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Operator: Go ahead.
HMJr: Hello.
William C. Bullitt: Hello, Henry.
HMJr: How are you?
B: Fine, how are you, sir?
HMJr: I'm alive.
B: Good for you. Do you happen to be free for either lunch or dinner? I invite you for both of them, sir.
HMJr: Well, that's very sweet of you, but I happen to have guests at both....
B: That sounds bad.
HMJr: I've got three guests for lunch and two for supper.
B: No, it's all wrong.
HMJr: What?
B: It's all wrong. We must get together sometime.
HMJr: I wish we would.
B: I'd like to - Henry - I want to let you know that I've taken on a new job anyhow.
HMJr: Oh, really?
B: Yeah, and I thought I'd like to tell you about it.
HMJr: What is it?
B: Well, it isn't anything but as the work is of the highest conceivable interest, I'm coming over - I'm setting in the Navy at the moment.
B: Yeah.

HMJr: Well?

B: And I'm - I'm on some work here which really pleases me intensely because it's direct war work, no more nonsense.

HMJr: Oh, that's....

B: I finally managed to get released yesterday from my noble title of Personal Representative of the President with the rank of Ambassador for All Countries, which is utterly meaningless since there's not enough work.

HMJr: Yeah.

B: So I got out of that yesterday, and I'm over here now in the Navy.

HMJr: The Navy.

B: Yes, sir.

HMJr: Well, try me again, Bill.

B: Well, Henry, are you going to be - I'd like to drop over and see you for thirty seconds. Or you're probably all tied up all day?

HMJr: Well, I tell you today's a... wicked day but tomorrow isn't.

B: Why don't you stop in and have dinner with me tomorrow night?

HMJr: Well, Elinor's here with me.

B: Well - we - Elinor, of course.

HMJr: Elinor's here with me.

B: Well, of course - Elinor. You don't think I'm inviting you for dinner without Elinor?
HMJr: Well, could I ask her, then call you back?
B: Swell, swell. I'm at the Navy at Extension 61678.
HMJr: 6...
B: 16...
HMJr: 616...
B: 78...
HMJr: 78...extension, the Navy.
B: That's right.
HMJr: Ah, I'll speak to Elinor and I'll call you back.
B: Fine. You like to dine early, don't you?
HMJr: Well, do you call 7:30 early?
B: Any time that suits you.
HMJr: Quarter of eight?
B: I don't care what time we dine - seven-thirty, seven o'clock, any old time.
HMJr: Well, I think quarter of eight would be good.
B: All right, quarter of eight.
HMJr: Does that suit you?
B: That's fine. 3030 Cambridge Place.
HMJr: 3030 Cambridge Place.
B: Yeah.
HMJr: I don't know what Elinor has on but I'll ask her.
B: That's bully, Henry.
HMJr: Thanks.
B: So long.
June 23, 1942

Lord Halifax called on me and said that after
the conversation with me, Oliver Lyttleton wrote notes as to
his ideas and he would read from Lyttleton's notes to me.

That the information I had given to them at
lunch about Monnet, and subsequently through Stopford, they
hoped was unofficial and not official, because if it was of-

ficial they would have to have like a trial of Monnet. So
I said of course it was unofficial. And that Lyttleton
had sent for Monnet and very closely interrogated him and,
after doing so, had come to the conclusion that Monnet was
all right. (I could have forecast this, because I knew
they would do nothing about Monnet.)

Then he made a remark that irritated me a little
bit. He said he hoped that there would be no gossip spread
about Monnet. So I said I could assure them there would be
none here, but I was very sorry that Oliver Lyttleton had seen
fit to interview Monnet without first getting my permission,
because Monnet would surely know where Lyttleton had gotten
his information and that I had gotten this urgent call from
Ambassador Bullitt today to have a meal with him and I was
confident, now that I knew about Lyttleton interviewing Monnet,
that Bullitt's invitation was instigated on behalf of Monnet.

Halifax does not always get things straight or
his memory does not seem very good, because he said well, I
had talked to Hopkins about Monnet; he was sort of worried
I might talk to other people. I said "No, you have got that
wrong. Lyttleton told me that Hopkins had said that Morgen-
thau had suspicions about Brand, but nothing about Monnet." 
He said that was right. "Well, did I have any objections
to his talking to Hopkins?" I said "None whatsoever." Well,
did I think that Hopkins was discreet? "So I said, "Well,
he's walking around with enough secrets in his head so I am
sure he must be discreet."

(Of course, some of these things that Halifax
asked me may not be failing memory, but may have been just
trick questions, but I certainly left no doubt in his mind that there would be no leaks here, but if Monnet started talking that there could not help but be leaks.) Well, he was going to send for Monnet and tell him not to talk.

Of course, now that Lyttleton has interviewed Monnet, the fat is in the fire.

He told me that about a year ago Air Marshal Harris was disturbed about Monnet and complained about it and at that time he had gone around and asked various people and he said that Arthur Purvis had come to the support of Monnet, which surprises me.

After all, after Lyttleton told me that he had employed Monnet to negotiate the purchase of some stock of a German metal company, I never for a moment thought that they would do anything about Monnet.

So Halifax said, "Well, I suppose in your mind it leaves the thing in an unsatisfactory condition" and I said, "Yes, it does, but," I said, "we are certainly going to continue our investigation and if we find anything concrete I will let you know." What I did not tell him, because I would not tell him anything I did not want repeated, was that we may have a criminal case against Monnet on his tax returns and it will serve these English big business men and high nobility, like Halifax, right if ever, having warned them about Monnet, this criminal case breaks.

One thing that Halifax said that amused me -- Air Marshal Harris complained about Monnet because he had not declared himself for De Gaulle, so Halifax said, "Well, neither has the United States," which I thought was rather silly.
WAR BONDS

Present: Mr. Haas
Mr. Tickton

H.M.JR: Did you have a chance to read that stuff?

MR. TICKTON: Yes, sir, I read these three, Odegard's memorandum and two of Gamble's.

H.M.JR: Let me give you a little background. I didn't have a chance to read it, and I am not too hot. I have one of my bad headaches. The thing that took place in this room - I can't remember whether George Haas was here or not, but I said I wanted to stop this pledging business and get a sales business; and I had a hell of a row, one of the worst I have ever had, and Odegard and the other boys and Gamble went out. They said, "We have come back now, Mr. Morgenthau; we have got what you want; we have got a sales campaign." See? They were going to sell. Well, in reading their original memorandum - just summarize it for me - what did Gamble say the new plan was?

MR. TICKTON: On that basis there are two important points that he said. One is that an agreement would be obtained that was "tantamount to a firm purchase of Bonds on a regular basis." That phrase goes through each one of these three memoranda, "a firm purchase of Bonds on a regular basis."

H.M.JR: Where is that?

MR. TICKTON: That is not what you have right now.

H.M.JR: This is--
MR. TICKTON: This is what he sent you on the twentieth, excerpts from the other one, "for signature to an agreement tantamount to a firm purchase of Bonds on a regular basis. In instances where these persons have bank accounts, this purchase agreement could amount to an order on their bank for the purchase of 'X' bonds."

Now, this is the guts of these three memos.

H.M.JR: Right here, and none of those things are true?

MR. TICKTON: Those things are not true at this moment.

Now, down here he says, "Arrangements would be made with the issuing agency to follow up the purchase agreement. In cases where this did not result in a consummation, a report would be received by the local War Savings office and a call-back would be made." That cannot happen as a result of this present arrangement because each one of those three postal cards that I showed you goes to everybody, whether or not he buys a bond, and there is no record maintained as to whether I actually buy the bond after I sign it. They can't make that record; they haven't made any arrangements to make it. So this sentence here, that is not true, "in cases," and so forth. That is, the present campaign as they have it organized and as they explained it in New York, does not call for this. This sentence is in each of these three memos.

H.M.JR: What do you mean, each of the three?

MR. TICKTON: That is in each one of the three.

H.M.JR: Is it the same?

MR. TICKTON: It is the same kind of approach, except Odegard doesn't like house-to-house campaigns; he thinks that is terrible.
H.M.JR: Well, Odegard said yesterday - did he say that in his memo?

MR. TICKTON: He said in his memo that he wants it through the businesses and not house-to-house campaigns. He thinks those are the - the Fuller Brush man idea is terrible because people are naturally antagonistic to Fuller Brush men because of their long experience with them.

H.M.JR: Now, how does he explain that, Ted Gamble, that he doesn't do this?

MR. TICKTON: He doesn't explain it; he says his New York campaign is a little better than this. He says it is better because he has three follow-ups, but I brought you especially these three follow-ups, because, to my mind, they represent a very gentlemanly type of follow-up. They don't dun you; they don't force you into anything. They just say, "We are writing you in connection with these things." They don't say, "You promised to do" thus and so. This is the height of a voluntary campaign. I mean, it is extremely voluntary, so voluntary that all we do is remind you that you signed a pledge; we don't remind you that there is a war on and that, by gosh, you have got to fulfill this pledge.

H.M.JR: Now, I am going to have them in in a minute or two.

MR. HAAS: I have got one thing which I think is quite important. You probably are thinking about it. In the Senate, if George comes out with this plan of bonds up to fifteen percent, my hunch is that you are going to be seriously questioned again. I would like to see the voluntary program continue because I think it has some extreme advantages in a democracy, that you recognize, but something more of an inducement will have to be put on than salesmanship, it seems to me.

I think you should have a counter-proposal ready to meet some of these other proposals that come in. There
are several ideas floating around, but they have to be worked down, to be perfected, and I think that if you had Paul - have a committee around the Treasury - I don't want to be chairman of the thing - because, if it is acceptable to you, they will have to put it across up on the Hill. I would just as soon be the devil's advocate, have Paul chairman, and get White in, so you will have an alternative.

H.M.JR: Well, don't let's do that this morning.

MR. HAAS: I am just giving it to you; I thought you might want to talk to Randolph.

H.M.JR: No, but don't let me forget it, but I don't want to get side-tracked on that this morning, because I have got one other thing before I send for these people. Keep after me, because that won't come until we get over to the Senate.

MR. HAAS: They need some time - should be working on it.

H.M.JR: All right. Will you keep after me? Let's just leave this a minute, and let's go to pay-roll deduction. See? I haven't been following this thing chart-wise as close as I should - see what I mean?

MR. TICKTON: I wrote for - you asked Mr. Graves for a memo yesterday afternoon. I wrote it last night. Incidentally, we have some charts in the chart room that I would like to have you take a look at.

H.M.JR: On pay-roll deduction?

MR. TICKTON: Yes, which you have never had a chance to study, and some new charts on sales which we propose to keep up every day. On pay-roll deductions, I wrote the memo last night. I can tell you what I had in it. The average deduction during the month of May was around nine dollars and nine cents per person. There were approximately--
H.M.JR: That is up?

MR. TICKTON: It is up - it is moving up. That is, after all, these big campaigns are having some effect on the figures. It takes - I was cautioned to point out, and I will, that there is a lag; that is, the General Motors campaign in the first week in May doesn't show up on the figures until maybe July, because people signed and then after they signed you have got to go through the mechanics of deducting. Sometimes it is two or three weeks before they make the book entries, but be that as it may, you move up slowly. It runs nine, nine, and you have around fourteen million persons who are actually having money deducted, that is, on the average, so that your deductions during the month of May were approximately a hundred twenty-five millions and sales of bonds were something in the neighborhood of ninety-five millions.

For the month of June, this current month, it will continue to go up a little bit, and I estimate it will run something in the neighborhood of one hundred fifty million worth of deductions and one hundred twenty-five million worth of bonds.

Gamble feels that the sales, increase in the sales of May over April, should represent more pay-roll deductions than they do. That is, the increase in bonds was only around twenty-five or thirty in May, but there were other increases in purchases apparently. That is, a lot of other people are becoming interested in this campaign who are not under pay-roll deduction.

The maximum number you will probably ever get on pay-roll deduction will probably be between twenty-five and thirty million. In order to get five hundred million dollars, which is Gamble's goal, from thirty million people, you have got to have them deducting seventeen dollars a month apiece, and that, compared with nine dollars and nine cents that we now have, is a long way to go. It has moved up in the last three months.
H.M.JR: From what?

MR. TICKTON: From seven, thirty-one, which we had in February, I guess, to nine dollars and nine cents in May. It will go up probably just as a result of these current campaigns, like General Motors, to ten dollars and some.

H.M.JR: How many people three months ago?

MR. TICKTON: Three months ago there were around seven or eight million people. The number of people participating has increased rather sharply over this period, but in order to increase the deductions, you see, everybody has got to take out at this higher rate; and as new people come in, they take out primarily at a lower rate. That is, your new people are your lower-paid working class who come in, but instead of taking off ten dollars apiece they only take off four or five apiece. There are a great many non-defense industries, people who have not gotten the benefit of higher wages yet, and those people are not deducting anywhere near ten dollars.

For instance, take banks - I get a lot of reports from banks, and I find they average four or five dollars apiece.

H.M.JR: You mean bank clerks?

MR. TICKTON: Take Mr. Madden's bank - they average five dollars apiece.

H.M.JR: Well, take a shipbuilding company.

MR. TICKTON: Shipbuilding companies are averaging twelve and fifteen dollars apiece, but there aren't enough people in the shipbuilding companies that are taking out fifteen dollars apiece to--

H.M.JR: I think we ought to show this to get the good and bad points. I think we ought to show this somewhat by industry. We ought to show that for the
country fourteen million people are doing nine dollars plus, but I think to show in the shipbuilding so much, airplane so much--

MR. TICKTON: I sent you three tables last month that had shipbuilding in one, airplane in another, and I don't know the third - railroads was the third. Railroads, for instance, are down. Railroads have not witnessed any increase in wages to speak of. They had this three hundred million, but it doesn't amount to very much.

H.M.JR: I think the President would be very much interested if you did it by industry because the thing that everybody wants is to be sure that these full war-time industries who have these big increases are coming along. I think, for instance, another group - I think what the Navy Yards are doing - does that show up at all, the Navy, civilians?

MR. TICKTON: The Navy shows up - we get special reports from Commander Eubank that show what his people are doing. That is, he has a monthly report. The trouble is, it is kind of late.

H.M.JR: Is he over in the Treasury?

MR. TICKTON: He is in the Treasury; he is down in Gamble's old office. I met him on the street this morning and asked him when he was going to give me some reports on what the Government employees were doing, but as you know, the Government employees are relatively behind. That is, the Treasury plan is in full operation, but you can't say as much for, say, Commerce or Interior or any of the other departments. They aren't in operation. That is, I think it is only the Army, the Navy, the Treasury, and there was Works Progress and FDIC the last time I heard, that had plans in full operation.

H.M.JR: That is terrible.
(Following record taken in the chart room.)

MR. TICKTON: This is a daily chart on Savings Bonds, and it shows the quota. (Chart entitled "All Series War Savings Bonds, Cumulative Daily Quotas and Sales, June 1st to Date"). This is up through Saturday, by Federal Reserve Districts. This is the quota, and this is what they sold (indicating). In other words, this is the daily quota adjusted each day, moves forward each day, and there is the sales. This is how far they have to go. I hoped to have this for you last week when some of these districts were ahead of their quota, but time marched on and the sales didn't.

H.M.JR: Which is blue?

MR. TICKTON: Blue is quota; red is sales. The only geographic breakdown we can get conveniently during the month is Federal Reserve Districts. You can get a very good idea because the important ones are relatively concentrated. This is all series.

New York, quota up through the twentieth, one hundred and twenty-five million, and their sales, eighty million. This is on all series. Richmond and Atlanta are right on the quota, and the reason for Richmond, I can explain, is because of the Navy Yard at Norfolk; and Atlanta because they have a small quota. They are doing all right down there.

This is all series here. Chicago is ahead because of the Detroit operation. Frank Isbey's crowd in Detroit and the Detroit high wages are combining to give you progress in Chicago. Total down here is, quota, five hundred and some million, and your sales are four hundred and some.

Now, on that side you have E and on that side you have F and G, and you can follow right along. There is Boston on top.
On E, here again New York is down and Chicago is far ahead. The fact that Chicago is ahead over here is due entirely to this E situation, because when you come over here Chicago is behind on F and G, like everybody else. Everybody is behind on F and G. On E San Francisco is behind. That is, the shipyards on the West Coast and the airplane companies have not brought sales this month up ahead of the quota. In the San Francisco area it should have brought them ahead of quota because those same shipyards were there last year, and we based this quota on their operations last year.

Now, the theory of this chart is that every day we bring it up to date. It is one day later than the sales figures you get now because it has to be broken down, but at any time that the situation changes - that is, if this quota should move forward this far and sales stay still, of course your relative position would change.

The New York figure here and there and there, all three, represents the New York State, one county in Connecticut, and a few counties in northern New Jersey; but it is primarily New York.

MR. HAAS: On F and G, Dallas is ahead, and St. Louis is about even; Atlanta is a little ahead.

MR. TICKTON: When you get into big money they fall behind.

H.M., JR: What is this?

MR. TICKTON: With all the operations in the various States, this still points out there are a lot of firms who don't have the pay-roll savings plan. (Indicating charts entitled "Progress of Payroll Savings Plans for War Savings Bonds" and "Payroll Savings Plans for War Savings Bonds, by States".)
They have relatively a small proportion of the employees; that is, there are this many firms and this number of employees, but still throughout there are a lot of firms in this country that don't have pay-roll savings. It is mostly small firms, but it is those firms that you can't reach through your big firms; in other words, these restaurants and dry goods stores, and what not, they have lots of employees. These (indicating) are between a hundred and five hundred. Some of those employees are trying to get in on this pledge campaign.

MR. HAAS: There you can see the summary.

MR. TICKTON: That is the summary (indicating). Each State has a bar, and the gray part of the bar shows those that don't have the plan. This is only firms over a hundred.

H.M.JR: What is the gray?

MR. TICKTON: The gray means those that don't have the plan. That is number of firms.

H.M.JR: What is that again?

MR. TICKTON: Do have the plan; don't have the plan (indicating).

MR. HAAS: Mr. Secretary, the theory is the panel number is given there. This is really an index. For Alabama, you look at panel five - they are all numbered.

H.M.JR: Well, I think the thing is that I would like to get, if you could, in here some charts, so I could study them with you. We have lots of room. I want the charts by industries.

MR. TICKTON: By industries, all right.

H.M.JR: And then as against that--
MR. HAAS: You want the percent.

H.M.JR: No, I would like to show the industries which in the last year have gotten the biggest increases in wages. For instance, I don't think steel has got the dollar increase.

MR. TICKTON: Some of the others have.

H.M.JR: Let's go back over the twelve months, would you, or six months - what would you go back?

MR. TICKTON: A lot of them only six months because they will be converted.

H.M.JR: I think if you started on the first of January, who has gotten the big increase in wages. Well then, if you could do this - I mean, you can just take wage increases by the important industries. Then I can say, "All right, Harold, here somebody has the most; quit fooling around with" - well, some industry, railroads - "quit fooling around with that industry but concentrate on airplanes", if that is a high-wage industry.

MR. TICKTON: It is, but the trouble is that the airplane companies are doing relatively good compared with the railroads, who are only contributing four dollars apiece.

H.M.JR: Now, wait a minute, I have got to go before a committee and say, "Now, look, gentlemen, you say there is inflation and you want to reach the people who have got the greatest increase in wages. Those people can afford it the most. Now we have concentrated on it, and that is where we started. We do it in the order of the people who have got the increases. Here is an industry which has the most. That is number one. This is the way we are going to work, and the industry that has gotten the greatest increase in wages we have gotten."
Now, what have we done in that industry? Then we go to the bottom - the sharecroppers are at the bottom, or something else. But I mean I go to the President - I am thinking out loud.

If I could say, "Now, Harold", the way he says there are ten States that have got sixty percent of the thing - but if I could show and direct him, that the industry that gets the highest increase in wages we go after first on the pay-roll thing.

I need some figures, and I ought to have - I mean, give me the figures first and the charts afterwards.

MR. TICKTON: That is right.

H.M. JR: Will you add that? Don't you think that is a very good point?

MR. HAAS: I get it. In other words, you have to work up a brief on it, and that is the progress you are making.
It is recommended that, in all States where the Pledge Campaign has not been started we abandon this activity as such; that we utilize the organizations that have been conceived for this work wherever practical to solicit all of the remaining 16,500,000 people (except in the armed forces) for signature to an agreement tantamount to a firm purchase of Bonds on a regular basis. In instances where these persons have bank accounts, this purchase agreement could amount to an order on their bank for the purchase of "X" bonds. In other instances, and it is believed that the higher percentage of them will not have bank accounts, it is suggested that these persons indicate the issuing agency that they prefer to use for the purchase of their Bonds. This would be any one of the followings: banks, post offices, building and loan and savings and loan associations, investment banks, insurance companies, pay stations, etc. These orders would be signed in triplicate; the original going to the issuing agency so designated by the signed order, a copy remaining with the signer, and the third copy to the War Savings Staff. Arrangements would be made with the issuing agency to follow up the purchase agreement. In cases where this did not result in a consummation, a report would be received by the local War Savings office and a call-back would be made. Where the pledge organization as such would not be available or practical for this work or where the Pledge Campaign had been completed, our War Savings Committees would be extended for
this solicitation. Such extension would provide for workers repre-
sentative of these groups to take care of the actual contact.
The farmers would be reached through the U. S. Department of
Agriculture Local War Boards, AAA, Dairy Associations, etc.;
professional groups through medical associations, teachers'
unions, dental associations, etc.; self employed and small firms
through retailer groups, commercial clubs, salesmen, delivery
men, etc.; dividend groups through American Institute of Banking,
etc.
June 23, 1942
10:00 a.m.

WAR BONDS

Present:
Mr. Graves
Mr. Kuhn
Mr. Odegard
Mr. Gamble
Mr. Haas
Mr. Tickton
Mrs. Klotz

H.M., JR: There are two things that I wanted to talk to you about quietly.

Could I have this thing that you studied for me last night? (Memorandum handed to the Secretary by Mr. Tickton.) That is this, to go back again to the New York pledge campaign - I mean, I am not trying to make a record, but I do have to - I can't be following through every single minute, and it is important from my standpoint, what did you people recommend to me, and then where we are at.

The original recommendation - I had Tickton go through this thing. It is Gamble's, I understand, and is more or less the same thing as Odegard's.

The recommendation: "wherever practical to solicit all of the remaining 16,500,000 people for signature to an agreement tantamount to a firm purchase of Bonds on a regular basis. In instances where these persons" - that is "tantamount to a firm purchase of Bonds on a regular basis." No one would call New York pledge campaign that. I don't, at least. I don't think you do, do you?

MR. GAMBLE: Well, with some reservation I do.
H.M.JR: With great reservation. "In instances where these persons have bank accounts, this purchase agreement could amount to an order on their bank for the purchase of 'X' bonds." Well, there is no such thing, and the follow-up cards, these three follow-up cards - just let me run through what I have in mind - very wishy-washy, just slap a person on the wrist, and so on and so forth.

Finally, "In cases where this did not result in a consummation, a report would be received by the local War Savings office and a call-back would be made." Of course that isn't included, either. So the conclusion that I arrive at, very quietly, is that the things that we set out to do in this memorandum, and I think Odegard's was more or less the same except that he didn't want a house-to-house campaign, we haven't accomplished and won't accomplish in the two weeks.

Now, what are we going to do about it? The thing that I think that we ought to do - I see by the papers they are going to be through Sunday - is to tell Madden - I don't know just how to do this - that what he had in mind, what he set out to do, he has done very well, but this isn't where I want to leave it. It isn't what I have in mind, and what I would like to try to do with these millions of pledges that we have there is to convert them into sales, you see.

So therefore, I mean, if we had accomplished in New York what is in this memorandum it would be fine; but we haven't. At least I don't think we have. I think we are a long way from it.

So these block tests that I asked for yesterday, I think they are more important than ever, and I am not - until I get those block tests I will sit back and wait, but the sooner we can get those the better.

MR. GAMBLE: Madden wants to do them next week. His reasoning, I think, is very good. He says that,
in the first place, as a date to give all their Minute Men - he sent the information down this morning - they set July 1 as the standard date for people to say they will begin to pledge - "on July the 1st, we pledge, beginning then," to do certain things. He says he would prefer to do it because he wants to get - if he is going to do it he wants to get a good reaction.

H.M.JR: That is fair.

MR. GAMBLE: He says, in addition to that, that he would like to not have a crew out until after the campaign is ended, which will be Sunday night. So I think that is reasonable.

H.M.JR: I concede that.

MR. GAMBLE: So he is willing to do that. He is willing to make the test. He sent down some information which I wish you would take the time, so long as you have gone into this so thoroughly - I wish you would take the time to go through this because I still think we have missed a great point. I don't think it is possible for anyone with a three or four days' exposure to make the statement to you or give you a report that it is just a casual effort to get people to say what they are going to do, because it is much more than that. Here is the correspondence between the clearing house association and the banks.

H.M.JR: Do you mind working on Tickton?

MR. GAMBLE: I would be very happy to have you give me the opportunity to work with Mr. Tickton for half a day. I don't think you are getting the whole story from New York.

H.M.JR: Tickton is available for the rest of the day, and I will say this for him - I mean, after all, he went up against Bob Patterson, Lew Douglas, General Somervell, and that whole crowd, plus the shipping and forwarding agencies for the Russian
Government, the Russian purchasing agents, the railroad people, and when he got through—everybody started saying it wasn’t so, and when he got through they had to admit that his facts were correct. So I mean he is not a prejudiced person.

MR. GAMBLE: I understand that, sir.

H.M.JR: And I think it is safe to say that both he and George want to see this thing succeed. Now, all he is doing—these people are here to analyze, and I gave him the stuff to read last night—this is your impression, too, isn’t it, George?

MR. HAAS: Sir?

H.M.JR: I mean, you don’t differ from Tickton?

MR. HAAS: No, sir, based on his report.

H.M.JR: I mean, Tickton is available for the rest of the day, so work on him.

MR. GAMBLE: Fine.

H.M.JR: And see what happens. Now, is that—

MR. GAMBLE: That is not quite all. I have one other point I don’t think you have gotten from that, and it apparently hasn’t been given to you. The sixteen and a half million people—if we approach it, Mr. Secretary, the New York campaign, on the basis of reaching just their percentage of that sixteen and a half million people, it would be much easier to follow it up. There was nothing to stop us from confining the follow-up to the banks, but when we decided to canvass everyone in New York we didn’t apply all of the things that are in that memorandum. If we were just contacting the doctors, the lawyers, the dentists, the self-employed, it would be a very simple thing to confine this follow-up to the banks and to those people.
H.M.JR: But, you see, Ted, where I am terribly disappointed - what I asked you people to do was to get an order blank, when they sign this thing - now just confine it to the banks and do it as an order, you see. In this thing you say, "In instances where these persons have bank accounts, this purchase agreement could amount to an order on their bank for the purchase of 'X' bonds." That isn't true.

MR. GAMBLE: Well, it isn't technically, that is correct, Mr. Secretary, but--

H.M.JR: Morally or ethically or any other way.

MR. GAMBLE: I can't agree with that.

H.M.JR: But the impression I got was that where a man had a bank account these people you talked about would have a piece of paper, a blank check, which he would execute on his bank.

MR. GAMBLE: Mr. Secretary, you see, you are making too much of a technical point of this, and I submit this to Mr. Tickton and Mr. Haas, if you sign one of these yourself and turn it over to the bank in Beacon, New York, you as Henry Morgenthau, Jr., are going to purchase one seventy-five dollar bond every month and you have a bank account in that bank, what do you think is going to happen?

MR. HAAS: Nothing.

MR. GAMBLE: That is not true.

MR. HAAS: They won't take it out.

MR. GAMBLE: They will do this. The bank may ask you to sign another card; in all probability they will. To say that nothing is going to happen after every bank in New York City has said something is going to happen I don't think is fair.
H.M.JR: Ted, I am quiet. Don't get me excited, see.

MRS. KLOTZ: It is his turn now.

H.M.JR: I am not going to let him get excited because we are in a situation and I want to convert the very fine work that Mr. Madden has done into cash, and I want everybody in this room to help.

MR. GAMBLE: To help you do it, that is right.

MR. ODEGARD: Mr. Secretary, could I make just one comment?

H.M.JR: We have got a situation which, right or wrong, I feel, as it is today, is not convertible into cash. Now, I want to get the brains that we have here, which are good brains, and convert that thing into cash; and we have got to do something different. That is all. Mr. Odegard.

MR. ODEGARD: The only point I had - when you talk about a bank draft plan, it would be, I imagine, a comparatively simple thing for the banks to solicit, on a house-to-house or any other basis, the people who have bank accounts, and for whom a bank draft plan has a meaning. But for the overwhelming majority of the people who are covered in this house-to-house canvass in New York, a bank draft plan is quite impractical. They have no bank accounts.

One of the reasons the banks are tremendously interested in this house-to-house canvass is because they see in it - and this isn't a criticism of the banks, merely a statement of fact - I think they see in this an opportunity to increase the number of their accounts.

It is one thing to solicit people who have bank accounts and who can sign an order on the bank; it is
quite another thing to solicit hundreds of thousands of people who have no such accounts.

H.M. JR: Peter, I agree with you a hundred percent, see, but I mean, in this thing where it is impossible - after all, this is one of a half a dozen important phases I have got in the Treasury. It isn't the only one. So therefore I have got to rely on you people when you give me a written memorandum; I have got to refer back to it and see where have we differed.

Now, just to talk to your particular point, here is a sentence, "In instances where these persons have bank accounts, this purchase agreement could amount to an order on their bank for the purchase of 'X' bonds."

MR. GAMBLE: And it does, Mr. Secretary, and for anyone to say that it doesn't, it is saying that the banks in New York - that everything they have told us is wrong.

H.M. JR: We are not talking about Oregon.

MR. GAMBLE: I am talking about New York.

H.M. JR: Well, the proof of the pudding is the eating.

