and I accordingly had a preliminary talk with yourself, Mr. Reuther and Mr. Levinson in my office last week.

I am planning to come to Detroit next Monday to discuss this matter more fully with yourself and Mr. Isbey.

With many thanks for your fine cooperation in the War Savings Program of the Treasury, I am

Yours sincerely,

James L. Houghteling
Director
National Organizations Division

JLH:fl

*How Kellogg
- N*

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



INTERNATIONAL HEADQUARTERS • 281 WEST GRAND BOULEVARD • DETROIT, MICHIGAN

R. J. THOMAS
INTERNATIONAL PRESIDENT

GEO. F. ADDES
INTERNATIONAL SEC. & TREAS.

INTERNATIONAL UNION

PHONE LAFAYETTE 7900

June 1, 1942

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

Dear Sir:

It is a difficult task for me to be forced to write to you regarding the failure of your representatives in the State of Michigan to cooperate with the United Automobile Workers in making your war bond drive reach the highest possible results.

Since your visit here last January 25, I have been made acutely conscious again and again of the antipathy with which your State Director, Frank N. Isby, views the desires of our organization to throw its full forces behind the war bond program.

You will recall his failure to include any representative of the union among the speakers at the Chrysler Tank Arsenal when its flag for high participation was awarded. Fortunately for the full success of the program, that error was corrected by the prompt action at the last moment of one of your labor advisers. Repeatedly since then, my attention has been called to specific actions of that State Administrator, attempting again and again to prevent the UAW war bond program from receiving the public attention which it merits. I have also noted specific failures on his part to cooperate with those of our officials who are desirous of making our campaign an outstanding success.

You are aware of his role in the development of the General Motors war bond campaign, many features of which were pilfered from the activities of this organization without credit and without even private request or acknowledgment.

Mr. Walter Reuther, Director of the General Motors Division, has apprized me of the conversations which took place in your office during the morning of April 16 in regard to the public

endorsement of that plan in the face of its failure to acknowledge the existence or to secure the cooperation of the UAW. Mr. Reuther tells me that Mr. Isby is the man on your staff who led the delegation of General Motors officials to your office early in April and failed to secure the fair recognition for the UAW's activities in making that program possible by laying the background and providing many of the mechanism for increasing sales and participation which General Motors Corporation took as its own.

Now I am advised that Mr. Isby has again interposed himself in a developing situation under which the activities of the UAW bond committee were going to set the pace for the kind of program which I understand it is your desire should be used to achieve the maximum possible results.

For several months the UAW has been increasing the participation and purchase level among the employees of Ford Motor Company. Out of our experiences we have evolved the establishment of the Ford Division UAW war bond committee, chairmanned by Mr. Byron Taylor, a member of Ford Local 600. This committee has had increasing success in stimulating further participation and increased allotments. In line with our program, following the meeting of the General Executive Board of the UAW in Chicago at the end of March, we instructed our Locals to "exert all possible effort to promote the sale of defense bonds". Following this and contacts from your Labor Section of the War Savings Staff, our Ford Division initiated activities looking toward the establishment of a general goal in line with the Executive Board's policy.

Extensive meetings were held by the members of the committee and a program evolved. We requested the services of a member of your Labor Section, Mr. Leo Goodman, to give us the benefit of his broad knowledge of the program. He met with the committee several times and finally sat in on a joint conference of Ford Company officials and the union war bond committee. During this conference, someone speaking for Mr. Isby telephoned the company and attempted to arrange a conference regarding the war bond campaign. This person alleged that a representative of the Labor Section of the War Savings Staff of the U. S. Treasury would accompany Mr. Isby and a Mr. Mills to the proposed conference the following day.

The practical effect of this call was virtually to bring to an end the discussions then going on, as the Company desired to determine the purpose of the meeting with the new representative. I am advised by the Ford Motor Company men that they did meet with the additional Treasury agents the next day.

Something strange must have happened at that meeting, because the Company has since failed to keep the arrangements which had been agreed upon at the joint session. The union was prepared to proceed with an all-out effort to make the war bond campaign a success. We cannot help but feel that your State Administrator in

endorsement of that plan in the face of its failure to acknowledge the existence or to secure the cooperation of the UAW. Mr. Reuther tells me that Mr. Isby is the man on your staff who led the delegation of General Motors officials to your office early in April and failed to secure the fair recognition for the UAW's activities in making that program possible by laying the background and providing many of the mechanism for increasing sales and participation which General Motors Corporation took as its own.

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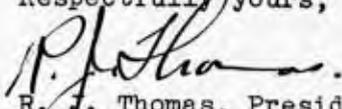
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Something strange must have happened at that meeting, because the Company has since failed to keep the arrangements which had been agreed upon at the joint session. The union was prepared to proceed with an all-out effort to make the war bond campaign a success. We cannot help but feel that your State Administrator in

Michigan, Mr. Isby, is doing everything he can to hamper our activities in this program.

We want this program to succeed. We do not want to be accused later of having failed to take adequate steps to make this program succeed when our members are threatened with the alternative of a compulsory deduction or a sales tax. Surely, Mr. Secretary, our efforts should not be hampered by a political self-seeker, even though he claims to be friendly to organized labor. The present war effort in our opinion requires full joint cooperative action of all elements in our community. Labor's efforts to make the war bond campaign a success cannot be hamstrung, least of all by a United States Treasury official.

Respectfully yours,



R. J. Thomas, President
International Union
UAW-CIO

RJT:AMD

Analysis of Exposure to Payroll Savings Plans
June 13, 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.....	476	480	99
(2) Firms with 500 to 4,999 employees.....	4,876	6,174	80
(3) Firms with 100 to 499 employees.....	<u>18,917</u>	<u>27,041</u>	<u>70</u>
(4) Subtotal - large firms.....	24,269	33,695	72
(5) Firms with less than 100 employees.....	<u>74,035</u>	*	*
(6) Total business organizations.....	98,304	*	*
II. Governmental organizations.....			
	*	*	*
III. Grand total.....			
	<u>98,304</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed

I. Business organizations			
(1) Firms with 5,000 employees or more.....	7,779,558	*	*
(2) Firms with 500 to 4,999 employees.....	6,603,450	*	*
(3) Firms with 100 to 499 employees.....	<u>4,482,326</u>	*	*
(4) Subtotal - large firms.....	18,865,334	*	*
(5) Firms with less than 100 employees.....	<u>2,001,511</u>	*	*
(6) Total business organizations.....	20,866,845	30,000,000 ^{1/}	70
II. Governmental organizations			
(1) Federal Government.....	397,981	2,100,000 ^{1/}	19
(2) State and local governments.....	<u>1,126,681</u>	<u>2,700,000</u>	<u>42</u>
(3) Total governmental organizations.....	<u>1,524,662</u>	<u>4,800,000</u>	<u>32</u>
III. Grand total.....			
	<u>22,391,507</u>	<u>34,800,000 ^{1/}</u>	<u>64</u>

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

June 19, 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.

Regraded Unclassified

June 19, 1942

TO: HAROLD N. GRAVES
SUBJECT: PROGRESS REPORT FROM WAR SAVINGS STAFF

RADIO

1. "THE TREASURY STAR PARADE", "VOICES OF THE PEOPLE", "ROLL CALL OF THE NATION".
 - A. 795 radio stations (out of the nation's 868) are now broadcasting the "Treasury Star Parade" series of programs three times weekly.
 - B. More than sixty per cent of the radio stations now have installed Payroll Savings Plans. Almost fifty per cent of the nation's radio stations have installed Payroll Savings one hundred per cent.
 - C. "Roll Call of the Nation" announcements are now being used by approximately sixty per cent of the nation's radio stations.
 - D. 417 radio stations have used 25,033 "Voices of the People" announcements.
2. "SAVE THE AMERICAN WAY"
 - A. Rudy Vallee and orchestra making special recording.
 - B. Also will be used as part of "Treasury Star Parade" program early in July.

W/6/23/42

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RADIO (continued)

- C. Horace Heidt orchestra will use on "Treasury Chest" program, Tuesday, June 30, over NBC - 8:30 to 9:00 PM.
- ~~EB~~ "Wheeling Steelmakers" program, Sunday, June 21, over the Blue Network from 5:30 to 6:00 PM, will feature a special arrangement of this song.
3. SPECIAL BROADCASTS
- A. Treasury Department goes over the top on Ten Per Cent Drive; Monday, June 15, Station WWDC, "Your Government and Mine" program. This information also broadcast during news programs on Sunday, June 14. (Attachment #1).
- B. New "10% War Bond Club" song was heard on Bing Crosby's Kraft Music Hall program, June 18 - 9:00 to 10:00 PM over NBC (WRC local outlet). (Attachment #2).
- C. "The Aldrich Family" on War Bonds and Stamps, June 18, NBC, 8:30 PM.
- D. CBS program on War Effort and War Savings (series) typical script attached. (Attachment #3).
4. "VICTORY PARADE", SESAC, INC., AND PEPSI-COLA
- A. Beginning July 5 and through August 23 special Treasury Department Summer series of network shows, "Victory Parade", will be heard over NBC from 6:30 to 7:00 PM, on Sundays. "Victory Theater" (CBS version of "Victory Parade") will be heard on Mondays over CBS beginning July 20.

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RADIO (continued)

- B. SESAC cooperates with War Savings Staff as liaison to radio industry. (Attachment #4).
 - C. Pepsi-Cola -- now adding promotion of 10% Club to jingle contest. Total entries in jingle contest (being heard over radio stations in 48 states, D. C., Panama, Alaska, Canada and Mexico) 45,576.
5. NEW COPY
- A. New Sponsors' Kit sent out to all radio stations on 10% Club. (Attachment #5).
6. FOREIGN LANGUAGE
- A. M. S. Szymczak, Member of the Board of the Federal Reserve System, delivered excellent War Bond speech in Polish at patriotic Flag Day Rally of Polish-American organizations of Pittsburgh, on June 14. Now arranging to have Mr. Szymczak make transcription of speech for distribution to all Polish language stations. (Attachment #6).

FIELD DIVISIONAgriculture Cooperatives

The nation's agricultural cooperatives have now pledged themselves to wholehearted support of the U. S. Treasury's farmer-producer plan for the purchase of War Bonds. Through their

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FIELD DIVISION (continued)

national organization, The Council, 4,500 farmer-owned and controlled marketing and purchasing associations, representing over two million farmers, have endorsed the Treasury plan.

Two distinct systems of saving for the purchase of War Bonds are available as a result of trial of several plans in different parts of the country. Farmers with regular monthly incomes, such as dairymen and poultry raisers, may have their cooperatives deduct stated sums monthly. Farmers who deliver crops to their cooperatives only once a year may have a per cent of each sale or a stated amount per bushel or other unit deducted.

Cost-Plus-a-Fixed-Fee Contracts

Contractors engaged on cost-plus-a-fixed-fee contract with the Government are now permitted by the War Department to qualify as issuing agents for War Savings Bonds in order to accomplish the delivery of Bonds to employees, when such contractors are administering Payroll Savings Plans.

Field Promotion

The allotment to State Offices of two handbooks, "Handbook for Speakers" and "Handbook for Banking Committees", which have been printed in limited edition, was announced through Field Memorandum #321, (copy attached).

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FIELD DIVISION (continued)

Display cases to facilitate the distribution of informational folders and order forms for War Savings Bonds will shortly be sent to all moving picture theaters in the country. Field Memorandum #327 (copy attached) announced this promotion, making the additional suggestion that State Administrators use these display cases for the distribution of any suitable informational material on hand in their offices.

June County Quotas Reached

Telegrams from the Secretary will be sent during June to the Chairmen of Counties that report the advance achievement of June goals.

The first 16 counties to report, with the dates of completion of quotas were:

Hayes County, Nebraska	-June 10	Pocahontas County, W. Va.	-June 15
Lincoln County, Colorado	-June 8	Calhoun County, Illinois	-June 14
Essex County, Vermont	-June 6	Crook County, Oregon	-June 16
Island County, Washington	-June 6	Hernando County, Florida	-June 1
Petroleum County, Montana	-June 13	Indian River, Florida	-June 2
Bristol City, Virginia	-June 13	Lawrence County, Indiana	-June 13
Tripp County, South Dakota	-June 7	Orange County, Indiana	-June 13
Starke County, Indiana	-June 13	Warren County, Indiana	-June 13

Announcement of the above plan was made to State Administrators in Field Memorandum #323 (copy attached). The Administrators were urged to add their own congratulations to those of Secretary Morgenthau.

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VICTORY PIG SALE

A Victory Pig Sale was held at Jonesboro, Arkansas and every dime of the proceeds of the sale was to go into the purchase of War Savings Bonds and Stamps. Every entrant was given a chance to win an extra \$5.00 War Savings Stamp as a prize for suggesting the best slogan for the Club. Feeders and Breeders of other kinds of live-stock have adopted the principles of the plan.

FARM SECTION

Is the Farmer Buying His Share of War Bonds? --- In order to evaluate the effectiveness of our promotion in the rural areas, it is necessary to know whether the farmer is putting as great a proportion of his income into War Bonds as is the city dweller. The following table throws light on this question:

Sales of War Bonds as a Percentage of Income

<u>Counties Ranked According to % Farm Families are of Total Number of Families</u>	<u>Average Monthly Sales of E, F and G Bonds (July 1941-January 1942) As a Percentage of Estimated Annual Effective Buying Income</u>	
	<u>Illinois</u>	<u>New York</u>
Most Rural	.25%	.28%
Less Rural	.28%	.27%
Less Urban	.31%	.38%
Most Urban	.59%	.79%

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FARM SECTION (continued)

This table shows that from July 1941 through January 1942 the farmer was putting considerably less than half as much of his income into War Bonds as was the city dweller.

When a county breakdown of May sales is available, it should be helpful to see whether our increased promotion among farmers has changed this relationship.

PRESS RESULTS

Releases showing July State Quotas are scheduled to go out to all newspapers in plate and mat form for release June 29.

July County Quotas will be released July 1, also in plate and mats in the form of State maps with the county quotas lettered in.

The State quota release also gives a comparative table of May sales and May quotas with a column indicating the per cent over and below the quota.

Cooperating with the War Savings Organization Unit, stories were sent to every Czech and Slovak newspaper, urging them to conduct War Bond rallies as their answer to the Nazi massacre of the Czechoslovak town of Lidice.

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PRESS RESULTS (continued)

Dr. Leo Stein's editorial on War Bonds and the Herblock cartoon were sent to 1,000 foreign language newspapers in 22 different languages. Dr. Stein is author of the best seller "I Was In Hell With Niemoeller".

A July 4th article by M. S. Szymczak, member of the Board of Governors of the Federal Reserve Board, explaining the aims of the War Bond Campaign, has been prepared.

Four cartoonists, at our request, have drawn special War Bond Editorial Cartoons with a Fourth of July background which we are sending out in photoprint form to the leading dailies of the country next week. The cartoon donors are Willard Combes of the Cleveland Press, Arthur Poinier of the Detroit Free Press, C. D. Bachelor of the New York Daily News, and Coakley of the Washington Post.

A cartoon featuring the British and American War Heroes has also been sent to all papers in cities where the Heroes are appearing.

Our Sunday Visitor, largest Roman Catholic publication in the United States (482,000), is now using our promotional material every week.

A special feature story on the activities of Indians in selling War securities has been accepted by the Associated Press.

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PRESS RESULTS (continued)

A feature article on "Woman's Part in the Quota Campaign", written by Priscilla Wayne of the Des Moines Register and Tribune Syndicate, has been reproduced and is being mailed to all Women's Page editors.

Attached is a picture of a Powers model wearing a War Stamp corsage. This photograph appeared in the New York Herald Tribune and later will be used by King Features. Photographs of Warner Brothers motion picture stars wearing the Stamp corsages will be released next week.

Attached are copies of several dozen new songs, all carrying the War Bond emblem on the covers. These were sent to us by Walter G. Douglas, President of the Music Publishers Protective Association, as evidence of the fact that all sheet music published in the United States will carry War Bond seals throughout the Duration.

Attached are two Press activities released by our Press men in New York -- a complete Press Book for the Greater New York Pledge Campaign and a new page of one-column cartoons.

Also attached is an article on July Fourth War Bond newspaper promotion which appeared in The Publishers' Auxiliary and has been sent to all weekly editors.

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MAGAZINES

Attached is the War Stamp corsage cover taken from the current issue of LIFE.

Fawcett Publications have agreed to use three of the new War Bond posters as inside covers on all issues. Attached is a two-page fashion layout from Fawcett's MOTION PICTURE magazine for this month.

The Fawcett magazines have a circulation in excess of three million. These publications also will use eight of the cartoons secured for us by Crockett Johnson.

SCREEN GUIDE and STARDOM have agreed to use the Crockett Johnson cartoon. "Liberty Limericks" and the "Penny Wise" features have likewise been placed with these magazines.

SCREENLAND plans immediate use of cover photograph with War Bond posters as background. They will also use our Liberty Limericks and Dr. Seuss cartoons.

SILVER SCREEN has sent us advanced proofs of the August issue containing numerous War Bond mentions. A War Bond cover has been arranged for this magazine.

PHOTOPLAY - Attached is a three-page short story with a by-line by Bette Davis, the screen star, whose story inaugurates a contest in which prizes in War Bonds will be paid to readers submitting a printable story about people who buy War Bonds and Stamps.

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MAGAZINES (continued)

Ideal Publications, publishers of MOVIES, MOVIE STAR PARADE and MOVIE LIFE, promise to develop pictures showing what the movie fan clubs should do to promote the War Savings Campaign. Two of the three above-named magazines are planning to use covers.

Attached are two sheets of the latest copy sent from the Press Section to all newspapers. These include new cartoons, Liberty Limericks, slogans and Minute Man insignia.

NAVY BOND PURCHASES

A report from the Office of the Secretary of the Navy informs us that purchases of War Savings Bonds by the personnel of Naval Shore Establishments hit a new high record in May, with total sales reaching \$6,472,257. The May total was \$1,705,650.75 above the April figure, an increase of 35.77 per cent. The total of War Savings Bonds purchased by Navy Shore personnel since the inception of the Bond Campaign late last year is now \$22,971,317.10.

BUSINESS PUBLICATIONS

On June 18th the Business Publications Section met with Mr. Schuyler Hopper of the Associated Business Papers to plan business papers releases for the next several mailings. Mr. Hopper is establishing a procedure to keep the Business Publications Section informed of current problems and information desired in various industries so that advertising releases may be closely attuned to conditions.

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COMPANY PUBLICATIONS

In response to numerous requests from editors, a complete transcript of the Business Publications Section's presentation to the National Council of Industrial Editors Associations in Chicago was mailed this week to company publications.

LABOR PUBLICATIONS

122 labor union publications are publishing the attached advertising releases, according to returns to date.

RETAIL STORES DIVISION

Attached is the latest issue of "Retailers For Victory" published for the Retail Stores Division of the War Savings Staff through the courtesy of the National Cash Register Company. The distribution of this bi-monthly publication is now up to 14,000 copies.

The second attachment is a seventeen-page mimeographed leaflet containing specific suggestions that form a blueprint for the "Retailers For Victory" July drive.

The third attachment is a plan for promoting the sale of War Stamp corsages. They are to be made, sold to retailers, and resold to customers - all at cost.

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CITATIONS

A total of 18,341 organizations have now received the Certificate of Award, as reported by 34 State Administrators. States which have not yet submitted lists have been asked to do so.

WAR DEPARTMENT PAYROLL SAVINGS

The War Department reports that the average monthly deduction for various groups of personnel under its jurisdiction are as follows: Commissioned personnel - \$20.95; enlisted personnel - \$5.00; civilian personnel - \$8.95.

STATE TOURS

Jane Withers, now on vaudeville tour in the East, is doing Bond-and-Stamp appearances between shows in Pittsburgh, Philadelphia, New York, Louisville and Chicago.

Lana Turner, glamorous film actress, is on an intensive bond-selling tour. She appears first in Portland, Oregon at the Rose Festival, where she will reign as queen; then she goes to Centralia, Olympia, Tacoma, Seattle, Yakima, Spokane and Walla Walla, Washington; and Kellogg and Burke, Idaho.

COWBOYS

Roy Rogers, Republic Pictures cowboy star, and his horse "Trigger", are on auto and trailer tour, making radio appearances in behalf of War Savings.

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BONDWAGONS

Horace Heidt and His Musical Knights Orchestra reports the following Stamp sales record for a six-day playing stay in Minneapolis:

Cash received	\$883.70
10-cent books started	1,575
25-cent books started	1,880
50-cent books started	98
\$1.00 books started	27
\$5.00 books started	32

Potential sales \$97,175

(These were theater appearances).

AIR CAVALCADE

The 8-plane "Air Cavalcade", joint project of the Treasury and the Army Air Forces to promote War Savings and Aviation Cadet Enlisted Reserve, got away to a "flying" start in New York City at LaGuardia Field on June 16, 17 and 18. The itinerary is attached hereto.

RALLIES

Waterville, Maine - AFL meeting June 10th, Nancy Carroll;
Camden, New Jersey - RCA plant, June 12th, Allan Jones and Nancy Carroll;
Harrison, New Jersey - RCA plant, June 12th, Lily Damita;
Allentown, Pennsylvania - June 12th, Barry Wood and Gloria Stuart;
Passaic, New Jersey - June 14th, Alexander Kirkland and "Ship Ahoy" Girls;
Buffalo, New York - June 14th, Fay Wray; Rochester, New York - June 15th, Fay Wray.

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WAR WEEK

Rochester, New York "War Week" Committee held a large parade of 50,000 marchers, 150 floats. Major Ben I. Funk, holder of DSC, who flew Ambassador Bullitt to Egypt from the United States, led the parade in a car with two enlisted men from the ill-fated Lexington.

NEWSPAPER CARRIER SALES

Latest report on total sales of stamps by newspaper carrier boys to date is attached.

Also attached is special report showing the sales by newspaper carrier boys for six weeks, May 2 through June 6. This shows that newspaper carrier sales reached a peak in the May 9th week, held steady the two following weeks, and declined during the May 30th and June 6th weeks.

SPECIAL

Report on replies to the Secretary's letter of April 25 and subsequent wires. (Report #9 attached).

