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July 3, 1942.
9:25 a.m.

HMJr: Hello.

Operator: Senator McCarran hasn't come in yet. They expect him shortly.

HMJr: Well, when he comes in - I'll talk to him.

Operator: Right.

9:36 a.m.

HMJr: Hello.

Operator: Senator McCarran.

HMJr: Hello.

Senator McCarran: Hello, Mr. Secretary.

HMJr: How are you, Senator?

M: Fine, thank you. I - our group met last night and we'd like to have a conference with you if it could possibly be arranged this afternoon.

HMJr: Well, my trouble is, Senator, I'm going out of town to make one of these Fourth of July orations....

M: Oh.

HMJr:so - but I'd be available Monday.

M: Yes, I - I must leave here tomorrow night. Well, you won't be back - when are you leaving, Secretary?

HMJr: Well, I'm - I was planning to leave at three.

M: Well, I wonder if we couldn't try to get a meeting before that?

HMJr: Yes - we could - it would help me an awful lot if some of you - would it be too much inconvenience to come to see me?

M: If we can get down there. It may be only a handful of us that will go down.

HMJr: Well - two-fifteen?

M: Yes, or earlier than that. I tell you, if I can get three or four I'll go down there - if I could get down at one-thirty.

HMJr: Well, I could - I - I wouldn't be ready before two. I have some people for lunch, from out of town.

M: We'll try to make it at two.

HMJr: Well, shall we leave it, if I don't hear from you, two o'clock?

M: Yes.

HMJr: If I don't hear from you again.

M: Yes.

HMJr: In fact, I - if you don't and I don't - thank you so much.

M: Well, all right. I don't know how many I'll have there then but I'll try.

HMJr: Thank you.

M: Goodbye.

July 3, 1942
9:35 a.m.

GROUP

Present:

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

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

H.M. JR: Harry, could you give me a little memo before then? I have been pressing them on lending silver on an ounce-for-ounce basis to England. I mean, I hope we have some definite requests.

MR. WHITE: Yes, and I will give you all the countries that have been asking to buy silver, though they haven't requested us to lend it to them but those countries who are in the market for silver for coins, and any other information I have.

MR. BELL: There are some countries that need silver, and we are really causing the trouble, like Australia, where we have our troops, and in Ireland pretty soon.

H.M.JR: I am going to have a meeting before that. I am worried about the whole silver thing. Foley has given me an informal opinion that we can lend it.

MR. WHITE: That is right. Did the head of the WPB tell you that he was going up to the Silver - what is his name?

H.M.JR: His name is Nelson. The President of the United States' name is Roosevelt. (Laughter)

MR. SULLIVAN: Secretary Morgenthau, Mr. White.

MR. WHITE: I remember the Secretary's name. (Laughter) I do remember where I live, Mr. Secretary.

MR. KUHN: Mr. Secretary, there is a piece in The New Yorker about the man who had trouble typing your name on the two-finger system on the typewriter. He typed it first and tried to type "Secretary of the Treasury Henry Morgenthau," and it shows how it came out each try. I will send it in to you.

H.M.JR: Do that.

How many children have you?

MR. SULLIVAN: Eight, nine, ten-- (Laughter)

MR. WHITE: Don't rush me. I have got a good story to tell. (Laughter)

MRS. KLOTZ: I am not leaving the room, either.

H.M.JR: Where were we when Harry--

MR. WHITE: We were at Mr. Nelson's. He went up there and he didn't let us know. I don't know whether you know what he told them.

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H.M.JR: No.

MR. WHITE: I think it might be well to find out. Would you want to call him up?

H.M.JR: All right. I tell you what you silver boys do. Bell is in on this. If somebody can find Foley and it doesn't interfere with his other meeting - Bernstein if not Foley - let's talk at a quarter of twelve. I will put down silver.

You see, what is happening is this. I am sure you all realize - they see they have got food up to a hundred and ten parity and then we spend several hundred million dollars keeping it up to parity, and then we are going to spend God knows how many hundreds of millions of dollars to buy it back from the farmer and give it to the processors so that we can keep it under the general maximum. And it is just Alice in Wonderland. I mean, it really is Alice in Wonderland. It is just--

MR. WHITE: Why? Is that bothering the silver people?

H.M.JR: No, they see the thing and what they are going to do is say, "If you can get away with it in corn and hogs we will just sit tight and we will put silver up to a dollar and a half," or two dollars, or the suggestion they made: "If you really want to get production on these other metals, pay enough for silver and you will get all the copper and zinc and everything else that you want." I mean, I don't blame them. "If you can get away with all other commodities, why not put silver up to two dollars?" And I think that is what they are going to try to do, not two dollars but get it up certainly to a dollar. It is just Alice in Wonderland, that is all.

Poor Paul sits up nights trying to find out how to close a couple of hundred-million-dollar loopholes and overnight they spend it on a subsidy to buy something that is put up by another Government agency.

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The thing that burns me up is I can only get a dollar and a quarter for my beans instead of getting five dollars. (Laughter)

All right for silver.

Norman?

MR. THOMPSON: Senator Glass phoned you a couple of weeks ago about a man in Richmond. That is all taken care of.