MR. GAMBLE: That is correct, and we are now guessing what is going to happen.

H.M. JR: What I want you to do is to get mad at the people up in New York and not at me. (Laughter) Get mad about this thing and about what the heck are we going to do with all this paper work, how are we going to do it - get mad at this thing. Let's be realists about the thing. If I am too pessimistic, fine, but I have got to be shown.

MR. GAMBLE: I don't think it is pessimism. We have been jockeyed into a position here where we are defending - we have been put on the defensive of a
very fine piece of work that they have done in New York, and I don't think it should be discounted.
When they have gone out and made arrangements with the banks in New York to open these victory fund accounts--

H.M.JR: I think you should be on the defensive until I am proven wrong or you are proven right.

MR. GAMBLE: I am willing to be on the defensive with you, but I don't think the New York organization ought to feel this program amounts to nothing.

H.M.JR: Were you here when I talked with Mr. Madden?

MR. GAMBLE: Yes, sir.

H.M.JR: Did you hear what I said to him about congratulations? There has been no other communication between Mr. Madden and me. I have been very careful.

MR. GAMBLE: I know that; I didn't mean that. I don't think we should be belittling what is going on there.

H.M.JR: No, I am not. I am just trying to be realistic, that is all. I have had the only communication I had with Mr. Madden - didn't I give you a copy of it?

MR. GAMBLE: No.

H.M.JR: You read it, or you were in the room, weren't you? There was nothing in that except encouragement and appreciation, and in my conversation with him, and I have had no other communication with him and don't intend to.

So what we are talking about, again, is we have got a situation up there where we have done this job,
and what I want is to see you people put the thing into cash.

Now, I agreed with you that if out of this thing-as a matter of fact, if the banks get "x" thousands of new accounts that would spread like wildfire, and it would be the best thing that could happen to the bankers in the country. Then they will say, "Maybe there is something in this for us and, after all, it isn't just a headache." I hope that they do get thousands of accounts because, again, it is an argument which I want to put in my presentation, that we are creating a new class of savers.

Now, unless Harold has got something to say on this I would like to go on to something else.

MR. GRAVES: No.

H.M.JK: Now, Harold, again looking forward to good and bad points of this thing, some time I want, in the next day or two - we have talked about having people under you who would concentrate on pay-roll deduction. You brought in a man and I have never met him. He has been here about two months; I think it is time I met him.

I got this idea this morning, and I have asked Tickton to prepare this for me; a criticism could be leveled at us on this thing, that the people who are getting the greatest increase in wages are not being reached, and that would be a severe criticism. Therefore, I have asked Tickton to go back over six months, or twelve months, Whatever is good, and find out from the Department of Labor, or some place, which particular industries have gotten the greatest increases; and then after he has gotten that he is going to arrange it statistically for you and me. Industry number one will be the industry that has gotten the greatest number of increases. Then after
talking it over, my idea is we would concentrate on that industry first to bring that industry up in its per weekly or per monthly deduction.

Now, he tells me, which I think is very interesting, that, for instance, the railroads have not gotten their increases—this thing is going to be very enlightening to everybody, that the railroads, that their stuff—

MR. TICKTON: The railroads have a relatively low deduction.


MR. TICKTON: Four or five dollars.

H:M:JR: They haven't gotten their increases. Now, when I say to him, "What has happened in the airplane industry", he doesn't just off-hand know; what has happened in the shipbuilding industry he doesn't off-hand know. But I thought it would be distinctly worth while, because if I could go to the President or Congress or the public and say, you see, "Now, talking in terms of hourly wages and what they are talking, rather than in terms of the whole country, as of today there are fourteen million people deducting on an average of, a month, nine dollars plus." Now, the amount of people come up, and the amount of dollars; but it might be very misleading. In the first place, the railroads pull it down. On the other hand, what is Detroit doing? Now, if we are very good in Detroit, I would be simply delighted, and I think that this plan, even though we go way below our quotas, if the people getting a dollar and a half or two dollars are making their ten percent of that two dollars it would bring in—well, to me, anyway, it would be an eye opener.

Then we could answer some people like Mr. Wallace, "When you are only getting nine dollars that is very low, but look, Henry Wallace, a million and a half of
those are railroad workers, with no increase the last year, and they are only getting four dollars, and that is what pulls the thing down."

Maybe everybody else has thought of this, but to me it is a discovery, a new idea. I mean, it is a new method of presenting this thing. To me it is new. What?

MR. GRAVES: I think Mr. Tickton has done something like this before, railroads and shipping.

MR. TICKTON: The shipbuilding and the airplane we did before.

H.M.JR: And the doubting Thomases, I think if by good luck we found that the fellows with big increases were making their ten percent it would be awfully good selling, Harold, and if in some cases we find we are not and I can sell this crowd on it, then I can say to you now, "All right, let's start with number one, which has gotten the biggest increase; let's go after that."

What do you think, Harold?

MR. GRAVES: I think that is very good, a guide to our operation.

H.M.JR: Don't you think it would be very helpful towards the public?

MR. ODEGARD: It is very good because it gives a more realistic approach.

MR. GRAVES: Of course there is one thing Mr. Tickton will find, that in certain industries we were very slow and late getting started. I was thinking of shipbuilding particularly where your showing is going to be low as of the present time, where prospectively it is undoubtedly going to be very high.
MR. TICKTON: That is right.

H.M.JR: Well, each of those things could be weighed.

MR. GRAVES: That is right. I think it would be very helpful to have that.

H.M.JR: And you might take what Odegard was saying yesterday. He was saying to do it by classifications. Well, we would even go further. We break that down more. Now, Chicago, the Federal Reserve District is either up to or ahead of its quota on account of Detroit, and Richmond is ahead of its quota on account of the shipbuilding yards at Norfolk. So I think we have got—how soon do you think you could have something along these lines?

MR. TICKTON: We will have it this week.

H.M.R: Does anybody question the philosophy of this thinking?

MR. KUHN: You remember that in the surveys that Likert made for us all around the country he found that one of the real grouches against pay-roll savings was that the people that had the increases weren't putting aside commensurately with the higher income they were receiving, and it was one of the few kicks against our whole program in the minds of workers.

H.M.JR: Well, I had that in mind. Now, I have got one other thing and one last thing, Harold. I haven't had a chance to see your Admiral, but I am disappointed that the work among Government employees isn't going along faster. Now, we have done a beautiful job in the Treasury so we can say we have shown you how to do it. See? And I think that the next move that we should make would be to start with the Chief Executive. I spoke to the President several
weeks ago, and I told you he would be very glad to have the people go over and come right into his office. I don't know whether - I would like to take the White House next, you see, and I think it would be very helpful, and then having the President - if he has done it, by golly everybody else is going to have to do it.

MR. KUHN: OEM, Budget, all those people.

H.M.JR: The whole group around him, and I think for the country it would be awfully good. Of course the President said to start with Grace Tully, but I think General Watson - I think if we would start with Grace Tully and the chief clerk--

MRS. KLOTZ: Poster.

H.M.JR: That between the two of them they would get everybody, and then from there branch out into everything which hooks into the President, you see. I think the effect on the country would be very good, and I know that if the President at the White House has done it and I went to him and said, "Well, Mr. President, you look wonderful, the White House is wonderful, but I can't get the Bureau of the Budget to come across, I can't get OEM to come across", he will put the pressure on.

I think there is just something that is lacking towards the country, that the White House, from there down, Chief Executive, has not been done. I don't know what comes next, but could that be done?

MR. GRAVES: Yes, I think it could. As a matter of fact, I think that the Admiral's committee has been waiting on this Treasury program, and now they are ready to go, as I understand, with the same program - an exact duplicate of the Treasury program is to be installed now in every one of the departments of the Government.
We had to work out a kind of technique for this thing, promotion material, posters, and so on. That is all right.

MR. GAMBLE: They started this week with Agriculture and Interior.

MR. GRAVES: You would like us to kind of shift over to the group directly under the President?

H.M.JR: Definitely, starting with the people immediately in the White House.

MR. KUHN: I think the Admiral has been wanting to do that.

H.M.JR: And, incidentally, the man over there who has always been sold on this thing and has said so publicly more than anyone else is Stephen Early. Now, between Foster and Stephen Early and Grace Tully you will get this thing. Stephen Early has been one of the best backers we have had, and the reason is on account of his boy. His boy has been a big investor. He has graduated and earning a little money, and every dollar he has had he has put into War Bonds, and he has really liked our publicity. So I really would like - and then the other thing - now, for instance, just to show you, they sent over the coordinator from Atlanta, on the alcohol tax--

MR. GRAVES: Dave Harrington.

H.M.JR: He is a friend of yours.

MR. GRAVES: Yes, he is.

H.M.JR: He said, "Now, Mr. Morgenthau, do you mind if I talk shop with you a minute?" I said, "No." He said, "I would like to tell you I have two hundred and fifty employees that I am responsible for, and
we have gone twenty-five percent over on the dollar", and then he said, "And may I again thank you for what you did for our boys eight years ago against Senator McKellar. This is our chance after eight years to come back and show you." I thought that was very nice. And the other thing - well, you people aren't interested - but anyway he said, "This is our chance to show our appreciation; you looked after us." That was seven or eight years ago. So I mean it is a nice feeling, and he seemed like a nice man.

I would like to direct this thing that way. I will keep talking until Mr. Davis comes. I see the State of Pennsylvania came through ninety percent.

MR. KUHN: The State treasurer's office has said they have not only come through ninety percent but they had done a hundred and could they get an autographed certificate from the Secretary on it.

H.M.JR: If that is the first State, even though it has a Republican governor and a bad one, what about sending telegrams to the other forty-seven governors, "How about doing as well as Pennsylvania?" If that is the first one, Harold, will you make a note on it? Let's go after the other governors.

MR. KUHN: It may not be the first one. It may only be the first one we have heard about.

H.M.JR: Let's go after the other governors.

MR. KUHN: The Governors' Conference is on now. We might do it that way.
It is recommended that, in all States where the Pledge Campaign has not been started we abandon this activity as such; that we utilize the organizations that have been conceived for this work wherever practical to solicit all of the remaining 16,500,000 people (except in the armed forces) for signature to an agreement tantamount to a firm purchase of Bonds on a regular basis. In instances where these persons have bank accounts, this purchase agreement could amount to an order on their bank for the purchase of "X" bonds. In other instances, and it is believed that the higher percentage of them will not have bank accounts, it is suggested that these persons indicate the issuing agency that they prefer to use for the purchase of their Bonds. This would be any one of the following: banks, post offices, building and loan and savings and loan associations, investment banks, insurance companies, pay stations, etc. These orders would be signed in triplicate; the original going to the issuing agency so designated by the signed order, a copy remaining with the signer, and the third copy to the War Savings Staff. Arrangements would be made with the issuing agency to follow up the purchase agreement. In cases where this did not result in a consummation, a report would be received by the local War Savings office and a call-back would be made. Where the pledge organization as such would not be available or practical for this work or where the Pledge Campaign had been completed, our War Savings Committees would be extended for
this solicitation. Such extension would provide for workers representative of these groups to take care of the actual contact. The farmers would be reached through the U. S. Department of Agriculture Local War Boards, AAA, Dairy Associations, etc.; professional groups through medical associations, teachers' unions, dental associations, etc.; self employed and small firms through retailer groups, commercial clubs, salesmen, delivery men, etc.; dividend groups through American Institute of Banking, etc.
HMJr: What Walter Stewart said was that they started talking about excess reserves, see.

Daniel Bell: Uh huh.

HMJr: Then the next thing he says, Eccles said, "Well, the next meeting will be over at the Federal Reserve in connection with financing." So Stewart said, "If they're going to talk financing, why the hell shouldn't they talk about it in the Treasury?"

B: (Laughs)

HMJr: And he said he wasn't going to go over. He said, "I'm not going over to the Federal Reserve to talk about Treasury problems." He said, "I'm always available at the Treasury to talk about Treasury problems or Federal Reserve," but he said, "I'm not going to go over to the Federal Reserve," and he said, "They're just inching on you." And he said, "It's not an accident." He said, "They very carefully think that out over there." So I just thought I'd pass it along to you.

B: Yeah, he told me that.

HMJr: He told you the same thing?

B: Yeah.

HMJr: Okay.

B: Well, I don't feel quite that way about it, because we have switched these conferences.

HMJr: Well, I don't....

B: Before Eccles comes over here, and now we go over there.

HMJr: Well, I think both you and I are a couple of innocents. At least I am, anyway, talking for myself.
B: Well, I think we've got to keep our eye on them, but.....

HMJr: I say, talking for myself, but Walter's just a little friendly warning, and I'd keep it in mind.

B: Yeah. Well, I've been watching that, but I try to kind of - I don't like to be so upish and say, "Well, you come over and see us," all the time, because maybe we're on top of the heap; and I feel that we ought to go over there once in awhile.

HMJr: Well, as long as you have it in mind, okay.

B: Yes, I have. And this conference probably isn't going to amount to a lot - it's a talk fest - but I think we ought to kind of keep them going, don't you?

HMJr: That's right.

B: Keep them in good humor.

HMJr: That's right.

B: And rock along a little.

HMJr: All right.

B: Even though we have to spend the time.

HMJr: Thank you.

B: All right.
June 23, 1942
2:55 p.m.

HMJr: Hello.
Operator: Miss Tully. Go ahead.
HMJr: Hello.
Grace Tully: How do you do, Mr. Secretary. How are you, sir?
HMJr: How do you do, Miss Tully. How are you?
T: Very well indeed, sir. Thank you.
HMJr: I'm surprised you'd talk to me. I'm neither a Prince nor a King nor a Princess.
T: (Laughs) You're not a Princess? Oh, I thought you were a Princess. (Laughs)
HMJr: I hope you don't mind slumming for a minute.
T: (Laughs) Oh, dear.
HMJr: Oh, dear, is right.
T: Yeah, exactly.
HMJr: Yeah. Listen, I got this memo about Keith Morgan and his idea.
T: Yeah.
HMJr: Now our people communicated with him.....
T: Uh huh.
HMJr: .....that we were chuck-a-block full for July, and that on the seventeenth - he suggested the fourteenth - all the retail stores, that is, one in each county all over the United States, are putting aside a day for us, see.
T: Yes.
HMJr: So we've got about all that we can swing.
T: I see.

HMJr: We've communicated that to him.

T: Well, that's all right, as long as he knows that it was referred where it should have been referred, of course.

HMJr: And - I don't have to answer the President beyond that, do I?

T: I don't think so, no. It just says, "Let Keith know what you think of it, and if you....."

HMJr: His memo didn't call - the President's memo didn't call for a direct answer. It just asked me to get in touch with Keith.

T: That's right.

HMJr: Well, I didn't know how much.....

T: He just - he got this idea and thought it was a pretty good one, and just telephoned it, you see, and said, "Ask the boss what he thinks about it," and said it could be got up very quickly etc., etc., and so I made a memo for the President and he said to send it over to you and tell you to get in touch with him.

HMJr: Well - and aside everything else, our people over here don't think that the people of the United States are going to get very much excited about "Bastille Day".

T: Uh huh. Well, not in view of Laval's speech. (Laughs) After the statement yesterday, I think less.

HMJr: Yeah.

T: Although we don't blame the French people for that, of course.

HMJr: No, no.

T: But there are some skunks among them, and you
can't very well come out and say, "Let's do - let's go all-out for them," with a person like Laval there.

HMJr: I hear that Peter's in the ice-box until five o'clock.

T: (Laughs) Yeah. I wish they were all in the ice-box to tell you the truth.

HMJr: Yeah. Okay.

T: Oh. It's something.

HMJr: I'll bet you.

T: Grand.

HMJr: Good-bye.

T: All right. Good-bye, Mr. Secretary.
HMJr: Hello.

Colonel Harrison: This is Colonel Harrison, Mr. Secretary.

HMJr: Oh, yes. Colonel Harrison, a responsible person has told me that in the Army they line up the soldiers and make them subscribe to our War Bonds. Hello.

H: Yes, sir.

HMJr: Those that subscribe they put on one side, and those that don't on another. Now, you remember when I came over to make that talk with Mr. Stimson – hello.

H: Yes, I'm listening.

HMJr: I suggested that we do not direct our efforts to the enlisted man, but direct it against – towards the civilians in the Army.

H: Yes.

HMJr: And I would like to request that your Inspector General check up on this to find out whether this pressure is being put on the privates or not.

H: Yes, I'll have that done.

HMJr: Because I'm disturbed, because I'm the fellow that'll get the blame.

H: Yes.

HMJr: And I don't want it, you see.

H: Well, sir, there might be an isolated case where one company commander was trying to make a big record and he might do something like that, but we'll check on it and see.

HMJr: Would you have it checked up?
H: Yes, sir, I will.
HMJr: And within a reasonable time let me know?
H: Yes, sir, I'll do that.
HMJr: Thank you so much.
H: Yes, sir.
MEMORANDUM FOR THE SECRETARY:

Apropos of your inquiry yesterday, I attach a memorandum from Mr. Sloan, dated May 21, regarding Mr. Powell's work for the War Savings Staff.

GRAVES.
MEMORANDUM FOR MR. GRAVES:

For the record, I call attention to the following accomplishments of Harford Powel this year, 1942:

1. He is the best letter writer on the Staff and prepares hundreds of letters for my signature, yours and others.

2. He is our ablest speaker and has made outstanding talks before bankers, brokers, investment dealers, women's clubs, retailers, in New York, Chicago, Cleveland, Houston, Topeka, New Orleans, etc.

3. He worked out Christmas cards to be sold by the greeting card industry in the millions.

4. He worked out the July issue use of the American Flag on covers of all magazines.

5. He created, designed and now supervises each issue of the "Minute Man", regular publication of the Field Division.

6. He has assisted writers in preparation of magazine articles on War Savings Bonds.

7. He interviews many people with ideas and suggestions and works out the worthy ones.

8. He carries on a voluminous correspondence with advertising and publicity men, furnishing ideas and suggestions, many of his suggestions have been developed and been superb aid to our campaign.

9. Finally, he is a most accommodating person willing to help anybody on our Staff in any possible way. He is an experienced and capable adviser to me on many problems which come to us every day.
# Sales of United States Savings Bonds

From June 1 through June 22, 1942

Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

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<th>Series B</th>
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<th>Series D</th>
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Office of the Secretary of the Treasury, Division of Research and Statistics.

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

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

June 23, 1942
## 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)

<table>
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<th>Date</th>
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<th>Cumulative sales by business days</th>
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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.

June 23, 1942.
### 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)

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<th>April</th>
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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.

June 23, 1942.

Regarded Unclassified
## 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)

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<td>7,542</td>
<td>89,852</td>
</tr>
<tr>
<td>11</td>
<td>5,802</td>
<td>95,254</td>
</tr>
<tr>
<td>12</td>
<td>6,210</td>
<td>101,464</td>
</tr>
<tr>
<td>13</td>
<td>7,251</td>
<td>108,715</td>
</tr>
<tr>
<td>14</td>
<td>3,564</td>
<td>112,279</td>
</tr>
<tr>
<td>15</td>
<td>7,470</td>
<td>119,749</td>
</tr>
<tr>
<td>16</td>
<td>6,299</td>
<td>126,048</td>
</tr>
<tr>
<td>17</td>
<td>8,014</td>
<td>134,062</td>
</tr>
<tr>
<td>18</td>
<td>3,367</td>
<td>137,429</td>
</tr>
<tr>
<td>19</td>
<td>10,269</td>
<td>147,698</td>
</tr>
</tbody>
</table>

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.

Regraded Unclassified
June 23, 1942.

Miss Harriet W. Elliott,
Washington, D. C.

Dear Miss Elliott:

You are hereby appointed Consulting Expert, CAF-15, on the War Savings Staff of the Office of the Secretary, with compensation at the rate of $6,000 per annum, payable from the appropriation, "Expenses of Loans, Act of September 24, 1917, as Amended and Extended." This appointment is to be effective June 23, 1942, and continue for the duration of the war and six months thereafter.

Very truly yours,

(Signed) A. Morgenthau, Jr.

Administrative Assistant to the Secretary of the Treasury.

File to Mr. Thompson's office for mailing.
June 23, 1942.

Miss Harriet E. Elliott,
Washington, D. C.

Dear Miss Elliott:

In connection with your employment as a Consulting Expert on the War Savings Staff, you will also serve as an Associate Field Director, in which capacity you are hereby designated and appointed.

Under your designation as an Associate Field Director, you will perform such duties as may be assigned to you by the Field Director.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.
June 30, 1942.

Dear Dr. Soong,

Thank you for your telegram expressing your sorrow in the passing of our good friend and associate, Samuel Foo. I feel that he gave his life to the work to which he was so devoted, and it is good to know that his Chinese friends join with his American ones in sorrow at his passing.

With cordial personal regards,

Sincerely,

(Signed) M. Morgenthau, Jr.

Dr. N. H. Soong,
Vice President and Minister of Finance,
The Executive Yuan,
Chungking, China.

[Initials and stamp: File N.M.C. Via Diplomatic Pouch. Delivered to State Dept. by Manne 4:35]
URGENT  PLEASE ACCEPT MY HEARTFELT CONDOLENCES AT THE DEATH OF MR FOX IN THE COURSE OF HIS WORK IN CHINA HE WON OUR ADMIRATION FOR HIS ABILITY AND COURAGE AND OUR AFFECTION FOR HIS INTEGRITY AND WARMHEARTED FRIENDSHIP FOR CHINA HE DIED LIKE A SOLDIER AT HIS POST
H H KUNG.
734AM JUNE 22.
Abraham Manuel Fox, D. C. Economist, Dies At Chungking, China

Former Member of Tariff Commission Was Adviser on Currency

Abraham Manuel Fox, American member of the Chinese Currency Stabilization Board and former member of the United States Tariff Commission, was found dead in bed yesterday morning in Chungking, according to an Associated Press dispatch. Physicians said he died of a heart attack.

Mr. Fox, who lived here at 3002 P street N.W., arrived in Chungking last summer to take up his duties as a member of the Stabilization Board and was caught in Hong Kong when the war in the Pacific started. He escaped by plane and reached Chungking and later made a trip to the United States, returning to China only recently.

Investigated Loan.

Officials here recalled that Mr. Fox made the investigation which demonstrated the necessity for the $500,000,000 loan which this Government made to China early this year. Recently he had been serving as financial adviser to the Chinese Finance Minister.

Mr. Fox's wife was understood to be visiting a daughter in New York today. Besides his wife and daughter, Mr. Fox is survived by a son, Melvin J. Fox.

A native of Philadelphia, the 62-year-old economist, was educated at Cornell and New York Universities. He came to Washington in 1923 as an economist on the staff of the Tariff Commission and served the commission continuously until his appointment as a member of the Stabilization Board last May.

For five years, from 1924 to 1929, he was an associate professor of economics at Catholic University, and lectured in the Knights of Columbus Evening School from 1923 to 1926.

Appointed to Commission.

One year after beginning his service with the Tariff Commission, Mr. Fox was made chief of its economic division and later served as chairman of the Advisory Board, chairman of the Planning and Reviewing Committee and director of research. He was appointed a member of the commission in 1927.

Mr. Fox was a member of the American Economics Association, American Statistical Society, Beta Sigma Rho, and Pi Gamma Mu. He was also a member of the Cosmos and Cornell Clubs.
June 28, 1948.

Dear Mr. Chen:

It was good of you to send me a telegram speaking with so much appreciation of the work that Samuel Fox did during his all-too-brief service to our country and yours. We shall miss him greatly, and it is good to know that he is also mourned by you and others who were associated with him in China.

With cordial personal regards,

Sincerely,

(Signed) A. Morgenthau, Jr.

Mr. H. P. Chen,
Shanghai Commercial and Savings Bank,
Changling, China.

File m.c.
Via Diplomatic pouch
Delivered to State Dept. 4:35-17 May.
WE25 VIA RCA

F CHUNGKING 78 22/1500

SECRETARY MORGENTHAU

SECY OF THE TREASURY WASHDC

PROFOUNDLY REGRET SUDDEN PASSING AWAY OF AMERICAN MEMBER FOX ON JUNE 21 1942 AS CHAIRMAN OF THE STABILIZATION BOARD OF CHINA I LEARNED TO APPRECIATE HIS INVALUABLE SERVICES ON BEHALF OF THE BOARD AS A CHINESE I LEARNED TO ADMIRE HIS DEEP FRIENDSHIP FOR MY COUNTRY SYMBOLIZING AS IT DID THE FRIENDSHIP OF YOUR COUNTRY FOR MINE IT WAS MY PRIVILEGE TO BE BOTH HIS COLLEAGUE AND FRIEND

K P CHEN.

1052A.
AMBROSE HAS NOT BEEN ABLE TO CONTACT LEE. HOWEVER UNDERSTAND COUNCIL HAVING A MEETING THIS WEEK. JUDGING FROM INQUIRIES FROM COMPANIES ABOUT SPECIFIC MATTERS BELIEVE WE SHOULD NOT BEGIN TO FEEL DISCOURAGED

CLERK.
Present law, Treasury proposal and Committee action on revenue bill of 1942

A. Corporation taxes

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Normal tax

- Corporations with net income of not more than $25,000:
  - Not in excess of $5,000: 15% 15% 15%
  - Next $15,000: 17 17 17
  - Next $5,000: 19 19 19

- Corporations with a net income over $25,000:
  - Notch provision:
    - Alternative tax: $4,250 plus 37% of excess over $25,000
    - Top income to which applicable: $38,461,541 $50,000 $50,000

2. Surtax

- Corporations with net income of not more than $25,000: 6 16 10
- Corporations with net income over $25,000:
  - First $25,000: 6 31 16
  - Over $25,000: 7 31 16
- Notch provision — ($25,000 to $50,000): None 46% of excess over $25,000

Note: Under the Committee action the normal and surtax rates do not apply to the balance of adjusted excess profits net income remaining after excess profits tax.
### 3. Relief for corporations with decreased earnings

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>*</td>
<td>None</td>
</tr>
</tbody>
</table>

- Corporations with current year surtax net income less than the average surtax net income for the base period years 1936-1939 should be allowed a tax credit of 10 percent of the difference but not to exceed the smaller of (a) 20 percent of surtax net income or (b) the excess of the surtax computed without benefit of this provision over $4,000. This provision should apply only to corporations with net income over $25,000 that do not use the alternative rate under the notch provision.

### 4. Excess profits tax

#### a. Excess profits credit

1. **Invested capital method:**
   - First $5 million of invested capital: 8%
   - Next $5 million: 7%
   - Next $190 million: 7%
   - Balance: 7%

2. **Income method:**
   - Portion of average earnings in base period 1936-1939: 95%

#### b. Specific exemption

- $5,000
- $5,000
- $10,000

(Note: The Treasury agreed in advance to the modifications in the excess profits credit and specific exemption indicated above under Committee action.)

#### c. Excess profits tax rates

<table>
<thead>
<tr>
<th>Adjusted excess profits net income:</th>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $20,000</td>
<td>35%</td>
<td>50%</td>
<td>94%</td>
</tr>
<tr>
<td>$ 20,000 to $ 50,000</td>
<td>40%</td>
<td>60%</td>
<td>94%</td>
</tr>
<tr>
<td>50,000 to 100,000</td>
<td>45%</td>
<td>60%</td>
<td>94%</td>
</tr>
<tr>
<td>100,000 to 250,000</td>
<td>50%</td>
<td>65%</td>
<td>94%</td>
</tr>
<tr>
<td>250,000 to 500,000</td>
<td>55%</td>
<td>70%</td>
<td>94%</td>
</tr>
<tr>
<td>Over 500,000</td>
<td>60%</td>
<td>75%</td>
<td>94%</td>
</tr>
</tbody>
</table>

(Note: Under the Committee action the normal and surtax rates do not apply to the balance of adjusted excess profits net income remaining after excess profits tax.)
5. Post-war credit

* (a) Statement of Secretary, March 3, 1942: "However, it is recognized that very high top, or so-called 'marginal rates,' may leave little incentive for the maintenance of efficiency in business operation. Furthermore, after the war there may well be need for a large volume of expenditure in readjusting industry and maintaining employment. For these reasons it is believed desirable that in the case of any dollar of corporate profits the receipt of which results in an increase in tax beyond perhaps eighty cents, the additional tax on such dollar shall be held by the Government to the account of the corporation and be returnable within a limited period after the war, in those cases where it is spent for new and additional capital equipment or otherwise is spent in the additional employment of labor."

(b) Proposal made jointly by Mr. Paul, Tax Adviser to the Secretary of the Treasury, and Mr. Stam, of the staff of the Joint Committee on Internal Revenue Taxation, on June 15, 1942:

"1. The amount to be returned shall be 14 percent of the taxpayer's adjusted excess-profits net income.

2. The amounts returned shall not be included in corporate income subject to tax.

3. The amounts shall be set aside in a special fund to be held by the Treasury to the credit of the taxpayer who shall be given a non-negotiable, non-interest-bearing certificate as evidence of his claim.

4. The amounts returned to the taxpayers are intended for use in the conversion of their businesses to peacetime activity or in the maintenance of employment in business activity. To this end the amounts returned shall not be available for the following purposes:

(1) The payment of cash or stock dividends.
(2) Bonuses or salary increases to executives.
(3) The increase of cash reserves unless employed in the business.
(4) The purchase of securities.

5. The amounts returned to the taxpayer shall be returned in the following manner: First-year collections shall be paid within the third year after the cessation of hostilities; second-year collections within the fourth year; third-year collections within the fifth year; balance within the sixth year after the cessation of hostilities."

This specific proposal was rejected by the Committee.
6. **Consolidated returns**

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>Allow for both income and excess profits tax</td>
<td>Allow for both income and excess profits tax imposing, however, a differential tax of 2% of surtax net income for the privilege</td>
</tr>
</tbody>
</table>

- Not allowed for normal tax and surtax (except for railroads, etc. and certain corporations in foreign trade.)