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	June 6	June 13		Apr. 18	June 6	June 13
Alabama.....	149	213	219	285	52	75	77
Arizona.....	43	55	56	64	67	86	88
Arkansas.....	44	48	48*	142	31	34	34
Northern California.....	512	596	616	616	83	97	100
Southern California.....	756	840	855	1,171	65	72	73
Colorado.....	113	120	121	124	91	97	98
Connecticut.....	277	302	304	622	45	49	49
Delaware.....	21	49	49	85	25	58	58
District of Columbia.....	52	76	78	152	34	50	51
Florida.....	147	175	177	177	83	99	100
Georgia.....	133	259	272	590	23	44	46
Idaho.....	31	31	31	39	79	79	79
Illinois.....	1,300	1,515	1,564	2,252	58	67	69
Indiana.....	415	553	559	587	71	94	95
Iowa.....	165	201	201*	272	61	74	74
Kansas.....	276	278	278	278	99	100	100
Kentucky.....	136	180	180	312	44	58	58
Louisiana.....	179	245	251	384	47	64	65
Maine.....	60	93	99	198	30	47	50
Maryland.....	177	221	225	405	44	55	56
Massachusetts.....	639	728	746	1,523	42	48	49
Michigan.....	689	816	831	1,022	67	80	81
Minnesota.....	376	413	416	416	90	99	100
Mississippi.....	59	62	62	143	41	43	43
Missouri.....	472	569	572	664	71	86	86
Montana.....	40	44	44	44	91	100	100
Nebraska.....	103	111	111	123	84	90	90
Nevada.....	14	16	16	21	67	76	76
New Hampshire.....	89	100	102	145	61	69	70
New Jersey.....	463	671	685	867	53	77	79
New Mexico.....	33	33	33*	42	79	79	79
New York.....	2,060	2,694	2,774	4,240	49	64	65
North Carolina.....	282	372	382	499	57	75	77
North Dakota.....	14	19	19	29	48	66	66
Ohio.....	1,126	1,224	1,233	1,739	65	70	71
Oklahoma.....	166	202	206	345	48	59	60
Oregon.....	211	264	266	271	78	97	98
Pennsylvania.....	1,682	1,894	1,914	2,032	83	93	94
Rhode Island.....	154	180	184	224	69	80	82
South Carolina.....	71	116	125	174	41	67	72
South Dakota.....	21	23	23	23	91	100	100
Tennessee.....	199	199	199*	449	44	44	44
Texas.....	326	423	437	1,376	24	31	32
Utah.....	36	44	44*	111	32	40	40
Vermont.....	59	60	60	63	94	95	95
Virginia.....	281	351	354	354	79	99	100
Washington.....	234	293	304	323	72	91	94
West Virginia.....	134	142	143	272	49	52	53
Wisconsin.....	278	377	380	680	41	55	56
Wyoming.....	17	18	18*	18	94	100	100
Alaska.....	2	2	2*	2	100	100	100
Railroads.....	49	49	49	52	94	94	94
Total.....	<u>15,365</u>	<u>18,559</u>	<u>18,917</u>	<u>27,041</u>	<u>57</u>	<u>69</u>	<u>70</u>

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

June 19, 1942.

* Data are for June 6, inasmuch as no June 13 report was received.

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	June 6	June 13		Apr. 18	June 6	June 13
Alabama.....	41	55	60	82	50	67	73
Arizona.....	9	10	10	13	69	69	77
Arkansas.....	16	18	16*	22	73	73	73
Northern California.....	122	124	125	175	70	71	71
Southern California.....	121	127	130	165	73	77	79
Colorado.....	25	28	28	29	86	97	97
Connecticut.....	114	117	117	152	75	77	77
Delaware.....	15	18	18	24	63	75	75
District of Columbia.....	32	33	33	53	60	62	62
Florida.....	28	30	31	65	44	48	49
Georgia.....	86	106	106	111	77	95	95
Idaho.....	11	11	11	11	100	100	100
Illinois.....	391	417	421	549	71	76	77
Indiana.....	88	124	125	170	52	73	74
Iowa.....	22	29	29*	41	54	71	71
Kansas.....	23	24	24	24	96	100	100
Kentucky.....	38	45	45	73	52	62	62
Louisiana.....	29	39	40	77	38	51	52
Maine.....	48	54	55	59	81	92	93
Maryland.....	84	91	91	108	78	84	84
Massachusetts.....	237	269	272	355	67	76	77
Michigan.....	265	273	277	309	86	88	90
Minnesota.....	79	80	80	84	94	95	95
Mississippi.....	26	30	30	38	68	79	79
Missouri.....	103	114	115	135	76	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	32	32	91	97	100
New Jersey.....	142	162	167	204	70	79	82
New Mexico.....	5	5	5*	5	100	100	100
New York.....	759	804	816	1,096	69	73	74
North Carolina.....	103	128	128	160	64	80	80
North Dakota.....	0	0	0	0	0	0	0
Ohio.....	412	426	426	496	83	86	86
Oklahoma.....	31	39	39	51	61	76	76
Oregon.....	48	54	54	54	89	100	100
Pennsylvania.....	551	574	576	624	88	92	92
Rhode Island.....	61	69	69	81	75	85	85
South Carolina.....	84	94	94	103	82	91	91
South Dakota.....	5	5	5*	5	100	100	100
Tennessee.....	50	50	50*	102	49	49	49
Texas.....	63	77	78	142	44	54	55
Utah.....	8	10	10*	16	50	63	63
Vermont.....	12	12	12	12	100	100	100
Virginia.....	93	98	98	100	93	98	98
Washington.....	49	59	64	73	67	81	88
West Virginia.....	36	55	58	64	56	86	91
Wisconsin.....	127	137	138	154	82	89	90
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.....	<u>4,864</u>	<u>5,296</u>	<u>5,352</u>	<u>6,654</u>	<u>73</u>	<u>80</u>	<u>80</u>

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

June 19, 1942.

* Data are for June 6, inasmuch as no June 13 report was received.

UNITED STATES SAVINGS BONDS - TOTAL

Comparison of June sales to date with sales during the same number of business days in April and May 1942

(At issue price in thousands of dollars)

Date	June daily sales	Cumulative sales by business days				June as percent of May
		June	May	April	June as percent of May	
June 1942						
1	\$ 29,539	\$ 29,539	\$ 19,981	\$ 24,980		147.8%
2	15,903	45,442	39,430	45,933		115.2
3	21,604	67,046	72,048	64,147		93.1
4	31,162	98,208	88,605	82,937		110.8
5	34,132	132,341	122,575	111,289		108.0
6	21,744	154,085	157,866	129,786		97.6
8	38,574	192,659	181,431	149,409		106.2
9	13,863	206,523	201,464	168,289		102.5
10	30,029	236,552	232,801	185,904		101.6
11	23,220	259,772	246,756	196,667		105.3
12	21,952	281,724	271,525	229,895		103.8
13	21,439	303,163	296,152	242,969		102.4
15	31,235	334,398	317,861	257,280		105.2
16	11,099	345,497	337,371	279,933		102.4
17	23,285	368,782	371,066	295,244		99.4
18	18,587	387,369	385,098	309,780		

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

June 19, 1942.

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

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

Sales of United States Savings Bonds
From June 1 through June 18, 1942
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

Date	Series E				Series F and G				Total			
	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales
	June 1	June 1	June 1	to Date	June 1	June 1	June 1	to Date	June 1	June 1	June 1	to Date
Daily	to	to	as % of	Daily	to	to	as % of	Daily	to	to	as % of	
	Date	Date	Quota		Date	Date*	Quota		Date	Date	Date	Quota
1	\$ 19.8	\$ 19.8	\$ 21.7	91.2%	\$ 9.7	\$ 9.7	\$ 14.0	69.3%	\$ 29.5	\$ 29.5	\$ 35.7	82.6%
2	8.0	27.8	32.0	86.9	7.9	17.6	23.0	76.5	15.9	45.4	55.0	82.5
3	13.0	40.8	46.4	87.9	8.6	26.2	37.9	69.1	21.6	67.0	84.3	79.5
4	17.4	58.2	63.6	91.5	13.8	40.0	51.0	78.4	31.2	98.2	114.6	85.7
5	24.8	83.0	79.6	104.3	9.3	49.4	61.7	80.1	34.1	132.3	141.3	93.6
6	15.2	98.2	93.7	104.8	6.5	55.9	69.4	80.5	21.7	154.1	163.1	94.5
8	27.0	125.2	120.0	104.3	11.5	67.4	82.2	82.0	38.6	192.7	202.2	95.3
9	8.9	134.2	132.4	101.4	5.0	72.4	89.2	81.2	13.9	206.5	221.6	93.2
10	20.1	154.2	149.6	103.1	9.9	82.3	99.6	82.6	30.0	236.6	249.2	94.9
11	15.7	169.9	170.0	99.9	7.5	89.9	108.4	82.9	23.2	259.8	278.4	93.3
12	16.5	186.5	189.0	98.7	5.4	95.3	115.4	82.6	22.0	281.7	304.4	92.5
13	15.2	201.7	205.6	98.1	6.2	101.5	120.8	84.0	21.4	303.2	326.4	92.9
15	24.0	225.7	236.5	95.4	7.3	108.7	130.9	83.0	31.2	334.4	367.4	91.0
16	7.5	233.2	251.1	92.9	3.6	112.3	137.3	81.8	11.1	345.5	388.4	89.0
17	15.8	249.0	271.3	91.8	7.5	119.7	147.8	81.0	23.3	368.8	419.1	88.0
18	12.3	261.3	295.2	88.5	6.3	126.0	157.0	80.3	18.6	387.4	452.2	85.7
19			317.4				164.6				482.0	
20			336.9				170.6				507.5	
22			373.0				181.9				554.9	
23			390.0				189.2				579.2	
24			413.5				201.3				614.8	
25			441.1				212.0				653.1	
26			466.8				221.0				687.8	
27			489.2				228.0				717.2	
29			530.6				241.4				772.0	
30			550.0				250.0				800.0	

June 19, 1942.

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

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

* Takes into account both the daily trend during the week and the monthly trend during the month.

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

Comparison of June sales to date with sales during the
same number of business days in April and May 1942

(At issue price in thousands of dollars)

Date	June daily sales	Cumulative sales by business days				June as percent of May
		June	May	April		
June 1942						
1	\$ 9,705	\$ 9,705	\$ 7,302	\$ 11,987		132.9%
2	7,895	17,601	15,168	21,677		116.0
3	8,634	26,235	25,516	29,097		102.8
4	13,774	40,009	33,145	35,818		120.7
5	9,344	49,353	48,751	46,174		101.2
6	6,535	55,888	60,817	55,991		91.9
8	11,526	67,414	67,213	63,695		100.3
9	4,952	72,366	72,794	70,364		99.4
10	9,945	82,310	80,845	77,197		101.8
11	7,542	89,852	85,410	80,586		105.2
12	5,402	95,254	94,391	91,623		100.9
13	6,210	101,464	102,106	96,031		99.4
15	7,251	108,715	108,923	102,657		99.8
16	3,564	112,279	114,129	111,829		98.4
17	7,470	119,749	123,534	116,374		96.9
18	6,299	126,048	127,724	120,625		98.7

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

June 19, 1942.

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

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

UNITED STATES SAVINGS BONDS - SERIES E

Comparison of June sales to date with sales during the same number of business days in April and May 1942

(At issue price in thousands of dollars)

Date	: June : daily : sales	Cumulative sales by business days				: June as : percent of May
		: June	: May	: April		
June 1942						
1	\$ 19,834	\$ 19,834	\$ 12,679	\$ 12,993		156.4%
2	8,008	27,841	24,263	24,256		114.7
3	12,970	40,811	46,532	35,050		87.7
4	17,388	58,199	55,460	47,119		104.9
5	24,789	82,988	73,824	65,115		112.4
6	15,209	98,197	97,049	73,795		101.2
8	27,048	125,245	114,218	85,714		109.7
9	8,912	134,157	128,670	97,925		104.3
10	20,085	154,242	151,956	108,707		101.5
11	15,678	169,920	161,346	116,081		105.3
12	16,550	186,470	177,133	138,272		105.3
13	15,230	201,700	194,047	146,937		103.9
15	23,984	225,684	208,939	154,623		108.0
16	7,535	233,218	223,242	168,103		104.5
17	15,815	249,033	247,532	178,870		100.6
18	12,288	261,321	257,374	189,156		101.5

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

June 19, 1942

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

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

MEMORANDUM FOR THE SECRETARY.

June 19, 1942.

Mail Report

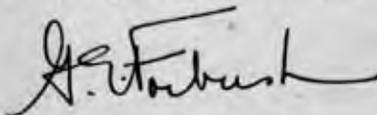
Mail for this week has contained letters full of suggestions, chiefly for increasing or improving the sales of Bonds and Stamps, and for securing additional revenue through taxes. No new suggestions and no new angle on old suggestions have appeared.

Although practically every letter that mentions payroll deductions for the purchase of Bonds is in favor of the 10% plan, source deductions for income tax do not meet such favorable reaction. In general, the tax program of the Treasury is approved, and there continue to be a number of copies of letters sent to the members of the Ways and Means Committee, calling upon that group to abide by the suggestions of the Treasury in raising new taxes. Letters in favor of the Sales Tax outnumber unfavorable ones by 15-11. There are, however, a number of organizations, usually Labor Unions, which submit formal resolutions of opposition to this form of taxation.

Lowered personal exemption is exceedingly unpopular, as is the suggestion of an increased corporation tax. In each case, the unfavorable letters outnumber the favorable by 6-1.

The suggested ceiling of \$25,000 for annual income elicited 3 favorable to 2 unfavorable returns.

There is scattered opposition to joint income tax returns, taxes on charitable institutions, etc., a stamp tax for cars, and the flat levy on income tax returns. Among the possible sources of additional revenue, the following have been suggested -- radios, bill-boards, dogs, slot machines, bets, soft drinks, tourist camps, bank checks, Labor Unions, railroad fare, cosmetics, etc. A number of writers have urged a higher tax on gasoline as a fairer means on restricting its use than the present rationing plan.



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General Comments

George Koch, N.Y.C. As it is impossible for me to buy Stamps or Bonds, I wish you kindly would accept the enclosed transfer of deeds to 11 lots located close to the new Florida Canal, which may come handy as part of the new air field or warehouse. I am 66 years of age, not too good in health, receiving old-age pension of \$24.30 monthly, so you can see for yourself. Other income is \$15 a month for my wife's services as janitress.

G. C. Hart, Baltimore, Md. I know that the Federal Government has done everything outside of using force to encourage manufacturing plants to hire people with a bit of age on them. But it appears that force only will do the trick. I know. Since I have been working up near Philadelphia, during recent years, I have tried at least a hundred times to get a job in Baltimore again. * * * The impression is quite widespread that all people profit during boom periods. This just isn't so. Every time I get my head above water, something happens beyond my control, and down I go again. This happens during booms as well as depressions. In fact, I feel sure that nobody has tried harder to accumulate a few dollars for old-age than I have. * * * I think that I should be granted exemption on all my railroad fare, plus the room and meals near Philadelphia. Why? It's all just a duplication of what I have here in Baltimore. And it's a duplication that I don't want. One of the income tax men here had the colossal gall, or ignorance, to tell my wife that I preferred to live as I do, and that no exemption could be allowed. My, how I envy people who can have the kind of job they want, and where they want it. These people evidently think that others can, because they can. Little does this income tax man know how I despise Philadelphia, and nearly everything about it. Yet I must get on a train and go to the cursed place this afternoon.

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Nancy Ill, The Woodland Ensemble, Glen Ridge, N.J. This fall, my brother, sister, and I decided to form an orchestra. Martin plays the trombone, Susan the trumpet, and I the French Horn. * * * There are 18 children in our orchestra, ranging from 10 to 16 years old. Our father, who is a doctor, and never had any experience, conducted us. By popular demand, we voted to give a concert this spring, and to donate the money to the Treasury of the U. S. for the war effort. Because it was our first concert, and we didn't feel at all professional, we only charged 25¢ apiece for them, but we sold a good number of tickets, and the concert was quite a success. We made \$37.75 which I, as secretary, am forwarding to you.

S. Messina, N.Y.C. It is a fact that a citizen of the U. S., unemployed at the age of 60, is bound to remain thus. In civil life, nobody hires him for keeping the Group Insurance Rate down. He is too old for any civil service examination; and to get a position in war industries he has to go through a lot of red tape. Recently, mature men up to 65 were registered; perhaps for work, perhaps to shed our blood in one of the slaughter-fields. If a 65-year old man is good to fight, he also ought to be good at work. And I am just three scores of years. Exactly two months older than our President, who at my age is doing an incredible amount of work with his marvelous brains. Why then, a man of 60 is not wanted in the office or in the factory? I simply ask you.

Edwin C. Wilson, Embassy of the U.S.A., Panama. I have the honor to transmit herewith a copy of a letter from Mr. Adalbert Fastlich, dated April 12, 1942, together with a check for \$1,000, drawn in favor of the U. S. Treasury, which he encloses "for the purchase of a large air bomb to blast as many Nazis as possible to hell". Mr. Fastlich explains in his letter that he makes this donation in the hope of retaliating for the killing of his brother by a Nazi bomb in London in November, 1940. When Mr. Fastlich called on me this morning to present the check, he remarked that he had long been wishing to make some sort of a contribution to the struggle against the Nazis, and that when he read yesterday that U. S.

aviators may soon cooperate with the R.A.F. in bombings over Germany, the idea of purchasing a bomb suddenly occurred to him. He went on to say that not being an American citizen, he is unable to buy U. S. Defense Bonds, and that he regrets this inasmuch as he has at present about \$50,000 which he is not using, and which he would be delighted to put into Defense Bonds, if it were possible for him to do so.

Quon Ming Him, Endicott, N.Y. Please except this one hundred dollar Money Order Check for buying just a little more ammunition to kill the Japs. This check is enclosed in this letter. Victory is always ours.

Nevill Joyner, Blair, Nebraska. * * * At Wahoo, Nebraska, an ordinary unskilled laborer, with ability to use hammer and saw (not a finished carpenter, not a cabinet maker), gets \$1.25 an hour for 8 hours a day for 5 days a week, and then time and a half for the 2 extra hours on any day, and for all the hours on Saturday. * * * The farmer is considered very dumb, and he is, but he is not "so damn dumb" as not to see the yawning gulf between the inexperienced carpenter lad's weekly wage and his own. And the farmer works before sun-up and after sun-down. A farmer works 8 hours a day? Could he do so, he would consider himself a gentleman of leisure. * * * All of the labor and expense of price-fixing is absolutely of no avail without a ceiling on wages. The untrained, unskilled laborer who passes his weekly wage across the merchant's counter is a large contributor to inflation. And he is the gentleman, who having saved nothing of his exorbitant wage, will be on relief when the war is over, and thereby, as after the last war, a burden to the taxpayer, **THE FARMER INCLUDED.** Maybe, Mr. Morgenthau, you agree with Mr. Sloan in his attack on the Federal Government for its "shameful spectacle in the failure to place a ceiling on wages". * * * With very high personal regards, and certainly with every best wish in your arduous task.

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Max P. Haas, European Picture Service, N.Y.C. Following Mr. Conger's prolonged stay in our office, I have gathered a few thoughts which I would like to send on to you. United States picture agencies are well organized, yet highly competitive. They have never asked for any praise, but they have done a grand job of covering the war, and of cooperating with the Government. * * * The European war posed a very difficult problem for everybody. * * * Nobody in my organization likes Hitler, and yet it has always been my opinion that in order to show off the criminal of the worst sort, you have to show him off publicly, either by news, radio or pictures. So everybody in this business made contact for German pictures. Most of these pictures are a spectacular indictment of Hitler, his methods, and of fascism. * * * I don't see why so much should be made over the fact that we too handled German pictures. These pictures have at no time been used for propaganda purposes. As a matter of fact, the newspaper P. M. used many of them to waken up the American public to the dangers of Hitler and fascism, both of which I despise desperately. And why should not I? Having had a frozen bank account in Germany for many years, with an amount of 50,000 Marks, with many relatives exiled, some of them killed, what would I have to gain helping him? * * * In looking back, I find that U. S. Government agencies have found our pictures most helpful in determining the strength of the German army, its equipment and its tactics. We have been highly complimented many times for making these pictures available, either as a loan or for sale. As a citizen in good standing, with a brother in the U. S. armed forces for over a year, with all the responsibilities of war time weighing down on me, I feel that I have done more than my share for the war effort. * * * Now I come to the prize story of them all, namely, that the A. P. in Germany, in the summer of 1941, started negotiations with Orbis in Berlin, and made a deal to get their pictures for themselves and Wide World, as of October 1, 1941. So if there is anything wrong, why not tackle them? They must have thought pretty highly of Orbis to want their pictures that badly. And guess who was head of the A. P. at that particular time? No other than Byron Price, Head of the Office of Censorship of the U. S.

E. J. Hathaway, Rossville, Ill. Today I went to the bank to pay on and renew my note, and find that under present regulations, same must be paid without fail in 12 months. Like many others through encouragement of the Administration, I contracted past debts in payment form and was carrying about the limit, but was cutting all down monthly. Now with this new setup, find it will possibly be too much of a load. All out of a clear sky! * * * I agree with you that 12 months is the correct limit for small financing such as autos, refrigerators, sweepers, heaters, and all other small luxuries. * * * The only logical long-time financing for any average citizen is that of financing a home. In my own particular case, as conditions are at present, if I cannot refinance my home to obtain enough to pay off these other payments, under present limitations, it will be a case of allowing foreclosure on home or "sticking" the man on my note, and I am sure it will not be the latter. I understand the war conditions and seriousness of same, and I am sorry to say that the Middle West has been slow to awaken to same -- probably can condemn the Tribune for majority of laxity, until actual attack showed how wrong they were. * * * I can see one little ray of hope for the small bank through the present setup under \$1,500, and that is that it is going to give the small bank the advantage of competing with the small loan racket which should never have been permitted in any state. This thing of permitting 2½ or 3% a month interest, whether it is carried on by Household Finance or any other similar setup is a disgrace to capital. I believe the Treasury Dept. can begin to see the light in the same way. * * *

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Favorable Comments on Bonds

C. W. Muehleck, Oradell, New Jersey. I had a recent experience that I would like to bring to your attention, as it seems utterly ridiculous to me at a time when our country is at war. We are having a celebration in our little community on July 4th, and I am in charge of the athletic events for our children. We are in a position to spend about \$75 for prizes and I suggested giving Defense Stamps instead of the customary medals. The Amateur Athletic Union has informed me that such a procedure would be the same as giving money as prizes, and would affect the amateur standing of our children in the future. It would seem to me that this organization should be forced to make some temporary ruling permitting the granting of Defense or War Stamps, and even Bonds as prizes at such affairs. * * *

Axel A. Olson, Secretary, St. Paul Federal Savings & Loan Association, St. Paul, Minn. As a Savings and Loan executive, together with our crew of workers, we have tried in every possible way, through newspaper advertising and special booklets, to do our share toward selling as many Bonds and Stamps as we can to help our country along in the war effort. This is evidenced by the fact that we were placed on the honor roll in this eighth Home Loan Bank district, as the only Association in the five states having sold over 5%. Yesterday we were visited by one of the Victory Aides who wanted us to sign a pledge signifying that we buy "Defense Savings Bonds by one of the methods listed below". Then you go on naming, "post office, banks, or other sales agency". What's the matter with Savings and Loan Associations? We are spending good money advertising the Bonds, and then you ignore us altogether. This letter is sent with a keen desire to help in this war, but it seems that the powers that be either don't want us to do so, or they wish to make the job as hard as possible. Please give us a chance. * * *

Unfavorable Comments on Bonds

Charles H. Hill, Jr., Gloucester, Mass. The following is a short account of my first experience in this city when trying to purchase some War Stamps. Made a small purchase in the first store and then asked for two 25¢ Stamps, was referred to another counter, although there was a cash register at the counter where I had purchased an article. Upon making my request there, was told that they were all out of the 25¢ Stamps. Then I entered a store across the street, went to the cash register nearest main door and asked for War Stamps; was referred to another part of the store in extreme rear, and was there told that a sale would be made me when the manager returned from lunch. The third store entered did not and never had had any, and there was told to try a bank or the Post Office. Just then my bus came. * * * I alighted at a stop where there is a small group of stores, barbershop, etc. I entered the principal store and tried to buy some War Stamps there; was told that they had never had any; that none had ever been sent them; and that they could not get any. From what has been published and given out over the radio, it would seem that your intention is to have these Stamps as available to the public as possible, and this is more or less evident from my experience in Florida this past winter, where honest effort was being made to further their sale. * * * People who are used to buying securities will go out of their way considerably to make a purchase of a War Bond, and for them, the bank or Post Office is good enough. But little people, those whose dimes and quarters must buy your Stamps, if such are to be sold, must have them constantly in reach, and be endlessly reminded that it is by their buying and sacrifice of some longed-for luxury that the money will be found for our war effort and ultimate victory. And that's not the way it is being done in this, the city of Gloucester, Massachusetts.