**Allowed for excess profits tax.**

7. **Tax on nonresident foreign corporations**

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 1/2%</td>
<td>Not specified - to be aligned</td>
<td>36%</td>
</tr>
</tbody>
</table>

8. **Payment of corporation income tax at source (Sec. 144)**

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 1/2%</td>
<td>Not specified - to be aligned</td>
<td>36%</td>
</tr>
</tbody>
</table>

9. **Personal holding companies**

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not in excess of $2,000</td>
<td>71 1/2% Not specified</td>
<td>75%</td>
</tr>
<tr>
<td>In excess of $2,000</td>
<td>81 1/2% Not specified</td>
<td>85%</td>
</tr>
</tbody>
</table>

(Note: The Committee action on points 7, 8 and 9 was taken at the suggestion of the Treasury).

10. **Capital stock tax and declared value excess profits tax**

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital stock tax $1.25 for each $1,000 of adjusted declared value</td>
<td>Repeal but provision was made for the annual redeclaration of capital stock value</td>
<td>Taxes retained</td>
</tr>
</tbody>
</table>
Declared value excess profits tax net income:

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>In excess of 10% and not in excess of 15% of adjusted declared value</td>
<td>6.6%</td>
<td>Repeal</td>
</tr>
<tr>
<td>In excess of 15% of adjusted declared value</td>
<td>13.2%</td>
<td>Repeal</td>
</tr>
</tbody>
</table>

B. Individual income tax

1. Rates

a. Normal tax

b. Surtax

(Note: The Treasury recommended that the first $2,000 bracket be subdivided into four $500 brackets. Under the Committee action the first $2,000 bracket is retained.)

c. Non-resident alien individuals not engaged in trade or business within the United States and not having a place of business therein

(Not: The 36% rate under Committee action does not apply to non-resident alien individuals with aggregate receipts of more than $22,800.)

d. Withholding of tax at source (Section 143)

(Not specified - to be aligned)
2. Exemptions

a. Single person
   Married person
   Dependent
   Present law: $750, 1,500, 400
   Treasury proposal: $600, 1,200, 300
   Committee action: $500, 1,200, 400

(Note: The original Treasury proposal of March 3, 1942 recommended exemptions of $750, $1,500 and $400. In a letter to the Chairman May 6, 1942, the Secretary recommended the lowering of exemptions to $600, $1,200 and $300.)

b. Children 18-21 attending school
   Not included
   Include as dependents
   Not included as dependents

3. Earned income credit
   For normal tax only
   10% of earned net income but not in excess of the entire net income
   Retain without change

4. Collection at source
   None
   Rate 10%*
   The plan as finally revised by the Treasury was adopted

* Collect the income tax at source with respect to salaries and wages, dividends and bond interest. For salaries and wages, allow personal exemptions, credit for dependents, and deductions equal to 10 percent of exemptions and credit for dependents.

Originally the Treasury recommended that the Secretary have discretion to collect at source at a rate up to 10 percent, since it was not known how soon and to what extent it might be necessary to speed up tax collections to check inflation. Subsequently, the Treasury asked outright for a 10 percent rate. On June 19, 1942, the Treasury submitted a plan to ease the transition to collection at source by spreading the impact of the 10 percent tax over two transition years 1943 and 1944. Under this plan one-half the amount collected at source during 1943 would be credited against the installment payments on 1942 liabilities and the balance would be credited against the quarterly payment on 1943 liabilities due in March, 1944. It was suggested further that for the purpose of equalizing the impact of collection at source on persons with sources of income subject to withholding and persons not subject to withholding, all taxpayers be required to pay 5 percent of net income plus one-fourth the balance of the liabilities for 1943 in March, 1944.
5. Joint returns

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optional</td>
<td>Mandatory with a special allowance for the earned income of the wife or husband</td>
<td>Mandatory without special allowance for the earned income of the wife or husband</td>
</tr>
</tbody>
</table>

(Note: On March 30, 1942, the Treasury more specifically recommended an allowance as follows: "Where the wife works outside the home, additional household expenses usually are incurred which are not present where the wife is able to devote her full time to the maintenance of the home. For this reason, it is suggested that an additional credit be provided as follows:

"There should be allowed as a credit against the tax upon the family an amount equal to 10 percent of the wife's earnings. Such credit, however, should not exceed $100.

"A similar credit should be allowed where a person occupying the status of head of the family, such as a widow, works."

6. Medical expenses

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>No allowance</td>
<td>*</td>
<td>No action</td>
</tr>
</tbody>
</table>

* Allow a deduction for extraordinary medical expenses in excess of a specified percentage of the family's net income. The amount allowed should, however, be limited to some specified maximum amount. (March 30, 1942.)

C. Estate and gift taxes

1. Rates

See attached schedule

No increase

2. Exemptions

a. Estate tax

| Specific exemption | $40,000 | Substitute one $60,000 specific exemption for the present specific exemption and insurance exclusion |
| Insurance exclusion | $40,000 | |

b. Gift tax

| Specific exemption | $40,000 | $30,000 |
| Annual exclusion | $4,000 for each donee | $5,000 for all donees | $3,000 for each donee |
D. Excise taxes

(See attached summary of present rates, Treasury proposal and Committee action on various excises)

E. Removal of special privileges

1. Tax-exempt securities

| Future and outstanding State and local securities | Interest exempt from normal tax or from both normal and surtax | Repeal present exemption | Present exemption retained |

2. Percentage depletion and intangible development expenses

| Eliminate both percentage depletion and expensing of development costs | Retain present allowances |

* Owners of mines and oil wells are allowed to deduct percentage depletion or cost depletion, whichever is higher, and in some cases to expense intangible development costs.
### 3. Capital gains and losses

**a. Individuals**

#### (1) Classes of gains and losses

<table>
<thead>
<tr>
<th></th>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(a) Short-term</strong></td>
<td>Assets held 16 months or less</td>
<td>Assets held 16 months or less</td>
<td>Assets held 15 months or less</td>
</tr>
<tr>
<td><strong>(b) Long-term</strong></td>
<td>2 classes: Over 15, not over 24 mos.; Over 15 months</td>
<td>1 class: Over 18 months; 1 class: Over 15 months</td>
<td></td>
</tr>
</tbody>
</table>

#### (2) Percentage of gain or loss taken into account

<table>
<thead>
<tr>
<th></th>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(a) Short-term</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>(b) Long-term</strong></td>
<td>66-2/3</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Over 24 months</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td><strong>(c) Maximum rate on statutory net long-term gains</strong></td>
<td>30</td>
<td>60</td>
<td>50</td>
</tr>
</tbody>
</table>

#### (3) Treatment of losses

<table>
<thead>
<tr>
<th></th>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(a) Short-term losses</strong></td>
<td>Allowed solely against gains of the succeeding year</td>
<td>To be allowed against long-term gains and a maximum of $1,000 of other income</td>
<td>Same as Treasury proposal</td>
</tr>
</tbody>
</table>

Regraded Unclassified
### Capital gains and losses

(Continued)

#### a. Individuals

<table>
<thead>
<tr>
<th></th>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3) Treatment of losses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Long-term losses</td>
<td>Allowed against ordinary income in full</td>
<td>To be allowed solely against short-term capital gains and a maximum of $1,000 of other income</td>
<td>Same as Treasury proposal</td>
</tr>
</tbody>
</table>

#### (4) Loss carry-over

<table>
<thead>
<tr>
<th></th>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Short-term</td>
<td>One year against short-term capital gains</td>
<td>Permit 5-year carry-over</td>
<td>Permit 5-year carry-over</td>
</tr>
<tr>
<td>(b) Long-term</td>
<td>No carry-over required because allowed against other income</td>
<td>Permit 5-year carry-over</td>
<td>Permit 5-year carry-over</td>
</tr>
</tbody>
</table>

#### b. Corporations

<table>
<thead>
<tr>
<th></th>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Classes of gains and losses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Short-term gains</td>
<td>Assets held not over 18 months</td>
<td>No distinction to be made</td>
<td>Assets held over 15 months</td>
</tr>
<tr>
<td>(b) Long-term losses</td>
<td>Assets held over 18 months</td>
<td>No distinction to be made</td>
<td>Assets held over 15 months</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) Maximum rate on net long-term gains</td>
<td>None</td>
<td>None</td>
<td>25%</td>
</tr>
</tbody>
</table>

Regraded Unclassified
(3) **Offsetting of losses**

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) <strong>Short-term</strong></td>
<td>Allowed solely against short-term gains</td>
<td>Allow against short or long-term gains</td>
</tr>
<tr>
<td>(b) <strong>Long-term</strong></td>
<td>Allowed against other income in full</td>
<td>Allow solely against short or long-term gains</td>
</tr>
</tbody>
</table>

(4) **Carry-over of losses**

<table>
<thead>
<tr>
<th>Present law</th>
<th>Treasury proposal</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) <strong>Short-term</strong></td>
<td>Carried forward for one year against short-term gains</td>
<td>Permit 5-year loss carry-over</td>
</tr>
<tr>
<td>(b) <strong>Long-term</strong></td>
<td>No carry-forward required since offset against other income</td>
<td>Permit 5-year loss carry-over</td>
</tr>
</tbody>
</table>

*Note: The modifications in the Treasury recommendations were agreed to by the Treasury in advance.*

4. **Insurance companies**

a. **Life insurance**

| Tax base is investment income only | Retain investment income base duetly proposed but lower reserve sal using earnings deduction Treasury and eliminate double deduction of tax-exempt interest | Accepted investment income base duetly proposed but lower reserve sal using earnings deduction Treasury and eliminate double deduction of tax-exempt interest |}

Regraded Unclassified
Present law | Treasury proposal | Committee action
--- | --- | ---
(Note: Treasury made no objections to acceptance of industry proposal.)

b. Mutual insurance companies other than life

1. Exemptions
   - Exempts practically all mutual insurance companies other than life
   - Exempt companies with less than $100,000 admitted assets or less than $50,000 net income

2. Tax base
   - In most cases negative tax base because all premiums deducted
   - Modify tax base including both investment and underwriting income

F. Technical and administrative amendments
   (See attached list)
Comparison of individual surtax rate schedule under present law, Treasury proposal, and Ways and Means Committee decision

<table>
<thead>
<tr>
<th>Surtax net income (000)</th>
<th>Bracket rate</th>
<th>Total surtax cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present:Treasury:Ways and</td>
<td>Present:Treasury:Ways and</td>
</tr>
<tr>
<td></td>
<td>law:proposal:Means</td>
<td>law:proposal:Means</td>
</tr>
<tr>
<td>$</td>
<td>5%</td>
<td>12%</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>1.5</td>
<td>1.5</td>
<td>6</td>
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<tr>
<td>2</td>
<td>2</td>
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<td>6</td>
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</tr>
<tr>
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<td>25</td>
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<td>85</td>
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<tr>
<td>700</td>
<td>750</td>
<td>87</td>
</tr>
<tr>
<td>750 and over</td>
<td>800</td>
<td>89</td>
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</table>

Treasury Department, Division of Tax Research

June 20, 1942
### Table 5

Comparison of estate tax rate schedule under present law and proposal

<table>
<thead>
<tr>
<th>Net estate after specific exemption (in $)</th>
<th>Bracket rate</th>
<th>Total estate tax cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present law</td>
<td>Proposal</td>
</tr>
<tr>
<td>Under $5</td>
<td>3%</td>
<td>150</td>
</tr>
<tr>
<td>5 - 10</td>
<td>7</td>
<td>500</td>
</tr>
<tr>
<td>10 - 15</td>
<td>11</td>
<td>1,050</td>
</tr>
<tr>
<td>15 - 20</td>
<td>14</td>
<td>1,600</td>
</tr>
<tr>
<td>20 - 30</td>
<td>18</td>
<td>3,000</td>
</tr>
<tr>
<td>30 - 40</td>
<td>22</td>
<td>4,800</td>
</tr>
<tr>
<td>40 - 60</td>
<td>22</td>
<td>7,000</td>
</tr>
<tr>
<td>50 - 70</td>
<td>28</td>
<td>12,300</td>
</tr>
<tr>
<td>60 - 80</td>
<td>36</td>
<td>20,700</td>
</tr>
<tr>
<td>70 - 100</td>
<td>40</td>
<td>35,700</td>
</tr>
<tr>
<td>100 - 150</td>
<td>44</td>
<td>50,700</td>
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<tr>
<td>150 - 200</td>
<td>46</td>
<td>69,700</td>
</tr>
<tr>
<td>200 - 250</td>
<td>48</td>
<td>98,350</td>
</tr>
<tr>
<td>250 - 300</td>
<td>50</td>
<td>123,350</td>
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<tr>
<td>300 - 350</td>
<td>52</td>
<td>149,350</td>
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<tr>
<td>350 - 400</td>
<td>54</td>
<td>176,350</td>
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<tr>
<td>400 - 450</td>
<td>56</td>
<td>204,350</td>
</tr>
<tr>
<td>450 - 500</td>
<td>58</td>
<td>233,350</td>
</tr>
<tr>
<td>500 - 550</td>
<td>60</td>
<td>263,350</td>
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<tr>
<td>550 - 600</td>
<td>62</td>
<td>293,350</td>
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<td>600 - 650</td>
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<td>650 - 700</td>
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<td>353,350</td>
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<tr>
<td>700 - 750</td>
<td>68</td>
<td>383,350</td>
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<tr>
<td>750 - 800</td>
<td>70</td>
<td>413,350</td>
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<tr>
<td>800 - 850</td>
<td>72</td>
<td>443,350</td>
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<tr>
<td>850 - 900</td>
<td>74</td>
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<td>900 - 950</td>
<td>76</td>
<td>503,350</td>
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<tr>
<td>1,000 - 1,050</td>
<td>78</td>
<td>533,350</td>
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<tr>
<td>1,050 - 1,100</td>
<td>80</td>
<td>553,350</td>
</tr>
<tr>
<td>1,100 - 1,150</td>
<td>82</td>
<td>573,350</td>
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<tr>
<td>1,150 - 1,200</td>
<td>84</td>
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<tr>
<td>1,200 - 1,250</td>
<td>86</td>
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<td>1,250 - 1,300</td>
<td>88</td>
<td>633,350</td>
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<tr>
<td>1,300 - 1,350</td>
<td>90</td>
<td>653,350</td>
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<tr>
<td>1,350 - 1,400</td>
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<td>673,350</td>
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<tr>
<td>1,400 - 1,450</td>
<td>94</td>
<td>693,350</td>
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<tr>
<td>1,450 - 1,500</td>
<td>96</td>
<td>713,350</td>
</tr>
<tr>
<td>1,500 and over</td>
<td>100</td>
<td>733,350</td>
</tr>
</tbody>
</table>

1/ A specific exemption of $40,000 and a life insurance exclusion of $40,000 are allowed by the present law. The proposal would allow a single specific exemption of $60,000 but no life insurance exclusion.
### Action on specific excise tax proposals

<table>
<thead>
<tr>
<th>Article or service</th>
<th>Present rate</th>
<th>Treasury proposed rate</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liquor</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distilled spirits</td>
<td>$4 per gallon</td>
<td>$8</td>
<td>Accepted</td>
</tr>
<tr>
<td>Beer (fermented malt liquors)</td>
<td>$6 per barrel</td>
<td>$8</td>
<td>$7</td>
</tr>
<tr>
<td>Still wines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not over 14%</td>
<td>$8 per wine gallon</td>
<td>16¢</td>
<td>10¢</td>
</tr>
<tr>
<td>Over 14 not over 21%</td>
<td>50¢ / barrel</td>
<td>60¢</td>
<td>40¢</td>
</tr>
<tr>
<td>Over 21%</td>
<td>65¢ / barrel</td>
<td>1 $1</td>
<td>Accepted</td>
</tr>
<tr>
<td>Other wines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sparkling</td>
<td>$7 per pint</td>
<td>10¢</td>
<td>Accepted</td>
</tr>
<tr>
<td>Artificially carbonated</td>
<td>5¢ / barrel</td>
<td>5¢</td>
<td></td>
</tr>
<tr>
<td>Liqueurs, cordials, etc.</td>
<td>5¢ / barrel</td>
<td>5¢</td>
<td></td>
</tr>
<tr>
<td><strong>Tobacco</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cigarettes, small</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10¢ brands</td>
<td>$3.25 per M</td>
<td>$3.50</td>
<td>Accepted</td>
</tr>
<tr>
<td>15¢ / package</td>
<td>.3.25 / pack</td>
<td>.400</td>
<td>$3.50</td>
</tr>
<tr>
<td>Cigarettes, large</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not over 6½&quot; long</td>
<td>7.80 / pack</td>
<td>9.60</td>
<td>9.40</td>
</tr>
<tr>
<td>Over 6½&quot; long</td>
<td>3.25 / pack</td>
<td>4.00</td>
<td>3.50</td>
</tr>
<tr>
<td>Smoking tobacco</td>
<td>16¢ / pound</td>
<td>36¢</td>
<td>24¢</td>
</tr>
<tr>
<td>Cigars, (retailing at)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A - Not over 25 cents</td>
<td>$2.00 per M</td>
<td>$2.00</td>
<td>Accepted</td>
</tr>
<tr>
<td>B - 2.6 to 4.0</td>
<td>2.00 / pack</td>
<td>3.50</td>
<td></td>
</tr>
<tr>
<td>C - (4.1 = 5.0)</td>
<td>2.00 / pack</td>
<td>5.00</td>
<td></td>
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<tr>
<td>(5.1 = 6.0)</td>
<td>3.00 / pack</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>D - 6.1</td>
<td>3.00 / pack</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E - 8.1</td>
<td>5.00 / pack</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F - 11.1</td>
<td>5.00 / pack</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G - 15.1</td>
<td>7.00 / pack</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H - 20.1</td>
<td>10.00 / pack</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I - 30.1 and over</td>
<td>13.50 / pack</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article or service</td>
<td>Present rate</td>
<td>Treasury proposed rate</td>
<td>Committee action</td>
</tr>
<tr>
<td>-------------------</td>
<td>--------------</td>
<td>------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Cigarette paper and tubes</td>
<td>Papers: (per pkg.) 1/2¢ per 25 sheets; exempt papers or tubes 1/2¢ or fraction thereof</td>
<td></td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>Not over 25 sheets-exempt</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>26 to 50 &quot; 1/2¢ or fraction thereof</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Each additional 50 sheets or fraction thereof</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tubes: 1¢ per pkg., of 50 or fraction thereof</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline</td>
<td>1 1/2¢ per gallon</td>
<td>3¢</td>
<td>No increase</td>
</tr>
<tr>
<td>Lubricating oil</td>
<td>4 1/2¢ per gallon</td>
<td>10¢</td>
<td>6¢</td>
</tr>
<tr>
<td>Photographic apparatus</td>
<td>10% of manufacturers' sales price</td>
<td>25%</td>
<td>Accepted but with exemption of cameras weighing more than 4 lbs.</td>
</tr>
<tr>
<td>Carbonated soft drinks</td>
<td>Bottle not over 33 fluid ounces retailing at</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not over 10¢</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Over 10¢ not over 20¢</td>
<td>1¢ per bottle</td>
<td>No action taken</td>
</tr>
<tr>
<td></td>
<td>Over 20¢</td>
<td>2¢</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bottle over 33 fluid ounces</td>
<td>3¢</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>36% of bottlers' selling price</td>
<td></td>
</tr>
<tr>
<td>Carbonic acid gas used in unbottled soft drinks</td>
<td>None</td>
<td>80¢ per pound</td>
<td>No action taken</td>
</tr>
<tr>
<td>Candy and chewing gum</td>
<td>None</td>
<td>15% of manufacturers' sales price</td>
<td>Rejected</td>
</tr>
<tr>
<td>Communications Service</td>
<td>5¢ tax on charge of 25 to 50¢; additional 5¢ tax on each 50¢</td>
<td>20% of total charge</td>
<td>Accepted</td>
</tr>
<tr>
<td>Article or service</td>
<td>Present rate</td>
<td>Treasury proposed rate</td>
<td>Committee action</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>-----------------------</td>
<td>------------------------</td>
<td>------------------</td>
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<tr>
<td><strong>Communications Service</strong> (^1) (Cont'd.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telegraph, cable and radio dispatch or message</td>
<td>10% of charge</td>
<td>15% of charge</td>
<td>Accepted</td>
</tr>
<tr>
<td>Leased wire services</td>
<td>10% “ “</td>
<td>15% “ “</td>
<td></td>
</tr>
<tr>
<td>Local telephone service</td>
<td>6% of bill</td>
<td>15% “ “</td>
<td></td>
</tr>
<tr>
<td>Public station coin-operated telephone service charges</td>
<td>Exempt</td>
<td>16% on transportation charges; 20% on seats and berths</td>
<td></td>
</tr>
<tr>
<td>under 25¢</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transportation of persons</strong></td>
<td>5% of amount paid</td>
<td>16% of amount paid</td>
<td></td>
</tr>
<tr>
<td><strong>Transportation of oil by pipe line</strong></td>
<td>4% of amount paid</td>
<td>Treasury withdrew proposal (increase to 10%)</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Recommended for repeal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial washing machines</td>
<td>10% of machine sales price</td>
<td>Exempt</td>
<td>Repealed</td>
</tr>
<tr>
<td>Optical equipment</td>
<td>10% “ “</td>
<td>“ “</td>
<td></td>
</tr>
<tr>
<td>Electric signs and advertising devices</td>
<td>10% “ “</td>
<td>“ “</td>
<td></td>
</tr>
<tr>
<td>Rubber articles</td>
<td>10% “ “</td>
<td>“ “</td>
<td></td>
</tr>
<tr>
<td><strong>Freight and express</strong></td>
<td>None</td>
<td>No recommendation</td>
<td>5% of amount paid</td>
</tr>
<tr>
<td><strong>Pari-mutual wagers</strong></td>
<td>None</td>
<td>“ “</td>
<td>5% of pool</td>
</tr>
<tr>
<td><strong>Coin-operated amusement and gaming devices</strong></td>
<td>$50 gaming devices</td>
<td>“ “</td>
<td>$10 on gaming devices paying prizes of not more than 5c; $10 all amusement devices no publicity of returns</td>
</tr>
<tr>
<td></td>
<td>$10 pinball machines</td>
<td>“ “</td>
<td></td>
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</table>

\(^1\) Revised Treasury Proposal
<table>
<thead>
<tr>
<th>Article or service</th>
<th>Present rate</th>
<th>Treasury proposed rate</th>
<th>Committee action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second class mail</td>
<td></td>
<td>Make up deficit</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>excepting that</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>on county newspapers</td>
<td></td>
</tr>
<tr>
<td>Barber and beauty shop services</td>
<td>None</td>
<td>10% of charge</td>
<td>Not accepted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No recommendation</td>
<td></td>
</tr>
<tr>
<td>Electrical energy</td>
<td>3-1/3%</td>
<td>5%</td>
<td>Not accepted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No recommendation</td>
<td></td>
</tr>
<tr>
<td>Revision of electrical energy tax</td>
<td>3-1/3%, exempting sales by publicly owned plants</td>
<td>Eliminate exemption of sales by publicly owned plants. No recommendation but no Treasury objection</td>
<td>Not accepted</td>
</tr>
<tr>
<td>Manufactured and natural gas</td>
<td>None</td>
<td>5% of amount paid</td>
<td>Not accepted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No recommendation</td>
<td></td>
</tr>
<tr>
<td>Sugar</td>
<td>1/2 cent per pound</td>
<td>1 cent per pound</td>
<td>Not accepted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No recommendation</td>
<td></td>
</tr>
<tr>
<td>Coffee</td>
<td>None</td>
<td>5 cents per pound</td>
<td>Not accepted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No recommendation</td>
<td></td>
</tr>
<tr>
<td>Tea</td>
<td>None</td>
<td>10 cents per pound</td>
<td>Not accepted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>no recommendation</td>
<td></td>
</tr>
<tr>
<td>Cocoa</td>
<td>None</td>
<td>5 cents per pound</td>
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</tr>
<tr>
<td></td>
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<td>No recommendation</td>
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</tr>
<tr>
<td>Article or service</td>
<td>Present rate</td>
<td>Treasury proposed rate</td>
<td>Committee action</td>
</tr>
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<td>-----------------------------------</td>
<td>--------------</td>
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<td>------------------</td>
</tr>
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<td>Radio broadcasting</td>
<td>None</td>
<td>(a) Tax based on transmission power</td>
<td>Not accepted</td>
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<tr>
<td></td>
<td></td>
<td>(b) Tax based on net time sales</td>
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<td></td>
<td></td>
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<tr>
<td>Withdrawals from bank accounts</td>
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<td>1/100 of 1%</td>
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Treasury Department, Division of Tax Research  
June 23, 1942
Technical and administrative amendments tentatively acted upon by the Committee on Ways and Means to June 15, 1942

Rejected

Income tax amendments
Treatment of pre-March 1, 1935, earnings and profits. Basis of assets acquired from a decedent.

Estate and gift tax amendments
Limitation on deductibility of charitable bequests.

Postponed to later legislation

Income tax amendments
Charitable organization engaged in trade or business

Approved

Income tax amendments
Taxation of mutual insurance companies other than life.
Consolidated returns for purposes of corporation normal tax and surtax.
Taxation of mutual investment companies.
Pension trusts, and other retirement plans
Deductibility of investment expenses (Higgins case).
Treatment of income accrued at date of decedent's death (Enright case).
Alimony.
Annuity trusts.
Amortization of bond premium.
Treatment of nonbusiness bad debts.
Elimination of charge-off requirement for bad-debt deduction.
Longer statute of limitations for bad debts and worthless stock losses.
Treatment of recoveries of bad debts and previously paid taxes.
Elimination of interim report requirement under last-in first-out inventory section.
Treatment of improvements by lessee.
Treatment of interest on money borrowed to carry paid-up life insurance.
Extension of 5-year amortization provision to individuals and partnerships, and to facilities constructed after January 1, and before June 10, 1940.
Personal holding company tax relief to deficit corporations, and allied problems.
Undistributed profits tax relief to deficit corporations.
Eliminating loan and investment companies from taxation under personal holding company tax.
Income tax amendments - (continued)
Supplement B revisions.
Treatment of involuntary conversion problems.
Revisions in method of taxing income from sources without the
United States.
Revision of section 107 dealing with compensation for services rendered
over several years.
General procedural relief provisions for taxpayers in combat zone or in
enemy-occupied territories.
Modifications in the statute of limitations on refunds.
Reciprocal exemption to employees of the Philippine Government residing
in the United States.
Treatment of income placed upon an annual basis.
Modification in treatment of nonresident aliens as respects requirement
of office or place of business and definition of commodities.
Treatment of suits against the Collector of Internal Revenue.

Estate and gift tax matters
Treatment of renounced legacies.
Clarification of credit for property previously taxed.
Deduction for charitable pledges.
Disallowance of claims in excess of the gross estate.
Life insurance.
Powers of appointment.
Community property and joint estates.
Reversal of gift tax and State tax credits.

Excess-profits tax
Revision of Supplement A.
Revision of section 751.
Revision of treatment of liquidations under the invested capital credit.
Revision of treatment of earnings and profits on certain reorganizations.
Clarification of computation of basis of property paid in for stock.
Clarification of method of computing deficit under average earnings
credit.
TO
Secretary Morgenthau

FROM
Mr. Kamarock

Subject: Shipping Situation
(Charts attached) [Returned]

1. The current rate of shipping losses is now higher than at any other period in this war. In May, for the fourth consecutive month, shipping losses were over the 600,000 tons mark. In the four months February - May, losses totalled 2,600,000 gross tons.

2. In spite of the fact that present shipping losses are about as bad as they were in the darkest period of the First World War, the net shipping situation is beginning to look better. As a result of greatly increased American shipbuilding, the rate of launchings of new ships in May finally caught up with the high rate of losses. As the increase in launchings will continue and the shipping losses along our coasts should decline due to better protection, the shipping position of the United Nations should continue to improve from now on.
SECRET

JUN 23 1942

AGENDA

FOR THE BOARD OF ECONOMIC LENTINEES MEETING
TO BE HELD JUNE 23, 1942, AT 10:00 A.M.
IN THE LEND LEAR ON THE F31/3411/1
IN THE HAYBALK

1. Progress Report on Wooden Sailing Vessels for Latin American Trade. (Copies have been circulated.)

2. The Food Supply Problem in the Other American Republics. (Report attached)
June 22, 1942

Dear Mr. Wallace:

As agreed upon at the meeting with the Board of Economic Warfare June fourth, we submit the report on the food supply problem in the other American Republics.

We are very much indebted to the Department of Agriculture, the Board of Economic Warfare, the Department of State, and the Department of Commerce for assistance in the preparation of this report which reflects as completely as possible the available information on the food supply problem in the other American Republics at the present time.

In view of the constantly changing circumstances occasioned by the withdrawal of shipping through the war effort of the United Nations, it has become apparent that existing sources of information are insufficient to supply the detailed facts required for the effective solution of the food supply problems confronting certain of the other American Republics.

As indicated in the report, this Office is prepared to establish field parties as required in the other American Republics, not only to secure complete data but also to commence immediately, in co-operation with the other governments, such programs of food distribution and expansion of domestic production as are necessary.

Sincerely yours,

Nelson A. Rockefeller
Coordinator

Mr. Henry A. Wallace
Chairman, Board of Economic Warfare
Washington, D. C.
Office of the coordinator of Inter-American Affairs

June 20, 1942

The Food Supply Problem in the Other American Republics

This memorandum is a brief statement of the food supply problem in the twenty republics of Latin America. A study of the facts now at hand indicates the need of more adequate information from the field, in view of the constantly changing situation occasioned by the progress of the war.

The four southernmost republics of South America, Argentina, Chile, Uruguay and Paraguay, comprise a relatively self-sufficient or surplus food producing region. This is not to say that they do not import food from outside their joint area or that there are not food distribution problems within the region. Together in 1941 they imported foodstuffs valued at $1,900,000 from the United States. Relatively, however, their food problems appear to be less pressing than those of the area farther north.

The sixteen republics farther north ordinarily import substantial quantities of food. These imported foods are of significance for the bulk of the population of those republics inasmuch as rice, wheat flour, and dried fish are staple articles in the diet of large numbers of low income people.

Even where imported foods are customarily used only by the upper income strata of the population they constitute a significant part of the total food supply. Their removal from the total supply will result in food shortage which in the end will weigh most heavily upon the large numbers of people of restricted income. In Venezuela, for example,
twenty-five per cent of the total quantity of cereals consumed, as flour or otherwise, is normally imported, largely as wheat flour and rice. The failure of this part of the supply to appear on the domestic market causes serious shortage. Persons normally consuming imported wheat enter the market for limited supplies of domestically produced wheat, corn and rice, with the result that these supplies cannot be secured by those ordinarily dependent upon them.

Food Imports

Within the past few years annual imports of food into this area of northern South America, Central America, Mexico and the three island republics have amounted to almost 2,000,000 tons. Almost a million tons consisted of Argentine wheat to Brazil, largely to southern Brazil. Of the remaining 1,000,000 tons more or less, some 800,000 moved annually to the three island republics and some 600,000 tons to the other republics, including Brazil. Of these 600,000 tons roughly half or 300,000 tons went to Bolivia, Peru and Brazil, largely but not entirely from Argentina. The remaining 300,000 tons went to Venezuela, Colombia and Ecuador, Central America and Mexico and originated largely but by no means entirely in the United States. Similarly a large part of the food imported by the island republics was from the United States.

Approximately half of the 1,000,000 tons of food annually imported by the 16 republics (Brazilian wheat imports excluded) consisted of wheat and wheat flour. Another 25 per cent consisted of rice. The island republics imported somewhat less wheat and more rice...
and the continental area more wheat and less rice. In the case of each area wheat, wheat flour and rice amounted to about 75 per cent of the tonnage of food imported. Other foodstuffs imported in significant quantities were lard, sugar, fish, potatoes, beans, onions and canned or dried milk. A variety of other foods were imported in relatively small but probably important quantities.

Effect of War on Food Supply

Since the outbreak of war and more particularly within the past few months, reports have indicated deterioration in the food situation in many of these sixteen republics. In the case of the thirteen republics not primarily supplied by overland transportation from Argentina and likewise in the case of northern Brazil, the shipping situation is, of course, the critical factor. Normal shipping facilities to these areas have been reduced, both by withdrawal and by sinkings. Whether the movement of food by ship has been reduced to the point where acute food shortages are widespread is not clear.

To date we do not have reliable data on (1) requirements, (2) stocks, (3) current movement of food by ship, and (4) domestic crop prospects. The important points to be noted are that first, food shortages have been consistently reported from a number of areas and there seem thus to be areas where critical shortages as a result of reduced shipping have developed or are imminent. Second, the shipping capacity now or recently available may be reduced, in which case it is quite certain that serious shortages will appear. As stated, data on requirements, in the sense of minimum essential requirements, are not at hand. The volume of foodstuffs normally imported provides some index, however, to requirements, sufficient at least to indicate the imminent danger of serious shortages.
It may also be noted that shortages have developed or at least threaten in some areas where the problem is not so much ocean shipping as it is internal transportation, by highway, rail or river.

A second point to be noted is that the demand for food in certain areas has been increased by the employment of large numbers of workers in the expanding production of critical and strategic materials. In some cases large numbers of people are moving into deficit food areas, in many cases abandoning agricultural activities. In other cases large numbers of people are coming into the market for foodstuffs for the first time by virtue of employment at wages which, however low, represent higher than normal incomes.

Without the data necessary to indicate precisely where there are areas of shortage and the types and quantities of food needed therein, it is still possible to indicate first, the obviously vulnerable areas and second, the already reported critical shortage areas. Data on normal imports and flow of foodstuffs indicate that Cuba, Panama, including the Canal Zone, Venezuela, Ecuador and several of the Central American republics, notably Honduras, are highly vulnerable to food shortage resulting from reduction in shipping. Colombia, northern Brazil, Haiti and the Dominican republic are less so only in degree.

The Amazon Basin

More specifically, the largest area of critical food shortage at the present time is the Amazon Basin in Brazil and in adjacent parts of Peru, Ecuador, and Bolivia. This area has always been a deficit area in terms of food stuffs. At present with large numbers of people moving into the area for wild rubber collection the food situation has become acute. To quote a careful observer just returned from one of the important rubber producing areas of the Amazon Basin:
There is a growing shortage caused by less planting, increased consumption, high prices. Although it is not yet critical, unless certain constructive action is taken, it may become so. In Belem the Mayor of the city said he was preparing a decree limiting the number of dishes to be served at one meal to two. In Manaus the Vice-Consul had been trying for ten days to buy a chicken but without success. This is a city of 90,000 people. When the central market opens at three o'clock in the morning there is a long line waiting and by four o'clock all very little is left.

The Governor of the State of Amazonas is alarmed and has sent out a poster warning seringueiros of the approaching food crisis and recommending that they plant subsistence crops. It should be kept in mind that many of these people do not read, have no seeds, and do not know much about agriculture.

In Porto Velho the Mayor of the city and Managing Director of the Railroad were both alarmed at the few small gardens of the city had been abandoned by former agriculturists in favor of the more profitable work in the jungle.

In going overland between the Abuna and Acro rivers, the writer spent one night in a seringueiro's hut where the dinner was composed of a cup of coffee with sugar. There was neither rice nor beans, the staples of diet. Another night dinner was rice and coffee, but no beans. In a distance of 1600 miles, from the lower Abuna, across Acro, down the Purus river and into the Solimoes, to Manaus, only one garden was seen.

Present plans of the United States Government in cooperation with the Brazilian, Peruvian and Bolivian governments for the production of rubber in the Amazon Basin indicate that 100,000 to 300,000 people may be moved into the area within the next twelve months. Approximately 50,000 to 150,000 tons of food per year would be required for these people. This amount represents no small addition to the food import tonnage normally required.
Other Critical Areas

Outside of the Amazon Valley in Brazil there are a number of local areas in northeast Brazil in which food is now or is likely to be in critically short supply. These regions are in the vicinity of Sao Luis, in the State of Maranhao, where babassu nut production is being expanded, and in the neighborhood of Natal and Recife, where United States military and naval requirements have created temporary local shortages and may constitute in the future an important drain on the food supplies available to this region.

The coastal area of Venezuela, including the Maritime Andes and the interior valleys, includes the bulk of Venezuela's population and normally imports a considerable share of its food needs. This area includes the important oil producing sections in the neighborhood of Carapito where the population is at present almost entirely fed on food imported from the United States. There appear to be in this area good prospects of an increasing local food production if efforts along this line are properly directed. But the area will be dependent upon imports for at least a year. A serious shortage of flour is already reported.

In Colombia the food situation is in the whole much better than in Venezuela, although substantial quantities of some foods have in the past been imported. The only region in Colombia where it appears that a critical food shortage now exists is in the banana producing area around Santa Marta on the north coast.

On the west coast of South America the worst local situation at the moment appears to be in the vicinity of Guayaquil, Ecuador. In the past this region has been definitely a deficit food area and has depended to a considerable extent upon imports of such products as wheat flour and lard. In this
particular region, it appears, in the case of lard, that the situation could be relieved by bringing in food from the Inter-Andean Plateau if the permitted prices were increased sufficiently to be attractive to producers in that region and sufficient rail transportation were made available. In the case of

according to recent reports, a shortage now exists.

The situation in Peru is not as yet acute but potentially Peru might become one of the most serious food deficit regions in Latin America. The reason for this is that the cities of the Andean Plateau and the irrigated valleys are largely dependent upon trucking facilities for the distribution of their food supplies.

Bolivia is very largely dependent upon imports of food which come largely by rail from Argentina. The situation there may not be expected to become critical so long as adequate rail facilities are available. There is considerable evidence that those facilities are already less than adequate.

Food Shortages in Central America

In Central America the local areas where acute food shortages have already developed are on the northern coast of Honduras and the adjacent area in Guatemala and on the west coast of Costa Rica where the populations are largely dependent upon imports from this country which have now been cut off by the removal of banana vessels.

The Canal Zone itself is, of course, heavily dependent upon imports of food but except for products which have to be moved under refrigeration there does not appear to be any prospect of a shortage of tonnage to satisfy the needs of this area. Also throughout Central America there appear to be more or less serious food shortages developing in the vicinity of all of the larger towns because of the cutting off of the customary supplies of imported
food and the reduction in local transportation because of the shortages of
trucks and tires.

In Mexico the regions in which the most serious situations appear
to prevail at present are (1) the Yucatan peninsula and (2) the coast of
Tabasco and the neighboring areas of Vera Cruz and Campeche. This is a
banana and henequen producing region, parts of which are isolated from the
rest of the country and which have been heavily dependent upon imports of
food on the banana and henequen carriers. In the remainder of Mexico food
supplies are apparently normal although, as in the Amazon Basin, the stimu-
lation of wild rubber production in southern Mexico may cause the development
of other areas of critical food shortages.

In many areas, shortage or the threat of shortage has led to sky-
rocketing prices for food stuffs. In Peru wholesale prices of foodstuffs have
risen 25 per cent above their average 1941 level. In Colombia the price of
wheat has jumped 25 per cent within the past two months. In Cuba wholesale
prices of imported commodities rose by almost 50 per cent between April, 1941
and April, 1942. These examples can be multiplied.

In summary, the food problem is serious and may become dangerous in
any of the island republics, in Central America, in Venezuela, Ecuador, and
possibly in Colombia, Peru and Bolivia. The situation is one which calls for
action: first, in the organization of distribution of foodstuffs in areas
currently facing shortage; second, in the development of increased local
food production designed to make the republics concerned self-sufficient as
to minimum requirements.
Caribbean Area

A report by the Agricultural Marketing Administrator to the Secretary of Agriculture says:

"The food supply job in the Caribbean area as a whole is very complex. In general, the other islands face much the same situation as our own Caribbean territories: possible severe shortages because of their dependence on imports for a large part of their food requirements. One important factor is the number of governmental interests represented - American, British, French, and independent. If the food requirements of all the 61 islands in the area were pooled as they should be, supplies could be more efficiently purchased and shipped.

"Plans are being worked out to handle the problem of purchasing and distributing this food. It is proposed to establish one stockpile at Santiago de Cuba, which is afforded some protection by military and naval installations in the area, and another at St. Thomas if feasible. Another stockpile at San Juan, P. R., may be necessary. It is believed that enough shipping is available to maintain the stockpiles at these points, with the inter-island distribution job depending mainly upon small vessels under 1,000 tons.

"The purchase of these foods, under the present plan, would be financed from a special revolving fund. This fund would be reimbursed by purchases from the stockpiles.

"The Under Secretary of State has recommended that the President direct the Land-Lease Administration to take responsibility in cooperation with other
agencies of the government in supplying the food needs of the Caribbean area. While no final arrangements have been made with respect to islands that are independent or owned by the governments other than the United States and Great Britain, an allotment of funds has been made by the Lend-Lease Administration to the Agricultural Marketing Administration, and the program has been started at least to the extent of meeting British and American needs."

The Office of the Coordinator of Inter-American Affairs is responsible for the food supply problems of the three island republics: Cuba, Dominican Republic, and Haiti. The Office of the Coordinator of Inter-American Affairs will cooperate very closely with those agencies of the United States Government charged with responsibility for the food supply of the Caribbean possessions.

**Conclusions**

Review of the facts concerning the food supply problem in the other American Republics together with the experience of this Government in its Caribbean possessions and in Hawaii leads to the following conclusions:

1. Requirements must be carefully determined on a sound and uniform basis throughout Latin America and the Caribbean area. Estimates of requirements must conserve every possible foot of cargo shipping space. If further withdrawals of shipping are occasioned by the war effort, allocations of food cargoes should be made on a uniform basis. Determination of the requirements of the other American Republics should be on a cooperative basis following the pattern set in the estimates of requirements of essential materials already supplied to this government.

2. Unified control of imports and exports of food supplies should be established by the government concerned.
3. It is important that the requirements and allocations of shipping space for food supplies should be determined in the light of the total Latin American food supply problem rather than in the light of the situation in any one area or country alone.

4. Once a unified control of imports and exports of foodstuffs has been established, the experience of the United States Government in the establishment of price controls and rationing should be made available on a cooperative basis to the republics concerned.

5. More effective organization of distribution and internal transportation for foodstuffs should be carried out in cooperation with the governments concerned.

6. Most important, a determined effort must be made to expand domestic production of foodstuffs in the other American Republics and in the Caribbean possessions to make them self-sufficient as to minimum food requirements thereby lessening demands on shipping.

In the execution of these recommendations, it is imperative that the Office of the Coordinator of Inter-American Affairs establish field parties in those areas facing food shortages. These field parties will secure necessary detailed information on situations which change constantly from day to day. Such field parties should begin immediately, in cooperation with the other governments, the necessary operations for food distribution and the expansion of domestic production.
There is submitted herewith the operating report of Lend-Lease purchases for the week ended June 20, 1942.

The shipping situation has been of great concern to us just recently because of the routine procedure required under the program of centralizing traffic control in Washington and necessitating clearances from the War Department before traffic can move to the ports.

I held a meeting at my office Saturday morning, the 20th, and stated that the procedure would have to be stream-lined in order to meet the constantly changing production situation and that we needed authority to provide stockpiles of bottom cargo nearby or at ports. A blanket release of 200,000 tons was granted yesterday for the British and we are now endeavoring to work out a plan to short-cut the procedure whereby we will get blanket or block releases from the War Department for the succeeding month's requirements, rather than clearing each transaction.
LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION

STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF JUNE 20, 1942
(In Millions of Dollars)

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<th></th>
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<th>China</th>
<th>Administrative Expenses</th>
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<td>(250.8)</td>
<td>(39.1)</td>
<td>(1.2)</td>
<td>(3.6)</td>
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<td>( 411.6)</td>
<td>(329.8)</td>
<td>( 60.9)</td>
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<td>( 1.7)</td>
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*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of June 13, 1942.
Explanation of Changes

The decrease in the total allocations is a result of the cancellation of the allocations for Yugoslavia in the amount of $4,806,000. This fund has been turned over to the War Department.
The Secretary might possibly want to glance at this summary of material sent to him.

I don't think it is very important.
Count R. N. Coudenhove-Kalergi, an Austrian and President of the Pan Europa Union, has written a paper suggesting that the idea of a United States of Europe would constitute both an effective instrument for breaking down the German "will to resist" and a practical basis for a post-war European organization. His argument takes the following course:

1. Attractive terms of peace will shake German willingness to continue the war.
2. The Atlantic Charter already "assures Germany her pre-invasion frontiers of 1937".
3. The Atlantic Charter also "pledges not to repeat the fatal reparation policy of Versailles".
4. But the terms already offered Germany are not sufficiently clear and attractive to constitute an important instrument of psychological warfare.
5. The League of Nations symbol has lost its appeal to the European peoples. The suggestion of a world-leadership exercised by the English-speaking nations is even less attractive.
6. Only the slogan of a United States of Europe "corresponds exactly to the necessities of psychological warfare... It has remained the ultimate hope of uncounted millions between the Fjords of Norway and the Isles of the Mediterranean".
7. But the United States of Europe is not merely an effective slogan. It is a solid basis for a durable peace, which will unite Europe in a single market, under a federation including both constitutional monarchies and republics.
8. The United States of Europe is also the solution for the German problem because within its boundaries the German people will have a plentiful scope for their talents, while controlling only one-tenth of the territory of the federation and less than one-fifth of its population.

Comment

Without undertaking any extensive examination of the fundamental ideas involved in the program of a United States of Europe, the following comments may be ventured on Count Coudenhove-Kalergi's memorandum:

1. The Count overstates the commitments to Germany, on frontiers and reparations, involved in the Atlantic Charter.

2. He is in error in suggesting that the peoples of the continent are consumed with longing for a United States of Europe.

3. He does the idea of a United States of Europe a disservice in passing lightly over the obstacles to the establishment of a continental federation. The legacy of national hatred, the great differences in wealth, the conflict of social systems, varying conceptions of government -- all these will constitute, in the post-war period, real obstacles to continental unity. These obstacles cannot be glibly conjured away by light talk about a single market and a single currency.
June 6, 1942.

Dear Count Coudenhove-Kalergi:

Your letter of June 6, together with the copy of your recent address before the Town Hall Club, have been received in the Secretary's office during his absence from Washington. I shall be glad to bring both the letter and the enclosed material to Mr. Morgenthau's attention as soon as he returns.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary

Count Richard N. Coudenhove-Kalergi,
President, Pan Europa Union,
2501 Palisade Avenue,
New York, New York.
New York, June 6, 1942

Personal

Mr. Henry Morgenthau,
Secretary of the Treasury
Washington, D.C.

Dear Mr. Secretary,

may I submit you two copies of my recent address at the Town Hall Club, New York City, about:

"Peace Aims as War Weapons,"

stressing the necessity of psychological warfare and the use of the pan-European idea as an effective means to speed up victory.

I consider this as a matter of vital importance, because psychological warfare seems to be neglected by all United Nations with the exception of the Soviets, and because this lack may not only prolong the war beyond the Presidential Elections, but finally lead to the conquest of Europe by ideas hostile to Western Civilization.

I therefore would suggest the establishment of a "Board for Psychological Warfare", consisting of persons combining vision with an intimate knowledge of the psychology of the enemy nations. I need not say that I am ready to help any such organization by all possible means.

If you believe that my suggestions are as important as I consider them to be, please be so kind as to give one of the copies to the President.

Of course, I should like to submit him personally the matter, together with a practical plan of procedure, but I know how difficult it is to obtain, under the present circumstances, such an audience. But on the other hand, any message by the President, suporting the hope for a United States of Europe, would electrify the Old Continent no less than the magnificent raids on Cologne and Essen.

Very sincerely yours,

BN Condénsi - Kalsgi
PEACE AIMS AS WAR WEAPONS

By Count Richard N. Coudenhove-Kalergi, President of the Pan Europa Union.

The evolution of the War and the expansion of war production give ample evidence that Hitler is doomed, and the Allied Victory certain. This certainty makes more important than ever the question: "what time and what sacrifices victory still demands." In the light of the events in the Far East the question of the duration of the European War becomes a problem of rising importance. Not only to win the war but to win it as quickly as possible is a vital issue for our common future and civilization; therefore the demand for a second front in Europe has become urgent and justified.

But a total war is waged not only on several fronts but also on several planes. Modern warfare is not only a military but also an economic and psychological matter.

The vital importance of economic warfare is at last being fully acknowledged: we recognize now that the construction of a new plane factory is equivalent to a major military victory. The time has come to stress the importance of psychological warfare as an equally decisive weapon in a total war.

The aim of military and of economic warfare is to break the enemy's power to resist. The aim of psychological warfare is to break the enemy's will to resist. Both elements are equally important methods to assure and to hasten victory.

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Some of the greatest wars in history have been won by
ideological weapons. Garibaldi succeeded in invading and con-
quering half of Italy with an expeditionary corps of only 1,000
men because his three little ships carried an ideological weapon
of invincible strength: the idea of a free and united Italy.
This ideological arm proved to be stronger than all the cannons
and soldiers of the King of Naples.

Lenin and his handful of Bolshevists succeeded in conquering
the vast Empire of Russia because they were armed with the
explosive idea of Social Justice.

Although not generally recognised it is a fact that the first
World War was terminated in the East as in the West by weapons of
ideological character. It was General Ludendorff's ideological
warfare that led to the Russian capitulation; and it was President
Wilson's psychological warfare that led to the capitulation both
of Germany and of Austria-Hungary.

It is well known that after Ludendorff had failed for three years
to break the backbone of the Russian Armies by means of strategy,
he sent Lenin across the front to crush the Russian moral resistance.
This psychological warfare resulted in the desintegration of the
Russian army and its surrender at Brest-Litovsk. But it has never
been sufficiently stressed that Wilson's ideas were one of the
decisive factors in the Allied victory of 1918.

At that time the German armies were defeated but not smashed.
They were still able to organize a last ditch defense at the
Rhine. Such a defense would not have changed the final outcome
of the war - but it would have prolonged it for many months. The
surprisingly sudden capitulation of the German Army was largely
due to the psychological warfare waged by President Wilson which succeeded in breaking Germany's will to resist. Because of his Fourteen Points the German Generals had to give up all hope of mobilising public opinion against Wilson's peace offer; against his magnificent vision of a world-embracing League of Nations assuring the victors and the vanquished an equal benefit of peace and liberty, of justice and prosperity. That was the main reason why Germany decided to accept Wilson's peace aims rather than to continue a desperate war against overwhelming odds. Therefore military, economic and psychological elements had an equal share in Germany's surrender.

The explosive power of Wilson's peace aims became even more obvious with the collapse of the Austro-Hungarian Monarchy; undefeated by the Italian armies, the Viennese Government surrendered as a consequence of the internal desintegration produced by Wilson's ideas. The national groups within the Danubian Monarchy preferred to share in Wilson's new world of self-determination and of Democracy rather than continue defending Austria-Hungary's Imperial traditions. So this huge Empire was overthrown by psychological warfare and by dynamic peace aims.

The world seems to have forgotten these historic lessons and the close connection between psychological warfare and establishment of peace aims. This close connection is being disregarded by all those who wish to postpone all peace problems until victory is achieved with the impressive argument "Now we are in war and must concentrate all our efforts on war. When once the war shall have been
won, we shall have ample time to consider the problems of peace."

To this, I reply, "Peace aims are vital instruments of warfare; 
wars are won by guns and by ideas, by shells and by programs; peace 
aims can serve as powerful bombs exploding in the rear of the enemy 
fronts; peace aims can break the resistance of armies; peace aims 
can arouse public opinion against soldiers and guns; peace aims 
can be transformed into irresistible weapons in time of war."

The Second World War will also be decided by combined results 
of belligerent strategy, economics, and psychology. Nobody can 
predict which of these elements of modern warfare will prevail. 
To believe that psychological warfare alone could win this war 
would be just as ridiculous as to doubt that ideological weapons 
might shorten it for months or even for years. Therefore the same 
attention should be given to ideas and to peace aims as are given 
to the production of tanks and of plans.

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The United Nations have begun to establish a peace program with 
the Atlantic Charter. It is a good start because it settles two 
of the most complicated peace problems: the territorial and economic 
fate of the vanquished. It points out that the United Nations 
seek no territorial aggrandisement and it asserts that after the 
liberation of all invaded lands, no territorial changes will 
be made without the consent of the populations involved. Thus 
the Atlantic Charter assures Germany her pre-invasion frontiers 
of 1937.

Moreover the Atlantic Charter pledges not to repeat the fatal 
preparation policy of Versailles, but to give the Germans an equal 
chance of living out their lives free from fear and want by
assuring them equal access to the world markets and raw materials. But in spite of these generous and reasonable suggestions, the Atlantic Charter could not make any impression on the enemy nations because it appeals to reason and not to vision. It does not take into account that human nature is not reasonable, that it is more impressed by pictures and visions than by arguments and theories. In spite of numerous analogies between Wilson's Fourteen Points and the Atlantic Charter, the difference between them is immense: Wilson gave a grand picture of a new World while the Atlantic Charter gives but a useful frame. The World is still waiting for a new picture, a picture that can create faith and enthusiasm, move spirits and arouse wills, inspire heroes and martyrs.

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Many private organisations are trying to fill the Atlantic framework with such a living picture of the coming World Order. They have worked out three main plans:


2nd: British-American Union and its World Leadership.

3rd: A United States of Europe.

All three of these ideas will certainly have some influence on the future World Order; for it is absolutely necessary that some instrument of international collaboration, embracing all Nations, Federations, Continents, be established at the end of this war. It also is certain that the great English-speaking Nations will have to maintain their close association beyond the War emergency in order to assume moral leadership in the gigantic task of building up a new and better World. And it also is evident that the 30 European states, situated between the two greatest federations of the World, the United States of America and the Soviet Union, will have to follow these two grand
examples by establishing some kind of federation.
From the point of view of post war planning, the study and co-ordination of these three programs is of equal importance. But from the point of view of psychological warfare, their value appears very different.

The League of Nations, the strongest weapon of ideological warfare in 1918, has lost all its appeal to European minds and hearts. Never in history has an institution been greeted with greater hopes and led within so short a period to greater disappointment. Its moral authority has vanished after an uninterrupted series of smashed hopes and of broken pledges. Lost power can be quickly restored by new power. But to re-establish a ruined credit takes years. No European would now be ready to trust any institution connected with one of the World's greatest and most tragic failures. The less the Europeans are reminded of the League, the better for our psychological warfare.

The suggestion of a world leadership exercised by the United English-speaking Nations, controlling a disunited Europe, is still more dangerous from the point of view of psychological warfare. For it can easily be transformed into an argument against the Allies by the Axis, by their pretensions of defending Europe against Anglo-Saxon domination.

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To wage a successful psychological war against the Axis, we must first of all realize that it is now Germany and not Britain that has become a besieged fortress. In spite of all her conquests, Germany is now surrounded and encircled by the superior forces of the United Nations, who demand her surrender. Hitler's psychological warfare profits from this fact and consists in making the Germans
believe that they are facing the alternative: victory or annihilation. His propaganda warned the German people to carry on the struggle with the utmost energy and unity as the only way to prevent a terrible catastrophe: the slaughter, torture and starvation of all Germans by revengeful enemies.

It is obvious that the garrison of any besieged fortress, believing that it will be slaughtered or enslaved as soon as it surrenders, will resist to the utmost. The German people know of the crimes their nation has committed and what punishment some of their enemies are advocating. They prefer to fight a long war or to fall in battle, rather than to be slaughtered or starved after their surrender. They continue to fight desperately because they consider victory or death on the battlefield as the two only ways of escaping this terrible punishment. So Germany's fear of post-war revenge has become one of Hitler's strongest instruments for unifying his Nation, and for carrying on his war.

In his endeavor to blackmail his own people he receives precious help from some of his most fanatic enemies. Any indiscriminate threat of annihilation, uttered by citizens of the United Nations against the German people, is bound to stress the link between the Nazi gang and the German nation. That unparalleled crimes provoke unparalleled feelings of revenge is only too natural. But from the point of view of psychological warfare, these cries for revenge are very dangerous because they happen to unite the Germans behind Hitler and to postpone the collapse of the Third Reich.

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The United States of Europe is the only peace in this century.
and ideals. Within the last 20 years it has been carried by a mighty wave of public opinion all over the Continent. It has been opposed by only two groups of powerful individuals: by industrialists whose wealth is based on national protectionism, and by politicians whose careers are based on national antagonism. Apart from these two small but influential groups, the people of Europe, in factories, on fields and at desks, are longing for a lasting peace that would assure their liberty, their bread, their jobs, their family and their chance of participating in a rising and more justly distributed tide of prosperity.

The European Commonwealth of Nations, with its place between the United States of America and the Union of Soviet Russia will have to be established on a Social and democratic basis: more social than America - more democratic than Russia. Its democratic parliament will have to be elected by free and general votes; its parliamentary government will have to assure a common policy in foreign, social and colonial matters; it will secure a common market and currency; it will replace national armaments by a Federal Army and a Federal Police. But one of the chief elements of the European constitution must be a common Bill of Rights, loyally interpreted by Federal Courts. This Bill of Rights will have to assure not only political freedom and equality among all ethnical and religious groups, but also social rights: it must protect every European against any kind of oppression by tyrants, state governments, organizations and bosses. Within such a Constitution there will be place for republics as well as for constitutional monarchies; but not for totalitarian states nor for dictators.
Facing such fair and progressive peace-aims, most Germans would undoubtedly prefer to become free citizens of a federated Europe rather than to remain at the mercy of the merciless Third Reich and its tyrants.

All citizens of Italy, as far as their personal interests are not linked to Nazism, would equally prefer to be controlled by a European Federation than by a German dictator. And the Nations of the occupied territories, too, would receive new impulse and inspiration in their heroic struggle against the invader by the vision of a great constructive aim that would replace the present uncertainty regarding their future.

This common hope, crystallizing around a grand vision and inspiring idea, would create an irresistible current within the entire population of Europe. This tide of public opinion would rise behind the German lines and within a near future sweep away Hitler with all his satellites.

Nothing illustrates the appeal of the pan-European idea of European minds better than the fact that Hitler himself now tries to steal it from the ideological arsenal of democracy in order to use it as a weapon for his own psychological warfare. He, the deadly enemy of Europe and of its civilization, is suddenly pretending to fight for European Union and for its independence from Anglo-Saxon domination. He tries to convince the people of Europe that England and America are fighting for their own hegemony over a weak, dismembered, disunited and miserable Europe.

It is easy for the United Nations to smash this psychological weapon in Hitler's hand. But this cannot be done by repeating that reactionary slogan: "We wish to re-establish all national sovereignties just as they were in the pre-war period," but rather by proclaiming boldly:
"Hitler is offering you a United Europe of slavery and misery; we are offering you a United Europe of freedom and of prosperity. It is up to you to make your choice."

Presented in this way, the idea of a Free and United Europe would become a powerful weapon in the war against Nazism; a Trojan horse behind the defense lines of Hitler’s Empire; a challenge for those who are attempting to prolong the war only to maintain slavery and to perpetuate misery.

But the United Nations should not try to launch this ideological bomb without first considering it in all its possible consequences. To use peace aims just to lure the enemy into surrender and then to drop them would be not only a crime but also an unpardonable blunder: for no lasting peace could ever be established on broken pledges. We therefore are bound to consider whether this first-rate weapon of psychological warfare is apt to be transformed after the war into a useful instrument of the coming peace.

A glance at the map answers this question: it illustrates convincingly why 30 European states, between the American and the Russian Federation, may never again return to their pre-war state of anarchy. Two great European wars within a single generation give ample evidence that European disunion is bound to lead again and again to periodic wars, engulfing in their bloody current all states and continents of the world.