George B. Wood, Treasurer, Goodall Rubber Co., Philadelphia, Pa. It might be of interest, and possibly be easy on Stamps through our own various agencies, to report what appears

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to the writer a definite piece of Axis propaganda in connection with the sale of War Stamps and War Bonds. Within the last week I have heard a number of people, including employees of our company, say that they think that they have bought enough War Bonds, because at the end of this emergency, when the War is over, War Bonds will not be worth anything scarcely, because they can't be redeemed by the Government at the same time.

W. T. Clark, Los Angeles, Calif. This Administration, through F.H.A. and bank loans, encouraged thousands upon thousands of small wage earners to own their own homes -- influenced two of my friends to each buy a home upon payments. Now then, the press and radio announce that Congress plans a law requiring all employers to withhold 10% of salaries for Defense Bonds. * * * I have had several tell me they will lose their homes sure if 10% be taken from their small salary. Now Mr. Morgenthau, why not a law compelling F.H.A. and banks to reduce payments 1/3 to 1/2 for the duration, to offset your proposed 10% deduction from salary? If something is not done, it will be a case of foreclosures like we had during 1932, 1933 and 1934.

President, Jahn & Olliver Engraving Co., Chicago, Ill. This will acknowledge receipt of your form letter and the Certificate of Award showing that in our firm over 90% of our employees are participating in continuous payroll War Bond contributions. In connection with this, I am forced to inform you that the contributions of our employees would be far greater than they are were it not for the real fact that Secretary Morgenthau and Price Fixer Henderson are apparently conducting a perfectly conceived plan to murder the advertising industry, from which our employees and our firm derive their livelihood. In our firm we have never considered this very highly technical, artistic and skillful industry in a class with houses of ill repute, etc., which should be thrown out of existence. * * * Advertising - beyond anything else - built the great firms of this country, and where would the nation be today without the great firms like General Motors, Chrysler, General Electric, Westinghouse, etc.?

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Advertising built every one of those firms to their present greatness, from which size and skill they have been able to do the impossible in providing munitions to help win this war. In spite of that, Morgenthau, Henderson, and some others, are on record as proposing curtailment of goodwill advertising so that these firms can continue to exist after the war is over, and are quite apparently bent on taxing advertising as one added means of curtailing it or ruining it entirely. * * * So I write this letter with regret, to say that our men are already on short hours because of the tremendous reduction in the available volume of photo engraving, and while they would willingly increase their contributions to War Bonds under ordinary circumstances, they very probably will be compelled, in the near future, to reduce the percentage they are now contributing because of lack of money to take care of personal expenses.

"A Loyal American", Brooklyn, N.Y. I read in yesterday's newspapers that Mayor La Guardia of New York was the first New Yorker to sign a pledge in the Minute Men's campaign now starting. He earns \$25,000 a year as Mayor. 10% of this would be \$2,500 a year. Yet our Mayor signed a pledge to buy one \$100 Bond each month; which is 12 times \$75 or a yearly total of \$900, which is only 3.6% of his salary. I am a worker in the electrical supply industry in New York. My weekly earnings amount to \$24 a week. I belong to the A.F. of L. Union in this industry. This Union has taken upon itself to pledge that every member will subscribe 10% of his salary towards the purchase of War Bonds. No matter if a member makes \$10 a week or \$150 a week, the same 10% is deducted from each member's salary. I certainly cannot afford to contribute \$2.40 weekly toward the purchase of War Bonds. I also have deducted from my salary \$0.24 for old-age benefits, and \$0.50 weekly for Union dues. Every once in a while there is an additional tax placed on me by the Union. The Union also from time to time pledges part of my salary for Red Cross, Army Relief, Navy Relief, and other worthy organizations. I therefore do not average \$20 weekly. I feel very bitter on this subject, but the Union says either I agree to the 10% deduction or I will

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be fired, the Union membership must support the Union's pledge 100%. I therefore must either give my wife and two children less for food and other expenses weekly, or I must loan each week, and when I get the \$18.75 Bond, I must turn it in for cash to repay these loans. I do not think that the Administration in Washington wants to impose such hardships on the workers.

George W. Hickman, N.Y.C. You possibly attended the Army & Navy Parade up Fifth Avenue, or if not, you will see it by newsreel, and I understand that such parades are to be held throughout the entire country, but what I want to say is, that Mayor La Guardia and his Police Commissioner Valentine did a 100% job in keeping the millions who turned out, from getting within one block of the parade at every street crossing throughout the entire line of march. Just who did you want to see this parade? * * * Wasn't this parade to show off our armed might to the working people who have the liquid cash to buy Bonds and Stamps? If it was, then somebody had better do some apologizing for such stupidity that was shown by the New York City police. Every one I talked with was fighting mad about it. * * * So it is my impression that the police attitude has done more to harm the sale of Bonds, and has stirred up more hatred among our people than Hitler could have done in Germany with his secret police. * * * The sale of Bonds and Stamps will fall off if something isn't done to explain today's action by local police toward their harsh treatment of the families who brought their children long distances to see what their Stamp and Bond money was paying for, only to be manhandled and told to get back and stay back. I would appreciate an explanation, and I think the Treasury Department would find it a sound investment to run an apology in the New York Times.

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There have been a number of letters from individuals whose income is affected by lowered dividends from public utilities. The following is a characteristic comment:

"As an American citizen, I am most desirous of contributing my financial support to the conduct of the war savings bonds. If I am to continue to lend my support through purchases of these securities, it must be through the cooperation of the present Administration. This can be accomplished by permitting the public utility companies to operate as privately owned concerns, without interference by political bodies. The continuance of Governmental agitation against these utility corporations will eventually result in bankruptcy for most of them, with consequential loss of capital and income by their security holders. This should in no manner prove beneficial to the United States Government. In presenting this problem to you, I am thinking not only of myself as an individual, but of all the security owners, employees and officers of those corporations."

Arnold M. Cowan, Queens Village, Long Island, N. Y. As a Minute Man in my neighborhood, it has been my experience that, almost without exception, my neighbors are fully in agreement with the main purpose of the drive to encourage savings (and lending to the Government) out of current income on the part of all the people, and I am happy to report that in many cases, the pledge is merely a promise to continue a program already in operation. However, there is one major objection to the pledge. Many have voiced their disapproval of the delay on the part of the authorities in setting the new tax rates, and it is feared that under the spur of the present drive, many will pledge amounts in excess of any possible margin for savings after taxes, and will be compelled to redeem the Bonds next year to meet their tax bills, involving additional expense and work for the Government. * * * May I observe, also, that the selection of New York City for a test was not a particularly happy one. It must be apparent that New York City, as a whole, has not received its proportionate share of the increase in the national income due to the war effort, and in terms of "real" income, might possibly show a loss. * * *

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Favorable Comments on Taxation

R. W. Glasner, Chicago, Ill. While I am not in the habit of writing letters to officials in Washington, in these strenuous days an occasional expression of sympathy may not be out of order. Much emphasis, and rightly so, is being put upon the production of war material for winning the war, but equally important is the economic welfare of the country. It is gratifying to know that our Treasury is not only fully aware of all the issues, but is courageously urging sound principles of taxation upon a reluctant Congress. You, no doubt, know of the sharp criticism prevalent, particularly among those who could best afford to pay taxes, and who unfortunately are the same people apparently with the most influence among our legislators. Incidentally, I - both personally and as the president of two corporations "troubled" by excess profits from accelerated business out of our war activities - perhaps could be classified among those who, shortsightedly, would deem it to their best interests to have legislated low taxes for those in the higher income brackets. I am enclosing a copy of a letter which I am writing today to The Honorable Robert L. Doughton. (Strongly urges support of Treasury recommendations.) I am aware that my letter to you in itself will have no important effect, but I do think that people should express themselves in praise as readily as in criticism. Allow me to express my sincerest wishes that you may be successful in carrying out your intelligent tax program.

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Unfavorable Comments on Taxation

R. D. Longyear, Minneapolis, Minn. I would like to urge that something be done to assist corporations and individuals to pay off indebtedness incurred prior to the present defense effort. A credit should be allowed before calculating both income and excess profits taxes in all cases where principal payments are made on account of such indebtedness. Otherwise, corporations similar to the Longyear Company, who have incurred indebtedness prior to 1940, on which substantial annual payments on the principal must be met, will be unfairly burdened. In our own case, it will be difficult, if not impossible, to set aside sufficient funds to meet normal and excess profits taxes, and also to take care of the expansion demanded of us to carry on our share of the increased demand for mineral resources.

Jay Taylor, Federal Reserve Bank, Dallas, Texas. During the last few weeks I have had many conversations with business men and bankers of Texas about the proposed tax program, and without exception, all of them mentioned the necessity for some consideration being given to business institutions to allow them to make more payments on their debts. * * * With income tax payments increasing, and profits on most businesses not engaged in war work decreasing, we in Texas are faced with the possibility of many of our oil companies, ranchers, and other business men getting into dire financial circumstances. Won't you please lend your efforts to helping out on this problem?

Merle E. Robertson, Liberty National Bank & Trust Company, Louisville, Ky. The cost of the war is daily accumulating, and it is, of course, important that we pay as much of it as possible by taxation. * * * The fact is that the tax burden, even after reducing living expenses, is coming dangerously close to the point of forcing the discontinuance of life insurance. * * * I happen to be one of those people who have not had an opportunity to accumulate any particular amount of material things with which to provide for my wife,

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and three children, all under five years of age, in the event of my death, and under the present tax program will not have an opportunity to do so. Like many others, I have no desire to leave them a heritage of riches, but I do have the desire that in the event of my death, they should have something which might be sufficient to rear them until they are at least eighteen years of age, and that they might not be a burden on charity, private or public. * * * Inasmuch as men willingly pay out a substantial part of their income in taxes, with the inability, as stated, to make any financial accumulations, it seems to me only the part of wisdom in the preservation of our way of life that some reasonable percentage of income should be allowed to be deducted for tax purposes for the carrying of life insurance which is for the benefit of dependents, and particularly minors.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 19, 1942

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

The offering yesterday of \$1.5 billions of 5/8 percent certificates of indebtedness due February 1, 1943, had no appreciable effect on the market for outstanding Government securities. At the end of the first day of the offering, prices of all short-term issues were either unchanged or up 1/32 from their closing prices of the previous day.

During the week ended last night, the market for taxable notes and bonds improved slightly. The premium on the new 1-1/2 percent notes showed no change, remaining at 13/32. The new taxable 2's of 1949-51 rose 3/32 during the week, reaching a new high of 100-24/32. The taxable 2-1/2's of 1967-72 closed last night at 101-10/32, up 1/32 from a week ago. In general, prices of tax-exempt notes and the shorter-term partially tax-exempt bonds declined slightly, while some improvement occurred in the longer maturities.

A comparison with prices on March 19, shows the same basic situation that has existed for a number of weeks. Prices of long-term securities are above their levels of that date, while prices of medium- and short-term securities are below. (See attached chart and tables.)

The average rate on the weekly offering of bills was 0.365 percent, down fractionally from the previous week. The 1/2 percent certificates of indebtedness remained stable during the week at 0.46 percent.

Federal Open Market Account purchases during the week aggregated \$19.8 millions, consisting of \$11.5 millions of bills, \$5.8 millions of the taxable 2's of 1948-50 and \$2.5 millions of the 1-1/2 percent taxable notes. Sales totaled \$10.8 millions, including \$7.6 millions of bills, \$1.2 millions of the taxable 2-1/2's of 1967-72 and \$2.0 millions of the 3-1/8's of 1946-49. Bill redemptions totaled \$7.2 millions, so that the net increase in the portfolio was only \$1.8 millions.

Attachments

Table I
Price and Yield Changes of United States Securities
June 11, 1942 to June 18, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	June 11, 1942	June 18, 1942	Change	June 11, 1942	June 18, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
Bills						
Average rate last issue	-	-	-	.37	.36	-.01
Certificates						
1/2 ²⁸ 11/1/42	-	-	-	.46	.46	.00
Taxable Notes						
3/4 ²⁸ 3/15/43	100.06	100.06	.00	.50	.50	.00
3/4 9/15/44	99.21	99.22	+0.01	.90	.89	-.01
3/4 12/15/45	99.10	99.11	+0.01	.95	.94	-.01
1 3/15/46	99.15	99.15	.00	1.15	1.15	.00
1-1/2 12/15/46	100.13	100.13	.00	1.41	1.41	.00
Taxable Bonds						
2 ²⁸ 3/15/48-50	101.15	101.16	+0.01	1.73	1.72	-.01
2 6/15/49-51	100.23	100.26	+0.03	1.89	1.88	-.01
2 9/15/49-51	100.21	100.24	+0.03	1.90	1.89	-.01
2 12/15/51-55	100.12	100.16	+0.04	1.96	1.94	-.02
2-1/2 3/15/52-54	104.05	104.07	+0.02	2.03	2.02	-.01
2-1/4 6/15/52-55	101.11	101.13	+0.02	2.10	2.09	-.01
2-1/2 3/15/56-58	103.09	103.11	+0.02	2.22	2.22	.00
2-1/2 6/15/62-67	-	-	-	-	-	-
2-1/2 9/15/67-72	101.09	101.10	+0.01	2.43	2.43	.00
Wholly Tax-exempt Notes						
2 ²⁸ 9/15/42	100.18	100.17	-.01	1/32*	2/32*	+1/32*
1-3/4 12/15/42	100.26	100.26	.00	.15	.09	-.06
1-1/8 6/15/43	100.26	100.25	-.01	.32	.33	+0.01
1 9/15/43	100.25	100.25	.00	.38	.37	-.01
1-1/8 12/15/43	101.04	101.04	.00	.38	.37	-.01
1 3/15/44	100.30	100.29	-.01	.46	.48	+0.02
3/4 6/15/44	100.15	100.14	-.01	.52	.53	+0.01
1 9/15/44	101.01	101.02	+0.01	.54	.52	-.02
3/4 3/15/45	100.16	100.14	-.02	.57	.59	+0.02
Partially Tax-exempt Bonds						
3-3/8 ²⁸ 6/15/43-47	102.25	102.24	-.01	.60	.58	-.02
3-1/4 10/15/43-45	103.12	103.10	-.02	.72	.73	+0.01
3-1/4 4/15/44-46	104.11	104.09	-.02	.87	.88	+0.01
4 12/15/44-54	107.19	107.17	-.02	.93	.93	.00
2-3/4 9/15/45-47	105.14	105.15	+0.01	1.05	1.03	-.02
2-1/2 12/15/45	105.04	105.04	.00	1.01	1.00	-.01
3-3/4 3/15/46-56	109.16	109.14	-.02	1.16	1.16	.00
3 6/15/46-48	107.05	107.04	-.01	1.17	1.17	.00
3-1/8 6/15/46-49	107.19	107.18	-.01	1.18	1.18	.00
4-1/4 10/15/47-52	115.07	115.07	.00	1.29	1.28	-.01
2 12/15/47	104.20	104.19	-.01	1.13	1.13	.00
2-3/4 3/15/48-51	107.22	107.24	+0.02	1.36	1.34	-.02
2-1/2 9/15/48	106.31	107.01	+0.02	1.34	1.32	-.02
2 12/15/48-50	104.21	104.20	-.01	1.25	1.26	+0.01
3-1/8 12/15/49-52	110.27	110.27	.00	1.59	1.58	-.01
2-1/2 12/15/49-53	106.22	106.22	.00	1.55	1.55	.00
2-1/2 9/15/50-52	107.00	107.02	+0.02	1.59	1.58	-.01
2-3/4 6/15/51-54	108.26	108.27	+0.01	1.69	1.69	.00
3 9/15/51-55	110.26	110.28	+0.02	1.73	1.72	-.01
2-1/4 12/15/51-53	105.12	105.13	+0.01	1.64	1.63	-.01
2 6/15/53-55	103.26	103.28	+0.02	1.62	1.61	-.01
2-1/4 6/15/54-56	105.17	105.18	+0.01	1.74	1.73	-.01
2-7/8 3/15/55-60	110.16	110.18	+0.02	1.94	1.94	.00
2-3/4 9/15/56-59	109.28	109.27	-.01	1.95	1.96	+0.01
2-3/4 6/15/58-63	110.00	110.01	+0.01	2.02	2.01	-.01
2-3/4 12/15/60-65	110.16	110.18	+0.02	2.06	2.06	.00

Treasury Department, Division of Research and Statistics.

June 18, 1942.

* Excess of price over zero yield.

Regraded Unclassified

Table II

Price and Yield Changes of United States Securities
March 19, 1942 to June 18, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	March 19, 1942	June 18, 1942	Change	March 19, 1942	June 18, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
Bills						
Average rate last issue	-	-	-	.20	.36	+1.16
Certificates						
1 1/2% 11/1/42	-	-	-	-	.46	-
Taxable Notes						
3/4% 3/15/43	100.12	100.06	-.06	.37	.50	+1.13
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	99.15	-.14	1.02	1.15	+1.13
1-1/2 12/15/46	-	100.13	-	-	1.41	-
Taxable Bonds						
2% 3/15/48-50	101.28	101.16	-.12	1.67	1.72	+0.05
2 6/15/49-51	101.04	100.26	-.10	1.83	1.88	+0.05
2 9/15/49-51	-	100.24	-	-	1.89	-
2 12/15/51-55	100.12	100.16	+0.04	1.96	1.94	-.02
2-1/2 3/15/52-54	103.23	104.07	+1.16	2.09	2.02	-.07
2-1/4 6/15/52-55	101.06	101.13	+0.07	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	101.10	+1.15	2.46	2.43	-.03
Wholly Tax-exempt Notes						
2% 9/15/42	101.04	100.17	-.19	5/32*	2/32*	-3/32*
1-3/4 12/15/42	101.11	100.26	-.17	2/32*	.09	-3/32*
1-1/8 6/15/43	101.04	100.25	-.11	.22	.33	+1.11
1 9/15/43	101.03	100.25	-.10	.26	.37	+1.11
1-1/8 12/15/43	101.16	101.04	-.12	.26	.37	+1.11
1 3/15/44	101.10	100.29	-.13	.34	.48	+1.14
3/4 6/15/44	100.27	100.14	-.13	.37	.53	+1.16
1 9/15/44	101.16	101.02	-.14	.39	.52	+1.13
3/4 3/15/45	101.00	100.14	-.18	.41	.59	+1.18
Partially Tax-exempt Bonds						
3-3/8% 6/15/43-47	103.21	102.24	-.29	.41	.58	+1.17
3-1/4 10/15/43-45	104.06	103.10	-.28	.57	.73	+1.16
3-1/4 4/15/44-46	105.06	104.09	-.29	.72	.88	+1.16
4 12/15/44-54	108.11	107.17	-.26	.91	.93	+0.02
2-3/4 9/15/45-47	106.06	105.15	-.23	.94	1.03	+0.09
2-1/2 12/15/45	105.28	105.04	-.24	.90	1.00	+1.10
3-3/4 3/15/46-56	110.08	109.14	-.26	1.11	1.16	+0.05
3 6/15/46-48	107.28	107.04	-.24	1.09	1.17	+0.08
3-1/8 6/15/46-49	108.08	107.18	-.22	1.13	1.18	+0.05
4-1/4 10/15/47-52	115.20	115.07	-.13	1.33	1.28	-.05
2 12/15/47	104.23	104.19	-.04	1.15	1.13	-.02
2-3/4 3/15/48-51	107.28	107.24	-.04	1.38	1.34	-.04
2-1/2 9/15/48	107.07	107.01	-.06	1.33	1.32	-.01
2 12/15/48-50	104.21	104.20	-.01	1.28	1.26	-.02
3-1/8 12/15/49-52	110.22	110.27	+0.05	1.65	1.58	-.07
2-1/2 12/15/49-53	106.16	106.22	+0.06	1.60	1.55	-.05
2-1/2 9/15/50-52	106.20	107.02	+1.14	1.66	1.58	-.08
2-3/4 6/15/51-54	108.18	108.27	+0.09	1.74	1.69	-.05
3 9/15/51-55	110.20	110.28	+0.08	1.78	1.72	-.06
2-1/4 12/15/51-53	104.29	105.13	+1.16	1.70	1.63	-.07
2 6/15/53-55	103.10	103.28	+1.18	1.68	1.61	-.07
2-1/4 6/15/54-56	104.28	105.18	+1.22	1.80	1.73	-.07
2-7/8 3/15/55-60	110.00	110.18	+1.18	2.00	1.94	-.06
2-3/4 9/15/56-59	109.10	109.27	+1.17	2.01	1.96	-.05
2-3/4 6/15/58-63	109.12	110.01	+1.21	2.07	2.01	-.06
2-3/4 12/15/60-65	110.00	110.18	+1.18	2.10	2.06	-.04

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THE WHITE HOUSE
WASHINGTON

June 19, 1942.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

The discovery of over ten million dollars belonging to Henry M. Blackmer of the Teapot Dome Oil scandal is so amazing that I think you should give publicity to it.

Also, in view of the fact that he is a fugitive from justice over a long period of years, the Government should take steps to sequestrate the whole amount permanently.

F. D. R.

TREASURY DEPARTMENT

91

INTER OFFICE COMMUNICATION

DATE JUN 19 1942

TO Secretary Morgenthau
FROM Messrs. Foley and Pehle

In our memorandum to you of June 2, 1942, in regard to Jean Monnet and George Murnane, we pointed out that we were continuing this investigation. Since then, Treasury representatives have talked to George Murnane, members of the Petschek family, and to Gert Weismann, who was formerly assistant to Hjalmar Schacht and who assisted Murnane in the sale of the Petschek coal properties in Germany.

In the discussion with George Murnane we learned little that we had not already known. As can be expected, Murnane pictured himself as strongly opposed to Axis interests. To support his contention, Murnane stated that in 1930 he, then a partner of Lee Higginson, had arranged the extension to the Bruening government of a \$125,000,000 credit by an international syndicate, and that this loan had delayed Hitler's rise to power in Germany. We are studying this transaction further. Murnane also characterized his activity during the last decade as that of helping to protect the assets of victims of Nazi aggression. From what we know about his activities in the American Bosch case, it is evident that this statement does not represent the complete picture.

While we are still pursuing our broad study of the interests and activities of Monnet and Murnane, we did want to bring to your attention at this time a more detailed description of the manner in which the sale of the Petschek coal properties, which was described in our previous memorandum on Monnet and Murnane, was handled by Murnane. The significant facts can be briefly summarized as follows:

The Petschek family began to make investments in the United States after the first World War. In 1929 they organized the United Continental Corporation, a family holding company. The legal details relating to the organization of this company were handled by John Foster Dulles of Sullivan and Cromwell, who became the chairman of the board of the United Continental Corporation and for several years held one-half of the company's outstanding shares for the benefit of the Petschek family. It was this company

- 2 -

that was later used by the Petscheks in order to facilitate the successful sale of their coal holdings in Germany for \$6,250,000.

In 1936, when the Petscheks were attempting to protect their property in Germany against seizure, they turned to John Foster Dulles for assistance. He introduced them to George Murnane. As part of the process of "aryanizing" the German coal properties George Murnane became chairman of the board of United Continental Corporation. In 1937 the shares in the German coal properties were transferred to a voting trust of which Murnane was sole trustee. However, Murnane claims that he did not consider that the voting trust sufficiently concealed the Petschek interests. Accordingly, the German coal properties were sold to United Continental Corporation and Murnane arranged to have two-thirds of the stock of United Continental Corporation sold to Monnet, Murnane and Company for \$100,000 with "no strings attached." The \$100,000 used to purchase these shares was advanced to Monnet, Murnane and Company by Mrs. John Foster Dulles. (This loan was subsequently repaid to Mrs. Dulles with a bonus of \$25,000.)