A glance at European history gives further evidence that Europe never experienced a period of lasting peace as long as it was split up in national sovereignties. Europe enjoyed its only period of lasting peace during the two centuries of its Union within the Roman Empire.
It also is evident that, if the World wishes to inaugurate a new period of lasting peace, it can never again admit the existence of an independent German state in the heart of the European Continent. Any peace based on that notion would be mere folly and suicide. Post-war Germany will have to accept an effective international control of her manpower, her foreign and internal policy, her production, and her education. To organize such a control, two ways are possible: either to transform Germany into a colony of the United Nations and the Germans into pariahs of the white race, or to establish a permanent control over Germany and all other States of Europe by a federal board, thereby replacing the old conception of national sovereignty by the new principle of federalism. This latter solution alone would be able to prevent a Third European War and a second Hitler, because an enslaved Germany would sooner or later seek and find her revenge: either by war or by revolution.

One of the basic and eternal rules of politics recommends: the reconciliation of an enemy whom you cannot crush - and the crushing of an enemy whom you cannot reconcile. The United Nations are fighting two different kinds of enemies on German soil: the Nazi gang and the German people. We must be aware that we can never reconcile Nazism with ourselves; nor can we ever annihilate the German race. These two facts indicate the double aspect of a lasting European peace: we must annihilate irreconcilable Nazism - and pave the way for the future reconciliation of the indestructible German race. This double method of assuring peace has been clearly outlined by the Atlantic Charter and it has again been stressed by Stalin's last speech. But the only way to achieve this double result lies in the
establishment of a European Federation that would break forever
with the outworn age notions of an independent German Reich, based
on its national army and economy, and integrating the creative
forces of the German race into a European Federation and into the
wider community of our common civilization.

For in spite of the obvious necessity for European Union we
may never forget that our planet is growing smaller day by day
owing to the marvellous progress of technology. Therefore European
isolation would be just such an illusion as American isolation.
The slogan of the coming World will be not isolation but co-operation.
Therefore the new Europe will have to be established from its very
beginnings in close co-operation with other Continents and Federations;
first of all with its two great neighbors in the East and in the West,
the American Republics and the Soviet world.

But whatever the future organization of our Planet might be,
it is certain that Europe can never again return to its pre-war
dismemberment. Whether the war should be followed by a permanent
collaboration among the United Nations, or be a World Union of
Democracies, or by some other successor of the unfortunate League
of Nations, one thing is evident: that a future Europe will have to
be considered not as a number of independent states, but as a
single family of nations, bound together by geography and by history,
by common economic interests and by common cultural traditions.
In this new era the Netherlands and Belgium for instance will have
to adjust their collaboration rather after the model of the relations
between the two neighbor-states Vermont and New Hampshire, than after
those between Mexico and China.

This new Europe will also have to decide for a federal language,
presumably English, to be taught in all its elementary schools besides the various national idioms, as a necessary instrument of general understanding.

The transformation of Europe into a single market with a common monetary system has become another necessity for any sound program of Continental economic resurrection. Only thus can Europe assure a rising standard of living for its huge population.

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This war will be considered one day as the great Civil War of Europe; as a gigantic revolution against the attempt of some men, gangs, and states to re-establish slavery, robbery and torture within our very civilised Old Continent.

I believe that this Civil War will have to be liquidated exactly like the American Civil War was liquidated: by a federal government, enforcing the respect for the Bill of Rights and the abolition of slavery within the entire Union; by granting equal rights to the vanquished States and to their citizens; by stressing the economic union between North and South; by making any attempt at a military or revolutionary revenge impossible and even inconceivable; by paving the road toward ultimate reconciliation between victors and vanquished within a common patriotism.

This wise and generous American policy that has led to a complete success, indicates the only way in which we may successfully liquidate the European War, as soon as Nazism is overthrown and is followed by a civilized Government willing to accept the principles of the Atlantic Charter, and to collaborate in establishing a free and united Europe.

For some time however, the feelings of hatred among the Europeans will undoubtedly prevail as they did for years after your Civil War.
But it is encouraging to note that even these feelings of hatred of revenge and resentment did not prevent the evolution, reconstruction and functioning of the United States and the triumph of ultimate reconciliation. So we need not bury the hope that one day Europe will look back on Hitler's War as you are now looking back on you Civil War or England on the War of Roses.

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Enemies of European Union have expressed some apprehension that Germany might try to abuse the European Federation to establish her hegemony over the Continent. Such a fear is utterly unfounded. For, according to the Atlantic Charter, the German Nation will control only one-tenth of Europe's territory with less than a fifth of its population. A sound European Constitution, inspired by the European example of Switzerland, could easily prevent any attempt of this little minority to dominate or to control any of its neighbors, if ever such an attempt should take place. On the other hand we may never forget that Hitler's only chance to conquer and to dominate Europe was based on the fact that he was facing a servitude of disunited and isolated states, without federal links. Had a United States of Europe been established at the end of the last war, or even as a consequence of Briand's Initiative of 1929 - there would have been not Hitler ruling Germany and no Second World War torturing Europe and devastating the whole world.

We cannot alter the past, but we still can save the future by a policy of clear vision and of courageous action. The same peace program and idea that can serve during the war as a mighty psychological weapon for victory can be transformed at its end into the most solid pillar of any future world organization.

The same dynamic idea that can help to win the war can also serve to win the peace.
During three centuries Europeans of all Nations have contributed in building up this marvel of the World, the United States of America. Now it is up to this New World to save Europe and all Western Civilization by establishing on the ruins of Hitlerism, the United States of Europe.

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PEACE AIDS AS WAR WEAPONS

By Count Richard N. Coudenhove-Kalergi, President of the Pan Europa Union.

The evolution of the War and the expansion of war production give ample evidence that Hitler is doomed, and the Allied Victory certain. This certainly makes more important than ever the question: "what time and what sacrifices victory still demands."

In the light of the events in the Far East the question of the duration of the European War becomes a problem of rising importance. Not only to win the war but to win it as quickly as possible is a vital issue for our common future and civilization; therefore the demand for a second front in Europe has become urgent and justified.

But a total war is waged not only on several fronts but also on several planes. Modern warfare is not only a military but also an economic and psychological matter.

The vital importance of economic warfare is at last being fully acknowledged: we recognize now that the construction of a new plane factory is equivalent to a major military victory. The time has come to stress the importance of psychological warfare as an equally decisive weapon in a total war.

The aim of military and of economic warfare is to break the enemy's power to resist. The aim of psychological warfare is to break the enemy's will to resist. Both elements are equally important methods to assure and to hasten victory.
Some of the greatest wars in history have been won by ideological weapons. Garibaldi succeeded in invading and conquering half of Italy with an expeditionary corps of only 1,000 men because his three little ships carried an ideological weapon of invincible strength: the idea of a free and united Italy. This ideological arm proved to be stronger than all the cannons and soldiers of the King of Naples.

Lenin and his handful of Bolsheviks succeeded in conquering the vast Empire of Russia because they were armed with the explosive idea of Social Justice.

Although not generally recognized it is a fact that the first World War was terminated in the East as in the West by weapons of ideological character. It was General Ludendorff's ideological warfare that led to the Russian capitulation; and it was President Wilson's psychological warfare that led to the capitulation both of Germany and of Austria-Hungary.

It is well known that after Ludendorff had failed for three years to break the backbone of the Russian armies by means of strategy, he sent Lenin across the front to crush the Russian moral resistance. This psychological warfare resulted in the decimation of the Russian army and its surrender at Brest-Litovsk. But it has never been sufficiently stressed that Wilson's ideas were one of the decisive factors in the Allied victory of 1918.

At that time the German armies were defeated but not smashed. They were still able to organize a last-ditch defense at the Rhine. Such a defense would not have changed the final outcome of the war - but it would have prolonged it for many months. The surprisingly sudden capitulation of the German Army was largely
due to the psychological warfare waged by President Wilson which succeeded in breaking Germany's will to resist. Because of his Fourteen Points the German Generals had to give up all hope of mobilizing public opinion against Wilson's peace offer; against his magnificent vision of a world-embracing League of Nations assuring the victors and the vanquished an equal benefit of peace and liberty, of justice and prosperity. That was the main reason why Germany decided to accept Wilson's peace aims rather than to continue a desperate war against overwhelming odds. Therefore military, economic and psychological elements had an equal share in Germany's surrender.

The explosive power of Wilson's peace aims became even more obvious with the collapse of the Austro-Hungarian Monarchy; undefeated by the Italian armies, the Viennese Government surrendered as a consequence of the internal desintegration produced by Wilson's ideas. The national groups within the Dualist Monarchy preferred to share in Wilson's new world of self-determination and of Democracy rather than continue defending Austria-Hungary's Imperial traditions. So this huge Empire was overthrown by psychological warfare and by dynamic peace aims.

The world seems to have forgotten these historic lessons and the close connection between psychological warfare and establishment of peace aims. This close connection is being disregarded by all those who wish to postpone all peace problems until victory is achieved with the impressive argument "Now we are in war and must concentrate all our efforts on war. When once the war shall have been
won, we shall have ample time to consider the problems of peace.

To this, I reply, "Peace aims are vital instruments of warfare; wars are won by guns and by ideas, by while and by progress; peace aims can serve as powerful bombs exploding in the rear of the enemy fronts; peace aims can break the resistance of armies; peace aims can arouse public opinion against soldiers and guns; peace aims can be transformed into irresistible weapons in time of war."

The Second World War will also be decided by combined results of belligerent strategy, economics, and psychology. Nobody can predict which of these elements of modern warfare will prevail. To believe that psychological warfare alone could win this war would be just as ridiculous as to doubt that ideological weapons might shorten it for months or even for years. Therefore the same attention should be given to ideas and to peace aims as are given to the production of tanks and ofplanes.

The United Nations have begun to establish a peace program with the Atlantic Charter. It is a good start because it settles two of the most complicated peace problems: the territorial and economic fate of the vanquished. It points out that the United Nations seek no territorial aggrandizement and it asserts that after the liberation of all invaded lands, no territorial changes will be made without the consent of the populations involved. Thus the Atlantic Charter assures Germany her pre-invasion frontiers of 1937.

Moreover the Atlantic Charter pledges not to repeat the fatal reparation policy of Versailles, but to give the Germans an equal chance of living out their lives free from fear and want by
I realize that there are certain problems that we need to address in order to ensure that the Great Britain-Indonesia Agreement is maintained. However, I believe that we should continue to support the Agreement even if it means taking some additional steps.

It is crucial that we work together to achieve the goals of the Agreement. We need to ensure that the Agreement is implemented effectively and that all parties involved are fully committed to its success.

In the meanwhile, I encourage all of us to remain dedicated to the Agreement and to work towards its successful implementation.
examples by establishing some kind of federation.

From the point of view of post-war planning, the study and co-ordin-
ation of these three progress is of equal importance. But from the point of view of psychological warfare, their value appears very different.

The League of Nations, the strongest weapon of ideological warfare in 1918, has lost all its appeal to European minds and hearts. Never in history has an institution been greeted with greater hopes and led within so short a period to greater disappointment. Its moral authority has vanished after an uninterrupted series of smashed hopes and of broken pledges. Lost power can be quickly restored by new power, but to re-establish a ruined credit takes years. No European would now be ready to trust any institution connected with one of the World's greatest and most tragic failures. The less the Europeans are reminded of the League, the better for our psychological warfare.

The suggestion of a world leadership exercised by the United English-speaking Nations, controlling a disunited Europe, is still more dangerous from the point of view of psychological warfare. For it can easily be transformed into an argument against the Allies by the Axis, by their pretensions of defending Europe against Anglo-Saxon domination.

To wage a successful psychological war against the Axis, we must first of all realize that it is now Germany and not Britain that has become a besieged fortress. In spite of all her conquests, Germany is now surrounded and encircled by the superior forces of the United Nations, who demand her surrender. Hitler's psychological warfare profits from this fact and consists in making the Germans
believe that they are facing the alternative: victory or annihilation. His propaganda warns the German people to carry on the struggle with the utmost energy and unity as the only way to prevent a terrible catastrophe: the slaughter, torture and starvation of all Germans by revengeful enemies.

It is obvious that the garrison of any besieged fortress, believing that it will be slaughtered or enslaved as soon as it surrenders, will resist to the utmost. The German people know of the crimes their nation has committed and what punishment some of their enemies are advocating. They prefer to fight a long war or to fall in battle, rather than to be slaughtered or starved after their surrender. They continue to fight desperately because they consider victory or death on the battlefield as the two only ways of escaping this terrible punishment. So Germany's fear of post-war revenge has become one of Hitler's strongest instruments for uniting his nation, and for carrying on his war.

In his endeavor to blackmail his own people he receives precious help from some of his most fanatical enemies. Any indiscriminate threat of annihilation, uttered by citizens of the United Nations against the German people, is bound to stress the link between the Nazi gang and the German nation. That unparalleled crimes provoke unparalleled feelings of revenge is only too natural. But from the point of view of psychological warfare, these cries for revenge are very dangerous because they happen to unite the Germans behind Hitler and to postpone the collapse of the Third Reich.
Psychological warfare demands an entirely different attitude. All those who wish to speed up victory and to overthrow Hitlerism must do everything to convince the German people that their individual fate will be brighter after an Allied victory than it would be if Hitler's tyranny prevailed. For the German people, not "victory or punishment" must be the alternative, but "tyranny or freedom." It should be made quite clear, as Sumner Welles had done in his recent Memorial Day Speech, that only those will be punished who are responsible for crimes and atrocities — but not those who are rather the victims than the authors of those terrible tragedies. It must be made quite clear for what kind of a European order the United Nations are fighting and what place within this new Europe will be reserved for the German people. If this place will assure their individual rights in the spirit of the Atlantic Charter, then every German will be able to consider whether he prefers to live in a state of permanent war, oppression, fear, insecurity and misery — or whether he would rather live a safe life, protected by civilized laws and a stable peace organization as a citizen of a United States of Europe.

The United States of Europe is the only peace idea that corresponds exactly to the necessities of psychological warfare: the vision of a European Commonwealth, peaceful like Switzerland, prosperous like the United States, and free like both. This idea of a United States of Europe has an old and strong tradition within all nations of Europe. It has remained the ultimate hope of uncounted millions between the Fjords of Norway and the Isles of the Mediterranean. It appeals to vision and to emotion, to hearts and minds, to interests.
and ideals. Within the last 20 years it has been carried by a mighty wave of public opinion all over the Continent. It has been opposed by only two groups of powerful individuals: by industrialists whose wealth is based on national protectionism, and by politicians whose careers are based on national antagonism. Apart from these two small but influential groups, the people of Europe, in factories, on fields and at desks, are longing for a lasting peace that would assure their liberty, their bread, their jobs, their family and their chance of participating in a rising and more justly distributed tide of prosperity.

The European Commonwealth of Nations, with its place between the United States of America and the Union of Soviet Russia will have to be established on a Social and democratic basis; more social than America - more democratic than Russia. Its democratic parliament will have to be elected by free and general votes; its parliamentary government will have to assure a common policy in foreign, social and colonial matters; it will secure a common market and currency; it will replace national armaments by a Federal Army and a Federal Police. But one of the chief elements of the European constitution must be a common Bill of Rights, loyally interpreted by Federal Courts. This Bill of Rights will have to assure not only political freedom and equality among all ethnic and religious groups, but also social rights: it must protect every European against any kind of oppression by tyrants, state governments, organizations and bosses. Within such a Constitution there will be place for republics as well as for constitutional monarchies; but not for totalitarian states nor for dictators.
Facing such fair and progressive peace-aims, most Germans would undoubtedly prefer to become free citizens of a federated Europe rather than to remain at the mercy of the merciless Third Reich and its tyrants.

All citizens of Italy, as far as their personal interests are not linked to Nazism, would equally prefer to be controlled by a European Federation than by a German dictator. And the Nations of the occupied territories, too, would receive new impulse and inspiration in their heroic struggle against the invader by the vision of a great constructive aim that would replace the present uncertainty regarding their future.

This common hope, crystallizing around a grand vision and inspiring idea, would create an irresistible current within the entire population of Europe. This tide of public opinion would rise behind the German lines and within a near future sweep away Hitler with all his satellites.

Nothing illustrates the appeal of the pan-European idea on European minds better than the fact that Hitler himself now tries to steal it from the ideological arsenal of democracy in order to use it as a weapon for his own psychological warfare. He, the deadly enemy of Europe and of its civilization, is suddenly pretending to fight for European Union and for its independence from Anglo-Saxon domination. He tries to convince the people of Europe that England and America are fighting for their own hegemony over a weak, dismembered, disunited and miserable Europe.

It is easy for the United Nations to smash this psychological weapon in Hitler’s hand. But this cannot be done by repeating that reactionary slogans “We wish to re-establish all national sovereignties just as they were in the pre-war period,” but rather by proclaiming boldly
"Hitler is offering you a United Europe of slavery and misery; we are offering you a United Europe of freedom and of prosperity. It is up to you to make your choice."

Presented in this way, the idea of a Free and United Europe would become a powerful weapon in the war against Nazism; a Trojan horse behind the defense lines of Hitler's Empire; a challenge for those who are attempting to prolong the war only to maintain slavery and to perpetuate misery.

But the United Nations should not try to launch this ideological bomb without first considering it in all its possible consequences. To use peace aims just to lure the enemy into surrender and then to drop them would be not only a crime but also an unpardonable blunder; for no lasting peace could ever be established on broken pledges. We therefore are bound to consider whether this first-rate weapon of psychological warfare is apt to be transformed after the war into a useful instrument of the coming peace.

A glance at the map answers this question; it illustrates convincingly why 30 European states, between the American and the Russian Federation, may never again return to their pre-war state of anarchy. Two great European wars within a single generation give ample evidence that European disunion is bound to lead again and again to periodic wars, engulfing in their bloody current all states and continents of the world.

A glance at European history gives further evidence that Europe never experienced a period of lasting peace as long as it was split up in national sovereignties. Europe enjoyed its only period of lasting peace during the two centuries of its Union within the Roman Empire.
It also is evident that, if the world wishes to inaugurate a new period of lasting peace, it can never again admit the existence of an independent German state in the heart of the European Continent. Any peace based on that notion would be mere folly and suicide. Post-war Germany will have to accept an effective international control of her manpower, her foreign and internal policy, her production, and her education. To organize such a control, two ways are possible: either to transform Germany into a colony of the United Nations and the Germans into pariahs of the white race, or to establish a permanent control over Germany and all other States of Europe by a federal board, thereby replacing the old conception of national sovereignty by the new principle of federalism. This latter solution alone would be able to prevent a Third European War and a second Hitler, because an enslaved Germany would sooner or later seek and find her revenge: either by war or by revolution.

One of the basic and eternal rules of politics recommends the reconciliation of an enemy when you cannot crush – and the crushing of an enemy when you cannot reconcile. The United Nations are fighting two different kinds of enemies on German soil: the Nazi gang and the German people. We must be aware that we can never reconcile Nazism with ourselves; nor can we ever annihilate the German race. These two facts indicate the double aspect of a lasting European peace: we must annihilate irreconcilable Nazism – and pave the way for the future reconciliation of the indestructible German race. This double method of assuring peace has been clearly outlined by the Atlantic Charter and it has again been stressed by Stalin's last speech. But the only way to achieve this double result lies in the
establishment of a European Federation that would break forever with the outworn notions of an independent German Reich, based on its national army and economy, and integrating the creative forces of the German race into a European Federation and into the wider community of our common civilization.

For in spite of the obvious necessity for European Union we may never forget that our planet is growing smaller day by day owing to the marvellous progress of technology. Therefore European isolation would be just such an illusion as American isolation. The slogan of the coming world will be not isolation but co-operation. Therefore the new Europe will have to be established from its very beginnings in close co-operation with other Continents and Federations first of all with its two great neighbors in the East and in the West, the American Republics and the Soviet world.

But what ever the future organization of our planet might be, it is certain that Europe can never again return to its pre-war dismemberment. Whether the war should be followed by a permanent collaboration among the United Nations, or be a World Union of Democracies, or by some other successor of the unfortunate League of Nations, one thing is evident; that a future Europe will have to be considered not as a number of independent states, but as a single family of nations, bound together by geography and by history, by common economic interests and by common cultural traditions. In this new era the Netherlands and Belgium for instance will have to adjust their collaboration rather after the model of the relations between the two neighbor-states Vermont and New Hampshire, than after those between Mexico and China.

This new Europe will also have to decide for a Federal larg...
presumably English, to be taught in all its elementary schools besides the various national idioms, as a necessary instrument of general understanding.

The transformation of Europe into a single market with a common monetary system has become another necessity for any sound progress of Continental economic resurrection. Only thus can Europe assure a rising standard of living for its huge population.

This war will be considered one day as the great Civil War of Europe; as a gigantic revolution against the attempt of some men, gangs, and states to re-establish slavery, robbery and torture within our very civilized Old Continent.

I believe that this Civil War will have to be liquidated exactly like the American Civil War was liquidated: by a federal government enforcing the respect for the Bill of Rights and the abolition of slavery within the entire Union; by granting equal rights to the vanquished States and to their citizens; by stressing the economic union between North and South; by making any attempt at a military or revolutionary revenge impossible and even inconceivable; by paving the road toward ultimate reconciliation between victors and vanquished within a common patriotism.

This wise and generous American policy that has led to a complete success, indicates the only way in which we may successfully liquidate the European War, as soon as Nazism is overthrown and is followed by a civilized Government willing to accept the principles of the Atlantic Charter, and to collaborate in establishing a free and united Europe.

For some time however, the feelings of hatred among the Europeans will undoubtedly prevail as they did for years after your Civil War.
But it is encouraging to note that even these feelings of hatred of revenge and resentment did not prevent the evolution, reconstruction, and functioning of the United States and the triumph of ultimate reconciliation. So we need not bury the hope that one day Europe will look back on Hitler’s War as you are now looking back on you Civil War or England on the War of Roses.

Scenes of European Union have expressed some apprehension that Germany might try to abuse the European Federation to establish her hegemony over the Continent. Such a fear is utterly unfounded. For, according to the Atlantic Charter, the German Nation will control only one-tenth of Europe’s territory with less than a fifth of its population. A sound European Constitution, inspired by the European example of Switzerland, could easily prevent any attempt of this little minority to dominate or to control any of its neighbors, if ever such an attempt should take place. On the other hand we may never forget that Hitler’s only chance to conquer and to dominate Europe was based on the fact that he was facing a servility of disunited and isolated states, without federal links. Had a United States of Europe been established at the end of the last war, or even as a consequence of Richard’s Initiative of 1929 – there would have been not Hitler ruling Germany and no Second World War torturing Europe and devastating the whole world.

We cannot alter the past, but we still can save the future by a policy of clear vision and of courageous action. The same peace program and idea that can serve during the war as a mighty psychological weapon for victory can be transformed at its end into the most solid pillar of any future world organization.

The same dynamic idea that can help to win the war can also serve to win the peace.
During three centuries Europeans of all Nations have contributed in building up this marvel of the World, the United States of America. Now it is up to this New World to save Europe and all Western Civilization by establishing on the ruins of Hitlerism, the United States of Europe.
Personal

Mr. Henry Morgenthau,
Secretary of the Treasury,
WASHINGTON, D.C.
TELEGRAM SENT

MDS

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

AMERICAN EMBASSY,

BUENOS AIRES, (ARGENTINA).

CIRCULAR

In accordance with a request from the Treasury Department you are instructed to submit a daily report by telegraph on the following:

(1) The market value of United States dollar currency. (This refers to the price of United States notes and bills, not repeat, not the exchange rate for drafts or telegraphic transfers on the United States.)

(2) Some indication of the total volume of trade in United States currency.

(3) Large blocks of United States currency which are seeking or which have found markets, with names of individuals involved in the transactions whenever such names are available.

Charge telegrams to Treasury in accordance with Section V-45.

Same to: Rio de Janeiro, Lisbon, Madrid, Bern, Stockholm, Ankara

HULL (AAB)

FD: GL: MLB FF DCA EQ FA

Regraded Unclassified
TELEGRAM SENT

June 23, 1942
11 p.m.

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

AMERICAN EMBASSY

La Paz, (BOLIVIA)

(1) In accordance with a request of the Treasury Department you are instructed to submit by telegram every Monday a report on the following:

(a) The closing market rate on the previous Saturday on United States dollar currency. (This refers to the price of United States notes and bills, not repeat not the exchange rate for drafts or telegraphic transfers on the United States.)

(b) Some indication of the total volume of trade in United States dollar currency.

(c) Large blocks of United States currency which are seeking or which have found markets, with names of individuals involved in the transactions whenever such names are available.

(2) It is suggested that the first report in this series be submitted as promptly as possible after the receipt of this instruction and subsequent reports on Mondays.
-3- Unnumbered, June 23, 11 p.m. to La Paz, (Bolivia)

Mondays as indicated above.

Charge telegrams to Treasury in accordance with Section V-45.

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<tr>
<th>Send to</th>
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<td>Lima</td>
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<td>Bogota</td>
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FD: CL: MLB  FF  DCA  EO  FA

HULL (AAB)
In reply refer to
FD 895.51/7502

DEPARTMENT OF STATE
Washington

June 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith copies of a paraphrase of telegram No. 510, dated June 10, 1942, from this Department to the American Embassy at Chungking with reference to the fiscal and monetary situation of China, and copies of a paraphrase of the Embassy's reply thereto, telegram No. 732, under date of June 22, 1942.

Enclosures:

1. No. 510, June 10, 1942, to Embassy, Chungking.

2. No. 732, June 22, 1942, from Embassy, Chungking.

Copy: vv: 6-24-42

Regraded Unclassified
PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking, China.

DATE: June 10, 1942, 7 p.m.

NO.: 510.

It is the general impression of the Department that the fiscal and monetary situation of China is continuing to deteriorate in spite of the financial aid recently extended by the United States. It is also the feeling of the Department that as indicated in your despatch no. 384 of April 23 China itself may not be undertaking energetic steps to combat inflation to the extent that it might be practicable for it to do so. In this connection reference is made to the memorandum prepared by Sir Otto Niemeyer which, as reported in your despatch no. 261, December 31, 1941, the British Ambassador handed to you on December 20. Has China ever taken steps to implement suggestions such as those contained in points no. (1), (3) and (4) of Sir Otto’s memorandum?

If China has undertaken such measures do you consider that China is doing whatever may be reasonably expected or is feasible along these lines? It would be of interest to the Department to receive your opinions or suggestions with respect to any measures which you think China might appropriately adopt to control bank credit, stimulate production, control prices or ration commodities.

Although the Department does not wish you to make a specific inquiry of the Chinese Government on the matter, do you know whether the Government of China still is interested in obtaining an American central banking expert? Assuming that a person with proper qualifications can be obtained, do you have any views as to the desirability of sending such a person to China promptly?

HULL
(AAD)
FROM: American Embassy, Chungking, China.
DATED: June 22, 1942, 1 p.m.
NUMBER: 732

The deterioration in the economic and monetary situation in China continues. You are referred to my despatch No. 266 of January 8 in connection with the failure of the American credit to influence the situation favorably.

The monetary circulation in June of last year was approximately 10,500,000,000. In June of this year it had reached 15,000,000,000 and in April 18,500,000,000, or nearly thirteen times the pre-war figure. The monthly rate of issue at present amounts to nearly 300,000,000 yuan.

On the basis of the first six months of 1937 = 100. The Chungking wholesale price index reached 1,400 in June of last year, 2,400 last December and approximately 4,300 last April.

It is said that to date the expenditures of the Government are within the year's budget estimate of 17,000,000,000 yuan. There has been improvement in tax revenues, which including the tax in kind it is estimated will reach 6,000,000,000 or 7,000,000,000 yuan.

The only
The only use to which the American loan has so far been put is its use as backing for issues of saving certificates and American dollar bonds. The sale of these securities has so far been too small to retard inflation as it was hoped. Among the reasons which have been advanced for the limited demand for these securities are the following: (1) the large proceeds to be had from speculative ventures; (2) the failure to place the American dollar security in a trust fund; (3) the suspicion that ultimate holders of American dollar credits will be subjected to the foreign trade and exchange controls of the Chinese Government; and (4) the failure to place any time limit on the availability of bonds at the present exchange rate which is highly advantageous to purchases. Some of these criticisms could of course be removed if appropriate action were taken.

The Chinese Government has undertaken some measures similar to those recommended to it in Sir Otto Niemeyer's memorandum. Private stocks of gasoline are being requisitioned and gasoline is being rationed. In addition, there has been some taking of inventories of essential commodities.
It is probable that industrial cooperatives will be granted a credit of 100 million Chinese dollars but there is only halfhearted encouragement by the Government of small scale productive enterprises. Measures for increasing the production of consumer goods should be taken. Chinese legislation in the fields of hoarding and speculation is not effective, the enforcement of measures to correct these activities is not in competent or expert hands and accordingly hoarding and speculation continue practically unchecked. The same situation exists with respect to national mobilization in general and to price control measures.

The necessary war-time national mobilization and economic controls are hardly possible in a country which has not reached a higher standard of administrative organization and efficiency than that existing in China. Moreover, because of the considerable influence of bankers and landlords in the Kuomintang and in the Government measures against their interests are opposed or or ineffective to a large degree.

It is hoped that the taking over of the note issue of other government banks by the Central Bank on July 1 will make possible a stricter control of note issues and check currency inflation. Although regulations have been adopted for the control of bank credit there is no control of interest rates. There is a need for restrictions on the speculative activities of cash shops and private banks but the enforcement of such restrictions would be difficult.
Over 75 per cent of the economy of China is agricultural and therefore less sensitive to monetary disturbances. Accordingly, in commenting on the economic situation of China, competent observers point out that the social and political dangers from inflation tend to be less in China than in countries which are more highly organized. That the situation is becoming more serious, however, is admitted by such observers. The general feeling which is shared by the Embassy is that China will continue as it has in the past to use half measures for avoiding collapse and will be able to get along on this basis for some time at least. The harvest last year was good and this together with the promise of bumper crops this year is more encouraging than activities undertaken by the Government of China. There has not been any recent expression of interest in an expert in central banking and it is the view of the Embassy that unless an official request is made by the Chinese Government no action should be taken with respect to this matter.

In the opinion of the Embassy there are no practicable measures that we could take at this time to improve the economic situation in China. Moreover, it is the impression of the Embassy that further assistance or advice from us is not now desired or expected by the Chinese.

GAUSS

Copy:bj:6-24-42
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (HR)

Bogota

Dated June 23, 1942

Rec'd 7:21 a.m., 24th

Secretary of State,

Washington.

836, June 23, 11 p.m.

Reference Department's number 705, June 20, 7 p.m.

Information from Ministry of Finance indicates that

Helga has not (repeat not) been subjected to Government trusteeship since modifications in that firm's partners, made prior to Colombian Government decrees number 59 of January 16, 1942 and number 147 of January 26, 1942, left the Swiss corporation Sosicosa of Zurich and Jose Arturo Andrade, Colombian citizen, as sole partners. Therefore, rental payments by telephone company to Helga will not (repeat not) be frozen by Colombian Government.

LANE

RR

Copy:vw;7-1-42
RS
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Ciudad Trujillo
Dated June 23, 1942
Rec'd 7:11 p.m.

Secretary of State
Washington

286, June 23, 6 p.m.
Department's instruction no. 622, June 20

The Treasury's press release number 32 - 9 June 17, stated that the currency was "believed (repeat believed) to be of German origin". On page two of Radio Bulletin 144, June 18, it states that this currency is "known (repeat known) to have been in circulation in Germany."

Inasmuch as the Dominican authorities may possibly wish to discuss more in detail the origin of this currency, I would appreciate being informed as to its exact status in the eyes of our Government.

LAWTON

ELM

Copy: bj: 6-25-42
With the Compliments of

H. W. AUBURN

Mr. Frank Dietrich,
U.S. Treasury Department,
Foreign Funds Control,
1610 Park Road, N.W.,
Washington, D.C.
Further to previous memoranda regarding the Reichsbank accounts in Escudos we have received the following information, which is summarized:

1. **Reichsbank's Escudo account with Banco Lisbon y Acores:**

<table>
<thead>
<tr>
<th>Payments in</th>
<th>May 30 - June 6, 1942</th>
<th>Payments out</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Leu &amp; Co.'s Bank</td>
<td></td>
<td>Esc. 700,000</td>
</tr>
<tr>
<td>&quot; Miscellaneous Sources</td>
<td></td>
<td>Esc. 6,100,000 To Miscellaneous</td>
</tr>
<tr>
<td>against Swiss franc</td>
<td></td>
<td>Payees</td>
</tr>
<tr>
<td>sales</td>
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<td></td>
<td></td>
<td>5,600,000</td>
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<td></td>
<td></td>
<td>11,700,000</td>
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</tbody>
</table>

2. **Reichsbank's Escudo account with Banco Espirito Santo:**

<table>
<thead>
<tr>
<th>Payments in</th>
<th>May 30 - June 6, 1942</th>
<th>Payments out</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Credit Suisse</td>
<td></td>
<td>Esc. 1,900,000</td>
</tr>
<tr>
<td>&quot; Swiss Bank Corp.</td>
<td></td>
<td>Esc. 500,000 To Miscellaneous</td>
</tr>
<tr>
<td>&quot; Miscellaneous Sources</td>
<td></td>
<td>Payees</td>
</tr>
<tr>
<td>against sales of Swiss franc</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>5,600,000</td>
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<td>Esc. 6,600,000</td>
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</tbody>
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Copy:lc:6/23/42
Secretary of State
Washington
1942 twenty-third

Parliamentary Banking Committee proposal freeze price and wage levels next autumn by agreement between government and various producer and consumer groups approved in principle by Riksdag.

Agreement with Denmark covering trade during final half 1942 provides imports exports 21 million Swedish crowns each and comprises approximately same quotas as second half 1941. Simultaneously, financial agreement regulating payment Swedish claims in Denmark extended unchanged.

Gross freight earnings Swedish merchant marine 1941 estimated 505 million crowns compared 442 million 1940 number ships engaged during 1941 smaller but average freight rates considerably higher.

Funds now made available pay interest and amortization due June 15 Norwegian 3 and one half percent loan 1935 upon presentation ownership affidavit.

Fuel shortage has caused large number fishing boats operating Goteborg waters suspend work.

Night frost Goteborg area caused extensive damage potatoes vegetables.

Inform Treasury, Agriculture, Commerce.

JOHNSON

Copy:Imc:6/29/42
Information received up to 7 A.M., 23rd June, 1942.

1. NAVAL

TOBRUK. All vessels were evacuated by midnight 20th under shellfire of enemy tanks, some light craft and landing craft are missing. One of our motor gunboats attacked and drove off six E-boats on 21st/22nd off CALAIS.

2. MILITARY

TOBRUK. The enemy occupied the town and port areas with tanks and lorried infantry by the evening of the 20th after gaining control of the Escarpment overlooking the Harbour. Some small parties of our troops who escaped by sea have reached ALEXANDRIA. The enemy are reported to be in some force in the BARDIA-CAPUZZO area.

3. AIR OPERATIONS

22nd. Six Bostons with fighter escort, bombed DUNKIRK docks and six others attacked an aerodrome close by. One Junkers 88 was destroyed off GREAT YARMOUTH.

22nd/23rd. 246 aircraft were despatched – EMDEN 227, aerodromes 17. Six are missing. Preliminary reports indicate that the majority attacked EMDEN in good weather, and many fires were started.

LIBYA. During 21st and 21st/22nd our aircraft attacked transport at SIDI AZZIZ and on the TOBRUK–BARDIA Road. BENGAZI HARBOUR and enemy aerodromes were bombed. On 21st, enemy aircraft attacked some of our forces 32 miles S.S.E. of EL GOBI.

MALTA. Between 12:45 P.M. 20th and 10 A.M. 22nd, about 60 enemy aircraft attacked. Four were destroyed and one damaged for the loss of one Spitfire.

4. HOME SECURITY

SOUTHAMPTON. 21st/22nd. Reported 35 killed and 35 seriously wounded.
Hello. Hello.

Operator: Oh, he was on there a minute ago. Just a minute.

White House Operator: Hello.

Operator: The Secretary's on the wire.

W.H.O. Mr. Secretary, Mr. McIntyre.

HMJr: Hello.

McIntyre: Hello.

HMJr: Hello.

Mc: Henry.

HMJr: Good morning.

Mc: Good morning to you, sir. Doughton's been wanting to see the boss.....

HMJr: Yeah.

Mc: .....and this morning the boss told me that he thought he'd better have him in this morning and get it over with and to ask you to be there, too.

HMJr: Good.

Mc: Eleven-fifteen at the office.

HMJr: Eleven-fifteen.

Mc: At the office.

HMJr: At your office.

Mc: Yes, sir.

HMJr: I thank you.
Mc: Thank you, Henry.
HMJr: Hello.
Mc: Yeah.
HMJr: He doesn't want - does he want Randolph Paul there?
Mc: No, I think he just wants you and the old Bob.
HMJr: Okay. Eleven-fifteen.
Mc: Yeah.
HMJr: Thank you.
Mc: You all are too much for Bob, anyhow.
HMJr: What?
Mc: You and the boss are too much for Bob, anyhow.
HMJr: The boss is.
Mc: (Laughs)
HMJr: Too much for anybody.
Mc: (Laughs) All right.
HMJr: Thank you.
Mc: Fine, Henry.
June 24, 1942
10:15 a.m.

WAR BONDS

Present:
Mr. Graves
Mr. Kuhn
Mr. Odegard
Mr. Gamble
Mrs. Klotz

H.M.JR: What I wanted to see you about - Ferdie has upset me, I am sorry--

MR. KUHN: I am sorry.

H.M.JR: I mean, I was going to try to give something, and now I might better - I will get over the idea, but I won't be able to sell it to you because I can't be steamed up on something and then get cold water in the face.

On this thought of looking, Harold, for somebody on the publicity angle, I don't know whether you are impressed with him - I don't know how much you know, but each of the four of you do know something of him, this man McClintock. I don't know how much each of you know him.

MR. GRAVES: We all know him, and I think we are all favorably impressed with him.

H.M.JR: Well, I was going to throw out to you the possibility - I mean, after you have looked into more of his background - the suggestion of McClintock.

MR. GRAVES: Yes. We, as a matter of fact, had a little talk. I don't know whether it went beyond
Mr. Gamble, but following your talk I talked with Gamble, about him.

H.M.JR: You mean you dreamt it, as the President would say? (Laughter)

MR. ODEGARD: No, I know he didn't dream it.

MR. GRAVES: And I think that is a very good suggestion, one that we ought to consider carefully.

H.M.JR: I mean, you have already considered it? Why do you say he didn't dream it?

MR. ODEGARD: Dream it? Well, I don't know whether he dreamt it or not, out of Freudian analysis, but Ted and I talked about McClintock, and if it is so common maybe we will dream about it. I don't dream about things. (Laughter)

MR. GRAVES: No, that is a sound suggestion, I am convinced.

MR. ODEGARD: I would raise one question only, as I did with Ted Gamble. McClintock has done a very excellent job for us through the Advertising Council in the preparation of advertising copy, but it seems to me that we probably need something more than that. We need something more than a good judge of advertising copy.

H.M.JR: May I interrupt you? He didn't prepare any copy; he just got the people to do it.

MR. ODEGARD: That is right, that is why I say we need somebody who is more than a good judge of advertising copy. I have no objection to McClintock except that one.

I do know that there is very great pressure, at least if Editor and Publisher and these other things
are any indication, by advertisers, advertising agencies, and all the rest of it, just as there is pressure now from investment bankers and security dealers to find some kind of a lucrative--

MR. GRAVES: Formula.

MR. ODEGARD: Well, some activity. The advertising lineage has gone up; it went up last year over the year before, but in certain areas it has dropped very sharply and it is more likely to drop again sharply this year. It may be a protective device, I don't know, but I just think we ought not to be unaware of that fact.

H.M.JR: Well, I hadn't thought of that. I don't know what - you said he is something of a - that he teaches?

MR. KUHN: He did teach.

MR. ODEGARD: Yes, that is right.

MR. GAMBLE: He is a brilliant man. I think that the advertising people have resigned themselves to the fact that the Government is not going to spend any money, and I think they want to do a good job of trying to coordinate their work with the Government activities, to the end that they can get their own clients to spend more money for more effort.

MR. ODEGARD: In this week's Editor and Publisher there is an article in which they say that the reason why the Army has done such a superb job, as compared with the War Savings Staff, is because the Army put itself in the hands of an advertising agency.

H.M.JR: The Editor and Publisher has fought us for the last five years so it is nothing new. It is nothing new. Well anyway, I was full of this thing, and then Ferdie upsets me. (Laughter) I had my mind
single-tracked. I hope I didn't upset you too much, Ferdie, but I was trying to think of somebody, and I thought - I am just raising it. I am not even recommending it. I don't know enough about the man.

I thought the biggest objection that somebody would raise would be, "Well, you take him away from that Council and I may lose the benefit of the Council, and the Council is doing a lot of work for other Government agencies."

I mean, without knowing an awful lot about the man, he is the kind of man I am looking for. Is that right, Harold?

MR. GRAVES: That is right. I think one definite advantage is he seems to work well with people.

MR. ODEGARD: Of course I have only met him twice.

MR. GRAVES: I think he would be apt to fit in quickly with our organization, with a minimum of upsetting.

H.M. JR: Ted handled him the most, didn't he?

MR. GAMBLE: Yes.

H.M. JR: What do you think of him?

MR. GAMBLE: I thought enough of him that we had a conversation about him. I think he is splendid.

H.M. JR: Well, I don't know what - by whatever theory, whether it is Freudian or whatever it is, we evidently all thought of the same man.

As I say, I want to make it very clear I am not recommending him, but I was trying to think of somebody of that type, to sort of give it to you. So that is that. That is my ten o'clock suggestion.
MR. GRAVES: I suppose you would like us to go further with this, perhaps go to the extent of talking with Mr. McClintock about it?

H.M.JR.: That was the thought.

MR. GRAVES: I think the objection raised by Peter is one, probably, that we can meet in advance. He would have to assure us of what his attitude was, and we would have to demand complete loyalty to our project, a clean separation from that advertising group that may want to be pushing in with some paid program.

MR. GAMBLE: The biggest worry is going to be, are we going to be able to get him. The advertising people, I think, are to be commended for doing such a grand job of picking a man to represent them, and I understand they are paying him some fifty thousand dollars a year. I don't know whether that is correct or not. But they picked what they thought was the best man in the country to represent them in all the Government agencies, and I think they did a pretty good job of picking.

H.M.JR.: Well, I was thinking during the night of who around the people - I thought we would start with him, then if you couldn't get him maybe he could think of somebody, but at least not go to him and say, "Mr. McClintock, can you recommend somebody?" We should at least do him the compliment, if it is a compliment, of offering it to him.

MR. GAMBLE: He will appreciate it.

H.M.JR.: Harold, I want it perfectly clear. I am just raising it. I am not recommending it.

MR. GRAVES: Yes, I understand.

H.M.JR.: That is all I have got.
June 24, 1942.
12:46 p.m.

Will you give Mr. Gamble this message for him?

Yes, sir.

He told me in a hurry this morning what — oh, what's the man's name in New York whose in charge of the.....

Colonel Patterson?

No, the drive....Madden?

Madden? John Madden?

Yeah, what Mr. Madden proposed to do with the 70 or 75 men Monday, see?

Uh-huh.

Well, I'm afraid I didn't get it all, and I wish he'd either - he'd get Mr. Madden to put it down in writing....

All right.

....just what the plan is. and if possible let me have a copy of it tomorrow.

Yes, sir. Well, he asked Mr. Madden to do that and he's going to send it in.

Oh, he has asked him.

Yes, sir.

Fine. Well, when he gets it I'd like to have it to go over with Mr. Gamble myself.

All right, sir.

Thank you.

I'll tell him. Goodbye.
June 24, 1942.
2:05 p.m.

HM Jr: Hello.
Operator: Mr. Mack.
HM Jr: Hello.
Clifton Mack: Yes, sir.
HM Jr: Hello, Cliff. Cliff, I wrote a letter a couple days ago to Don Nelson....
M: Yes.
HM Jr: ....telling him I was worried about this 300,000 or more Russian steel bottom cargo.
M: Yes.
HM Jr: I haven't heard a thing from him.
M: Yes.
HM Jr: Are we still buying that?
M: Yes, we are and I intended to call you later this afternoon to ask if I could see you sometime tomorrow.
HM Jr: Surely.
M: I'd like to if you can fit it in.
HM Jr: Surely.
M: On this shipping situation.
HM Jr: Sure.
M: Well, very good....
HM Jr: Wait a minute, I'll give you eleven o'clock tomorrow.
M: Very good.
HM Jr: Yeah.
M: Very good, and that would be fine.
HMJr: And......also about buying for Russia.
M: Yes?
HMJr: I mean, are we still buying for Russia?
M: Oh, yes. Yes, we are.
HMJr: You'd better let me know how much we've got in storage.
M: Yes, I'll do that. I'll have those figures for you.
HMJr: All right.
M: Now, I think this - this shipping situation that they changed about six weeks ago...
HMJr: Yeah.
M: ...and there's quite a lot of procedure to it; it's kind of involved; and I think we've - it's got to be streamlined.
HMJr: All right.
M: And I'd like to talk to you a little bit about it.
HMJr: O. K.
M: Fine. Eleven o'clock then.
HMJr: Yes, sir.
In accordance with your request, there is attached hereto a chart, the bottom grid of which shows municipal bond flotations divided into new capital and refunding. During the month of May 1942, total municipal bond flotations totaled only $30 millions, the lowest level since September 1939. For the first five months of 1942, total municipal financing was $299 millions as compared with $520 millions for the corresponding 1941 period. Of these latter amounts, approximately 70 percent and 50 percent, respectively, represented new capital.

The proportion of new capital to total financing is customarily greater in the case of municipal than in corporate issues. During the past ten years, over 75 percent of the total municipal financing represented new capital while only 33 percent of total corporate flotations (both bonds and stocks) were issued for this purpose.

State and local securities are usually issued for specific projects, and either mature serially or are provided with sinking funds. They are consequently seldom refunded at maturity. Municipal securities are also generally non-callable, so that the possibilities of refunding before maturity at a saving in interest rates are also much smaller than in the case of corporate securities.

While the volume of new capital flotations by State and local governments is a substantial portion of their total bond flotations, these same governments are ordinarily retiring outstanding issues for cash as they mature. In recent years the volume of new capital issues has been approximately offset by such retirements. Consequently, the total municipal debt,* which increased from $1.9 billions in 1902 to $17.7 billions in 1932, has remained almost stationary at around $18 billions during the past few years.

* Less sinking funds.
JUN 24 1942

Dear Marriner,

I appreciate your letter of June 9, 1942, advising me of the action taken with respect to the activity in Government securities of the Chairman of the Board of Directors of the Federal Reserve Bank of Chicago.

Sincerely yours,

Henry

Secretary of the Treasury.

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

DWB:ew 6-23-42
PERSONAL AND CONFIDENTIAL

Dear Henry:

Upon receipt of your letter of May 19, I immediately took up in an executive session of the Board the matter of Mr. Frank J. Lewis' dealings in Government securities. We were, of course, unanimous in the view that this was an impropriety, to say the least, that could not be condoned.

At my request Mr. Lewis came to Washington and called at my office on June 1. Before he left I had him sign a letter of resignation as Chairman and Federal Reserve Agent and as a Class C Director of the Federal Reserve Bank of Chicago. The Board has formally accepted the resignation as of July 1.

Mr. Lewis was greatly upset when I told him that while no question of the legality of his transactions was raised, we considered them improper and unethical and that there was no alternative but for him to tender his resignation. In view of his long years as a business man with an unblemished public reputation and his six years of honorary service without compensation at the Chicago Bank, I agreed to permit him to sign a letter of resignation that, like the letter of acceptance, does not spread on our records for any public inspection the occasion for demanding the relinquishment of his position. I think the best interests of the System as well as of the Treasury in its relationship to the Federal Reserve Banks as fiscal agents are served by disposing of the matter in this fashion.

Let me add that we all appreciate the way in which you brought this matter to our notice as soon as it came to yours.

Sincerely yours,

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.
Dear Mr. [Last Name]

I received your letter dated [Date]. I appreciate your interest in the [Topic].

As you know, we are currently assessing the impact of [Specific Issue] on our operations. The situation remains complex and requires careful consideration.

I am hopeful that we can work together to address these challenges. If you have any further questions, please do not hesitate to contact me.

Sincerely,

[Your Name]

Date: June 24, 1942

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Dear Mr. Secretary:

I am delighted to see that you are firm in your opposition to so-called forced savings. Forced saving is really euphemism for a forced loan. A government that is forced to sell forced loans is likely to be, or become, in bad credit. Few people will want to buy bonds voluntarily of a government that is forced to force its loans down the people’s gullets. Forced loans are loans that are badly sold, badly placed, and will come back on the market. If an effort is made to make the bonds unsaleable, unnegotiable and unredeemable during the war, then there will be a black market in them. The poor people whose money has been taken from them by force will have to part with their bonds at a wicked discount to the further discredit of the Government’s credit.

I know nothing more harmful to the war savings' campaign than the veiled threat (which some thoughtless persons are making) of forced loans if the people don’t come across and buy bonds voluntarily. Not only is it injurious to the credit of the United States, but it tends to make people who might otherwise buy bonds voluntarily hold back so that they will have some money to pay for the threatened forced loan when it comes along.

The people should be taxed to the very limit of endurance, and the Government should hand out a tax receipt for the taxes it collects, not a promise to pay the money back.

Nobody can know beforehand how much each citizen has
get to spend. One man may have a dozen children and another none. One man may have sickness in the family and another none. The very essence of successful war finance is to tax up to the limit of safety the personal incomes of all of the citizens, and then appeal for the balance to the people to subscribe voluntarily for loans according to their remaining means. This allows for the variation in the means and needs of the citizens. Neighbors can be counted on to judge whether a citizen is doing his part or not if you really organize each community to sell the war loans. Public opinion will take care of the slackers.

Another subject but not an unrelated one -- I hear the most grisly tales of the red tape, paper work and delay, in some cases covering a period of months, incident to collecting War Savings Bonds presented for redemption. I have no first-hand knowledge of it, but I thought I would pass this on to you because I am sure if such conditions do exist it is without your knowledge or approval, and that you will want to remedy them. It goes without saying that a Treasury which has tens of billions of dollars to borrow cannot allow itself to get the reputation of being slow in paying its debts. As we say in banking, a paying teller has got to be quick on his toes and pay on the dot if the receiving teller is going to have any business to do.

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

Faithfully yours

The Honorable
The Secretary of the Treasury
Washington, D. C.
June 24, 1942

TO: MR. KUHN
FROM: THE SECRETARY

I want to quote from a letter from Mr. Leffingwell, of New York:

"Forced saving is really euphemism for a forced loan."

I wonder if we could not sort of tell some of the commentators, writers, etc., to get across the idea that when people are recommending compulsory savings versus volunteer savings, they are really recommending a forced loan as against a volunteer loan.
June 24, 1942

Dear Harold:

I appreciate your letter of June 23, and I am especially glad that you liked what I said about foregoing the buying of consumers goods.

Ever since I spoke on the radio we have been putting more and more emphasis on the need of self-restraint on the part of buyers. The approach you suggest is the one we are using: namely, that by refraining from buying the people are making possible the use of materials and labor by the war industries for the eventual use of our fighting men.

We have found that people will not respond to the saving appeal in terms of cutting down excess purchasing power. They don't understand the conception and are not particularly interested. We find an entirely different result, however, when we tie the saving appeal to the war in the way you have suggested. People like to feel that by denying themselves they are helping the men in uniform.

As for the abuses of our appeal which you mention, I can only cite our continual and steadily increasing emphasis on the investment of current income. You will notice that our quota campaign calls for at least ten percent every pay day, and every poster, advertisement, or radio announcement that emanates from the Treasury emphasizes the "every pay day" angle. We have not sought to tap accumulated savings, and we are making every effort to convince the public that current income is the real money we want and need.

I am sending copies of your letter to all those in charge of our promotion effort, but in the meantime, let me tell you again how much I appreciate the interest which you have shown.

Sincerely,

Hon. Harold D. Smith,
Director, Bureau of the Budget,
FK/agk
Washington, D. C.

(Signed) Henry

File, file N.M.C.
Original file to Chamber
My dear Mr. Secretary:

Your recommendation in a recent radio address that the American people refrain from buying consumer goods and services unless absolutely necessary impressed me very much.

I am wondering if the War Savings staff could not give more emphasis to this most important point in the war bond sales campaign. In the fight against inflation, great reliance has properly been placed on the sale of bonds and stamps to absorb excess purchasing power and thus support other measures designed to control the cost of living.

Recent surveys seem to indicate that many of the people buying bonds and stamps believe the purpose of the campaign is to provide dollars for tanks, guns, and ships. Hence, they feel it their duty to withdraw funds from savings accounts and life insurance, to postpone paying off debts, or to divert ordinary savings to war bonds and stamps. Unfortunately, the transfer of savings of this nature increases the government’s interest burden without aiding substantially the anti-inflationary program.

Commercial organizations have even perverted the campaign to promote the sale of their products. “Buy a watch and a bond.” “Buy at our store on your credit and use your cash to buy War Bonds.” In general, it seems to me that we want to discourage advertising which promotes the sale of goods, since such promotion is in direct conflict with the objective of decreasing consumption.

Could not the War Savings staff, in all phases of the campaign, emphasise the need of postponing purchases not absolutely necessary? It could become patriotic to be self-sufficient, to wear last year’s clothes with patches (rather than the new war-style dress), to make what one has last longer. The people should become convinced that by foregoing goods and services, through not buying, they are making possible the use of these goods and services by our fighting men at the front.

By increasing public understanding of the real problems involved, the campaign to sell bonds and stamps could thus become a more potent weapon in the fight against inflation.

Yours sincerely,

The Honorable
The Secretary of the Treasury
Director Hall wanted you to know that Secretaries Stimson and Knox, and Postmaster General Walker are planning to be at the Bureau at 12:15, Thursday, June 25th, to witness the first run of the new "Win the War" stamps.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE June 24, 1942.

TO Secretary Morgenthau
FROM Harold Graves

As you asked on Monday, I hand you herewith a memorandum, prepared by Mr. Haas, indicating the progress being made under the payroll allotment plan throughout the country.
OPERATION OF PAYROLL SAVINGS PLAN IN MAY

1. During the past 3 weeks 12,124 companies employing 7,700,000 persons have submitted data to the Treasury covering the operation of the payroll savings plan in their organizations in response to your monthly letter to such companies requesting this information. The figures cover such a large number of companies and employees that they are believed to be representative of the operation of the payroll savings plan in all of the companies in the country.

2. On the basis of the application of the figures reported by the 12,124 companies, it is estimated that 13,900,000 persons (approximately 65 percent of the persons exposed) had funds deducted from their pay for the purchase of war savings bonds during the month of May. It is further estimated that these deductions amounted to 5.3 percent of the monthly pay of these persons, or to approximately $9.09 for each one of the persons participating. This amount would be sufficient to purchase one $25 bond per person every 9 weeks. In the aggregate, it is estimated that the amount of the deductions from pay was $126 millions during May but that as a result of the lag between the time the deductions are made and bonds are actually purchased from the funds accumulated, the total purchases of war savings bonds under payroll savings plans during May amounted to only $95 millions.

3. Figures similar to the foregoing have been given to you from time to time in the past. A table summarizing these figures will provide an over-all picture of the progress that has been made during the past 6 months, and a cue to the distance that still has to be traveled. Such a table follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>Number of firms with 100 or more employees</th>
<th>Number of employees</th>
<th>Number of payroll savings plans</th>
<th>Number of employees participating</th>
<th>Estimated percent of pay deducted</th>
<th>Average deduction per employee participating</th>
<th>Aggregate deductions made (millions)</th>
<th>Aggregate bonds purchased (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec....</td>
<td>2,500</td>
<td>4.0</td>
<td>0.7</td>
<td>4.1</td>
<td>$7.10</td>
<td>$5.0</td>
<td>$3.0</td>
<td></td>
</tr>
<tr>
<td>Jan....</td>
<td>7,500</td>
<td>10.3</td>
<td>3.8</td>
<td>4.5</td>
<td>$7.28</td>
<td>28.0</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>Feb....</td>
<td>16,428</td>
<td>12.8</td>
<td>7.6</td>
<td>4.8</td>
<td>7.69</td>
<td>58.0</td>
<td>25.0</td>
<td></td>
</tr>
<tr>
<td>Mar....</td>
<td>17,260</td>
<td>18.7</td>
<td>9.6</td>
<td>4.9</td>
<td>8.08</td>
<td>78.0</td>
<td>40.0</td>
<td></td>
</tr>
<tr>
<td>Apr....</td>
<td>20,114</td>
<td>20.7</td>
<td>11.6</td>
<td>4.9</td>
<td>8.31</td>
<td>96.0</td>
<td>65.0</td>
<td></td>
</tr>
<tr>
<td>May....</td>
<td>21,301</td>
<td>21.4</td>
<td>13.9</td>
<td>5.3</td>
<td>$9.09</td>
<td>126.0</td>
<td>95.0</td>
<td></td>
</tr>
<tr>
<td>June....</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July....</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug....</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal.</td>
<td>33,695</td>
<td>35.0</td>
<td>30.0</td>
<td>10%</td>
<td>$17.00</td>
<td>$500.0</td>
<td>$500.0</td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures in first column relate to firms with 100 or more employees only. Figures in all other columns relate to all firms in the country.
June 24, 1942

Harold Graves
Secretary Morgenthau

Amongst my weekly mail is a letter from Charles H. Hill, Jr., Gloucester, Massachusetts saying he can't get 25¢ stamps. I wish you would check this case, and also some other places and see if it is so difficult to get stamps. It seems to me that by this time we ought to have enough places where people can buy stamps easily, and where they would be on sale at all times. Please let me hear from you on this in the next day or two.
To: Secretary Morgenthau
From: Mr. Tickton

Subject: Corporations qualifying as issuing agents for war savings bonds for the week ended June 20.