Murnane then proceeded to negotiate with the Germans with respect to the sale of the Petschek coal properties in Germany. In 1938 the Petscheks learned that a German named Flick, head of the Mitteldeutsche Steel Works, was the only person in Germany authorized by Goering to purchase these coal properties. Flick represented a syndicate of buyers which included I. G. Farben. Murnane himself made the first contact with Flick concerning the sale of these properties, but the detailed negotiations with Flick were handled by Viscount Strathallan, the London representative of Monnet and Murnane, Ltd., Hongkong and Gert Weismann, former assistant to Hjalmar Schacht.

It is interesting to note that the sale of the properties was consummated and the final papers signed in May 1938, when the German armies were poised at the Czechoslovakian border, and that the payment of \$6,250,000 was made while the Czech crisis was at its peak. Murnane, Weismann, and the members of the Petschek family, all conceded that the Germans knew at all times that the Petscheks were the real owners of the coal properties in question and were to be the recipients of the proceeds of the sale. When questioned as to why the Germans would be willing under these circumstances to pay out this large amount in dollars to a Czech-Jewish group for coal properties located in Germany, both the Petscheks and Murnane pointed out that this was one of the ways in which Goering and

- 3 -

some of the German industrialists could make substantial profits, in as much as these properties were worth far in excess of the price at which they were sold. Murnane stated that the properties actually worth 60 to 70 million reichsmarks were sold for the equivalent of 15 million reichsmarks.

When Weismann was questioned about this matter, he stated that he had never spoken to Schacht concerning this deal. Weismann indicated that no one in the Reichsbank knew anything about the matter until a last-minute order came, presumably from Goering, to transfer the dollar exchange. Weismann indicated that if the Reichsbank officials had known about the transaction they would have objected strenuously to the use of foreign exchange for this purpose.

E. W. 74



Re: Jean Monnet and George Murnane

In response to your recent request, the following is a summary of the more significant facts now available to us concerning Jean Monnet and George Murnane.

JEAN MONNET

Jean Monnet was born in France and came to the United States in 1931. Prior to that time he had been deputy head of the League of Nations where he was in close association with the Earl of Perth, who for many years was head of the League of Nations and more recently British Ambassador to Italy. Viscount Strathallan, son of the Earl of Perth, later became affiliated with the London office of Monnet, Murnane & Co. and played a significant role in obtaining payment in dollars for certain properties held in Germany.

In 1935 Monnet became associated with Murnane in the partnership of Monnet and Murnane, and, from November 1939 to the time of the French armistice in June 1940, he acted as chairman of the coordinating committee of the British and French governments. Since August 1940 he has been in the service of the British Government here in Washington as a member of the British Supply Council in North America. Monnet may be connected by marriage with one of the Gianninis in view of the fact that he has a step-daughter, Anna Boucline Giannini and that in 1929 he was the Paris representative of the Bancamerica Blair Corporation.

Jean Monnet's principal source of income seems to be derived from the New York partnership and the Hongkong corporation in the name of Monnet and Murnane, although he appears to have been inactive in the New York partnership since early in 1940. In 1937 he borrowed \$37,500 from John Foster Dulles, senior partner of Sullivan & Cromwell. This loan was repaid in 1940.

During the decade 1930-1940, Monnet spent a substantial portion of his time in Europe and some time in the Far East. In fact, his income tax return for the year 1939 discloses that he filed as a non-resident alien although he had previously filed as a resident alien for some years. Monnet has had accounts in Paris with Worms et Cie., and accounts in London with Lloyds and Lazard Freres and Company, Ltd. He is a director of Kreutoll Realization Co., Wilmington, Delaware; J. G. Monnet & Co., Wilmington, Delaware; and Societe des Proprietaires Vincote de Cognac, France. Monnet's TFR-300 report on himself shows assets in the United States in 1941 of \$109,000, of which \$99,000 is represented by his interest in the Monnet-Murnane partnership. We have no information as to his assets abroad. His gross income for 1940 was \$54,000.

GEORGE MURNANE

Murnane was born in Brooklyn, New York, in 1887. From 1919 to 1928 he was deputy commissioner for the French-American Red Cross, and, during the same period, vice president of the New York Trust Company. From 1928 to 1935 he was a partner in Lee Higginson Company. Since that date he has served principally as a member of the partnership of Monnet, Murnane & Co. and the Hongkong corporation of the same name.

Since the outbreak of the war in 1939, Murnane seems to have been the active member of the partnership. His important contacts in Europe have included Ivar Krueger, Dr. Mannheimer (Mendelssohn & Co.), the Wallenberg family of Sweden, Ernest Frohnecht (former president of Continentale Handelsbank), and the Petscheks of Czechoslovakia. An example of Murnane's close relationship with some of these persons is the fact that in 1938 Mannheimer carried a securities account for Murnane in excess of \$185,000 under an arrangement whereby Murnane received the profits and Mannheimer bore the losses. This account was closed out in 1939 when Mendelssohn failed.

The international flavor of Murnane's personal contacts is reflected in his business connections. For instance, he is the voting trustee for the foreign-owned shares of the American Bosch Corporation. Together with Eli Whitney Debevoise, a New York lawyer, and John C. Traphagen, a New York banker, he acts as voting trustee for 300,000 shares of common stock of the Solvay-American Corporation (all of the common stock outstanding),

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which is held for the benefit of Solvay et Cie. of Brussels. Solvay-American Corporation is an investment trust with a portfolio aggregating over \$90,000,000. The principal asset of this portfolio consists of 500,000 shares of Allied Chemical and Dye stock having a value of over \$76,000,000. Murnane is also one of the voting trustees holding all of the stock of the York Commercial Corporation, which has assets of about \$2,000,000 in the United States. The York Commercial Corporation is associated with the Continentale Handelsbank, which is allied with the German Potash Syndicate. This stock is apparently held for the benefit of Ernest Frohnknecht, previously referred to above, a Dutch Jewish refugee banker, who states in a TFR-300 report that he is holding funds in the United States which he believes to be beneficially owned by Germans. As also indicated in a previous memorandum, Murnane claims to have recommended to the Wallenbergs that Batt be made the president of S.K.F. and also recommended Batt as a director of American Bosch.

These "voting trusts" are devices adopted by prominent financial interests in Europe in order to insulate their business operations against the effects of war. By transferring the "legal" control of their enterprises into American names, they have hoped to avoid being designated as "enemy" or "enemy controlled," thus escaping the restrictions against trading with the enemy and the possible seizure of their property. It is significant that Murnane has been very active in these operations.

A recent application filed with the Foreign Funds Control by the Finnish-American Trading Corporation, which is a Finnish Government organization, indicates that George Murnane is the president and director of the corporation and that he is continuing as president and as director "at the request of the Export-Import Bank of Washington, in view of the large interest of the United States Government as a creditor of Finnish-American Trading Corporation." In this connection, it is reported that Mr. Murnane is a friend of Jesse Jones.

MONNET, MURNANE AND COMPANY, NEW YORK

This partnership was formed in 1935 under an agreement which, up to December 31, 1940, provided that Monnet and Murnane divide the income equally between them. The partnership agreement was drawn up by Sullivan & Cromwell. The activities of the firm appear to consist primarily of giving financial and business

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advice to various clients, particularly with respect to relationships of their clients to the United States and foreign governments.

During 1940 the partnership's net income was \$78,000, which was derived from 17 clients. Included in this income was \$15,000 from the American Bosch Corporation. The rest of the income represented directors' fees paid to Murnane and income from service contracts with the partnership. The partnership's net income in 1941 was \$110,000 derived from 22 clients. Participation in the partnership profits was changed so that beginning in 1941 Murnane received 75 percent and Monnet 25 percent.

When Mendelssohn failed in the summer of 1939, German Bosch was fearful lest the stock of American Bosch be sold by the New York Trust Company to competing interests. George Murnane and his partner, Jean Monnet, participated in negotiations to prevent the sale of the American Bosch stock to interests who would not be friendly to German Bosch.

MONNET AND MURNANE, LTD., HONGKONG

At the same time that the New York partnership was set up, Monnet and Murnane organized a Canadian company by the same name. Actually the capital in such Canadian firm was furnished by John Foster Dulles and W. N. Cromwell of the firm of Sullivan & Cromwell, who acquired the 1,000 shares of preferred stock for \$100,000 against the 2,000 common shares owned by Monnet, Murnane with a value of \$10,000. In August 1937, this company was liquidated and the interest of Dulles and Cromwell was extinguished. At the same time a new company, Monnet and Murnane, Ltd., Hongkong, was organized, all of the stock of which is divided equally between Monnet and Murnane. This corporation was apparently set up to receive the fees paid in connection with transactions effected outside of the United States. For example, the \$200,000 fee received by Monnet and Murnane in connection with the Petschek coal sale described below was paid to the Hongkong corporation. Viscount Strathallen, previously referred to in connection with Monnet, although working out of London, was on the payroll of Monnet and Murnane, Ltd., Hongkong.

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It is interesting to note that while Monnet actually withdraws very little money from New York, he has "borrowed" substantial sums from the Hongkong company. In fact, the Hongkong corporation seems at present to be the real source of his funds. The Hongkong corporation has assets in the United States totaling about \$70,000. We have no information concerning other assets of the corporation.

OPERATIONS OF MONNET AND MURNANE.

A previous memorandum has discussed the operations of Monnet and Murnane in connection with the American Bosch deal.

Another interesting transaction engineered by Monnet and Murnane was the liquidation of the Petschek coal holdings in Germany. The Petschek family (Jewish) was one of the leading industrial families of Czechoslovakia, holding important coal, chemical, paper, and textile properties throughout central Europe. In 1937 the Petscheks became convinced of the necessity of liquidating certain valuable coal properties held by them in Germany. Viscount Strathallan, who was on the payroll of Monnet and Murnane, Ltd. of Hongkong, negotiated with important political and industrial interests in Germany. Strathallan, with the consent of Petschek, retained a Mr. Weisman who was a former assistant to Hjalmer Schacht, president of the Reichsbank, and the son of a former Prussian secretary of state. Through Weisman contact was made with a Mr. Flick, head of the Mittel Deutsche Steel Works. (A recent British intercept indicates that there is now a Weisman connected with Monnet, Murnane and Company who, in the autumn of 1940, was apparently interested in certain similar transactions.) As a result of these negotiations, the Petschek family received a purchase price of six and a quarter million dollars paid to them in the United States in 1938, despite the drastic regulations then in effect in Germany. For these services, Monnet and Murnane, Ltd., Hongkong, received a fee of \$200,000.

It will be recalled that Viscount Strathallan, who participated actively in these negotiations, is the son of the Earl of Perth, who was head of the League of Nations at the time that

Monnet was deputy head. The Earl of Perth was subsequently British Ambassador to Italy.

Certain phases of this investigation are still under way. Two leading members of the Petschek family are scheduled to appear at the Treasury Department on Wednesday, June 3, accompanied by counsel (Sullivan and Cromwell) to discuss pending applications. At such time we intend to inquire into their activities, particularly into the sale of the coal properties in Germany. We are also going to question Murnane in detail about his activities and the services he renders to the various clients from whom the partnership derives substantial fees.

JUN 19 1942

My dear Mr. Secretary:

Reference is made to the conversations between representatives of the Department of State and of this Department with reference to the selection of the delegate and advisers to represent this Government at the forthcoming Inter-American Conference to be held pursuant to Resolution 6 of the Third Meeting of the Ministers of Foreign Affairs of American Republics at Rio de Janeiro.

The Treasury Department proposes that the delegate of the United States to such conference be E. H. Foley, Jr., General Counsel of the Treasury, who acts for me on foreign funds matters, and the following advisers be designated: Harry D. White, Assistant to the Secretary, John W. Pehle, Assistant to the Secretary, and Bernard Bernstein, Assistant General Counsel of the Treasury.

- 2 -

It is our understanding that the Department of State will nominate three advisers from the State Department staff.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

H.M.C.

By Messenger *Dixon 3:45*
Copies to Thompson

JWP:EHF:vls - 6/19/42

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

June 19, 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 June 10, 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.

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FEDERAL RESERVE BANK
OF NEW YORK

June 18, 1942

CONFIDENTIAL

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

I am enclosing our compilation for the week ended June 10, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy:vw:6-19-42

Regraded Unclassified

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended June 10, 1942

Page 27
CONFIDENTIAL

BANK OF ENGLAND (BRITISH GOVERNMENT)

BANK OF FRANCE

PERIOD	DEBITS			CREDITS				Net Incr. (+) or Decr. (-) in Balance	DEBITS			CREDITS			Net Incr. (+) or Decr. (-) in Balance
	Total Debits	Gov't Expenditures (a)	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Other Credits (c)		Total Debits	Gov't Expenditures (d)	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	
First year of war (8/29/39-8/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	866.3(e)	416.6(e)	449.7	1,095.3(f)	900.2	195.1(e)	+229.0
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1
Second year of war (8/29/40-8/27/41)**	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1
1941															
Aug. 28 - Oct. 1	140.9	105.9	35.0	176.2	20.1	2.0	154.1	+ 35.3	0.3	-	0.3	0.5	-	0.5	+ 0.2
Oct. 2 - Oct. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	+ 41.9	0.3	-	0.3	0.3	-	0.3	-
Oct. 30 - Dec. 3	156.1	111.6	44.5	134.6	-	1.0	133.6	- 21.5	16.1	-	16.1	0.4	-	0.4	- 15.7
Dec. 4 - Dec. 31	88.4	69.6	18.8	51.5	-	-	51.5	- 36.9	0.8	-	0.8	0.4	-	0.4	- 0.4
1942															
Jan. 1 - Jan. 28	102.3	73.2	29.1	69.3	-	0.5	68.8	- 33.0	0.2	-	0.2	0.4	-	0.4	+ 0.2
Jan. 29 - Feb. 25	87.2	63.8	23.4	57.2	-	1.0	56.2	- 30.0	0.1	-	-	0.3	-	0.3	+ 0.3
Feb. 26 - Apr. 1	121.4	86.4	35.0	171.4	-	-	171.4	+ 50.0	-	-	0.1	0.4	-	0.4	+ 0.3
Apr. 2 - Apr. 29	93.1	64.2	33.9	70.6	-	0.5	70.1	- 27.5	0.2	-	0.2	0.4	-	0.4	+ 0.2
Apr. 30 - June 3	104.0	71.4	22.6	165.0	-	-	165.7	+ 61.7	-	-	-	0.3	-	0.3	+ 0.3
WEEK ENDED:															
May 20	16.4	13.0	3.4	26.1	-	-	26.1	+ 9.7	-	-	-	0.1	-	0.1	+ 0.1
27	20.5	15.8	4.7	28.6	-	-	28.6	+ 8.1	-	-	-	-	-	-	-
June 3	16.3	12.8	3.5	18.2	-	-	18.2	+ 1.9	-	-	-	0.1	-	0.1	+ 0.1
10	32.0	28.5	3.5	62.3	-	-	62.3(f)	+ 30.3	-	-	-	0.1	-	0.1	+ 0.1

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) 27.6 million
 England (since June 19, 1940) 37.6 million

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

Week ended June 10, 1942 \$ -
 Cumulation from July 6, 1940 \$ 162.7

million
 million

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

- [REDACTED]
- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
 - (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
 - (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
 - (d) Includes payments for account of French Air Commission and French Purchasing Commission.
 - (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
 - (f) Includes: \$42 million presumably representing refunds on advances made by the British Purchasing Commission to American concerns under contracts subsequently taken over by U. S. Government.
 - 4 million to be held at disposal of U. S. Army in England and Egypt.
 - 4 million presumably representing proceeds of wool shipments to U. S.

MINISTRY OF FINANCE AND AUSTRALIAN GOVERNMENT
(in millions of dollars)

Week Ending June 10, 1942

British

PERIOD	DEBITS									CREDITS							Net Incr. (+) or Decr. (-) in Balance
	Transfers to Official British A/C			Transfers from Official British A/C			Proceeds of Gold Sales	Other Credits	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Transfers of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance		
	Total Debits	Official British A/C	Other Debits	Total Credits	For Own A/C	For French A/C										Other Credits	
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.9	6.1	+ 4.9	
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	430.2	57.9	14.5	43.4	62.4	30.1	12.3	+ 4.5	
Second year of war (8/29/40-8/27/41)**	460.4	-	460.4	462.0	246.2	3.4	123.9	86.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0	
Aug. 28 - Oct. 1 1941	23.3	-	23.3	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	- 7.9	
Oct. 2 - Oct. 29	37.4	-	37.4	19.7	11.9	-	-	7.8	- 17.7	8.2	5.5	2.7	8.0	5.9	2.1	+ 0.2	
Oct. 30 - Dec. 3	52.8	0.1	52.7	32.5	19.3	-	-	13.2	- 20.3	10.3	6.9	3.4	11.6	9.0	2.6	+ 1.3	
Dec. 4 - Dec. 31	47.7	-	47.7	22.2	17.3	-	-	6.9	- 25.5	3.9	1.8	2.1	2.8	0.2	2.6	- 1.1	
1942																	
Jan. 1 - Jan. 28	39.5	-	39.5	33.0	27.0	-	-	6.0	- 6.5	4.5	-	4.5	10.8	-	10.8	+ 6.3	
Jan. 29 - Feb. 25	34.1	-	34.1	35.7	12.4	-	-	23.3	+ 1.6	8.4	5.3	3.1	1.6	-	1.6	- 6.8	
Feb. 26 - Apr. 1	46.5	-	46.5	92.3	20.5	7.7	-	77.1	+ 52.8	7.8	1.3	6.5	3.6	-	3.6	- 4.2	
Apr. 2 - Apr. 29	37.4	-	37.4	35.9	14.2	-	-	21.7	- 1.5	10.9	8.0	2.9	16.8	-	16.8	+ 5.9	
Apr. 30 - June 3	54.2	-	54.2	47.9	15.7	-	-	32.2	- 6.3	13.2	9.5	3.7	14.6	-	14.6	+ 1.4	
WEEK ENDED:																	
May 20	10.6	-	10.6	6.6	0.1	-	-	6.5	- 4.0	0.5	-	0.5	10.4	-	10.4	+ 9.9	
27	13.8	-	13.8	13.1	6.5	-	-	6.6	- 0.7	8.3	8.0	0.3	0.9	-	0.9	- 7.4	
June 3	11.5	-	11.5	5.3	0.2	-	-	5.1	- 6.2	2.4	1.0	1.4	0.9	-	0.9	- 1.5	
10	8.2	-	8.2	33.0	3.4	-	-	29.6(a) + 24.8(b)	0.1	-	-	0.1	0.6	-	0.6	+ 0.5	

Weekly Average of Total Debits Since Outbreak of War

Through June 10, 1942 \$ 8.0 million

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

(a) Includes: \$18.0 million from proceeds of payment to Aluminum Co. of Canada by R. F. C.
7.6 million representing proceeds of U. S. Government checks deposited by War Supplies, Ltd.

(b) Does not reflect conversion of cash deposits into \$25 million Treasury bills.

**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. 38 - Aircraft Despatched
- for week ended June 16, 1942.

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

June 19, 1942.

STATEMENT NO. 38AIRCRAFT DESPATCHED FROM THE UNITED STATES
DURING WEEK ENDED JUNE 16th, 1942

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DEL'D FOR USE IN CAN</u>
<u>BOEING</u> B 17E Fortress II	U.K.	Canada en route		1	
<u>CONSOLIDATED</u> B 24 D	UK	Canada en route		5	
<u>CURTISS</u> Kittyhawk IA " "	Middle East South Africa	Port Sudan Port Elizabeth	31 6		
<u>LOCKHEED</u> A 29 A AC 151 A 28 Hudson VIA C 60 Lodestar IIA Ventura	U.K. U.K. Middle East U.K.	Canada en route " " Middle East Canada en route		1 11 1 5	
<u>GLENN MARTIN</u> B 26A Marauder	U.K.	Canada en route		1	
<u>NORTH AMERICAN</u> B 25 B B 25 C Mustang	U.K. U.K. U.K.	Canada en route " " U.K.	16	5 2	
<u>STEARMAN</u> PT 27	Canada	Canada			4
<u>VULTEE</u> Vengeance	India	Bombay	5		
TOTALS			58	32	4

BRITISH AIR COMMISSION
June 19/42

JUN 19 1942

My dear Mr. President:

I am enclosing report on our exports to some selected countries for the period ending May 31, 1942.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,
The White House.

Enclosure.

H.M.C.

By Messenger *Harmond:15*

Return to Secretary's Office

HDW:rl 6/13/42

June 15, 1942

Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the eleven-day period ending May 31, 1942

1. Exports to Russia

Exports to Russia as reported during the eleven-day period ending May 31, 1942 amounted to about \$26,180,000 for a total of \$72,832,000 during May as compared with \$169,562,000 during April. Military equipment exported during the period under review included twenty-eight light bombers, fifty-seven light tanks and seven medium tanks. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China during the eleven-day period ending May 31, 1942 amounted to about \$2,533,000, of which military equipment accounted for more than 90 percent. (See Appendix D.)

Exports to Burma amounted to less than \$500.

3. Exports to France

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

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Switzerland and Portugal amounting to \$249,000 and \$93,000, respectively.

INF/efs
6/15/42

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

July 28, 1941 to May 31, 1942.

(In thousands of dollars)

	July 28 to <u>April 30</u>	Period ended <u>May 20</u>	Period ended <u>May 31</u>	Total <u>Domestic Exports</u>
U. S. S. R.	\$477,341	\$17,977	\$26,180	\$521,498
Free China	73,989	1,872	2,533	78,394
Burma 2/	12,196	5	5/	12,201
France 3/	36	20	—	56
Greece	2,849	5/	5/	2,849
Switzerland	10,006	112	249	10,367
Sweden	17,731	5/	47	17,778
Portugal	8,795	124	93	9,012
French North Africa 4/	6,283	—	—	6,283

Treasury Department, Division of Monetary Research

June 11, 1942

- 1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.
- 2/ From September 11, 1941 to date — it is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.
- 3/ Includes both Occupied and Unoccupied France — no breakdown is obtainable from Department of Commerce.
- 4/ Includes Morocco, Algeria, and Tunisia.
- 5/ Less than \$500.

DMW:rl 6/11/42

APPENDIX B

Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 28, 1942 - May 31, 1942
(Thousands of Dollars) 1/

	<u>Exports to Free China</u>	<u>Exports to Burma 1/</u>	<u>Exports to U.S.S.R.</u>
July 28 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		986
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	1		1,029
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,281 2/		5,217
Sept. 15 - Sept. 20	3,822 2/		752
Sept. 22 - Sept. 27	110	449	2,333
Sept. 29 - Oct. 4	1,225	684	323
Oct. 6 - Oct. 11	5,312	1,157	6,848
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	403	5,823
Oct. 27 - Nov. 1	4,772	58	4,484
Nov. 3 - Nov. 8	1,672	342	4,552
Nov. 10 - Nov. 15	2,851	88	2,877
Nov. 17 - Nov. 22	1,228	1,021	3,581
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10 4/	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28 5/	2,921	-	28,119
Mar. 1 - Mar. 10	2,879	23	32,509
Mar. 10 - Mar. 20	8,058	3	28,558
Mar. 20 - Mar. 31 6/	2	2	42,435
Apr. 1 - Apr. 10	4,836	447	51,698
Apr. 11 - Apr. 20	5,335	639	66,906
Apr. 21 - Apr. 30	2,827	-	50,938
May 1 - May 10 1/	296	-	28,652
May 11 - May 20	1,872	5	18,000
May 21 - May 31 6/	2,533	-	28,180
Total	\$80,997	\$11,688	\$522,012

1. These figures are in part taken from copies of shipping manifests.

APPENDIX B

2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated.
5. 5-day period.
6. 11-day period.
7. Due to changes in reporting procedure by the Department of Commerce this report is incomplete for the period indicated.

APPENDIX C

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the eleven-day period ending
May 31, 1942

	Unit of Quantity	Quantity	Value (Thousands of dollars)
TOTAL EXPORTS			\$ 26,180
Principal Items:			
Landplanes - light bombers (2 engine)	No.	28	4,200
Sausage, canned	Lb.	9,526,385	3,060
Motor trucks	No.	1,323	2,626
			2,111
Military tanks			
Light tanks	No.	55	
Medium tanks	No.	7	
Linseed oil	Lb.	15,160,320	1,819
Sugar, refined	Lb.	26,439,108	1,332
Iron and steel sheets	Lb.	22,752,924	784
Dried egg products	Lb.	687,681	668
			657
Ammunition			
30 caliber balls	No.	4,264,500	
30 caliber tracers	No.	1,819,500	
30 caliber armor piercing	No.	582,000	
30 caliber incendiary	No.	250,000	
32, 38, and 45 caliber balls	No.	1,065,000	
Small arms components	-	-	
37 mm. tank and anti-tank armor piercing	No.	49,000	
			602
Aircraft engine parts and accessories	-	-	592
Iron and steel strip	Lb.	8,202,455	484
Iron and steel pipe and pipe fittings	Lb.	11,314,019	475
Sole leather	Lb.	1,065,208	458
Copper wire, insulated	Lb.	1,282,955	417
Lathes	No.	77	412
Steel bars	Lb.	5,258,274	

APPENDIX D

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the eleven-day period ending
May 31, 1942

(Thousands of Dollars)

TOTAL EXPORTS

\$ 2,533

Principal Items:

Military equipment

2,363

Relief supplies - drugs and biologics

83

Relief supplies - surgical and hospital

76

Relief supplies - other

11

Treasury Department, Division of Monetary Research

June 15, 1942

18F/efn
6/15/42

JUN 19 1942

My dear Mr. Perkins:

I am enclosing five copies of the report on our exports to some selected countries for the period ending May 31, 1942.

Sincerely yours,

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

Mr. Milo Perkins,
Executive Director,
Board of Economic Warfare,
Room 3710,
Department of Commerce Building,
Washington, D. C.

Enclosures.

n. m. c.
By Messenger *Hannon* 3:20

HDW:rl 6/13/42

Return to Secretary's Office

JUN 19 1942

My dear Colonel Donovan:

I am enclosing copy of report on our experts to some selected countries for the period ending May 31, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Colonel William J. Donovan,
Coordinator of Information,
Old National Institute of Health Building,
25th and E Streets, N. W.,
Washington, D. C.

Enclosure.

"P.S. Please let me know if you still wish to receive these figures."

H. M. C.
By Messenger *Heron*
8:20

HDW:rl
6/13/42

To Secretary's Office

118

Treasury Department
Division of Monetary Research

Date... June 15, 19 42

To: Miss Chauncey

From: Mr. White

The tables for transmittal to the Secretary of State, the Coordinator of Information and Mr. Perkins differ from those being sent to the President in that certain military figures are not broken down.

JUN 19 1942

My dear Mr. Secretary:

I am enclosing copy of report on
our exports to some selected countries
for the period ending May 31, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,

The Secretary of State,

Washington, D. C.

Enclosure.

H. M. C.
By Messenger *Herman 3:20*

HDW:rl 6/23/42

Return to Secretary's Office

June 15, 1942

Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the eleven-day period ending May 31, 1942

1. Exports to Russia

Exports to Russia as reported during the eleven-day period ending May 31, 1942 amounted to about \$26,180,000 for a total of \$72,832,000 during May as compared with \$169,562,000 during April. Military equipment accounted for less than one-third of the total. (See Appendix G.)

2. Exports to Free China and Burma

Exports to Free China during the eleven-day period ending May 31, 1942 amounted to about \$2,533,000, of which military equipment accounted for more than 90 percent. (See Appendix D.)

Exports to Burma amounted to less than \$500.

3. Exports to France

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

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Switzerland and Portugal amounting to \$249,000 and \$93,000, respectively.

ISF/sfs
6/15/42

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

July 29, 1941 to May 31, 1942.

(In thousands of dollars)

	July 29 to April 30	Period ended May 20	Period ended May 31	Total Domestic Exports
U. S. S. R.	\$477,341	\$17,977	\$26,190	\$521,498
Free China	73,989	1,872	2,533	78,394
Burma 2/	12,196	5	5/	12,201
France 3/	36	20	—	56
Spain	2,849	2/	2/	2,849
Netherlands	10,006	112	249	10,367
Sweden	17,731	2/	47	17,778
Portugal	8,795	124	93	9,012
French North Africa 4/	6,283	—	—	6,283

Treasury Department, Division of Monetary Research

June 11, 1942.

- 1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.
- 2/ From September 11, 1941 to date -- it is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.
- 3/ Includes both Occupied and Unoccupied France -- no breakdown is obtainable from Department of Commerce.
- 4/ Includes Morocco, Algeria, and Tunisia.
- 5/ Less than \$500.

JUN 11 6/12/42

APPENDIX B

Exports from the U. S. to Free China, Burma and
U. S. S. R. as reported to the Treasury Department
July 28, 1942 - May 31, 1942
(Thousands of Dollars) 1/

	Exports to Free China	Exports to Burma 1/	Exports to U. S. S. R.
July 28 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		851
Aug. 11 - Aug. 16	309		986
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Aug. 25 - Aug. 30	1		1,023
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,281 2/		5,217
Sept. 15 - Sept. 20	3,822 2/		752
Sept. 22 - Sept. 27	110	449	2,333
Sept. 29 - Oct. 4	1,225	684	323
Oct. 6 - Oct. 11	5,312	1,157	6,845
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	401	5,623
Oct. 27 - Nov. 1	4,772	58	4,484
Nov. 3 - Nov. 8	1,672	382	4,552
Nov. 10 - Nov. 15	2,451	88	2,677
Nov. 17 - Nov. 22	1,228	1,021	3,581
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10 3/	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28 5/	2,921	-	26,119
Mar. 1 - Mar. 10	2,679	23	32,309
Mar. 10 - Mar. 20	8,058	3	28,554
Mar. 20 - Mar. 31 6/	2	2	42,435
Apr. 1 - Apr. 10	4,836	447	51,694
Apr. 11 - Apr. 20	5,335	639	66,906
Apr. 21 - Apr. 30	2,827	-	50,958
May 1 - May 10 1/	296	-	26,642
May 11 - May 20	1,872	5	18,000
May 21 - May 31 6/	2,511	-	26,180
Total	\$80,997	\$11,088	\$522,012

1. These figures are in part taken from copies of shipping manifests.

APPENDIX B

Page 2

2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.
6. 11-day period.
7. Due to changes in reporting procedure by the Department of Commerce this report is incomplete for the period indicated.

Treasury Department, Division of Monetary Research

June 12, 1942

ISF/efs
6/12/42

APPENDIX C

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the eleven-day period ending
May 31, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 26,150
Principal Items:	
Military equipment	7,699
Sausage, canned	3,060
Motor trucks	2,626
Linseed oil	1,819
Sugar, refined	1,332
Iron and steel sheets	784
Dried egg products	688
Iron and steel strip	592
Iron and steel pipe and pipe fittings	484
Sole leather	475
Copper wire, insulated	458
Lathes	417
Steel bars	412

Treasury Department, Division of Monetary Research June 15, 1942

187/efs
6/15/42

APPENDIX D

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the eleven-day period ending
May 31, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 2,533
Principal Items:	
Military equipment	2,363
Relief supplies - drugs and biologics	83
" " - surgical and hospital	76
" " - other	11

Treasury Department, Division of Monetary Research June 13, 1942

ISF/efs
6/13/42

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 19, 1942

TO Mr. White

FROM Mr. Gass

Subject: The Food Situation in Continental Europe

1. As the end of the third year of war approaches, the food situation in continental Europe is serious everywhere and catastrophic in some countries. Yet all available evidence suggests that food consumption today is, on the average, substantially higher than in 1917 or 1918.
2. In Germany, stocks have been greatly depleted. The outlook for this year's crop is unfavorable. A summer of bad weather followed by another exceptionally harsh and prolonged winter would push supplies below the level needed to maintain efficiency. Still today in Germany industrial workers have rations providing roughly nine-tenths as many calories as they consumed before the war. It is the opinion of informed students ^{1/} that the German ration system provides a diet adequate to maintain her population "without any marked loss of efficiency or serious effects on morale".
3. Even if Germany were in a worse absolute position than she is today, her relative strength could not be assessed properly without taking into account the fact that the domestic food supply of Germany's major military opponent, the U.S.S.R, is substantially less adequate than that of Germany. In the occupied area, the Soviet Union lost -- though Germany did not gain -- an annual production of about 17 million metric tons of bread grains, 28 million metric tons of potatoes and 15 million metric tons of sugar beets. These losses amount to about one quarter of former Soviet production of bread grains, two-fifths of her production of potatoes and two-thirds of her production of sugar beets. Among rationed commodities, the Soviet civilian consumer fares better than the German only in bread. By comparison with the German, the Soviet ration provides the civilian consumer with very roughly 30 percent as much potatoes, 30 percent as much sugar, 50 percent as much meat and 60 percent as much fats.
4. If we arrange some of the principal European countries from top to bottom in the order of the adequacy of their food supply, the following might be included in the first sub-group, whose food supplies are "adequate": Switzerland, Portugal, Sweden, Denmark, Germany, U.S.S.R. The following countries' supplies are clearly "inadequate": Netherlands, France, Italy. In the last group of countries the supply situation is very bad: Norway, Belgium, Spain, Poland, Greece.

^{1/} British Ministry of Economic Warfare, April 20, 1942, and
U.S. Department of Agriculture, June 1, 1942

Division of Monetary
Research

- 2 -

5. In spite of the idleness or underemployment of large masses of people on the European continent, the most constricting shortage in German agriculture -- as in German industry and the German military forces -- is manpower. If the Germans had manpower, they would have agricultural machinery, they would have fertilizers, they would have motor fuels -- they would have plenty of food. The Reich military authorities, the food authorities and the industrial authorities are in a continuous conflict over the dwindling supply of manpower. This is Germany's absolute poverty. If she had years to perfect the organization of the European economy, she might learn to put her subject peoples into industry and agriculture while her own men fought in the armies. But Germany has not yet been able to do this. Her supplies from the occupied territories are clearly dwindling rather than increasing. It must be emphasized that, in spite of the much vaunted German efficiency, under the stress of war Germany has not been able to create a functioning European economy -- in food supply or in any other branch of her economy. The essential basis of the Reich's power is still in Germany, and that basis is weakening as the manpower problem becomes steadily more acute.

6. In evaluating the long-term food outlook of the Soviet Union in comparison with that of Germany, regard must be had to three sets of facts:

- (a) The Soviet food rationing system is not as comprehensive as that of Germany. Russia has a greater percentage of rural self-suppliers and more unrationed foods. Therefore the degree by which German rations exceed Russian ones overstates the superiority of the German diet over the Russian.
- (b) Russia has always had a greatly lower standard of living than Germany. The Russian population is accustomed to a much more meager diet than the German. The percentage cut from peace to war is possibly not greatly higher for the masses in Russia than in Germany, and it is possibly not felt more.
- (c) Soviet supplies can be supplemented from outside Europe to a greater extent than those of Germany. It is true that in the 10 months from July 28, 1941 to May 20, 1942 the United States sent Russia only \$61 million of food, but this amount can be greatly increased if the shipping situation develops favorably.

June 19, 1942.

Dear Mr. Secretary:

I am sending to you herewith for transmission to the Cuban Government the Third Report of the American Technical Mission to Cuba containing comments on the draft Monetary Law which was handed to the Mission by the Cuban Finance Minister on the occasion of his recent visit to Washington.

Sincerely yours,

(Signed) H. D. White

H. D. White, Chief,
American Technical Mission to Cuba.

The Honorable,

The Secretary of State,

Washington, D. C.

HRS:agb
6/19/42

American Technical Mission to Cuba

COMMENTS ON THE DRAFT MONETARY LAW

Third Report to the Cuban Government

June 18, 1942

Personnel of Mission

G. A. Eddy, Treasury Department
A. T. Esgate, Farm Credit Administration
W. R. Gardner, Board of Governors of the
Federal Reserve System
F. A. Southard, Jr., Treasury Department
H. R. Spiegel, Treasury Department
G. B. Vest, Board of Governors of the
Federal Reserve System
H. D. White, Chief of Mission,
Treasury Department

AMERICAN TECHNICAL MISSION TO CUBA

June 18, 1942

Dear Mr. Minister:

You will recall that on the occasion of your recent visit to Washington you handed to the Mission copies of three draft laws, one of which was a Monetary Law.

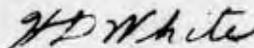
Members of the Mission have given careful consideration to the draft Monetary Law from two points of view:

1. In the light of the Mission's recent Second Report to the Cuban Government, dealing with the Central Bank and the Exchange Stabilization Fund, are there any changes which should be made in this draft law?
2. What additional suggestions or comments might the Mission appropriately make on the provisions in the draft law?

I herewith submit to you a Memorandum containing the comments of the Mission on the draft Monetary Law.

The Mission's views on the other two draft laws were expressed in its Second Report.

Sincerely yours,



H. D. White,
Chief of Mission.

Honorable Oscar Garcia Montes,
Minister of Finance,
Habana, Cuba.

AMERICAN TECHNICAL MISSION TO CUBA

Comments on the Draft Monetary Law

The following comments pertain to the draft Monetary Law submitted by Minister Garcia Montes to the Mission on the occasion of his visit to Washington in March 1942. The Mission has examined the draft Monetary Law from the point of view of its compatibility with the Mission's recommendations as presented in its Second Report to the Cuban Government and also from the point of view of the principles which the Mission feels should be embodied in the Monetary Law.

The Mission agrees that it is desirable to define the peso in terms of gold and that a gold content equal to that of the United States dollar is appropriate for the Cuban peso. The weight of the United States gold dollar was fixed at $15\frac{5}{21}$ grains of gold $\frac{9}{10}$ fine by Presidential Proclamation of January 31, 1934. This is equivalent to 0.987412 grams of gold $\frac{9}{10}$ fine or 0.888671 grams of fine gold. Article 1 of the draft Monetary Law specifies that the Cuban gold peso shall have a weight of 0.9873 grams and Article 5 that gold coins shall have a fineness of $\frac{9}{10}$, which makes the gold content of the Cuban peso slightly less than that of the United States dollar. It might be more convenient if the two gold contents were exactly equal.

GOLD CONTENT
OF THE PESO

- 2 -

COINAGE OF
GOLD

The Mission agrees that a prohibition against coinage of gold such as is contained in Article 8 is desirable. At present gold is used primarily for settling international balances and for monetary reserves. The use of gold as a medium of hand-to-hand circulation has almost completely disappeared.

ISSUE OF GOLD
CERTIFICATES

Article 8 also provides that the President of the Republic shall be empowered to issue gold certificates and that such gold certificates shall be used only for exchange at the Central Bank for currency having legal circulation privileges. In its Second Report the Mission made recommendations giving the Bank sole power to issue currency and outlining means available to the Stabilization Fund for financing acquisitions of gold. The Mission believes that provisions pertaining to the issue of obligations secured by gold and foreign exchange can more appropriately be included in those portions of the Central Bank Law which are concerned with the Stabilization Fund.

PRIVATE
OWNERSHIP
OF GOLD

Paragraph 1 of Article 15 in effect prohibits the private ownership and holding of gold in Cuba. A number of other countries have adopted similar measures designed to prevent the hoarding of gold. It may be observed, however, that a prohibition against private gold holding would not prevent Cubans from hoarding dollars either in Cuba or

- 3 -

in the United States and that measures designed to do so would be incompatible with a free exchange market.

GOLD PURCHASES
BY THE GOVERN-
MENT

Paragraph 1 of Article 15 also requires redemption of gold in "coins of legal circulation." This appears to be an unnecessarily inconvenient method of payment. It would probably be better to eliminate any reference to the form in which payment should be made, thus permitting payment in legal tender currency as well as in coins, or payment by check if that is agreeable to the person whose gold is being redeemed.

Paragraph 2 of Article 15 requires that the Cuban Government purchase all gold which is offered to it and specifies the price at which gold shall be acquired. The Mission agrees that if private holding of gold is to be forbidden, the Cuban Government should stand ready to purchase all gold surrendered by residents of Cuba. The Mission does not believe, however, that the Cuban Government should be required to purchase all gold offered to it, at home or abroad, without regard to the amount or to conditions which might from time to time develop. It may be noted that the United States Treasury and Stabilization Fund are not so obligated.

CHANGES IN THE
PRICE OF GOLD

Paragraph 3 of Article 15 provides that the President of the Republic shall have power to modify the price of gold and the gold content of the peso but not below 0.8359 grams (presumably of gold 9/10 fine). This gives the President

- 4 -

power to devalue the peso by as much as 15 percent or to appreciate it without limit.

The Mission has recommended in its Second Report that the Stabilization Fund be required to maintain the peso at parity permitting only minor technical fluctuations within a range of not more than 2 percent in either direction. The Mission, however, has also stated its belief that the Stabilization Fund Committee should be empowered to recommend to the President of the Republic the adoption of a new parity level with a corresponding change in the gold content of the peso if circumstances appear to require a basic adjustment of Cuba's exchange rate. If he agrees the President should then ask the Cuban Congress for the necessary legislation to change the gold content of the peso. To prevent flight of capital in a period during which devaluation of the peso was being considered, it might be necessary temporarily to subject foreign exchange transactions to control by license. A recommendation providing for just such a step in this contingency was included by the Mission in its Second Report.

There is one circumstance in which prompt executive action may be desirable. By powers conferred in the Act of May 12, 1933, as amended by the Gold Reserve Act of 1934 and by subsequent extensions of these powers, the President of the United States is authorized to fix the

- 5 -

weight of the gold dollar between 50 and 60 percent of its former gold content. By proclamation of January 31, 1934, the President fixed the weight of the gold dollar at 59.06 percent of its former content. However unlikely the contingency that these powers to alter the gold content of the dollar will again be exercised, so long as they remain in effect the President of Cuba should probably be authorized to revise the gold content of the peso and the peso price of gold in the event of similar action by the United States and to an equivalent extent. Since quick action may be required, exercise of this authority should probably not be subject to the necessarily slower process of Congressional approval.

REGULATION
OF GOLD
TRANSACTIONS

The Mission agrees that provisions similar to those contained in Articles 16, 17, 18, 19, 20, 22 and 23 regulating transactions in gold are necessary if private holding of gold is to be forbidden. It suggests, however, that this entire group of provisions be reviewed in the light of the role contemplated for the Stabilization Fund in the Mission's Second Report. Article 22 contains a reference to Article 16 which presumably should be a reference to Article 15.

Under the Mission's recommendations in its Second Report, powers similar to those in Article 21 (authorizing the Central Bank to receive and hold gold) and Article 24

- 6 -

(authorizing the Finance Minister to deal in gold, foreign exchange, or other credit instruments for the purpose of stabilizing the exchange rate) are provided in the Central Bank Law and do not need to be repeated in the Monetary Law. In several respects these Articles differ from the recommendations made in the Second Report.

PROPORTION OF
SILVER TO GOLD
IN THE MONETARY
STOCKS

The Mission believes it is unnecessary in the Monetary Law to raise the problem of the relative size of the gold and silver stocks as is done in Article 3 or to provide means for withdrawing silver from the monetary stocks as is done in Article 14. The Mission has included recommendations on these matters in its Second Report. In the opinion of the Mission, this entire problem can best be handled in the Central Bank Law. Accordingly, the Mission suggests the deletion of Articles 3 and 14 from the Monetary Law. While the Mission favors the acquisition by Cuba of adequate reserves of gold or foreign exchange, it considers that operations for this purpose should be carried out by the Stabilization Fund and that no legal declaration on the proportion of gold and silver (such as that made in Article 3) is required.

ISSUE OF SILVER
CERTIFICATES

In view of the fact that the Mission contemplates the ultimate replacement of all silver certificates by Central Bank notes, the Mission recommends the omission from the Monetary Law of Article 12 which provides for further issues of silver certificates.

- 7 -

FRACTIONAL
COINS

The Mission approves the proviso in Article 9 that silver needed for coinage of fractional silver coins shall be obtained, unless circumstances indicate otherwise, from the stock of one-peso silver coins. Under the Mission's recommendations in its Second Report the silver coins will be in the possession of the Central Bank, unless the silver has been sold through the mechanism suggested in that Report, and will be available to the extent to which silver certificates have been retired. In the event that the Government obtains the silver needed for fractional coinage from the one-peso coins held by the Central Bank, the Mission presumes that the Government will reimburse the Bank by making payment in cash for the bullion value of the silver at the current market price and in non-interest-bearing and non-maturing Government securities for the difference between the bullion and the monetary value. For reasons of flexibility and when circumstances warrant, it may be desirable to authorize the Finance Minister also to buy silver for coinage purposes in the open market.

The Mission believes that the power to order the minting of fractional coins should be vested in the Finance Minister but that he should be authorized to exercise this power only to replace worn-out coins or to meet the needs of circulation, including the accumulation of a reasonable

- 8 -

reserve stock of coins, after consultation with the Central Bank. This recommendation necessitates appropriate changes in Articles 9 and 10.

SUBSTITUTION
FOR NICKEL
IN COINS

In view of the current shortage of nickel, which presumably will continue until the end of the war, the Mission believes it may be desirable to include in the Monetary Law authorization for the coinage of small fractional coins containing no nickel. Just what materials will be available during the war cannot now be specified. Therefore, a flexible authorization to use any appropriate materials would avoid the need for later, special authorization. This recommendation will necessitate appropriate changes in Articles 2, 5, 6, 10 and 11.

EXCHANGE
CONTROL

Article 25 of the proposed Monetary Law provides that whenever the Central Bank reserves fall below 40 percent and measures to restore the reserves to the legal minimum prove ineffective, the President may forbid foreign exchange transactions, provided an emergency exists. In its Second Report the Mission recommended that in an emergency and upon the recommendation of the Stabilization Fund Committee, the President of the Republic be empowered to subject foreign exchange transactions to license by the Finance Minister. In addition, the Mission has recommended that whenever Central Bank reserves fall below the legal minimum the Central Bank must pursue a corrective policy satisfactory to

- 9 -

the Advisory Council. In view of these recommendations, the Mission believes that Article 25 and Article 26, which are related, should be omitted from the Monetary Law.

MUTILATED
CURRENCY

Article 13 outlines rules for redemption of mutilated silver certificates. Since no mention of Central Bank notes is made in Article 13, the Mission presumes it is the intention of the Cuban Government that the Central Bank shall frame its own rules for redemption of its own mutilated notes. However, since the Bank's notes are being made legal tender, it seems desirable to have the Government lay down rules for the redemption of mutilated notes. This can be done by applying to Central Bank notes the rules on mutilated silver certificates.

DOLLAR
EXCHANGE
RATE

The last paragraph of Article 27 forbids the collection of any amount, premium or compensation in excess of the exchange rate quoted by the Central Bank at the time of the transaction, in converting into Cuban pesos the dollar deposits or accounts existing at the time the proposed Monetary Law comes into force. In the opinion of the Mission the last paragraph of Article 27 should be omitted. There does not appear to the Mission to be any good reason for writing into the law rigid restrictions on the exchange rate at which dollar deposits or accounts may be converted into pesos. The Mission has proposed that the Exchange Stabilization Fund rather than the Central Bank shall assume

- 10 -

responsibility for the exchange operations essential to the stabilization of the peso. There will, therefore, be no occasion for the Central Bank to quote a current exchange rate for the peso. Moreover, having in mind the secrecy with which the Exchange Stabilization Fund must carry on its operations in the exchange market, the Fund will ordinarily not publicly quote an exchange rate. Unless it becomes necessary to adopt exchange licensing, holders of dollar deposits or other foreign-currency deposits should be permitted to convert them into pesos at the rate of exchange prevailing in the foreign exchange market at the time the conversion is made.