Attached to this memorandum are 3 tables presenting the latest data on corporations qualifying as issuing agents for war savings bonds. A summary of the data incorporated in the tables follows:

(1) The total number of corporations issuing war savings bonds increased to 2,240 as 106 corporations qualified during the week ended June 20. (Table 1) Employment in corporations acting as issuing agents aggregated 5.9 million or 28 percent of the total number of persons employed in all companies having payroll savings plans. (Table 2)

(2) There were 53 corporations with more than 500 employees which qualified as issuing agents during the week ended June 20 bringing the number to date to 1,455, or 30 percent of the total number of companies of this size with payroll savings plans. The Federal Reserve Banks of Richmond and Minneapolis still lagged far behind the other banks in qualifying larger corporations as issuing agents. (Table 3)

Attachments
### Table

Corporations with Payroll Plans Appointed as Issuing Agents  
May 23, 1942 to date

<table>
<thead>
<tr>
<th>Federal Reserve District</th>
<th>May 23</th>
<th>May 30</th>
<th>June 6</th>
<th>June 13</th>
<th>June 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>5</td>
<td>10</td>
<td>11</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>New York</td>
<td>26</td>
<td>24</td>
<td>26</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Cleveland</td>
<td>11</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Richmond</td>
<td>3</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Atlanta</td>
<td>8</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Chicago</td>
<td>23</td>
<td>26</td>
<td>19</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>St. Louis</td>
<td>20</td>
<td>13</td>
<td>9</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Kansas City</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Dallas</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>San Francisco</td>
<td>21</td>
<td>29</td>
<td>36</td>
<td>35</td>
<td>36</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>129</strong></td>
<td><strong>134</strong></td>
<td><strong>132</strong></td>
<td><strong>115</strong></td>
<td><strong>106</strong></td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury,  
Division of Research and Statistics.  
June 23, 1942.
<table>
<thead>
<tr>
<th>Date</th>
<th>Number of corporations acting as issuing agents</th>
<th>Number of employees in corporations acting as issuing agents</th>
<th>Number of employees in all corporations with payroll plans in the country</th>
<th>Percent of employees in corporations acting as issuing agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 31...</td>
<td>351</td>
<td>*</td>
<td>15,000,000</td>
<td>*</td>
</tr>
<tr>
<td>February 28..</td>
<td>686</td>
<td>*</td>
<td>17,000,000</td>
<td>*</td>
</tr>
<tr>
<td>March 28.....</td>
<td>931</td>
<td>*</td>
<td>19,000,000</td>
<td>*</td>
</tr>
<tr>
<td>April 18.....</td>
<td>1,110</td>
<td>3,179,349</td>
<td>19,500,000</td>
<td>16.3</td>
</tr>
<tr>
<td>April 25.....</td>
<td>1,223</td>
<td>3,449,927</td>
<td>19,700,000</td>
<td>17.5</td>
</tr>
<tr>
<td>May 2.........</td>
<td>1,331</td>
<td>3,934,448</td>
<td>19,900,000</td>
<td>19.8</td>
</tr>
<tr>
<td>May 9.........</td>
<td>1,475</td>
<td>4,401,738</td>
<td>20,000,000</td>
<td>22.0</td>
</tr>
<tr>
<td>May 30........</td>
<td>1,887</td>
<td>5,286,402</td>
<td>20,300,000</td>
<td>26.0</td>
</tr>
<tr>
<td>June 13.......</td>
<td>2,134</td>
<td>5,725,107</td>
<td>20,700,000</td>
<td>27.7</td>
</tr>
<tr>
<td>June 20.......</td>
<td>2,240</td>
<td>5,855,434</td>
<td>20,900,000</td>
<td>28.0</td>
</tr>
</tbody>
</table>

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

* Not available.
Table 3
Progress of the Federal Reserve Banks in Appointing Corporations with 500 or More Employees as Issuing Agents

<table>
<thead>
<tr>
<th>Federal Reserve District</th>
<th>Number of corporations with payroll savings plans having 500 or more employees</th>
<th>Number of corporations with 500 or more employees appointed as issuing agents</th>
<th>Percent appointed as issuing agents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Week Ended (June 13)</td>
<td>Week Ended (June 20)</td>
<td></td>
</tr>
<tr>
<td>Boston</td>
<td>475</td>
<td>112</td>
<td>121</td>
</tr>
<tr>
<td>New York</td>
<td>902</td>
<td>280</td>
<td>294</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>427</td>
<td>177</td>
<td>178</td>
</tr>
<tr>
<td>Cleveland</td>
<td>592</td>
<td>123</td>
<td>123</td>
</tr>
<tr>
<td>Richmond</td>
<td>446</td>
<td>60</td>
<td>61</td>
</tr>
<tr>
<td>Atlanta</td>
<td>228</td>
<td>62</td>
<td>63</td>
</tr>
<tr>
<td>Chicago</td>
<td>868</td>
<td>323</td>
<td>328</td>
</tr>
<tr>
<td>St. Louis</td>
<td>152</td>
<td>68</td>
<td>72</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>101</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Kansas City</td>
<td>147</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Dallas</td>
<td>72</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>San Francisco</td>
<td>368</td>
<td>129</td>
<td>147</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,778</strong></td>
<td><strong>1,402</strong></td>
<td><strong>1,455</strong></td>
</tr>
</tbody>
</table>

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

June 23, 1942.

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Regraded Unclassified
**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)

<table>
<thead>
<tr>
<th>Date</th>
<th>June daily sales</th>
<th>Cumulative sales by business days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June</td>
<td>May</td>
</tr>
<tr>
<td>June 1942</td>
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<td></td>
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<tr>
<td>1</td>
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<td>$ 7,302</td>
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<tr>
<td>20</td>
<td>5,834</td>
<td>153,532</td>
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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.

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

June 24, 1942.
### 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)

<table>
<thead>
<tr>
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<th>June daily sales</th>
<th>Cumulative sales by business days</th>
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<td>June</td>
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Office of the Secretary of the Treasury, Division of Research and Statistics.

June 24, 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)

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<th>Date</th>
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Office of the Secretary of the Treasury, Division of Research and Statistics.

June 24, 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 23, 1942  
Compared with Sales Quota for Same Period  
(At issue price in millions of dollars)

<table>
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<tr>
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<th>Series F and G</th>
<th>Total</th>
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<td>Quota</td>
<td>Sales</td>
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<td>as % of</td>
<td>June 1</td>
</tr>
<tr>
<td></td>
<td>Daily</td>
<td>Date</td>
<td>Daily</td>
</tr>
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<td>441.1</td>
<td>466.1</td>
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Office of the Secretary of the Treasury, Division of Research and Statistics.  

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.  
* Takes into account both the daily trend during the week and the monthly trend during the month.
MEMORANDUM TO THE PRESIDENT:

I am returning herewith letter dated June 12, 1942 from Mrs. Doris Mae Murray of Fall River, Massachusetts, which you transmitted with your note of June 16, 1942, asking what you should do about it. Mrs. Murray has written a book entitled "One Thing After Another" which she offers to donate to the United States Government, any proceeds from the sale of which would be used to replace the two blimps that were recently destroyed at Lakehurst.

Mrs. Murray has written one other book entitled "Pick of the Crop" which apparently has not had a very wide circulation, although she claims that it is widely read in her neighborhood. I do not believe that the Government should accept unpublished manuscripts from any author. It would be necessary for the Government to stand the expense of publication and would certainly build up the reputation of the author. If we established a precedent I am afraid we would be flooded with offers of this kind.

I am attaching a draft of reply to Mrs. Murray's letter for Marvin McIntyre's signature. I thought it would probably be better for him to sign it rather than you. However, if you prefer to sign it, it can be changed for your signature.

(Signed) A. Herstphas, Jr.

Attachment

By messenger 4:45
Photo file n.m.c.
Copy to Thompson

DWB1ow 6-24-42
By dear Mrs. Murray:

The President has asked me to acknowledge receipt of your letter of June 12, 1942, in which you so graciously offer to donate to the United States Government your new book entitled "One Thing After Another", the proceeds from the sale of which would be used to replace the two blimps recently destroyed at Lakehurst.

The President has asked me to convey to you his sincere thanks for your very generous offer and he appreciates the spirit in which it was made. However, the Government does not have any means whereby it can accept unpublished manuscripts of this character. If your offer were accepted it would be necessary for the Government to make all arrangements for publication and distribution, which it is not at the present time equipped to do. If the arrangements could be made by you to have the book published and sold through the usual channels, the Secretary of the Treasury would be glad, under the provisions of the Second War Powers Act, to accept any part of the proceeds which you care to donate to the United States for the replacement of the two blimps mentioned.

Again thanking you for your kind offer, I am

Very truly yours,

MARVIN H. McEntire
Secretary to the President

Mrs. Doris Mae Murray
463 Oak Grove Avenue
Fall River, Massachusetts.

DWE:ew 6-24-4?
In accordance with the existing instructions, there is submitted herewith a summary report of activities and accomplishments carried on by the Legal Staff for the month of April 1942.

Attachment.
The following matters received attention in the Office of the Chief Counsel for the Bureau of Internal Revenue:

1. **Use Tax on Motor Vehicles.** The matter of enforcing penalties for operating a motor vehicle or boat without a use stamp was discussed with Assistant Attorney General Clark. No appropriation is available for detecting violations of this law. The Commissioner authorized the Chief Counsel's Office to prepare instructions to Collectors, under which such violations as come to the attention of Collectors or their deputies in the regular course of their other duties would be submitted directly to the United States Attorneys. The Assistant Attorney General indicated he would instruct United States Attorneys to take appropriate action upon such cases. One case, involving a plea of guilty, has come to the attention of the Chief Counsel's Office. This matter was handled by Mason B. Leming, Assistant Chief Counsel.
2. **War Savings Campaign.** An organization set up for handling the War Savings Campaign, both in Washington and in the Field, is now ready to function. Messrs. Burrus and Ellis of the Chief Counsel’s immediate office will be in charge.

3. **Tax Status of Reimbursement to Contractor for Facilities Installed to Meet Government Needs.**

Hagy, Harrington and Marsh, Amarillo, Texas, is not a public utility, but supplies gas to utilities. It was asked to extend a gas line to certain Government facilities. The form of the proposed contract is apparently the same which is being used for the purchase of gas or electrical energy from public utilities and provides for payment by the Government of approximately 75% of the cost of the contractor’s additional facilities, but contains no provision for protecting the Government’s interest in the facilities. At the time section 124 (1), Internal Revenue Code, was repealed making protection of the Government's interest no longer necessary as a condition to amortization, it was generally understood that the matter of
protecting the Government's interest would be handled by the contracting agency. Apparently this is not being done in some cases in connection with contracts with public utilities where the reimbursement is being designated in the contract as a connecting charge, even though it may require (as in this case) the construction of substantial facilities which are much more than are usually required in making ordinary connections. Representatives of the above concern were informally told that Revenue could not agree to any form of closing agreement which would, in substance, relieve them from tax upon the reimbursements. This matter was handled by Herman T. Reiling, Special Assistant, and S. T. Hazard of the Interpretative Division.

4. Refund of Excess Profits under Navy Contract. The Electric Boat Company, New York City, has proposed to refund and credit to the Navy Department $2,874,665, which is the approximate excess of the company's 1941 profits over what they would have been had the Vinson-Trammell Act been in effect for that year. The company
has requested a ruling and closing agreement that this amount shall be excluded from 1941 income although it relates to contracts begun in prior years. The question involved is whether, in view of the Under Secretary's letter to Chairman Vinson, the adjustment of income should be confined to the year 1941 (and if it is not, the company refuses to make the refund). Herman T. Reiling, Special Assistant, and S. T. Hazard of the Interpretative Division are handling this case.

5. Acceptance of Treasury Notes, Tax Series, in Partnership Cases. It has been held that Treasury Notes of Tax Series A-1943, B-1943, A-1944, and B-1944, inscribed in the name of a partnership, may not be accepted by a Collector in payment of income taxes of individuals even though such individuals be members of the partnership. The question was considered by E. C. Holt, of the Interpretative Division.

6. Tax Status of the Pan-American Coffee Bureau. This non-profit Bureau is supported by contributions made by the Governments of Brazil, Colombia,
Costa Rica, Cuba, El Salvador, Mexico, and Venezuela. Its purpose is to disseminate, through publicity, knowledge regarding coffee as a beverage. In response to its inquiry, a letter was prepared in the Accounts and Collections Unit for the Secretary's signature informing the State Department that the Coffee Bureau is held to be an instrumentality wholly owned by the above-named Governments and that, therefore, no liability for social security and employment taxes is incurred with respect to its officers and employees, regardless of citizenship or residence. The letter was reviewed by S. G. Winstead of the Interpretative Division.

7. **Processing Tax Case Involving Sugar.** The Chief Counsel sent a memorandum to the Bureau approving the proposed offer of settlement submitted by the W. J. McCahan Sugar Refining and Molasses Company, Philadelphia, Pennsylvania, whereby the Company is to be allowed $271,370.06, plus interest of $98,225.61, with respect to its claim for refund. The claimant paid $2,755,740.80 as processing tax on sugar, and
$126,091.56 as floor stocks tax on sugar and cotton, paper and jute containers. It sought refund of $1,204,575.16 of the amounts paid as processing tax, and $32,814.50 of the amounts paid as floor stocks tax. The net allowance payable to the claimant after making income tax and interest adjustments is approximately $297,820.19. This allowance represents approximately five cents per bag of taxable sugar, or ten percent of the tax paid, and is the best settlement for the Government so far effected in any such case. The case was handled by Philip D. Harris of the Processing Tax Section.

8. Alleged Violation of Tax Statutes by Japanese Aliens, St. Petersburg, Florida. A group of Japanese aliens has been engaged in the restaurant business in St. Petersburg, Florida, operating as a partnership under the name of "Nikko Inn". Two sets of records were maintained, one for tax purposes kept in English, and a secret set kept in Japanese. The discrepancy in profits shown on the two sets of records involves a net under statement of
profits for the years 1934 to 1941, inclusive, of approximately $38,000. The assets of the taxpayers were seized in December, 1941, in connection with Foreign Funds Control. It appears that the Nikko Inn Restaurant has been licensed to resume business operations under close supervision of Treasury officials. It also appears that the assets, totaling $41,254.05, were released from custody after jeopardy assessments and collections for tax deficiencies had been made. The question of the advisability of instituting criminal prosecutions is being considered by Irving D. Berger of the Penal Division.

9. **Court Gives Consideration to War Effort in Sentencing Tax Evader.** On March 27, 1942, Arthur F. Weber, Cleveland, Ohio, was fined $1,000 on each of five counts, and the Triplex Screw Company was fined $1,000 on each of four counts, on guilty pleas to indictments charging willful tax evasion. Prior to the pleas of guilty Weber paid taxes, penalties, and interest aggregating $92,232.66, and the corporation paid
a like liability of $26,834.49. The pleas of guilty were to felony counts, and the court in merely imposing fines stressed that this corporation "is entirely a one-man concern, dependent upon Weber for its continued operation; that 90% to 95% of its product goes directly into war materials; that the unimpaired continuance of the war effort is of paramount importance and for these reasons a fine only was imposed." The case was one of flagrant tax evasion, in that Weber over the years involved diverted a large part of the corporate earnings to his individual use and benefit, and this diversion was so well concealed that it was not detected by the corporation's auditors. E. Riley Campbell of the Penal Division handled this case while it was active in the Bureau.

On April 11, 1942, in the case of the Win or Lose Corporation and James A. Noe, New Orleans, Louisiana, the jury returned a verdict of not guilty on all four counts (tax evasion) of the indictment against this corporation and individual. Noe is
a former Governor of Louisiana. Seymour Weiss, who was named in the indictment, had previously pleaded guilty. Prosecution of Noe was not recommended by the Bureau. While active, the case was handled by T. C. Uhler, Assistant Head, Penal Division.

11. **Tax Evasion Case of William R. Skidmore.**
On March 8, 1941, William R. Skidmore of Chicago, Illinois, was found guilty by a jury of having willfully attempted to evade or defeat a large part of his income taxes for the years 1936, 1937, and 1938, totaling $340,119.66 and was sentenced to pay a fine of $5,000 and costs, and to serve thirty months in prison. Advices have now been received from the Department of Justice that the judgment has become final and that on March 20, 1942, Skidmore entered the United States Penitentiary at Terre Haute, Indiana, to commence serving his sentence. While in an active status, this case was given attention by W. H. Norman of the Penal Division.

The following work was done under the supervision of Assistant General Counsel Cairns:
12. New York Foreign-Trade Zone (for description see February, 1942 report, item 3; March, 1942 report, item 5). The Acting Secretary of the Treasury signed a letter on April 3, 1942, addressed to the Chairman of the Foreign-Trade Zones Board, which had been prepared by Mr. Chambers of this office, approving a proposed Order regarding the Foreign-Trade Zone at New York. The Order designated as part of the Zone, for the duration of the present emergency, certain piers and uplands adjacent thereto which were offered for temporary inclusion in the Zone by the Mayor of New York City. The Order was issued by the Chairman of the Board and a Treasury Decision has been prepared to bring it to the attention of customs officers and others concerned.

13. Entry of relief articles free of duty (for description see February, 1942 report, item 4).

(a) Messrs. Chambers and Ivey of this office prepared regulations to carry out the provisions of the Proclamation of the President (issued under section 318, Tariff Act of 1930), authorizing the Secretary of the Treasury to permit free entry of jerked beef for sale or distribution to consumers in Puerto Rico. These regulations were published
in T. D. 50599 of April 10, 1942.

(b) Messrs. Chambers and Ivey prepared a final draft of a Presidential Proclamation, authorizing the importation free of duty by the Red Cross of food, clothing, and medical, surgical, and other supplies for use in emergency relief work, and a letter for the signature of the Secretary, submitting the proposed Proclamation to the President. Regulations to put into effect the provisions of the proposed Proclamation have been prepared, and will be issued if and when the Proclamation is signed by the President.

14. Violations of Federal narcotic law. Dr. William A. Nailling was convicted in the United States District Court at Jackson, Tennessee, on March 31, 1941, for violations of the Federal narcotic law. After the judgment of conviction was affirmed by the Circuit Court of Appeals for the Sixth Circuit, Dr. Nailling's attorney petitioned for a rehearing on the ground that the indictment should have specified official order forms as issuable by the Secretary rather than by the Commissioner of Internal Revenue.
Mr. Lubore of this section furnished information for a brief in opposition to the petition, and the court denied the petition for rehearing. Dr. Nailling’s attorney then petitioned the United States Supreme Court for a writ of certiorari to review the case. The principal question presented by the petition was whether the Secretary of the Treasury has constitutional statutory authority to delegate to the Commissioner of Internal Revenue the function of issuing order forms, and if so, whether the Secretary has delegated that function to the Commissioner. On Monday, April 27th, the Supreme Court denied the petition.

15. Proposed order to limit retail sales of preparations containing opium. The Commissioner of Narcotics, Mr. Joseph McDonald of the Office of Price Administration, and Mr. Tennyson of this office discussed the issuance of a proposed order placing limitations upon the retail sale of certain preparations containing opium and opium derivatives. The Commissioner explained the need for this order as a conservation measure, stating that it would conserve about 20,000 pounds of opium annually. Mr. McDonald suggested that the time
limitation be eliminated but it was pointed out that this would largely nullify the benefit anticipated from the enforcement of the order. In a letter dated April 9th to Mr. Gaston, Mr. Leon Henderson stated that the proposed order was being given consideration by the Drug Unit of the Chemical Section of the Price Division.

16. Drugs for Japanese evacuees. The Wartime Civil Control Administration has charged the United States Public Health Service with the medical care of Japanese evacuees from the West Coast area. Japanese physicians will furnish practically all of the medical care to such evacuees, and hospital supplies and drugs, including narcotics, will be purchased by the Army for the W. C. C. A. As government-owned drugs are being supplied and the Public Health Service has supervisory responsibility, it has been determined that there will be no necessity for the Japanese physicians obtaining registration under the Federal narcotics law.

17. State political activity by national bank receiver. An Opinion addressed to Mr. Delano, Comptroller of the Currency, which was prepared
by Mr. Feidler, and signed on April 8, 1942, concluded that the prohibitions of the so-called Hatch Act (U.S.C., title 18, sec. 61h) prohibit any officer (including a national bank examiner) from taking an active part in state as well as national politics.

18. **Importation of coca leaves from which all narcotics have been removed (decocainized coca leaves).** Two Opinions were prepared on this subject, one to Mr. Amslinger, Commissioner of Narcotics, dated April 10, 1942, and one to Mr. Tennyson, Chief Legal Officer of the Bureau of Narcotics, dated April 11, 1942. The first opinion ruled that decocainized coca leaves were "narcotic drugs" within the meaning of the Narcotic Drugs Import & Export Act, and hence subject to the restrictions imposed by that Act. It was also ruled that all coca leaves whether decocainized or not were subject to the regular duty prescribed in the Tariff Act of 1930 on "coca leaves". The second opinion rules that under section 2(b) of the Narcotic Drugs Import & Export Act, (U.S.C., title 21, sec. 173) narcotic drugs may not be imported for flavoring purposes. Under the special
authorization in section 6 of the Act of June 14, 1930 (U.S.C., title 21, sec. 173a), coca leaves may be imported only in their natural and untreated state. Hence, deccainized coca leaves for flavoring purposes are excluded from the United States. These opinions were prepared by Mr. DuBois.

19. Bonds of certifying officers in the foreign service. An Opinion dated April 11, 1942, prepared by Mr. Feidler, which is in the form of a letter to the Attorney General, deals with officers in the foreign service who are already bonded and who cannot, as a matter of physical impossibility, execute the separate bonds required by the Act of December 29, 1941. The sureties on such existing bonds, without the consent of the principal, add the new conditions and provide for pro-rataion of the penalty to the added conditions.

20. Disclosure of information obtained in income tax investigations. An exhaustive study of the extent to which the Secretary of the Treasury may disclose information obtained in the course of an income tax investigation has been completed by the members of the Opinions Section.
The following work was done under the supervision of Assistant General Counsel Bernard:

21. Un-American Activities Committee (for description see August, 1941 report, item 16; March, 1942 report, item 19): In addition to the regular routine duties with the Un-American Activities Committee, Mr. Spingarn prepared (1) a memorandum for Mr. Foley's signature to Mr. Thompson about the case of Wilma Hermine Poth; (2) a memorandum to Mr. Pehle and Mr. T. F. Wilson about the case of Miss Irene Wenglarz, Foreign Funds Control stenographer; (3) a memorandum for Mr. T. F. Wilson and Mr. Jordan about the cases of Philip Grossman and Samuel Guskin, two Customs men in New York; and (4) a letter for Mr. Thompson's signature to Allan S. Haywood, C.I.O. Director of Organization, replying to Mr. Haywood's letter requesting to be advised as to the identity of the top-ranking C.I.O. official who had informally advised the Treasury that it would be making a mistake if it retained William Wheeler Hinckley on its staff. In connection with the controversial William Wheeler Hinckley case Mr. Spingarn, also, prepared a letter for Mr. Graves'
signature in reply to a letter which Mrs. Cummings had written to the Secretary protesting the Treasury's action in dropping Hinckley, and a letter for Mr. Thompson's signature to Miss Eleanor Nelson, Secretary-Treasurer of the United Federal Workers, in answer to her letter to the Secretary protesting the Treasury's action and asking for a personal interview with the Secretary.

22. Board of Legal Examiners (for description see July, 1941 report, item 15). Mr. Bernard, as alternate for Mr. Foley, is continuing his work on this Board.

23. Law Committee of Defense Communications Board (for description see November, 1940 report, item 23). Mr. Spingarn (who is Treasury's representative on the Law Committee of this Board) is continuing his work.

24. Transfer to B.T.A. of Processing Tax Board functions. As a result of a request made by Assistant Secretary Sullivan, Mr. Bernard prepared a draft of an Executive Order providing, in effect, for the abolition of the Processing Tax Board of Review and a transfer of all its functions, property, and personnel (other than
the chairman and members who would be eliminated) to the Board of Tax Appeals under the reorganizing authority of Title I of the First War Powers Act. A memorandum about the proposed Executive Order, discussing various legal and policy questions in connection with it was also prepared by Mr. Bernard and given to Mr. Sullivan.

25. Interdepartmental Committee on Investigation. At the request of Mr. Gaston, Mr. Spingarn of this office accompanied him to the first meeting of the new Interdepartmental Committee on Investigation on April 14. Membership of the Committee is (1) Under Secretary of the Interior Dempsey (who was on the Dies Committee for three years when he was in Congress), Chairman, (2) Under Secretary of Commerce Wayne Chatfield Taylor, (3) FDIC Solicitor Francis Brown, and (4) Mr. Gaston. Edwin Dickinson, Special Assistant to the Attorney General, is the Executive Secretary. At this meeting on April 14 the nature and functions of the committee were discussed at length. Mr. Gaston and Mr. Spingarn attended meetings of the committee on
April 21 and April 23.

26. **Tires for Treasury enforcement officers.** The O.P.A. tire rationing regulations authorize the furnishing of tires to Federal police agencies, but the O.P.A. ruled that the Alcohol Tax Unit enforcement agents were not eligible under this provision.

Mr. Spingarn had several conferences with O.P.A. and Procurement in an effort to have this ruling changed and the prospects seem promising that the O.P.A. will rule that all the Treasury enforcement agencies are eligible for tires to the same extent as other Federal police agencies, such as the F.B.I.

27. **Treasury Guard Force salary situation.** Mr. Gaston and Chief Wilson conferred with Mr. Spingarn on April 17 about this matter which is becoming more urgent. Due to the $1,200 salary which most of our Treasury Guard Force privates receive, the turnover of this force has assumed serious proportions. Mr. Spingarn conferred with Chairman Ramspeck of the House Civil Service Committee and Mr. Bernard is going to try to help Mr. Ramspeck push through his Classification Act Amendment bill, H.R. 6217,
one provision of which would increase the base salaries of custodial employees and would thus raise the base salary of the Treasury Guard Force privates from $1200 to $1500 per year. The legislative section is preparing a letter for Mr. Gaston's signature as Acting Secretary to Mr. Ramspeck outlining the situation we are confronted with down here, together with other material which he can use on the floor of the House in support of his bill. The bill (H.R. 6217) has been reported favorably by the House Civil Service Committee. That office is also (1) preparing a letter to General Fleming, the Federal Works Administrator, who is in charge of most of the Government guards; (2) a letter to Senator Bulow, Chairman of the Senate Committee on Civil Service, with reference to S. 2150, which among other things would classify guard positions in the next higher grade and thereby alleviate the Treasury guard force problem; (3) and letters to the Secretary of the Navy and to the Federal Works Administrator suggesting that they consider the advisability of likewise addressing the two Civil Service Committee Chairmen.
28. **Letter to Mrs. Roosevelt re Veterans' insurance bill.** Mr. Bernard and Mr. Spingarn prepared a letter which the Secretary sent to Mrs. Roosevelt on H.R. 4402, a bill to extend the privilege of renewing the expiring 5-year term insurance policies which date from the last World War for another 5-year period. Mrs. Roosevelt had received a telegram urging her to support the bill, and wanted the Secretary's views. The letter which was prepared, and the Secretary sent over to her, indicated that the bill is without merit.

29. **Foreign Funds Control estimates for 1943.** Mr. Bernard and Mr. Spingarn attended a Budget hearing on April 28 on the Foreign Funds Control appropriation estimates for the fiscal year 1943. The estimate submitted to Budget by Foreign Funds Control was six and one-half million dollars, and the tenor of the Budget hearing was such that they feel reasonably satisfied that Budget will approve this estimate. No questions were raised about the Legal Division's share of this estimate, and we asked for 20 more
lawyers, 15 more stenographers, and 2 more messengers than we now have.

30. Bureau of Engraving and Printing cafeteria situation. At the request of Secretary Morgenthau and Norman Thompson, Mr. Spingarn asked his uncle, Arthur B. Spingarn, President of the National Association for the Advancement of Colored People, to come to Washington to confer about the troublesome interracial problem in the Bureau of Engraving and Printing cafeteria. A number of conferences were held, and it is believed that the difficulty is on the road to satisfactory adjustment. Mr. Spingarn prepared a draft which Mr. Thompson is going to use as the basis of a letter of instructions on this situation to Alvin Hall, the Director of the Bureau of Engraving and Printing.

31. Return of families of Treasury employees from Hawaii. The legislative section is studying the problem of whether there is statutory authority for returning families of Treasury employees at Government expense from Hawaii or other danger zones and whether
appropriations are available for that purpose.

32. **Procedure under Public No. 490, authorizing continuance of pay of missing or captured persons.** At a meeting held in Commissioner Bartelt's office to consider this problem, it was concluded, at the suggestion of Mr. Cross of this office, that in view of the relatively small number of Treasury employees within the scope of this law, formal regulations would not be needed and, in lieu thereof, a procedure should be determined under which each individual case would be decided on its merits. Best estimates presently indicate there are but 12 or 14 employees captured or interned.

33. **Maloney amendment to S. 2250.** Mr. Cross of this office attended a meeting in Mr. Batchelder's office to consider substitute language for this amendment (the bill creates a Smaller War Plants Corporation with a capital of $100,000,000 to be subscribed for by the Secretary of the Treasury). Mr. Francis C. Brown, FDIC Counsel, subsequently prepared an alternative amendment which would permit all insured banks to
act as depositaries or fiscal agents for the receipt of funds of the United States or under the control of the United States, and prevent discrimination in the selection of depositaries on the basis of the class of institution involved. At Mr. Batchelder's suggestion a provision was included that each officer be separately considered for insurance purposes in case of deposits in the same bank. Mr. Brown stated that he intended to present the amendment to Chairman Steagall of the House Committee on Banking and Currency, where the bill is now pending. Mr. Brown's amendment, if adopted, will accomplish many of the things sought by the Treasury-proposed Government Depositary Act of 1941, which is inactively pending in the Bureau of the Budget.

34. Recruitment of White House Police. At the request of Mr. Gaston and Chief Wilson, the legislative section prepared proposed legislation and letters of transmittal to Congress to eliminate the present restriction that White House police must be hired from the Metropolitan or the United States Park police forces. The proposed legislation and letters of transmittal were sent forward for initialing and signatures.
35. Postal Savings transfer legislation. Mr. Rupert and Mr. Spingarn of this office attended a meeting in D. W. Bell's office on April 13 on the proposed Postal Savings legislation to transfer the Postal Savings System from the Post Office Department to the Treasury Department. Mr. Ironside, who represented the Post Office Department, presented a draft of a proposed justifying statement on this legislation which he wanted the Treasury to review. At Mr. Bell's request Mr. Bernard is handling this matter. The Post Office Department is going to sponsor this legislation, and we will, of course, push it too.

36. Compulsory Savings legislation. Members of this office, Mr. Spingarn and Mr. Cross, took part in a discussion pertaining to the drafting of legislation to require compulsory savings.

37. Government Practice bill. Norman Thompson, Mr. Kloeber of Budget, and Mr. Spingarn of this office conferred during the month on a suggested amendment to the Treasury's revision of the Hatch Bill, S. 1987, which bill regulates the Government practice of former Government officers. The suggested amendment would
add a further restriction to our bill against a man practicing before his own agency within two years after leaving it unless he gets the permission of the head of the agency. Mr. Kloeber, who is acting as Budget's clearance man on the various departmental reports to Congress on the bill, said that most of the departments had suggested something along this line and that since the Treasury report and substitute bill were the model of all of those submitted, Budget was anxious to secure the Treasury's views on such a provision. Mr. Spingarn advised him that there would be no objection to such a provision from our standpoint.

38. **Silver legislation.** At the request of Mr. Oppor, Mr. Bernard extended to him the facilities of this office to assist him in the drafting of any silver legislation which may be necessary. Mr. Rupert is working on this matter.

39. **Reproduction of War Savings Bonds** (for description see March, 1942 report, item 26). Mr. Spingarn of this office conferred separately with Mr. Graves and Mr. Schoeneman on the proposed regulations, prepared by
Mr. Bernard and Mr. Ranta, authorizing the illustration of War Savings Bonds in connection with the campaign for the sale of such bonds. They were given a memorandum, prepared in this office, answering the objections which Mr. Broughton had raised to these proposed regulations. It was agreed that the regulations should go forward for signature.

40. Letter to Practising Law Institute. Mr. Bernard and Mr. Spingarn prepared a letter for Mr. Foley’s signature to Harold P. Seligson, Director of the Practising Law Institute of New York, in response to a letter, asking what his Institute could do to advise lawyers in private practice as to how they could be helpful in the war effort.

41. Patents bill (S. 2308). A letter was prepared in this office addressed to Senator Bone, Chairman of the Senate Committee on Patents, in response to his letter to the Secretary advising him of the impending hearings on S. 2308, a patents bill, and requesting a Treasury report on the bill, and asking for the designation of a Treasury man to act as a
liaison with the committee on the hearings. Mr. Aarons of Mr. Bernstein's staff was designated as the liaison man.

42. Proposed amendment of sections 165 and 171 of the Criminal Code. This office is preparing, at the suggestion of the Secret Service Division, proposed legislation and appropriate letters of transmittal to amend these sections in order to prevent the mutilation and other undesirable use of coins in devices such as coin tricks, and to clarify the statutes relating to the use of illustrations of coins.

43. Congressional Action on Treasury-Sponsored Legislation

(A) Relief of Roy F. Lassly and G. F. Allen. H.R. 5857, our bill for the relief of Roy F. Lassly, former acting chief disbursing clerk, Department of the Interior, and G. F. Allen, chief disbursing officer, Division of Disbursement, Treasury Department, was passed by the Senate on April 27, 1942. It was approved by the President on May 2, 1942 and became Private Law No. 392.
(B) Relief of Disbursing Officers. On April 23, 1942, Representative McGehee introduced as H.R. 6990, our bill for the relief of G. F. Allen, Chief Disbursing Officer, Treasury Department, and for other purposes. The bill was referred to the Committee on Claims.

(C) Conspiracy in Counterfeiting. H.R. 4934, our bill to provide for the punishment of persons conspiring to violate the laws relating to counterfeiting, and certain other laws, was passed by the House on April 20. On April 23, it was referred to the Senate Committee on the Judiciary.

(D) Banking facilities at Military Posts. Our bill, S.1603, to provide for the extension of banking facilities at military reservations and at navy yards and stations, and for other purposes, which has been passed by the Senate, was referred to the House Committee on Banking and Currency.

The following work was done under the supervision of Assistant General Counsel Tietjens:

44. Financing: (a) Certificates of Indebtedness.

During the week beginning March 30, financing through
the issuance of certificates of indebtedness, which had not been issued by the Treasury for a good many years, was revived. Mr. Cunningham worked on the legal problems involved.

(b) Federal Home Loan Bank Consolidated Debentures. The Federal Home Loan Bank Administration offered two new series of consolidated debentures. These securities are not "guaranteed" obligations but the details of their issuance are handled for the Federal Home Loan Bank Administration by the Treasury Department. Mr. Cunningham assisted in working out the details of the procedure for handling.

(c) Savings Bond Regulations. Department Circular No. 530 and Federal Reserve Memo No. 466, containing regulations covering savings bonds, are in the process of revision with a view to cutting out unnecessary detail and generally making the regulations more workable. Messrs. Coe, Fuller and Cunningham are assisting in the revision.

(d) Public Debt's Move to Chicago. In connection with the removal to Chicago of that portion of the Bureau
of Public Debt connected with savings bond work, it was determined to set up a separate legal section in Chicago. The details with reference to space, personnel and library needs for this new section were worked out after discussions with Mr. Broughton and Mr. Kilby. Messrs. Cunningham and Fuller carried out this job.

(e) HOLC Notes, Series C. Messrs. Cunningham and Tietjens passed upon the legal sufficiency of papers connected with the call of the above notes.


45. Small Business Loans under §13(b) of the Federal Reserve Act. A conference was held with representatives of the Federal Reserve Board and of the Treasury fiscal service concerning proposed amendments to the regulations under 13(b) with a view to facilitating loans to business by the Federal Reserve banks. The suggested amendments would permit the Reserve Banks
to make loans with funds advanced by the Treasury Department without requiring the Reserve Banks to "match" such advances with Reserve Bank funds. Except in some detailed respects, satisfactory amendments were agreed upon. Further action in this respect has been postponed pending approval by the Secretary. Messrs. Tietjens and Reeves collaborated with the Opinion Section on this job.

46. Delivery of Pension Checks to American Beneficiaries Residing in Sweden. After a conference with representatives of the Swedish Legation concerning the delivery of pension checks to American beneficiaries residing in Sweden, it was agreed to establish a procedure whereby the funds represented by such checks would be cabled to Sweden for credit to an account established with a Swedish bank. The pension checks in question would then be drawn against this account by an officer of the State Department who would be designated as an Assistant Disbursing Clerk for the Treasury Department. Heretofore the Germans had permitted the passage of such checks through the blockade. This permission
has been withdrawn and the procedure outlined above has been worked out in order to obviate the danger of destruction if the checks were sent by mail. Mr. Reeves assisted in working out this procedure.

47. **Handling Excess United States Currency and Dollar Credits Abroad.** Mr. Tietjens reviewed instructions prepared by the fiscal service directing the American Consuls at Suva, Fiji Islands, and Wellington, New Zealand, providing for the establishment of telegraphic credits in the United States for the Bank of New South Wales at Suva and the Bank of New Zealand at Wellington. The establishment of such credits will enable the banks in those places to siphon off excess credits arising out of the checks drawn on the United States Treasurer and will also enable the banks to dispose of excess United States currency. Similar instructions have from time to time been issued to American officials in various parts of the world, particularly in those places where troop movements have taken place.

48. **Philippine Securities.** At a conference attended by representatives of High Commissioner
Sayre's staff and the fiscal service, the disposition of valuables brought back by the High Commissioner from the Philippines and which are now in the Federal Reserve bank at San Francisco, was discussed. The inventory furnished by the Federal Reserve Bank is to be checked against the receipts given by the High Commissioner's staff at the time the valuables were delivered to him, and claims requiring immediate attention are to be singled out for preferred action. It was decided that five sealed trunks delivered by the National City Bank could properly be delivered to the Bank as soon as details were worked out. This has been done. Other claims will be handled on an individual basis depending upon the directions of the owner, the type of property involved, etc. Messrs. Tietjens and Reeves have been working on these problems.

49. **Hawaiian Securities and Currency (for description see March, 1942 report, item 37):**

At a conference attended by representatives of the fiscal service and Foreign Funds Control the proposed regulations drafted by Foreign Funds relating
to the "scorched earth" policy in Hawaii were discussed and suggestions made. Messrs. Cunningham and Tietjens attended the conference.

50. Fiscal Operations of the War Shipping Administration. At a conference with representatives of the War Shipping Administration the procedure to be followed in connection with the receipt and disbursement of funds resulting from the operation of ships on behalf of the War Shipping Administration by various shipping companies, was discussed. No objections to the proposed procedure for handling such funds in accordance with usual commercial procedure and accounting for the net amount due the United States were raised. This procedure has been approved by the General Accounting Office. Mr. Reeves worked on this problem.

51. Gift of Naval Laboratory. In telephone conversations with Lt. Pennebaker of the Navy Department, procedure was outlined for the acceptance of a gift of one full day's payroll from the employees on a Navy Department construction project at the Burns City, Indiana, Ordnance Plant.
The proceeds of the day's payroll were to be employed in the construction of a naval laboratory at the site of the Burns City project. Mr. Tietjens handled this.

52. Postal Savings. At a conference attended by representatives of the Post Office Department and the fiscal service and Mr. Bell's office, details of handling legislation transferring postal savings to the Treasury Department were discussed. An agreement between the Treasury and the Post Office Department outlining the mechanics to be followed in the take-over by the Treasury of the issuance of savings stamps was also reviewed. Messrs. Cunningham and Tietjens worked on this.

53. Federal Depository Legislation. In collaboration with representatives of the fiscal service, Mr. Bell's office and the FDIC, details of legislation designed to permit the deposit of public funds in insured banks as well as in national banks and members of the Federal Reserve system were worked out. Messrs. Tietjens, Zarky and Reeves worked on this.
54. **Sale of Assets, First National Bank-Detroit Receivership.** A number of conferences have been held between representatives of the Comptroller's Office and the Committee representing the stockholders of the First National Bank-Detroit to work out an agreement concerning the general details and a tentative draft of the proposed contract covering the sale of all of the known assets of the Receivership to a corporation to be formed for the purpose of carrying on the further liquidation of the assets. Messrs. Barse and Anderson have been working on this matter.

The following work was done under the supervision of Assistant General Counsel Bernstein:

55. **Litigation:** (a) **Commission for Polish Relief v. National Bank of Rumania.** The brief of the United States as **Amicus Curiae** before the Court of Appeals of the State of New York in the case of **Commission for Polish Relief, Ltd. v. National Bank of Rumania** was prepared by members of this staff. This case was of unusual importance and interest inasmuch as it involved the question of to what extent, if at all, unlicensed transfers of foreign property would be effective. It also
enabled the Department, for the first time, to bring Foreign Funds Control before the highest court of New York and set out the policy reasons which impelled much of our action. General Ruling No. 12, discussed at a later point, was of significance. Messrs. Luxford, DuBois, Golding, Daum, Cook, Zarky, Miss Goode, and Messrs. Reeves, Arnold, Wolf, and Hannett worked on this case.

(b) McLaughlin et al. v. Morgenthau et al (for description see March, 1942 report, item 67).

This action was brought by McLaughlin and several other plaintiffs to restrain the Treasury Department and the Federal Reserve Bank of San Francisco from keeping certain accounts blocked. It presented several interesting legal aspects involved in the ad hoc procedure of blocking accounts in which a blocked interest has appeared. An investigation was made and completed in Washington and Los Angeles, as a result of which the plaintiffs are taking prompt steps to liquidate the corporations which they owned or controlled and which were being operated to benefit certain German interests. A thorough study of the legal problems
involved was made preparatory to a defense of the suit. It now appears that the suit will be dismissed in the near future. Messrs. Sherbondy, DuBois, Lesser, Ackerman, Carlock, Locker, Miss Hmiel, and Messrs. Murphy and Golding worked on this case.

56. **Alien Property Custodian, Consultation Committee.** During the early part of April the Alien Property Custodian appointed a "Consultation Committee" to advise him on the legal and policy aspects of his office. Upon the advice of Judge John Burns he appointed 8 distinguished judges, law professors and practicing attorneys to participate. Representatives of Foreign Funds Control and the Department of Justice were also invited. Messrs. B. Bernstein, Pehle and Luxford represented the Treasury Department. The first meeting was held April 8 and was devoted to a discussion of the relative merits of proceeding under section 5(b) of the Trading with the enemy Act or under the other provisions. The Treasury approach to foreign property was also compared to that advocated by representatives of the Department of Justice. Both agencies explained their views in some detail and the Committee agreed
to study matters and report back in two weeks. At the second meeting the views of the Committee were expressed and their conclusions were almost unanimously in favor of the Treasury concept of the program. A preliminary transcript of the second meeting has been edited by Mr. Luxford and a final transcript is expected soon. Some of the Committee were very outspoken in their praise of the Treasury's program under freezing control and its handling of the "vesting" problem.

57. New Executive Order Delegating Authority. This office prepared a new draft of an executive order amending Executive Order No. 9095. The proposed order would confer all the powers under section 5(b) of the Trading with the enemy Act upon both the Secretary of the Treasury and the Alien Property Custodian, acting either jointly or severally, and confer exclusive authority on the Secretary under section 3(a) of the Act. The delineation of functions between the Secretary and the Alien Property Custodian would take the form of a joint memo to the President for his approval. Generally speaking, the Alien Property Custodian would be given complete control over
the property of nations actually at war with the United States as well as over patents, trademarks and copyrights and the Secretary of the Treasury would have control over the balance of the field.Copies of these documents, together with memoranda discussing the same, have been furnished the Alien Property Custodian and discussions have taken place on the subject with representatives of that office. Messrs. Luxford and DuBois worked on this matter.

58. Issuance of Documents: (a) General Ruling No. 12. General Ruling No. 12 and a press release explanatory thereof were issued. This ruling was in nature of a formal document calling attention to the fact that all unlicensed transfers of blocked assets in the United States are void and unenforceable. It represents another aspect of the Treasury's policy in protecting the 7 billion dollars of blocked assets and preventing the Axis aggressors on from realizing/their aggressions. Of course, a Treasury Department license may be issued to authorize such a transfer. This ruling was of particular significance in view of Commission for Polish Relief, Ltd. v. National Bank of Rumania.
in which the Government filed a brief as amicus curiae. Messrs. Luxford, Golding, Daum, Cook, and Zarky prepared this material.

(b) Proposed Public Circular. Certain language in the decision of *Brown v. Morgan*, to the effect that a bank has a duty to apply for a Treasury Department license to make a transfer from a blocked account in an attachment action, has resulted in research, looking toward the preparation of a public circular which would relieve the bank from this burden. In other words, it would call attention to the fact that a bank may rely upon the prohibitions contained in the freezing order without further action on its part. Messrs. Zarky, Daum, and Golding are making this study.

59. *Vesting of Axis Property: (a) Luscombe Airplane Corporation* (For description see February, 1942 report, item 26 (d)). We assisted the Alien Property Custodian in the necessary steps (including the drafting of the papers) involved in the vesting of the foreign-owned stock of this corporation. The Treasury Department, the Alien Property Custodian, and the Navy
Department agreed that Mr. Lee Brutus, formerly executive vice-president of the Waco Airplane Corporation, should be installed as president. In addition, the Reconstruction Finance Corporation has agreed to make a loan of one million dollars to the corporation. Messrs. Sherbondy, McMurray and Williamson carried out this job.

(b) Schering Corporation (for description see February, 1942 report, item 26 (b)). We have cooperated in the final steps (including the drafting of the papers) in the vesting of the foreign-owned stock of this corporation in the Alien Property Custodian. We have now removed the Treasury representative and guards from the premises of the corporation. Messrs. Sherbondy and Clay handled this matter.

(c) Transfer of General Aniline and Film Corporation stock to Alien Property Custodian (for description see February, 1942 report, item 45 (b)). This office participated in the preparation of a memorandum for the Secretary transferring to the Alien Property Custodian 97 percent of the stock in General Aniline & Film Corporation, together with all powers of control over the corporation and its subsidiaries which had been previously vested.
in the Secretary of the Treasury. Messrs. Luxford, DuBois, Golding, and Daum handled the details of this transfer.

60. **Investigations:** (a) **Southern Field Trip.**

In conjunction with several of Mr. Pehle's staff, we completed a two-weeks' field survey of various supervised foreign business enterprises throughout the South. Steps are being taken to clear up certain outstanding problems revealed by the reports of this survey. Messrs. Proctor and Fulda are working these problems.

(b) **Northern Field Trip.** In conjunction with several of Mr. Pehle's staff, we also made a survey of certain supervised foreign business enterprises in the New York Federal Reserve District. Steps are being worked out by Messrs. Clay, Ackerman, Proctor and Fulda and are being taken to clean up problems revealed by that survey.

(c) **Sterling Products, Inc.** (for description see February, 1942 report, item 26 (b)). An investigation of the files and records of Sterling Products, Inc. is now being made by Messrs. Lawler, Marks, McMurray, and Quint.
(d) Topken & Farley. We are presently engaged in an intensive investigation of the files and personnel of the Topken & Farley law firm, which served as counsel for the German Consulate in New York City. Much helpful information has been revealed. Messrs. Proctor and Fulda, and Miss Hmiel are making this investigation.

61. Blocking Procedure. We are presently engaged in studying the entire procedure by which the Treasury Department instructs that accounts be blocked, with the possibility that we may desire to establish some type of a review procedure for the handling of requests to unblock accounts. Messrs. Sherbony, DuBois and Lesser are making this study.

62. Hawaiian "Scorched Earth" Program (for description see February, 1942 report, item 30; March, 1942 report, item 46). This office has formulated and is presently completing the drafting of documents with respect to a program designed to guard against the possibility, however remote, of an enemy invasion of Hawaii and the looting of securities and United States currency there.
Financial, Government, and military authorities have requested protection for securities and currency, and extensive plans, involving the drafting of regulations, preparation of supporting memoranda and the making of appropriate arrangements with other Government groups, are well under way. Messrs. Luxford and Murphy and Miss Goode handled this matter. Report forms to carry the policy into effect are being prepared by Messrs. Murphy, Reeves, and Arnold.

63. Philippine Moratorium (for description see February, 1942 report, item 24; March, 1942 report, item 47(a)). This office is studying the desirability of a moratorium on the funded obligations of certain Philippine corporations, such as the Manila Electric Company and the Manila Gas Company. Certain Philippine companies having substantial assets within the Philippines are finding it difficult to meet interest payments on their funded obligations. Failure to meet such payments may result in losses to the stockholders and bondholders out of all proportion to actual losses resulting from the invasion of the Philippines. Some of the companies involved have requested the Treasury Department to
provide relief in the form of a moratorium in order that interest payments may be postponed until such time as it is possible to evaluate more accurately the financial condition of such companies. Messrs. Luxford, Cook, and Golding are studying this problem.

64. Censorship (for description see January, 1942 report, item 4(d); February, 1942 report, item 31; March, 1942 report, item 49). This office collaborated with representatives of the Office of Censorship in drafting regulations approved by the President on April 15, 1942, and issued by the Chief Postal Censor. These regulations govern the mailing and transmitting of letters to foreign countries. They are particularly significant in the Treasury Department's program inasmuch as they adopted the concept of "enemy national" and "enemy territory" as defined in General Ruling No. 11. They have the effect of licensing, for Censorship purposes, the mailing and transmitting of commercial and financial communications to enemy nationals, if such communications received licenses from the Treasury Department. Messrs. DuBois, Murphy and Rains assisted in working out the details.
of this procedure. This office is also working on two sets of instructions to be transmitted by the Chief Postal Censor to the district postal censors throughout the country. One of these relates to the treatment of stamps moving in the mails. This is significant because of the efforts of the Axis governments to issue large volumes of stamps either themselves or through their satellites for sale in South American and other countries. Likewise, this office is engaged in preparing instructions to be sent to the district postal censors, which instructions cover the treatment of communications in which Foreign Funds Control is interested. It is hoped that a concrete procedure may be developed which will treat communications from enemy nationals in a manner calculated to bring before Foreign Funds Control information on the commercial and financial dealings of enemy nationals, particularly in Latin America. Messrs. Murphy and Rains are working on these instructions.

This office is also working on a confidential circular to be sent to the Federal Reserve Banks. Inasmuch as the Censorship regulations impose
upon Foreign Funds Control the duty of licensing certain communications with enemy nationals, it was considered desirable to issue concrete instructions to the Federal Reserve Banks covering the handling of applications therefor. Messrs. Murphy and Rains are working on this circular. A proposed order to be issued by the Office of Censorship was drafted which will instruct censorship field personnel with respect to the type of material in which Foreign Funds Control is interested.

65. Legislation (for description see March, 1942 report, item 43(c)). Messrs. DuBois and Murphy of this office participated in the preparation of a proposed statute which will exempt transfers to the United States, pursuant to the Trading with the enemy Act, from the stamp tax provisions of the Internal Revenue Code.

66. Patents (for description see February, 1942 report, item 26; March, 1942 report, item 53):
(a) Committee re Applications. In the field of patents the Treasury's primary interest is in connection with license applications for filing patents in which there is a blocked interest, for paying fees here and abroad, and for transfers
and assignments of patents in which there is a blocked interest. The Department wrote a letter to the Alien Property Custodian stating that a considerable number of license applications have been held up pending crystallization of the Alien Property Custodian's policy on vesting and compulsory licensing of patents. We followed up this letter with a suggestion to the Alien Property Custodian that a committee be formed to consider the Treasury license applications which have been held up, the committee being composed of representatives from the Alien Property Custodian, Anti-Trust Division of Justice and the Treasury. Such a group has now been formed and is giving consideration to these applications.

(b) Cooperation with Senate Committee. In connection with the bill, authorizing and vesting and licensing of patents, upon which hearings are now being held before the Senate Patent Committee, Mr. Aarons was designated as liaison man between the Treasury and the Senate Committee. Mr. Aarons or Mr. Kehl attended most of the hearings.
of the Committee; a report was prepared on the bill in accordance with Senator Bone's request; and we cooperated with the Committee in informally furnishing such information as it requested.

(c) **Application and payment for patents in enemy countries.** We have also prepared a proposed public announcement that the Treasury Department will deny applications for licenses to send applications for patents into enemy countries and to pay any patent fees to enemy countries. The announcement also states that the Treasury will also deny the filing of new patent applications in the United States and the payment of fees, if such applications originate in enemy countries. Messrs. Aarons and Kehl handled this matter.

(d) **Chemical Foundation Study.** A study was made and a memorandum prepared by Mr. Kehl with regard to the Chemical Foundation to which were sold chemical patents seized by the Alien Property Custodian in the last war.

67. **Liquidation of Enemy-owned Business Enterprises** (for description see February, 1942 report, item 28; March, 1942 report, item 57). We have been proceeding
as rapidly as possible in forcing the liquidating of enemy-owned firms which are unimportant to the United States in the war effort. For example, after checking with the Alien Property Custodian we indicated to creditors of the Italian Line and the Nippon Yusen Kaisha Line that we would license their liquidation under the supervision of a bankruptcy court or a state receivership. The Nippon Yusen Kaisha bankruptcy proceedings have already commenced. In the case of Yamanaka and Company, owning three large Japanese curio stores, we have directed the New York store to solicit offers for the immediate sale or consignment of all its merchandise. We intend to follow this procedure with the other stores. In the case of the Chicago store, legal problems arose this month as a result of the action of the landlord in attempting to take possession of the stock in trade on account of his rent claim and in defiance of our custody of the premises. The Secretary of the Treasury had also been made a party to a law suit brought by the landlord for past due rent. Mr. Aarons spent a day in Chicago conferring with the attorneys for all the interested parties and
succeeded in having all the law suits withdrawn and restoring the status quo. In connection with the liquidation of the New York agency of the Yokohama Specie Bank we are giving consideration to a number of questions involving conflicting claims. For example, this bank has over a million dollars on deposit with the National City Bank and National City Bank refuses to honor the deposit because it, in turn, has yen deposits in the Far East which are frozen by Japan. Mr. Aarons is handling these matters.

68. Interpretations (for description see March, 1942 report, item 55). Voluminous correspondence was handled by Miss Hodel and Miss Klein which involved questions of interpretation of the Executive Order, Regulations, rulings, and licenses. Consideration was given to questions of service of process on nationals by service on the Secretary of the Treasury, and numerous letters transmitting citations, orders, and other judicial process to the Alien Property Custodian were prepared, by Messrs. Reeves, Arnold and Wolf. A number of applications were reviewed for legal sufficiency and memoranda written in connection therewith by Messrs. Reeves and Wolf.
Administrative practice on applications believed to involve enemy nationals as defined in General Ruling No. 11 was reviewed for legal sufficiency by Miss Klein. A number of interpretative problems with regard to enemy nationality, raised by the Federal Reserve banks, were handled by Miss Hodel and Miss Klein. Miss Klein has also made interpretations and written memoranda on decedents' estates, particularly with regard to past violations of the Order.

69. Bankruptcy of Blocked Nationals. A memorandum was prepared concerning the right of a trustee in bankruptcy to the assets and records of blocked firms which are under Treasury supervision by Miss Klein.

70. Foreign Funds Control as a Bureau. Preliminary work was done by Miss Klein on a memorandum with regard to the procedure involved in constituting Foreign Funds Control a separate bureau within the Department.

71. Enrollment of Attorneys. Consideration is being given by Miss Klein to the applicability to Foreign Funds Control matters of regulations
concerning enrollment of attorneys for practice before the Treasury Department.

72. **Proposed Stipulation 1 A.** Consideration is being given by Miss Klein to the legal questions involved in a proposed Stipulation 1 A, which would authorize payments to blocked nationals to be made into a bank account in the name of a non-national in trust for the national.

73. **Census Reports** (for description see January, 1942 report; item 45; February, 1942 report, item 39; March, 1942 report, item 49). Letters were written and conferences held with regard to reports on Form TFR-300 by governmental and state agencies. Mr. Arnold handled these matters.

74. **Latin America** (for description see January, 1942 report, item 37; February, 1942 report, item 55; March, 1942 report, item 61). There has been considerable discussion between representatives of this Department and representatives of the State Department and the Board of Economic Warfare with respect to a program for obtaining the active cooperation of the Latin American Republics in our economic warfare effort. The program contemplated includes the sending of a number of
men to Latin America (who have been given a thorough training in freezing control by the Treasury and in ether matters by the other agencies); and the establishment of a central committee composed of representatives of the three agencies. Mr. DuBois handled this matter.

A member of this office returned in April from a trip to Central America - El Salvador, Honduras, Nicaragua, and Costa Rica - where, in conjunction with representatives of the State Department and the Board of Economic Warfare, he examined the effectiveness of the local freezing control laws enacted by these countries; and the extent to which our economic warfare program has been effective in these countries. A separate report has already been prepared on the findings of this mission by Mr. Mann.

A program for controlling the importation of currency from Latin America has been worked out by Messrs. DuBois and Rains and is being cleared with the State Department.

A number of problems were handled which arose in connection with the diversion of shipments of
goods from persons on the Proclaimed List. A circular letter to the American Missions in South America was prepared relating to the problem of the diversion of shipments and the problem of goods detained at the Panama Canal Zone. Messrs. Rains and Fisher worked on these problems.

Consideration is being given to the preparation of instructions to 17,000 exporters and importers, explaining their obligations in connection with our Proclaimed List policy. Messrs. DuBois and Rains are working on this.

A member of this office, Mr. Fisher, acted as a consultant to the Enforcement Section of Foreign Funds Control on Proclaimed List matters. This work included reviewing correspondence, requesting investigations, consultation on individual cases, and analyzing and evaluating investigative reports.

75. **European Neutrals.** A study is being made by Mr. DuBois of the extent to which we should go in preventing American concerns within the neutral European countries from trading with enemy territory.
76. **Dutch and Belgian Decrees.** A study is being made of the questions as to how far this Government should cooperate in enabling the Dutch and Belgian refugee governments to obtain control of the assets of their nationals in this country (pursuant to the decrees of these governments). Mr. DuBois is making this study.

77. **Certifications pursuant to Section 25(b) of the Federal Reserve Act.** As amended (for description see January, 1942 report, item 47; February, 1942 report, item 51; March, 1942 report, item 66). The appropriate documents were prepared in connection with the issuance of licenses and certifications, relating to the use of certain assets of friendly blocked governments and their central banks by the recognized representatives of such governments by Mr. DuBois.

78. **Silver.** (for description see February, 1942 report, item 57; March, 1942 report, item 70). We prepared contracts for leasing and licensing the use of "free silver" to the Defense Plant Corporation. Messrs. Opper, DuBois, and Brenner handled this matter.

Drafts of legislation designed to suspend the silver purchase program and to permit the use
of Treasury silver in the war effort were prepared by Mr. Oppen, Miss Hodel and Mr. Brenner.

A study was made by Mr. DuBois, Miss Hodel and Mr. Brenner of the various possible methods by which silver in the Treasury might be sold for use in the war effort.

This office prepared an Opinion of the General Counsel to the Secretary stating that there is authority to sell approximately 1,300,000 ounces of "Silver Ordinary". Miss Hodel and Mr. Brenner prepared this opinion.

79. **Spanish Silver.** In cooperation with the Bureau of Accounts and the Federal Reserve Bank of New York, this office worked out a method for paying the fee of Winthrop, Stimson, Putnam, and Roberts for their services in the Spanish Silver cases. Miss Hodel and Mr. Brenner handled this problem.

80. **Gold Reserve Act.** This office prepared an amendment to the Provisional Gold Regulations signed by the Secretary and approved by the President on April 15, 1942. The amendment changed the definition of the term "mint district" because of the closing of the Assay Office at New Orleans, Louisiana. Miss Hodel did this work.
81. **Rueckwanderer Investigation** (for description see March, 1942 report, item 56(d)). We discussed this case on a number of occasions with representatives of the Department of Justice and also reviewed a lot of material on the case furnished to us by Justice. We wrote a letter to the Department of Justice, in response to their inquiry, stating that we had no objection to Justice's taking whatever action it deemed appropriate against the Chase Bank in connection with the sale of Rueckwanderer Marks. Mr. Quint handled this matter.

82. **China.** Consideration is being given to the preparation of a memorandum dealing with the methods by which the United States may act in order to give security for bonds to be sold by the Chinese Government to nationals of China. This program would be a significant aspect of financing the Chinese war effort. Mr. Daum is working on this matter.

83. **Chinese Financial Aid Program.** We had many conferences during the month of April covering the transfer of funds from the Treasury to accounts in the Federal Reserve Bank in the name of the
Chinese Central Bank as fiscal agent of China, and other steps in the carrying out of the program for financial aid. We also discussed problems which had arisen in connection with the activities of the Chinese Stabilization Board and sent communications on these matters to Adler in Chungking.