DELETION OF
SUPERIOR
BANKING COUNCIL

The draft Monetary Law refers to the Superior Banking Council in many places and gives several important powers to this body. The Mission's Second Report contemplates the establishment of an Advisory Council with restricted functions and powers in lieu of a Superior Banking Council. This necessitates review of a number of paragraphs of the draft Monetary Law from this point of view. In most cases, however, the nature of the necessary revision has already been indicated in preceding paragraphs.

The Superior Banking Council is referred to in Articles 3, 9, 10, 12, 15, 17, 24, 25, 26 and 28. In this memorandum the Mission has suggested the deletion of Articles 3, 12 and 24 (among others) thus eliminating the

- 11 -

necessity for considering changes in these Articles. Articles 9 and 10 require advice of the Superior Banking Council in connection with coinage of fractional coins by the President of the Republic. The Mission has recommended that this power be vested in the Finance Minister without reference to the Advisory Council. Article 15 makes the President's authority to change the price of gold subject to a recommendation by the Superior Banking Council. The Mission has recommended that in the event of a change in the gold content of the United States dollar, the President be authorized to make a similar change in the gold content of the Cuban peso. For changes under all other conditions legislative action should be required to alter the gold content of the Cuban peso. Article 17 subjects the Finance Minister's authority to prescribe rules respecting transactions in gold to action by the Superior Banking Council. The Mission does not believe that the consent and advice of the Advisory Council is necessary in this connection. Article 25 requires action by the Superior Banking Council in connection with the imposition of exchange control by the President. The Mission recommended in its Second Report that the President be authorized to subject foreign exchange transactions to license by the Finance Minister upon the advice of the Stabilization Fund Committee. Article 26 gives the

- 12 -

Superior Banking Council as well as the Finance Minister the right to require testimony under oath in connection with the establishment of exchange control. The Mission has not recommended that the Advisory Council be given similar authority but agrees that the Finance Minister should have such authority. Article 28 specifies that the Superior Banking Council may determine the date when the legal tender power of United States currency shall cease. The Mission has not given the Advisory Council this authority and instead has suggested that the legal tender power of United States currency cease immediately (presumably upon the entry into force of the legislation incorporating the recommendations of the Second Report).

Treasury Department
Division of Monetary Research

143

① Date.....July 11.....19 42

To: Miss Chauncey

From: Mr. Southard

Need not be brought to the
Secretary's attention.

C
O
P
Y

144

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD 832.51/2026

June 19, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 2109, dated June 18, 1942, from the American Embassy, Rio de Janeiro, Brazil, indicating the appreciation of the Finance Minister for the message received in the Department's 1508 of June 12, and with the suggestion that the Stabilization Agreement be extended for five years. Telegraphic confirmation was requested.

The Department's 1508 was transmitted to the Treasury on June 16, 1942.

Enclosure:

From Embassy, Rio de Janeiro,
no. 2109, June 18, 1942.

Copy:bj:6-19-42

C
O
P
Y

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

Rio de Janeiro

Dated June 18, 1942

Rec'd 5:48 p.m.

Secretary of State,

Washington.

2109, June 18, 5 p.m.

Department's 1508, June 12, 2 p.m.

The Finance Minister appreciates message and
suggests that the stabilization agreement be extended
for 5 years.

Please telegraph confirmation.

CAFFERY

RR

Copy:bj:6-19-42

June 19, 1942

To: Mr. Livesey
From: Mr. White

Please transmit the proposed cable to London for Casaday from the Treasury:

FOR CASADAY FROM TREASURY:

AMERICAN PRESS SAYS THAT A GERMAN ORDINANCE OF JUNE 15 REQUIRED THAT ALL STOCKS AND BONDS LISTED ON THE BERLIN EXCHANGE BE TRANSFERRED TO THE REICHSBANK IN EXCHANGE FOR REICH TREASURY BONDS.

THE TREASURY WOULD LIKE TO KNOW WHETHER THIS IS TRUE, AND IF LONDON HAS ANY ADDITIONAL INFORMATION BEARING ON THIS ORDINANCE.

THE TREASURY WOULD ALSO LIKE TO KNOW WHETHER THIS ORDINANCE INVOLVES A CHANGE IN THE CONTROL OF GERMAN INDUSTRY, A PERMANENT CHANGE IN THE OWNERSHIP OF THE UNDERLYING SECURITIES, OR ANY TRANSFORMATION IN THE RELATIONSHIPS BETWEEN THE GERMAN GOVERNMENT AND SECURITY OWNERS IN GERMANY.

HG:OG:mww 6/19/42

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, London, England

DATE: June 19, 1942, 11 p.m.

NO. : 2331

This telegram transmits the following message from the Treasury Department for Mr. Lauren Casaday.

According to American press reports, on June 15 an ordinance was issued in Germany requiring transfer to the Reichsbank of all bonds and stocks listed on the exchange in Berlin, the holders to receive Reich Treasury Bonds in exchange therefor.

Is this report true? Has London any additional information bearing thereon?

Among the questions which the ordinance suggests to the Treasury are whether it involves permanent change in the ownership of the underlying securities, a change in the control of German industry or any transformation in the relationships between German security owners and the Government of Germany.

HULL
(FL)

Copy:bj:6-20-42

June 19, 1942

Mr. Livesey

Mr. D. W. Bell

Will you please send the following cable to the American Legation, Teheran, Iran.

"From Treasury.

Please inform Imperial Bank of Iran, Teheran, that its branch at Ahwaz, Iran, is hereby designated a depository of public moneys of the United States. Under this designation the Imperial Bank of Iran, Ahwaz, is authorized to accept and maintain on its books an account to the official credit of Captain M. G. Call, Finance Department, United States Army, in such amounts as may be deposited from time to time. Advise Imperial Bank of Iran, Teheran, that copy of letter to its London office follows."

FD:EDB;ew

TELEGRAM SENT

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

June 19, 1942

6 p.m.

AMIEGATION,

TEHRAN (IRAN)

160

From Treasury.

Please inform Imperial Bank of Iran, Tehran,
that its branch at Ahwaz, Iran, is hereby designated
a depository of public moneys of the United States.
Under this designation the Imperial Bank of Iran,
Ahwaz, is authorized to accept and maintain on
its books an account to the official credit of
Captain M. G. Call, Finance Department, United
States Army, in such amounts as may be deposited
from time to time. Advise Imperial Bank of Iran,
Tehran, that copy of letter to its London office
follows.

HULL
(FL)

FD:FL:BM

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 207

Information received up to 7 A.M., 19th June, 1942.

1. NAVAL

HOME WATERS. The attack on the Destroyer escorting a homeward bound convoy reported in OPTEL No. 206 was carried out by 12 JU 88's while passing through a Spanish trawler fleet. Four enemy aircraft were shot down and two crashed after collision. 10 Officers and 123 ratings were rescued.

2. MILITARY

LIBYA. In evening of 17th, enemy force estimated 77 tanks attacked 4th Armoured Brigade South of SIDI REZEGH and 4th Armoured Brigade was withdrawn about 15 miles. At the same time, two minor attacks on ACROMA were repulsed but further attacks expected. During 18th, enemy continued his advance apparently in two main thrusts with about 50 tanks each. One column moving along TRIGH CAPUZZO and the other along the track EL ADEM - SHEFERZEM. During the morning, the Northern column was halted at a point 12 miles south of GAMBUT. Our mobile columns were still operating to the south of EL ADEM. The regrouping of our forces is proceeding. Demolitions have been ordered at BARDIA.

RUSSIA. In their KHARKOV operations the Germans have widened the bridgehead east of River DONETS. They have resumed operations against SEVASTOPOL, but so far appear to have made little progress.

3. AIR OPERATIONS

WESTERN FRONT. 18th. Spitfires probably sank five small boats off DIEPPE. Two Mosquitos bombed LANGEBOOG and WILHELMSHAVEN.

18th/19th. Aircraft despatched - Sea mining, 55 off FRISIAN ISLANDS and 10 off LORIENT. One Hampden crashed.

LIBYA. 17th. Maximum fighter and bomber effort was concentrated on the defence of EL ADEM and in attacks on enemy columns advancing on BIR EL HAMED and SIDI REZEGH. Our fighter bombers made a successful surprise attack on enemy's forward landing ground at EL GAZALA and this was again attacked on 18th. Night 17th/18th. Our aircraft bombed TWIMI landing ground.

MALTA. Between 1.08 p.m. 17th and 7.50 a.m. 18th enemy activity was on a very small scale. Our fighters destroyed a JU 88 and damaged another.

4. LABOUR MOBILISATION

Mobilisation of labour in Axis controlled countries is increasing.

In Norway large scale conscription for work on defences is announced and activity in all industries other than those engaged on armaments and production of food and other absolute necessities is to be drastically curtailed. In Finland, where labour situation is particularly acute, a thorough round up of all available labour is to be carried out. In Hungary, a special labour corps for women between 16 and 50 is being formed. In Croatia, a general measure of labour conscription for all males between 18 and 60 is to be brought into force.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 20, 1942

TO Secretary Morgenthau
FROM Mr. Charles S. Bell *mm*

With reference to loitering at the Treasury ramp and at the barricade, as a precautionary measure Chief Wilson has had this up with Colonel Fennel and they both agree that the soldiers should not entertain visitors in the immediate vicinity of these gates. Instructions to this effect are being issued and the soldiers are being given to understand that they can meet their friends at the corner of Fifteenth Street and Treasury Place.

Respecting the particular person seen at the barricade in the early morning and again in the afternoon, a discreet inquiry discloses her identity to the Secret Service as only a friend of the soldiers.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE June 20, 1942

TO Secretary Morgenthau
FROM Mr. Gamble

In answer to your request, I have been in touch with Keith Morgan regarding his suggestion for "Bastille Day." After explaining to him that we had a very heavy schedule in July and also pointing out to him that the reaction to the French problem is not uniformly good enough to put over such a suggestion, he agreed that we should abandon the idea.

For your information, on July 1 our state organizations in conjunction with the retailers have arranged for governors and municipal officers to take part in state and city-wide radio programs. On July 4 we have numerous state tie-ups with Independence Day celebrations. On July 17 virtually every section of the country will have a number of its communities taking part in "American Heroes Day." This is the outgrowth of the Vineland, New Jersey, celebration.

The above activities are in addition to the Air Cavalcade, the War Heroes Tour, the Miners meetings, the Management Labor meetings, and numerous other local affairs taking place during this month. Even though the idea were a "top" one, we could not intelligently handle it.

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THE WHITE HOUSE
WASHINGTON

June 17, 1942.

MEMORANDUM FOR THE
SECRETARY OF THE TREASURY

Will you write Keith Morgan
and tell him what you think about his
suggestion?

F.D.R.

THE WHITE HOUSE
WASHINGTON

June 15, 1942.

MEMORANDUM FOR THE PRESIDENT:

Keith Morgan telephoned to say that he had this idea and wondered what you think about it.

July 14th is Bastille Day and he thinks it would be a grand idea to put on a radio program -- calling it "Liberation Day" -- urging everybody in the country to buy war stamps and war bonds for the liberation of the French people from the Axis. He says he would be glad to head it up as Chairman and get all the Governors, Mayors, Senators, etc. to act as a Committee. He says it can be done practically over night and would be better this way than to have a long drawn out preparation for it.

G.

Sales of United States Savings Bonds
From June 1 through June 19, 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
	June 1	June 1	June 1	to Date	June 1	June 1	June 1	to Date	June 1	June 1	June 1	to Date
Daily	to	to	as % of	Daily	to	to	as % of	Daily	to	to	as % of	
	Date	Date	Quota		Date	Date*	Quota		Date	Date	Quota	
1	\$ 19.8	\$ 19.8	\$ 21.7	91.2%	\$ 9.7	\$ 9.7	\$ 14.0	69.3%	\$ 29.5	\$ 29.5	\$ 35.7	82.6%
2	8.0	27.8	32.0	86.9	7.9	17.6	23.0	76.5	15.9	45.4	55.0	82.5
3	13.0	40.8	46.4	87.9	8.6	26.2	37.9	69.1	21.6	67.0	84.3	79.5
4	17.4	58.2	63.6	91.5	13.8	40.0	51.0	78.4	31.2	98.2	114.6	85.7
5	24.8	83.0	79.6	104.3	5.3	49.4	61.7	80.1	34.1	132.3	141.3	93.6
6	15.2	98.2	93.7	104.8	6.5	55.9	69.4	80.5	21.7	154.1	163.1	94.5
8	27.0	125.2	120.0	104.3	11.5	67.4	82.2	82.0	38.6	192.7	202.2	95.3
9	8.9	134.2	132.4	101.4	5.0	72.4	89.2	81.2	13.9	206.5	221.6	93.2
10	20.1	154.2	149.6	103.1	9.9	82.3	99.6	82.6	30.0	236.6	249.2	94.9
11	15.7	169.9	170.0	99.9	7.5	89.9	108.4	82.9	23.2	259.8	278.4	93.3
12	16.5	186.5	189.0	98.7	5.4	95.3	115.4	82.6	22.0	281.7	304.4	92.5
13	15.2	201.7	205.6	98.1	6.2	101.5	120.8	84.0	21.4	303.2	326.4	92.9
15	24.0	225.7	236.5	95.4	7.3	108.7	130.9	83.0	31.2	334.4	367.4	91.0
16	7.5	233.2	251.1	92.9	3.6	112.3	137.3	81.8	11.1	345.5	388.4	89.0
17	15.8	249.0	271.3	91.8	7.5	119.7	147.8	81.0	23.3	368.8	419.1	88.0
18	12.3	261.3	295.2	88.5	6.3	126.0	157.0	80.3	18.6	387.4	452.2	85.7
19	19.4	280.7	317.4	88.4	8.0	134.1	164.6	81.5	27.4	414.8	482.0	86.1
20			336.9				170.6				507.5	
22			373.0				181.9				554.9	
23			390.0				189.2				579.2	
24			413.5				201.3				614.8	
25			441.1				212.0				653.1	
26			466.8				221.0				687.8	
27			489.2				228.0				717.2	
29			530.6				241.4				772.0	
30			550.0				250.0				800.0	

June 20, 1942.

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

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

* Takes into account both the daily trend during the week and the monthly trend during the month.

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

Comparison of June sales to date with sales during the same number of business days in April and May 1942

(At issue price in thousands of dollars)

Date	June daily sales	Cumulative sales by business days				June as percent of May
		June	May	April	June as	
June 1942						
1	\$ 9,705	\$ 9,705	\$ 7,302	\$ 11,987	132.9%	
2	7,895	17,601	15,168	21,677	116.0	
3	8,634	26,235	25,516	29,097	102.8	
4	13,774	40,009	33,145	35,818	120.7	
5	9,344	49,353	48,751	46,174	101.2	
6	6,535	55,888	60,817	55,991	91.9	
8	11,526	67,414	67,213	63,695	100.3	
9	4,952	72,366	72,794	70,364	99.4	
10	9,945	82,310	80,845	77,197	101.8	
11	7,542	89,852	85,410	80,586	105.2	
12	5,402	95,254	94,391	91,623	100.9	
13	6,210	101,464	102,106	96,031	99.4	
15	7,251	108,715	108,923	102,657	99.8	
16	3,564	112,279	114,129	111,829	98.4	
17	7,470	119,749	123,534	116,374	96.9	
18	6,299	126,048	127,724	120,625	98.7	
19	8,014	134,062	138,908	131,852	96.5	

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

June 20, 1942.

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

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

UNITED STATES SAVINGS BONDS - TOTAL

Comparison of June sales to date with sales during the same number of business days in April and May 1942

(At issue price in thousands of dollars)

Date	June daily sales	Cumulative sales by business days			
		June	May	April	June as percent of May
June 1942					
1	\$ 29,539	\$ 29,539	\$ 19,981	\$ 24,980	147.8%
2	15,903	45,442	39,430	45,933	115.2
3	21,604	67,046	72,048	64,147	93.1
4	31,162	98,208	88,605	82,937	110.8
5	34,132	132,341	122,575	111,289	108.0
6	21,744	154,085	157,866	129,786	97.6
8	38,574	192,659	181,431	149,409	106.2
9	13,863	206,523	201,464	168,289	102.5
10	30,029	236,552	232,801	185,904	101.6
11	23,220	259,772	246,756	196,667	105.3
12	21,952	281,724	271,525	229,895	103.8
13	21,439	303,163	296,152	242,969	102.4
15	31,235	334,398	317,861	257,280	105.2
16	11,099	345,497	337,371	279,933	102.4
17	23,285	368,782	371,066	295,244	99.4
18	18,587	387,369	385,098	309,780	100.6
19	27,435	414,804	409,987	339,594	101.2

June 20, 1942.

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

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

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

UNITED STATES SAVINGS BONDS - SERIES E

Comparison of June sales to date with sales during the
same number of business days in April and May 1942

(At issue price in thousands of dollars)

Date	June daily sales	Cumulative sales by business days			
		June	May	April	June as percent of May
June 1942					
1	\$ 19,834	\$ 19,834	\$ 12,679	\$ 12,993	156.4%
2	8,008	27,841	24,263	24,256	114.7
3	12,970	40,811	46,532	35,050	87.7
4	17,388	58,199	55,460	47,119	104.9
5	24,789	82,988	73,824	65,115	112.4
6	15,209	98,197	97,049	73,795	101.2
8	27,048	125,245	114,218	85,714	109.7
9	8,912	134,157	128,670	97,925	104.3
10	20,085	154,242	151,956	108,707	101.5
11	15,678	169,920	161,346	116,081	105.3
12	16,550	186,470	177,133	138,272	105.3
13	15,230	201,700	194,047	146,937	103.9
15	23,984	225,684	208,939	154,623	108.0
16	7,535	233,218	223,242	168,103	104.5
17	15,815	249,033	247,532	178,870	100.6
18	12,288	261,321	257,374	189,156	101.5
19	19,421	280,742	271,079	207,742	103.6

June 20, 1942.

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

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

BRITISH EMBASSY
WASHINGTON, D.C.

20th June, 1942.

Dear Mr. Secretary,

Thank you for your letter of June 19th.

It is very good of you to send me the two newsreel films of the visits of the American and British War Heroes to New York and Boston. I shall certainly forward one copy to The King and Queen and I look forward to seeing the film myself. It is splendid to hear from you that our men have had such a fine reception.

Believe me,

Yours sincerely,

Halifax

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

160

TO:

Miss Channey

I think the only
thing to do is to
file it. If he
doesn't want to
come there's no
use arguing about
it.

W.G.

FROM: MR. GASTON

OLIVER K. BOVARD
CONWAY AND BALLAS ROADS
CLAYTON, MISSOURI

161

June 20, 1942.

My dear Mr. Secretary:

I should be glad to be of service to the Government in any line in which I felt qualified, but the field you suggest, from whom, is so foreign to my training and experience I fear I would only be in the way in it.

Thanking you for thinking of me, I am, Very sincerely yours,
O.K. Bovard

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

My dear Mr. Bovard:

Knowing that you have been detached from active newspaper work for some time, it has occurred to me that you might be interested in doing some work for the Government. We have a big job on our hands in the promotion of the sale of War Savings Bonds and it is my belief that you could help us materially.

Would you care to come to Washington to discuss the matter with me?

Sincerely yours,

W. H. Taft

Secretary of the Treasury.

Mr. O. K. Bovard,
Ballas & Conway Roads,
Clayton, Missouri.

HEG:ym

June 16, 1942.

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston

I talked to Pete Brandt of the St. Louis Post-Dispatch. He says that Bovard is in good health and would probably welcome a chance to do some worthwhile war work. He thinks Bovard would be ideal for the sort of work I outlined, that is the supervision of promotional copy. Bovard, he says, has a great flair for typography and lay-outs and likewise a great contempt for the advertising profession. He also said that he thinks Bovard would be much more likely to come if you were to sign the letter. Hence, I prepared it for your signature.

151 N. E. 20.

HEG:pm



UNITED STATES GOVERNMENT
~~COORDINATOR OF INFORMATION~~
WASHINGTON, D. C.

OFFICE OF STRATEGIC SERVICES

June 20, 1942

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

Dear Mr. Secretary:

Replying to your letter of June 17 to Colonel Donovan, I beg to state that he will return from London to this office the latter part of next week, about June 26. I know he will deeply appreciate your letter and will be most anxious to be helpful in any way possible.

At the moment, as you will realize, we are in the midst of some reorganization and unscrambling, but the next few days should restore us to orderly house-keeping.

Respectfully,

G. Edward Buxton

G. Edward Buxton
Assistant Director

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
WASHINGTON, D. C.

Office of War Information

June 20, 1942

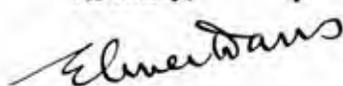
The Honorable
The Secretary of the Treasury
Washington, D. C.

Dear Mr. Morgenthau:

My thanks for your good wishes and I hope the pleasure in your mind will continue after I have been working a while.

I shall lean upon your generous offer of cooperation.

Cordially,



Elmer Davis
Director



June 17, 1942.

Dear Mr. Davis:

It was with pleasure that I learned of the President's choice for the difficult appointment of the Director of War Information. As you take up your new work, I want to send you my congratulations, and my best wishes for success. If there is any way by which my office can be of service to you, I hope you will not hesitate to call upon me.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Elmer Davis,
Director of the Office of War
Information,
815 - 22nd Street, N.W.,
Washington, D. C.

N.M.C.

GEF/abs

Photo No.

Records No. 17 46104

UNITED STATES OF AMERICA
THE OFFICE OF CENSORSHIP

For use in the case of Registered Letters
(If unregistered, insert "NONE")

A. I. Mail No.
PRIVATE

Registered No. NONE

Serial No.

From— "HAIS" ZURICH, SWITZERLAND		To— L. R. W. SINSABAUGH 247 Park Avenue New York, N. Y.
Date of letter (postmark letter undated)		APRIL 7, 1942.
PREVIOUS RECORDS, IF RELEVANT	For interoffice use by A. G. or D. A. C. only.	Allocation of this comment sheet: Division of Reports 6/27/42
Whether to be photographed—	No	DISPOSAL OF ORIGINAL LETTER— Released, held, condemned or sent with comment to—
In whom photograph is to be sent—		Released

COMMENT

ENGLISH

POLITICAL

LIST BY THE S. C. BOARD

ATU		NAR	
CUST		SS	
FFC	✓	MR	✓
INTEL			

REPORT ON GERMAN MORALE COMING FROM SWITZERLAND

The writer of the letter, signed only "HAIS", makes the following statements: (#2, lines 2-17)

"Victory is your unanimous desire which brings about your decision and efforts. This no longer applies to Germany. A German returning from Berlin reported: In Berlin, optimists say "We'll lose the war", and pessimists: "but when". -- There is an increasing opposition to the regime; they would prefer to lose the war (though they fear the Russians). The number of unfavorable rumours make people hesitate. -- One of the most wide-spread rumours concerns the death of General von Reichenau: It is said that Goering wished to withdraw the front in the East for the duration of the winter, so did von Brauchsch. During a discussion on the same point, Hitler and v. Reichenau got mad at each other, the first tore off the shoulder-straps of the General, who then attacked Hitler, but was finally killed by Hitler's body-guard. I have no idea as to the truth of this rumour but wish to emphasize that it goes around in Germany. Germans have begun to doubt as well as to change their minds. Germany becomes more and more a powder-box that may blow up at any time. I know that in a South German town, flame-throwers have been put in strategic positions, ready to fight any uprising. In big cities people (who can afford it) move to the countryside. In town, they are too much afraid of revolution and famine. The English naval attacks on the Continent have created a favorable atmosphere: Germans are afraid of an Allied invasion in Scandinavia. At Paris tops believe the French will fight together with the English and Americans this year." (all underlinings are those of the writer)

quoted from # 3, lines 2-5)

"In recent months, the German effort to produce war materials has been terrific. German industry is geared for war by 85%! German visitors to Switzerland buy here a number of cheap things that you would think they should be able to lay everywhere."

Division
(or section)
Private

TABLE
U. 201

EXAMINER
5666

D. A. C.
5067

DATE
June 20, 1942
5086 GLO

Photo. No.

Records No. NY 46104

UNITED STATES OF AMERICA
THE OFFICE OF CENSORSHIP

For use in the case of Registered Letters
(If unregistered, insert "NONE")

A. I. Mail No.
PRIVATE

Registered No. NONE

Serial No.

From—

"HAES"
ZURICH, SWITZERLAND

To—

MR. R. W. SINSABAUGH
247 Park Avenue
New York, N. Y.

Date of letter APRIL 7, 1942.
(postmark
letter undated)

EVIDENCE RECORDS, IF RELEVANT

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Allocation of this comment sheet:

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or sent with comment to—

COMMENT

ENGLISH

POLITICAL

REPORT ON GERMAN MORALE COMING FROM SWITZERLAND

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quoted from # 3, lines 2-5)

"In recent months, the German effort to produce war materials has been terrific. German industry is geared for war by 85%! German visitors to Switzerland buy here a number of cheap things that you would think they should be able to buy everywhere."

LIST. BY THE S. COORD

ATU	NAR	
CUST	SS	
FEC	MR	✓
INTEL		

Division
(or section)
Private

TABLE
U. 201

EXAMINER
5666

D. A. C.
5067

DATE
June 20, 1942
5066 GLG

Photo No.

Records No.

168
NY 46104

UNITED STATES OF AMERICA
THE OFFICE OF CENSORSHIP

For use in the case of Registered Letters
(If unregistered, insert "NONE")

Registered No. NONE

Serial No.

A.I.
PRIVATE

Mail No.

FROM—

"HAAS"
ZURICH, SWITZERLAND

APRIL 7, 1942.

Date of letter
or postmark
(If letter undated)

To—

MR. R. W. SIMSBAUGH
247 Park Avenue
New York, N. Y.

PREVIOUS RECORDS, IF RELEVANT

For Interoffice use by A. C.
or D. A. C. only.

Nos.

Allocation of this comment sheet:

Division of Reports
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No

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Released, held, condensed
or sent with comment to—

COMMENT

The writer also makes the following statement in an N.B. (P.S.) at bottom of page:

"Canadian bonds sell here at 33% of Toronto quotation (\$ at par), respectively at 22% without affidavit. -- U. S. bank notes at 55% of exchange rate."

Enclosure: one (1)

Division
(or section)

TABLE

EXAMINER

D. A. C.

DATE

Private

Unit: 201

5466

3067

June 20, 1942
5866 GIC

Treasury Department
Division of Monetary Research

169

Date June 22 19 42

To: Miss Chauncey

From: Mr. White

The tables for transmittal to the Secretary of State, the Coordinator of Information and Mr. Perkins differ from those being sent to the President in that certain military figures are not broken down.

Treasury Department
Division of Monetary Research **170**

① Date ...July 22.....19 42

To: Secretary Morgenthau

From: Mr. White

Original of this report appended to
prepared letter to the President.

June 20, 1942

Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the ten-day period ending June 10, 1942

1. Exports to Russia

Exports to Russia as reported during the ten-day period ending June 10, 1942 amounted to about \$12,764,000, representing the lowest total for any ten-day period since the beginning of February. Among the military equipment exported were thirteen light bombers. (See Appendix G.)

2. Exports to Free China and Burma

Exports to Free China during the ten-day period ending June 10, 1942 amounted to about \$3,399,000, of which military equipment accounted for about 90 percent. (See Appendix D.)

Exports to Burma amounted to \$234,000. Military equipment accounted for the entire amount. (See Appendix E.)

3. Exports to France

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

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Switzerland amounting to \$343,000.

ISP/efs
6/22/42

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

July 28, 1941 to June 30, 1942.

(In thousands of dollars)

	July 28 to May 30	Period ended May 31	Period ended June 30	Total Domestic Exports
U. S. S. R.	\$495,318	\$26,180	\$12,575	\$534,073
Free China	75,861	2,533	3,399	81,793
Burma 2/	12,301	5/	234	12,435
France 3/	56	—	—	56
Yugoslavia	2,849	5/	5/	2,849
Switzerland	10,118	249	343	10,710
Sweden	17,751	47	5/	17,776
Portugal	8,919	93	15	9,027
French North Africa 4/	6,283	—	—	6,283

Treasury Department, Division of Monetary Research

June 18, 1943

- 1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.
- 2/ From September 11, 1941 to date — it is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.
- 3/ Includes both Occupied and Unoccupied France — no breakdown is obtainable from Department of Commerce.
- 4/ Includes Morocco, Algeria, and Tunisia.
- 5/ Less than \$500.

JMS/efu 6/18/43

APPENDIX B

Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 28, 1942 - June 10, 1942
(Thousands of Dollars) 1/

	<u>Exports to Free China</u>	<u>Exports to Burma 3/</u>	<u>Exports to U.S.S.R.</u>
July 28 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		986
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	1		1,023
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,281		5,217
Sept. 15 - Sept. 20	3,822		752
Sept. 22 - Sept. 27	110	449	2,333
Sept. 29 - Oct. 4	1,225	684	323
Oct. 6 - Oct. 11	5,312	1,157	6,845
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	403	5,623
Oct. 27 - Nov. 1	4,772	58	4,484
Nov. 3 - Nov. 8	1,672	342	4,552
Nov. 10 - Nov. 15	2,851	88	2,677
Nov. 17 - Nov. 22	1,228	1,021	3,581
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28	2,921	-	28,119
Mar. 1 - Mar. 10	2,879	23	32,509
Mar. 10 - Mar. 20	8,058	3	28,556
Mar. 20 - Mar. 31	2	2	42,435
Apr. 1 - Apr. 10	4,836	447	51,698
Apr. 11 - Apr. 20	5,335	639	66,906
Apr. 21 - Apr. 30	2,827	-	60,958
May 1 - May 10	296	-	28,652
May 11 - May 20	1,872	5	18,000
May 21 - May 31	2,533	-	26,180
June 1 - June 10	3,399	234	12,764
Total	\$84,396	\$11,322	\$534,776

1. These figures are in part taken from copies of shipping manifests.

APPENDIX B

2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.
6. 11-day period.
7. Due to changes in reporting procedure by the Department of Commerce this report is incomplete for the period indicated.

Treasury Department, Division of Monetary Research June 20, 1942

ISF/efs
6/20/42

APPENDIX C

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the ten-day period ending
June 10, 1942

	<u>Unit of</u>	<u>Quantity</u>	<u>Value</u> (Thousands of dollars)
TOTAL EXPORTS			\$ 12,764
Principal Items:			
Landplanes - light bombers (2 engine)	No.	13	1,950
Motor trucks	No.	735	1,242
Sausage, canned	Lb.	2,634,916	1,023
Iron and steel plates, sheets and strips	Lb.	17,066,418	673
			608
Ammunition			
30 caliber balls	No.	7,000,000	
30 caliber armor piercing 30,38, and 45 balls	No.	150,000	
37 mm. tank and anti-tank armor piercing shells	No.	1,050,000	
37 mm. tank and anti-tank high explosive shells	No.	30,800	
small arm components	No.	18,200	
Steel bars	Lb.	7,618,510	542
Sole leather	Lb.	651,666	369
Lard	Lb.	2,439,845	345
Wheat flour	Bbl	37,413	344
Pork, pickled or salted	Lb.	1,426,000	342
Milling machines	No.	16	327
Metal-grinding machines and parts	No.	20	272
Telephone equipment and parts	-	-	228
Brass and bronze plates and sheets	Lb.	1,131,974	218
Wool cloth and dress goods	Lb.	133,289	203

Treasury Department, Division of Monetary Research

June 20, 1942

ISP/efs
6/20/42

APPENDIX D

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the ten-day period ending
June 10, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 3,399
Principal Items:	
Military equipment	3,082
Construction equipment and parts	163
Relief supplies	70
Coal-tar colors and dyes	44
Lubricating oil, N.E.S.	32

Treasury Department, Division of Monetary Research June 20, 1942

ISF/efa
6/20/42

APPENDIX E

Principal Exports from U. S. to Burma
as reported to the Treasury Department
during the ten-day period ending
June 10, 1942

(Thousands of Dollars)

TOTAL EXPORTS

\$ 234

Principal Items:

Military equipment

234

Treasury Department, Division of Monetary Research June 20, 1942

ISP/efs
6/20/42

U.S. SECRET
BRITISH MOST SECRET

COPY NO. 13

OPTEL NO. 208

Information received up to 7 A.M. 20th June, 1942.

1. NAVAL

18th/19th. One of H.M. destroyers and 2 steam gun-boats attacked two escorted Merchant Ships near Havre. 1 Ship was torpedoed and the other hit by 4 inch shell. 1 Gun Boat is missing. An anti-submarine schooner was sunk by U-Boat gun-fire North of Beirut on the 13th. One of H.M. Submarines sank an 18,000 tons ship on 3rd/4th in the Malacca Strait.

2. MILITARY

LIBYA - 18th. The Acroma defended locality was still held by us in the afternoon. Our mobile columns shelled enemy M.T. 5 miles North of El Gobi and also El Adem Aerodrome. By dusk the limit of the enemy advance was about 30 miles West of Sollum. Our armoured car patrols were active by an approximate North-South line about 30 miles West of Bardia. During the withdrawal a battalion of South Wales Borderers and another of Garhwal Infantry of our rearguard were cut off by enemy tanks and armoured cars and suffered heavy losses. We have occupied the frontier position and have manned the Tobruk defences. The destruction of Bardia has been carried out and removal of all valuable stores completed. Our mobile forces are active on the enemy's Southern flank.

3. AIR OPERATIONS

WESTERN FRONT - 19th. Spitfires, 3 of which are missing, attacked and damaged 3 armed minesweepers and one coastal vessel off the French and Belgian Coasts. They also shot down 4 enemy fighters, probably destroyed 1 and damaged 4. 19th/20th - 205 Aircraft were despatched, 194 of them to Emden which was attacked by the majority in bad visibility, others bombed Osnabruck in good weather. 9 are missing.

LIBYA - 18th. Our fighters flew continuous protective patrols over our troops and destroyed 2 enemy fighters.

BURMA - 18th. Blenheims bombed the Harbour at Akyab and the landing ground at Myitkyina.

C
O
P
Y

RAS

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

Habana

Dated June 20, 1942

Rec'd 3:10 p.m.

Secretary of State,

Washington.

449, June 20, 2 p.m.

Embassy's telegram no. 442, June 19, 7 p.m.

Decree establishing controls over importation of United States currency was signed last night and pursuant thereto the Minister of Finance this morning issued orders blocking \$80,000 of the amount which Constantino Gonzalez y Compania has on deposit with Habana branch of First National Bank of Boston pending outcome of investigations regarding origin of \$80,000 United States currency brought to Cuba by Miguel Mauricio.

Although balance currency from SS ICIAR has apparently been blocked by Dominican Government steps will be taken to have Gabriel Piedra Martinez detained and searched upon his return and careful consideration given to desirability of including firm of Constantino Gonzales y Compania in Proclaimed List.

Copy and translation of above mentioned currency control decree by airmail.

Repeated to Ciudad Trujillo.

MRM

BRADEN

Copy:emk:6.25.42

C
O
P
Y

HEL

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

Managua

Dated June 20, 1942

Rec'd 3:20 a.m., 21st

Secretary of State,

Washington.

292, June 20, 3 p.m.

Reference Legation's telegram number 239, May 25, 3 p.m.

I have been informed by the Ministry for Foreign Affairs that Rafael Huezco of the National Bank of Nicaragua together with Nicaragua's Minister to the United States will constitute a joint mission to the conference of Central Bank representatives meeting in Washington late in June or early in July. Huezco expects to leave Managua by air June 21 and will be traveling with his wife.

STEWART

WVC

Copy:lc:6/22/42

HNL

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

Ciudad Trujillo

Dated June 20, 1942

Rec'd 9:12 p.m.

Secretary of State,
Washington.

RUSH

272, June 20, 5 p.m.

By 272, June 19, 1 p.m.

The Dominican Government issued a decree late yesterday freezing the \$220,000 in the Banco de Reservas. The Legation has just verified that the sum is intact and it will inform the Department by air mail of minor corrections in the serial numbers.

The British Minister says he will request statements from all exporters holding manifests for shipping tobacco on the ICIMA regarding method of payment for such tobacco. He understands now that the ICIMA is to stop at Habana on its return journey.

Please cable instructions as to what further action, if any, it would be advisable for Dominican Republic to take with respect to the \$220,000.

Airmail despatch follows.

Repeated to Habana and Port-au-Prince.

LINTON

HNL

TELEGRAM SENT

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

June 20, 1942

4 p.m.

AMLEGATION,

CIUDAD TRUJILLO, (DOMINICAN REPUBLIC).

TRIPLE PRIORITY

186

Your 272, June 19, 2 p.m.

Habana has informed the Department that the
 \$80,000 has been deposited by Constantino Gonzalez
 y Compania in the First National Bank of Boston in
 Habana. The Department assumes that this money was
 paid for Cuban tobacco which is either on ^{the} Iciar or
 which has already been shipped to Spain.

On this assumption Department recommends that
 you suggest to your British colleague that he continue
 to refuse to navicert the Iciar at least until arrange-
 ments have been made for the opening of a letter of
 credit in favor of Constantino Gonzalez y Compania in
 the sum of \$80,000 so that this firm may be paid for
 its tobacco and the question of disposing of the \$80,000
 in currency presently with the First National Bank of
 Boston be

-2- #186, June 20, 4 p.m., to Ciudad Trujillo (Dominican Republic)

Boston be reserved for future decision by this Government and the Cuban Government.

The Embassy in Habana is being informed that pending a decision on the question of the navicert and the suggested issuance of the letter of credit the \$80,000 in currency should be blocked by the First National Bank of Boston and no (repeat no) credit should be given to Constantino Gonzalez y Compania.

HULL
(DH).

FF:TTJr:MKG

RA

-2- #186, June 20, 4 p.m., to Ciudad Trujillo (Dominican Republic)

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HULL
(DH).

FF:TTJr:MKG

RA

TELEGRAM SENT

HEL

June 20, 1942

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR) 4 p.m.

ANEMBASSY,

HABANA.

374

TRIPLE PRIORITY.

Your 442, June 19, 7 p.m.

The following telegram has been sent to the Legation at Ciudad Trujillo:

QUOTE Your 272, June 19, 2 p.m.

Habana has informed the Department that the \$80,000 has been deposited by Constantino Gonzalez y Compania in the First National Bank of Boston in Habana. The Department assumes that this money was paid for Cuban tobacco which is either on the Iciar or which has already been shipped to Spain.

On this assumption Department recommends that you suggest to your British colleague that he continue to refuse to navicert the Iciar at least until arrangements have been made for the opening of a letter of credit in favor of Constantino Gonzalez y Compania in the sum of \$80,000 so that this firm may be paid for

its

-2-, #374, June 20, 4 p.m., to Habana.

its tobacco and the question of disposing of the \$80,000 in currency presently with the First National Bank of Boston be reserved for future decision by this Government and the Cuban Government.

The Embassy in Habana is being informed that pending a decision on the question of the navicert and the suggested issuance of the letter of credit the \$80,000 in currency should be blocked by the First National Bank of Boston and no (repeat no) credit should be given to Constantino Gonzalez y Compania. UNQUOTE.

Please advise whether the Department's assumption concerning the Cuban tobacco is correct. If it is not (repeat not) correct and the tobacco is still in Cuba, it is assumed that the Cuban Government will not (repeat not) permit the tobacco to be exported until the matter of disposing of the \$80,000 in currency has been settled.

Please attempt to carry out the suggestion made in the above quoted telegram concerning the blocking of the \$80,000 by the First National Bank of Boston.

Please keep Ciudad Trujillo fully informed.

HULL
(DH)

FF:TTJr:DCR

RA



UNITED STATES GOVERNMENT
~~COORDINATOR OF INFORMATION~~
WASHINGTON, D. C.

OFFICE OF STRATEGIC SERVICES

June 21, 1942

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

Dear Mr. Secretary:

In Colonel Donovan's absence, let me acknowledge on his behalf receipt of a copy of the Report on Exports of Some Selected Countries for the Period Ending May 31, 1942. I am confident that Colonel Donovan will wish to continue receiving figures of this character and that they will be most useful in his new work.

Respectfully,

G. Edward Buxton
G. Edward Buxton
Acting Director

BR

PLAIN

Chungking

Dated June 21, 1942

Rec'd 9:51 a.m.

Secretary of State,
Washington.

PRIORITY

728, Twenty-first.

TO SECRETARY TREASURY FROM ADLER FOR ATTENTION
DR. WHITE.

Deeply regret to inform you that Manuel Fox
quietly passed away this morning while sleeping.
Please inform Mrs. Fox and convey to her sympathies
of associates in Stabilisation Board and Embassy.

GAUSS

HPD

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

Ciudad Trujillo

Dated June 21, 1942

Rec'd 5:50 p.m.

Secretary of State,
Washington.

RUSH

279, June 21, 2 p.m.

Your 186, June 20.

British Minister is cabling to London for instructions regarding suggestion that he refuse navicert for the ICLR until a credit is arranged to pay \$80,000 to Constantino Gonzalez and Company for its tobacco. He will withhold navicert until he hears from London. The British Minister is, however, under the impression, based on cables from the British Legation in Habana, that this tobacco has not (repeat not) been shipped as yet. He is endeavoring to obtain clarification on that point. Repeated to Habana.

LAWTON

MRM

HEL

PLAIN

Helsinki

Dated June 21, 1942

Rec'd 11:15 a.m.

Secretary of State,

Washington.

520, twentyfirst.

Government yesterday issued official statement "It's now stated most important task in monetary policy to maintain value of money and obtain income covering increased expenses. This requires deliberate mutually complementary and quickly effective measures in financial policy comprising necessary measures. Government deems it necessary that this program be carried out as a whole. Besides Government will support measures to preserve value of money by firm policy on prices, rents and wages!"

Statement says Government will introduce tax legislation including single levy incomes and capital extra forest tax increased inheritance, gift, stamp, real estate taxes. Postal, telephone, and travel taxes will be increased. Other measures increase income in preparation tax administration to be re-organized. Saving to be stimulated and means used to "tie down superfluous purchasing power". Statement says unavoidable lower standard living all classes but "care must be taken not to inflict serious damage on productive life". Concludes "Its Government aim stabilize State's economy and if necessary by radical measures create firm basis for value currency."

SCHOENFELD

HPD

Copy:lc:6/22/42

COPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 209

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

1. NAVAL

MURMANSK was heavily raided by enemy aircraft on the 18th and it is estimated that 1/3 of the town is in ruins. There were no casualties to H.M. ships or merchant shipping, but work in the docks has practically ceased.

2. MILITARY

LIBYA. 19th. The enemy made no further advance towards the frontier, but appears to be preparing to attack TOBRUK from the South East. Our garrison at ACHROMA was withdrawn and the enemy was digging in on the line EL ADEM - ACHROMA. Our mobile forces continue to operate West of the frontier especially in the EL GOBI area.

3. AIR OPERATIONS

WESTERN FRONT. 19th/20th. About 250 tons of H.E. and incendiaries were dropped on the EMDEN area and 60 tons on OSNABRUCK.

20th. 12 Bostons attacked the power station at HAVRE. Escort and diversionary sweeps were provided by 27 Squadrons of Spitfires which destroyed 4 F.W.190's, probably destroyed another, and damaged 3. 6 Spitfires are missing.

20th/21st. 193 aircraft were sent out - EMDEN 185, Dutch aerodromes 5. 6 are missing. Weather was moderate and about 70% of the aircraft attacked the EMDEN area.

LIBYA. 18th/19th. Our bombers attacked BENGHAZI and mined the harbour.

19th. Baltimores bombed TWIMI landing ground.

BURMA. 19th. Our aircraft attacked KALEWA and HOMALIN.

4. BALKANS

The ARDA and MARITZA bridges were scheduled to be reopened for traffic on the 15th June. Work on the Bulgarian shipyards at VARNA is progressing.

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

Habana

Dated June 22, 1942

Rec'd 1:20 a.m. 23rd

Secretary of State,
Washington.

RUSH

44, June 22, 7 p.m.

Department's telegram number 374, June 20, 4 p.m.

According to Constantino Gonzalez y Compania
the \$80,000 they received from the SS ICLR and
which have been blocked in the First National Bank
of Boston here were in part payment of tobacco which
has not yet been shipped.

Constantino Gonzalez y Compania informed British
Consulate that they have pending orders for about 1200
tons of tobacco from the Spanish Tobacco Monopoly for
Spanish Morocco valued at \$234,000. This appears to
be confirmed by report from British Consulate that
Navierto covering 1220 tons of tobacco for Morocco
have been issued to Constantino Gonzalez y Compania
which are being withheld pending outcome of in-
vestigations.

Repeated to Ciudad.

BRIDEN

KLP

HEL

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

Ciudad Trujillo

Dated June 22, 1942

Rec'd 6:20 p.m.

Secretary of State,
Washington.

RUSH

202, June 22, 4 p.m.

The following telegram has been sent to the Embassy at Habana:

"June 22, 4 p.m. In case you are interested in establishing a legal case against the Constantine Gonzalez Company with respect to its possession of the \$80,000, Minister White in a letter just received informs me that when Miguel Mauricio Gonzalez entered Haiti on June 11 he declared that he had only \$350. This false statement was presumably made in connection with Haitian import regulations with which however I am not familiar.

Piedra Martinez is endeavoring to secure return Pan-American Airways reservations to Cuba hoping to leave tomorrow. Will keep you informed of his movements.

Repeated to Department."

LAWTON

CSB

C
O
P
Y

DEPARTMENT OF STATE

Washington

In reply refer to
FD 851.51b/291

June 22, 1942.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a confidential despatch, no. 972, dated May 19, 1942 from the American Embassy at Vichy, France, concerning the creation in Paris of an organization to be known as the Societe de Credit Intercontinentale.

Enclosure:

From Embassy, Vichy,
no. 972, May 19, 1942.

Copy:vw:6-23-42

C
O
P
Y

AIR MAIL.

No. 972

Vichy, May 19, 1942.

CONFIDENTIAL.Subject: Formation in Paris of the
SOCIETE DE CREDIT INTERCONTINENTALE.The Honorable
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to report as follows:

Recently, Comte Rene de CHAMBRUN, (M. Pierre Laval's son-in-law) called at the Embassy to report the creation in Paris of an organization to be known as the SOCIETE DE CREDIT INTERCONTINENTALE. The Societe in question, according to M. de Chambrun, is made up of a group of French industrial and commercial insurance bankers and has the following aims:

1. To organize a group of former French directors of American deposit banks in France as well as the clients of such banks;
2. To study the possibilities of renewing, as soon as possible, financial and commercial relations between Europe and the United States;
3. To conduct, on an international basis, affairs which would permit Paris to resume, in the future, its past position of importance;

This Societe intends eventually to return both personnel and clients to such American deposit banks, or, if they so desire, will agree to act as their correspondent in France.

The Embassy also learns that the Administrators and directors of the NATIONAL CITY and CHASE banks, as well as M. Seymour Weller, European representative of DILLON REED & COMPANY, are interested in

-2-

this project and have decided to give it their active support.

According to M. de Chambrun, the French authorities, anxious to maintain the best possible relations with America, and particularly with the United States, and to prepare for the future, have authorized the creation of the Societe in question. The German authorities in Paris, who had to be informed of its creation, are not opposed to it, but have insisted that a French bank, controlled by Dr. KREUTER, German trustee both of Dutch interests and those of Dillon Reed & Company in Germany, should underwrite 20% of the capital of this new company.

M. de Chambrun stated that in view of the small extent of such proposed German participation, the organizers have decided that this fact should not prevent the creation of the Societe.

The principal companies participating in the Societe de Credit Intercontinentale are: Union Europeene; Banque de l'Indo-Chine; Societe Francaise Assurance Credit; Assurances Generales Phenix, Societe Assurances et Reassurances; Societe des Grands Hotels; Ford, Gibbs, Segard & Cie.

Respectfully yours,

S. Pinkney Tuck
Charge d'Affaires ad interim

In triplicate

SPT/FP

Copy:lc:6/23/42

BRITISH MOST SECRET
U.S. SECRET

OPTAL Nos. 210 and 211

TOBRUK attack began morning twenty June. Heavy air bombardment was followed by infantry attack which succeeded in making an initial breach in south eastern face of perimeter. Enemy tanks and lorried infantry passed through this gap and were brought to battle inside perimeter during afternoon. We lost very heavily in tanks and as a result situation deteriorated rapidly. During night mobile portion of garrison began to fight its way out. No further information regarding it has yet been received.

OPTAL No. 212

Information received up to 7 A.M., 22nd June, 1942.

1. NAVAL

During night 20th/21st our light forces engaged and set on fire an enemy patrol vessel off BOULOGNE. A U.S. vessel sank after an explosion while at anchor in KOLA INLET (NORTH RUSSIA).

2. AIR OPERATIONS

WESTERN FRONT. 20th/21st. About 325 tons of bombs, more than half incendiary, were dropped by 157 aircraft on EMDEN and area. The objective was somewhat obscured by cloud and haze but fires were reported. Two or more hits were made on a 1,500 ton vessel off Dutch coast.

21st. 12 Bostons, with fighter escort, successfully bombed DUNKIRK docks, one Spitfire missing. One ME 110 was shot down off CORNWALL.

21st/22nd. 77 aircraft were sent out - scanning 57, enemy aerodrome patrols 18, one missing.

About 50 enemy aircraft were reported over GREAT BRITAIN, about 40 of them over the SOUTHAMPTON area where scattered bombing took place, 10 others operated between SHOREHAM and GUILDFORD. 4 enemy aircraft were destroyed, including a Heinkel 177, (new type heavy bomber with four engines driving two propellers) and 4 others damaged.

LIBYA. On the 20th our bombers attacked enemy columns at TOBRUK and on 21st fighter bombers attacked M.T. in the SIDI AZEIZ area. At night BENGHAZI and TMIMI landing ground were bombed. 3 of our fighters are missing and 1 JU 88 was probably destroyed.

MEDITERRANEAN. 21st. 8 Beauforts, escorted by 6 Beaufighters, hit with torpedoes two 8,000 ton vessels and 1 escort ship off CAPE BON. 3 enemy aircraft were destroyed and 4 Beauforts are missing.

- 2 -

3. HOME SECURITY

21st/22nd. SOUTHAMPTON was attacked for about forty-five minutes. There are no reports of any serious damage.

Some bombs also fell at EASTLEIGH and in rural districts of HAMPSHIRE, SURREY and SUSSEX.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 22, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Summary of Military Reports

Libya

(The Axis forces which took Tobruk had a tank strength of scarcely more than 100 tanks. The Allied troops holding the town must have been thoroughly demoralized to fall victim to the attack.

The British have a couple of tank brigades (150-200 tanks) in Egypt which were to be ready for action by June 30. These forces may be able to stop Rommel's decimated army which but for the stores in Tobruk would probably be out of supplies by now).

Supply Route to Russia

Murmansk was heavily raided by German airplanes on June 18. One-third of the town is in ruins. There were no casualties to shipping but work in the docks has practically ceased for the time being. (The movement of tank landing craft up the Norwegian coast and this raid undoubtedly indicate a forthcoming German offensive against this port. Fortunately, Archangel is open to shipping).

(U.K. Operations Report, June 21, 1942)

Conditions in German Europe

Mobilization of labor in Axis-controlled countries is increasing. In Norway, large-scale conscription for work on defenses is announced and activity in all industries other than those engaged on armaments and production of food and other absolute necessities is to be drastically curtailed. In Finland, where the labour situation is particularly acute, a thorough round-up of all available labour is to be carried

out. In Hungary, a special labour corps for women between 16 and 50 is being formed. In Croatia, a general measure of labour conscription for all males between 18 and 60 is to be brought into force.

(U.K. Operations Report, June 19, 1942)

Russian Air Force

The British magazine "The Aeroplane" gives the following description of the Russian rocket bomb which was one of the surprises of the war:

"Surprisingly few new tactical weapons have been evolved so far in this War. The magnetic mine dropped from the air is probably the new weapon which has had the greatest effect so far...."

"Possibly the most important tactical advance in air weapons is the rocket bomb invented by the Russians and used by them from the Iliuchin Stormovik--and from the Hawker Hurricane. Few details have been given about the rocket bomb and the Germans have confirmed its potency by an ominous silence on the subject. However, the Russians have said enough about it for its general principle to be gathered. Apparently the rocket bomb is slung on a guide rail under the wing of an aeroplane intended for low-attack work. The machine is flown low down and aimed at the target in much the manner of a ground strafing cannon-fighter. When the sights are on the target the electrical firing button is pressed and the bomb is projected forwards by rocket apparatus in its tail. The effect is the same as that of a very large low-velocity cannon shell.

"The advantages are great hitting power sufficient to knock out tanks --and greater accuracy of bomb delivery than either dive bombing or low-level attack bombing. The disadvantages are that the rocket apparatus obviously reduces the weight of the charge in the bomb and that, compared with the fighter armed with big cannon, relatively few projectiles can be carried.

"There can be no doubt that for close-support work with troops the Russians have evolved a very fine weapon...."

("The Aeroplane", May 29, 1942)

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, June 22, 1942.

Press Service
No. 32-15

Secretary of the Treasury Morgenthau today announced the subscription figures and the basis of allotment for the cash offering of 5/8 percent Treasury Certificates of Indebtedness of Series A-1943.

Reports received from the Federal Reserve Banks show that subscriptions aggregate \$3,113,000,000. Subscriptions in amounts up to and including \$25,000, totaling about \$61,000,000, were allotted in full. Subscriptions in amounts over \$25,000 were allotted 50 percent, on a straight percentage basis, but not less than \$25,000 on any one subscription, with adjustments, where necessary, to the \$1,000 denomination.

Details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

-oOo-

June 22, 1942
11:30 a.m.

GROUP MEETING

Present: Mr. Bell
Mr. Buffington
Mr. Schwarz
Mr. Haas
Mr. Thompson
Mr. Gamble
Mr. Odegard
Mr. Graves
Mr. Gaston
Mr. Kuhn
Mr. Sullivan
Mrs. Klotz

H.M.JR: Bell, have you got a report on the financing?

MR. BELL: They are not all in yet, but I don't think the final figures will change much from what we had Saturday night. We had three billion one hundred million. It looks like about a fifty-percent allotment.

H.M.JR: Will you have something for me, say, by four o'clock?

MR. BELL: Yes. I would like to make the allotment before one so I can get it out to the banks. Time is very short.

H.M.JR: When do we announce it?

MR. BELL: Right away.

H.M.JR: That is all right.

MR. BELL: Just as soon as the final report is in we will have something for you.

- 2 -

H.M.JR: What else?

MR. BELL: I have a couple of letters I would like to have you sign. That is in connection with that donation you signed the other day.

(Letter addressed to A. F. Whitney, President, Brotherhood of Railroad Trainmen, Cleveland Ohio; and letter addressed to Mr. Robert A. Lovett, Assistant Secretary of War for Air, signed by the Secretary.)

MR. BELL: When I rode to the airport, I think a week ago Friday, I gave you two letters, one from Leffingwell and the other from Eccles. I think your office is inquiring what I have done with them. Do you remember them? You took them to the farm that week end. The one from Leffingwell hasn't been acknowledged.

H.M.JR: Do you want the Leffingwell letter?

MR. BELL: If you will let me have them, I will acknowledge them. The one from Eccles was on that Chicago situation.

H.M.JR: Oh, yes, you have a suspicion it is here. I have a suspicion you are right. (Laughter)

MR. BELL: I am just raising the question. I think they are there, though.

H.M.JR: What else?

MR. BELL: That is all.

H.M.JR: Norman?

MR. THOMPSON: I have a deferment case, thirty to sixty days, for Mr. Melcher in the Educational Section of War

- 3 -

Savings. They would like to keep him on long enough to finish up some important projects and to train a replacement. I should think we might give him the short period.

H.M.JR: Well, I am having a - I don't want to take the time. Will it go until tomorrow?

MR. THOMPSON: Yes.

H.M.JR: I put down White, you and Gaston for tomorrow on deferments.

MR. THOMPSON: We have completed our negotiations with the Bureau of the Budget on decentralization of Internal Revenue. We only moved about three hundred people out of Washington from that bureau. We still have Narcotics and Customs and Foreign Funds that we are negotiating on. We will probably do those this week. That is all.

H.M.JR: You are taken care of?

MR. BELL: Yes. I don't know whether you read in the Times this morning that A. Manuel Fox died in China.

H.M.JR: I just saw it. I feel very badly about it.

MR. BELL: Very sudden.

H.M.JR: Does anybody know anything about it?

MR. SCHWARZ: Harry is going to give us a memorandum which I was going to suggest you might make use of at four o'clock and pay a little tribute to him.

H.M.JR: What about his wife?

MR. WHITE: I heard about it yesterday. The State Department received a cable, and I think they tried to get in touch with me yesterday morning, apparently couldn't, and got in touch with Currie. Currie got in touch with me, and I got in touch with the family.

- 4 -

H.M.JR: Anything I can do?

MR. WHITE: No. I think you might want to write a little note. We are finding out from the State Department what is done under those circumstances officially. We haven't heard anything yet.

H.M.JR: I don't think a note means much. I would like to call on her when she is ready.

MR. WHITE: She is not here; she is in New York.

H.M.JR: Why not write a letter for me, which I will sign, and say that when she comes back I would like to call on her.

MR. WHITE: All right.

H.M.JR: Then find out if there is anything about his finances, anything we can do to help her any.

MR. WHITE: I don't think there is, but I will find out.

H.M.JR: Will you?

MR. WHITE: Yes.

H.M.JR: Harold, how many nights did you sleep on a train?

MR. GRAVES: About four, I think.

H.M.JR: Is that all?

MR. GRAVES: Oh, more than that, maybe five or six.

H.M.JR: Now listen, you didn't go to the West Coast and back taking locals all the way and not--

MR. GRAVES: Eight. We had some trouble, or it wouldn't have been that bad. There were heavy rains out in the Middle West. Our train was fifteen hours

- 4 -

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MR. WHITE: She is not here; she is in New York.

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- 5 -

late getting to Chicago yesterday.

H.M.JR: Did you go out and thank the man?
(Laughter)

MR. GRAVES: So that accounted for one of those days.

H.M.JR: Where were you all the time?

MR. GRAVES: West Coast. I was at the Rose Festival in Mr. Gamble's town of Portland, three days in Los Angeles, came by Salt Lake and Denver.

H.M.JR: Do you really feel pretty well?

MR. GRAVES: I feel fine.

H.M.JR: I think you bond men might stay behind a few minutes after. I have a couple of things that I would like to talk to you about.

Chick?

MR. SCHWARZ: Nothing.

MR. WHITE: Nothing.

H.M.JR: George?

MR. HAAS: I was glancing through the files of replies you got when you wrote to these companies asking them to discontinue the new orders. There are several letters I think you would enjoy reading.

- 6 -

H.M.JR: George, I want you to stay behind, too. I want you to get me some figures, and Bell, also, please.

Peter?

MR. ODEGARD: Nothing.

H.M.JR: Kuhn?

MR. KUHN: Nothing.

H.M.JR: Kuhn, there are five reels I know - I want one for Halifax to send to the King. How about the other four?

MR. KUHN: I sent four up to him, because the various ministries in London were interested and wanted to see those.

H.M.JR: Any note from me with them?

MR. KUHN: No, there was only the note to Halifax.

H.M.JR: How will they know that they come from me, the other four?

MR. KUHN: Because RAF people here will tell them so. They are the ones that are flying them over. They want the chief of the air staff to see them, particularly, because he was responsible for this thing.

- 7 -

H.M.JR: Who else gets one?

MR. KUHN: I think the Minister of Information will get one, and I don't know who else.

H.M.JR: Well, the bond people over there - I wanted them to have one, their war bond people.

MR. KUHN: That can be arranged.

H.M.JR: I mean, how many did you send up?

MR. KUHN: Four.

H.M.JR: One was for the King.

MR. KUHN: That is right, three for these ministries.

H.M.JR: One is air, one is information; what is the third?

MR. KUHN: I don't know whether - I think the military people.

H.M.JR: Do you want to find out? Those war bond people sent us a reel.

MR. KUHN: There isn't much war bonds in those first reels. The war bonds would be in later ones.

You might want to see what a leading German-American city did about these boys who have been bombing Germany. (Mr. Kuhn handed the Secretary a newspaper.)

H.M.JR: That is the Milwaukee Journal; that happens to be a good paper.

MR. KUHN: There is more on the yellow page.

H.M.JR: A very good paper.

MR. SCHWARZ: That is the one that Lucius Nieman founded.

- 8 -

H.M.JR: That is very nice. Anything else?

MR. KUHN: That is all.

MR. BELL: The OEM apparently has gotten out a film called "Keep 'em rolling." They were showing it to the ambassador Friday night. Mrs. Bell saw it, and she said she has never seen an audience so enthusiastic about a film. They just clapped and hollered after the thing had finished, and there is a line in there about War Savings Bonds. It gives the industry, the tanks rolling off the line. She said it was very interesting.

MR. KUHN: It is a film about the song, "Keep 'em Rolling," and the film tries to get the audience to sing the song with them.

MR. BUFFINGTON: Could I have five minutes today or tomorrow? I would like to go over this list of executive managers with you.

H.M.JR: Ask Stephens, will you? What else?

MR. BUFFINGTON: That is all.

H.M.JR: Leaving out the executive managers, do you know any place now where the War Savings Bonds are not getting the cooperation from the bond men?

MR. BUFFINGTON: I don't know that they are using it in all sections. Mr. Space from Atlanta is in my office now. There are two States and part of four others involved, and the State administrators from two States have checked with Mr. McLarin and said they didn't need help now. He had not heard from the other four State administrators, but generally I think they are cooperating perfectly.

H.M.JR: Anything else?

MR. BUFFINGTON: No, sir.

H.M.JR: Edward?

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MR. FOLEY: I talked to Judge Rosenman on Saturday morning. He called up and he said that he had spoken to Milo Perkins, and couldn't get hold of Oppenheimer.

H.M.JR: Will you speak louder? I can't hear you, and neither can the operator hear you.

MR. FOLEY: Judge Rosenman had ~~had~~ spoken to Milo Perkins. He hadn't been able to get hold of Monroe Oppenheimer, the counsel for the Board of Economic Warfare.

H.M.JR: Could I just interrupt. Was Oppenheimer an old Washington Government man or somebody new?

MR. FOLEY: Yes, he was general counsel for the Resettlement Administration when General Fleming was over there after Tugwell had had so much trouble.

MR. BELL: A good man.

MR. FOLEY: He is a good man and our fellows know him. They always get along very well with Oppenheimer, as Harry does with Milo. We have had no trouble, and I don't think we will with this agency insofar as this order is concerned, and we - we have got it ready and are sending a copy up to the Judge in his chambers and he will be down again on Thursday. In the meantime, we are going to try to have a meeting before he gets back here to see if we can't get together.

As a matter of interest, although it is no longer of any concern to the Treasury, an order was entered in New York last week directing the payment of some four million two hundred thousand dollars, with interest, in connection with the new post-office site up there, so the Government won that case of specific performance against the City of New York. Judge Clark entered the order requiring specific performance.

They said since the agreement didn't envisage the cost of the demolition of the building that cost was

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to be borne by the Government, but the cost of the acquisition of the Vesey Street post-office site, together with interest from the date of the settlement, was to be borne by the city.

H.M.JR: Should I write a little letter to Fiorello enclosing a blank check? (Laughter)

MR. FOLEY: It isn't our business any longer. It is the Federal Works Agency, but I thought you would be interested to know that.

On this Blackmer thing I sent to the Bureau a memorandum asking them to look into the matter and to let me know what could be done insofar as getting hold of those funds is concerned.

H.M.JR: But how about the publicity?

MR. FOLEY: And the publicity, let me look into it a little.

H.M.JR: I don't want a memo. If we want it, let's have it this afternoon at four o'clock.

MR. FOLEY: I will see what I can get up for your press conference at four.

H.M.JR: I mean, I sent it over to them because it was Foreign Funds and I wanted particularly to bring Foreign Funds to the President's attention, and if you give it to me write it this way; "The Secretary of the Treasury announces that Foreign Funds in their work" - throw in a few bouquets for Foreign Funds. See? Have Crowley write it for you. (Laughter)

But seriously, I was doing it just for that, and I sent your memorandum to the President as you wrote it to me, also to leave a good taste in his mouth. So evidently he liked it, so let's--

MR. FOLEY: ... follow it up. All right.

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H.M.JR: I am calling on you to tell me how to do it. What are you going to do with that memo?

MR. FOLEY: Bring it back with the memorandum.

H.M.JR: All right. Anything else?

MR. FOLEY: No.

H.M.JR: John, I am seeing you and Paul--

MR. SULLIVAN: Who?

H.M.JR: You asked for an appointment about the Board of Tax Appeals--

MR. SULLIVAN: You mean the Processing Tax Board of Review. That is a memo on the Friday meeting--

H.M.JR: Was that interesting?

MR. SULLIVAN: ... over at McNutt's. The interesting part of it is that of the present unemployed employables in the country of about a million seven hundred thousand, almost twenty-five percent of them are in New York City alone, and this was an effort to get more war contracts for New York City. The meeting lasted about two hours, and everybody was very anxious to help; but there wasn't any discussion about anything the Treasury could do to help out in the matter. It is largely a matter of Army, Navy, Maritime Commission and WPB.

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H.M.JR: Incidentally, if anybody is interested in Paul V. McNutt, I suggest they read the article on him in last week's New Republic. Has anybody read that?

MRS. KLOTZ: No.

H.M.JR: Read it. It is very interesting. It gives all the speeches he has given in the last three months, lists them, what he said, and what he hasn't done. It is very interesting. You take the New Republic, don't you?

MRS. KLOTZ: Yes.

H.M.JR: Anything else?

MR. SULLIVAN: Yes, sir. The Commissioner and I may have to see you this afternoon. The type of withholding tax that was recommended Friday is something that just cannot be worked, and he feels very keenly about it, and has a memorandum prepared to submit to you.

H.M.JR: For the record, the first I knew of that type of withholding tax was when I saw it in the paper. I was not consulted.

MR. SULLIVAN: Also for the record, Mr. Secretary, when I saw it Saturday morning I called the Commissioner and wondered why he hadn't mentioned it to me. He was pretty provoked and wondered why I hadn't mentioned it to him, and neither I nor anybody in the Bureau--

H.M.JR: Can I join the club?

MR. SULLIVAN: You are a member of the club, and we called up on the Hill--

H.M.JR: I hope I am right.

MR. SULLIVAN: ... and the committee--

H.M.JR: I hope I am right - I think I am right.

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MR. SULLIVAN: The committee adopted this ten percent thing Saturday morning, Mr. Secretary.

H.M.JR: Well, I am ninety percent sure I never heard of it - I mean, that device.

MR. SULLIVAN: It just won't work under this system.

H.M.JR: There is no use seeing you fellows without having Paul here.

MR. SULLIVAN: No. Well, you see, we haven't had a chance to see Randolph.

H.M.JR: Would you mind doing this? To save me a little wear and tear, why don't you and the Commissioner have a trial run with Randolph?

MR. SULLIVAN: We have already arranged for that.

H.M.JR: And then after you have seen him, come and see me. I will fix a time after you have had your trial run.

MR. SULLIVAN: Yes, sir.

H.M.JR: And then I thought on the fifteenth of May you were going to have something on these - what do you call them, these organizations that don't make returns, I thought by the fifteenth of May you were going to have--

MR. SULLIVAN: Fifteenth of May was the date when they filed their returns.

H.M.JR: When are you going to have something?

MR. SULLIVAN: We have been going through them now. The Department of Justice just got over to us Friday afternoon the list they wanted investigated.

H.M.JR: Only Friday?

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MR. SULLIVAN: Yes, sir. They had talked with me on the phone many, many times, but the list finally got here Friday.

H.M.JR: Then you got heat on that?

MR. SULLIVAN: Yes, sir.

H.M.JR: Then the other thing - when are the thirty days up on those seven companies I took up on the Hill?

MR. SULLIVAN: We will be able to do that the latter part of the week.

H.M.JR: You mean the thirty days will have expired?

MR. SULLIVAN: Yes.

H.M.JR: And when will there be new ones?

MR. SULLIVAN: The new ones are coming in all the time.

H.M.JR: When do you want to have a session with me and explain them to me?

MR. SULLIVAN: When I get something that justifies your spending your time on it. The things we are getting are in little companies, and it isn't the type of thing we are looking for.

H.M.JR: Anything else, John?

MR. SULLIVAN: That is all, sir.

MR. KUHN: Did you see the labor papers on those, the seven companies, Mr. Secretary?

H.M.JR: I have got them here. I took no work with me.

MR. KUHN: They gave it a very good play, the best I have ever seen in a labor press for a Treasury job.

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H.M.JR: I took nothing with me over the week end. Whatever the heat was here, I will raise you at least ten degrees where I was.

MR. GASTON: ~~It~~ It was ninety-three yesterday; that was the top.

H.M.JR: The official was ninety-seven in Charleston.

MR. GAMBLE: I would like to tell you that Dr. Myers reported for work this morning. He is going to be here for a couple of days in case you would like to see him. He is going to be here this trip a couple of days.

H.M.JR: Well, I tell you, let's say eleven o'clock tomorrow morning.

MR. SULLIVAN: What time is my appointment?

H.M.JR: This isn't up to date. He has it - Stephens has it. I gave it to him.

MR. SULLIVAN: I will ask him.

H.M.JR: Herbert?

MR. GASTON: Nothing.

H.M.JR: You had better stay behind on this War Bonds, too.

MR. WHITE: Are you going to have an opportunity to look through some of those memos that you might have looked at over the week end? If not, I would like to raise something here. There is one--

H.M.JR: That doesn't - it may be English, but I don't understand it, Harry. Eleven o'clock tomorrow for Gamble and Dr. Myers.

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MR. WHITE: Well, I will resort to the King's English. There is a memorandum on that which I had sent to you that included the report of the conclusion of the subcommittees which met a couple of times relating to the International Stabilization Fund. It calls for some action on your part.

H.M.JR: You had better arrange to see me through Stephens.

I also read a very interesting article in The Nation last week. For anybody interested in what kind of a peace, by del Vayo, the Spaniard, I recommend that, also.

MR. GASTON: Not Del Rio?

H.M.JR: Del Vayo.