I have another case that isn't quite so easy; Mr. Rayburn phoned about Mr. Cottrell. There is what the President said on that last year. (Paper handed to the Secretary.) Now, we don't have to go to the President on these cases any more because under the Ramspeck Retirement Act of last year you have the authority to reemploy anyone on the retired list.

H.M.JR: Monday I will - I had forgotten it - remind me Monday.

MR. THOMPSON: Harold Graves, I believe, was to use your room across the hall this morning for a meeting.

H.M.JR: Is that so?

MR. THOMPSON: I was asked to put in twenty-five chairs there. I guess that is all right.

MR. GRAVES: You asked me to do that, you remember.

MR. THOMPSON: I talked to Miss Elliott and she prefers not to have the air conditioning. That is all.

H.M.JR: What time is your meeting, Harold?

MR. GRAVES: Eleven.

H.M.JR: Fine. I will not interfere.

MR. BELL: You probably saw in the New York Times this morning there was a delay in the delivery of the

interest checks on series G Bonds.

H.M.JR: I didn't see it.

MR. BELL: The reason for it is this move to Chicago, and a lot of the employees have left to go to other agencies because they didn't want to go to Chicago. I think they are all going out tonight.

H.M.JR: Good.

MR. BELL: At least they will all be in the mail tonight.

H.M.JR: Anything else?

MR. BELL: That is all.

H.M.JR: Harold?

MR. GRAVES: We are having our Illinois people in here on Monday. I wondered if you would care to meet them. That is Mr. Swift and--

H.M.JR: Sure.

MR. GRAVES: Mr. Swift is our chairman for Illinois; Mr. Norman Collins, whom you know, and his chief deputy, Mr. Scherer.

H.M.JR: Would three o'clock be all right?

MR. GRAVES: Fine.

H.M.JR: I will just put you down for three.

MR. GRAVES: Yes, for just a minute or two, unless you care to take longer. I think you have never met Mr. Swift.

H.M.JR: No. Is that the same as Armour?

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MR. GRAVES: Yes, he is chairman of Swift and Company's board, also chairman of the board of trustees of Chicago University, and he is our chairman.

H.M.JR: Have you people ever heard that story about Beatrice Lillie and Lady Peel, who are one and the same person? She went into a beauty parlor. She was playing in Chicago and she was having her hair done, and Mrs. Armour came along and said - she was kept waiting a few minutes and she said she wouldn't wait any longer, it was an outrage, and so forth and so on, and got very angry and stormed around the place. And finally she said, "Who has my favorite hairdresser?" So she said, "Why, it is Miss Beatrice Lillie who is in there." She said, "Well, tell that so-and-so chorus girl to get the hell out of here; Mrs. Armour is waiting." So the voice came over the partition - she said, "Tell the butcher's wife that Lady Peel will get out of here when she is damned good and ready." (Laughter)

MR. GRAVES: Swell.

MR. BLOUGH: Straight out of "The Women."

MR. PAUL: They can do it, too.

H.M.JR: Anything else?

MR. GRAVES: That is all.

H.M.JR: Mr. White?

H.M.JR: You know, Foley hasn't recovered from his own party, most likely. If he comes in we will have to give him the Bronx cheer.

MR. SULLIVAN: Good party; I think you ought to give him a hand.

H.M.JR: Yes, sir.

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MR. WHITE: The Cuban Ambassador has said that he now has his credentials.

H.M.JR: Who?

MR. WHITE: The Cuban Ambassador - to sign the papers. You remember they didn't come at the last minute when you were ready to sign last week, so some time early next week--

H.M.JR: You can have - Harold says he wants fifteen minutes. We will give you three-fifteen.

MR. WHITE: Tuesday?

H.M.JR: Monday. Three-fifteen for Cuba.

MR. WHITE: The Brazilian agreement is ready and they are ready to sign that, also, the early part of that same day, or any other day.

H.M.JR: Three-thirty.

MR. BELL: Don't fill up Monday too much. I have got a financing program on.

H.M.JR: Does that bother if I give from three to four?

MR. BELL: No, so you don't go from nine on through.

H.M.JR: No, no.

MR. SULLIVAN: No, no.

MR. WHITE: And the Bolivian Minister of Finance is expected next week and they are waiting for him to come to sign the agreement, so that can go over to later, then.

Hays was in to see me last night, and he wanted me to call up Long to tell him it was all right for the State

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Department to go ahead with the negotiations. I told him you had already told the State Department if they wanted to do it that was their affair. He was rather insistent. We finally ended up that Long will call you up, so you may expect a telephone call.

H.M.JR: The next time Will Hays comes in let him come in to see me.

MR. WHITE: I suggested that.

In the meantime Long will call you up to know whether it is all right for them to go ahead to contact the British, and since that is what you told Long, that if they wished to do it that was their affair--

H.M.JR: Just on the RKO?

MR. WHITE: No, this is the whole industry. The RKO - the industry, apparently, is not giving--

H.M.JR: Harry, I won't do anything on the phone. If Long wants to talk to me I will tell him to come over and have the stenographer present and you present.

MR. WHITE: All right.

H.M.JR: And Mr. Sullivan, to make sure they don't tell us any more tax fairy tales.

MR. WHITE: The Chinese have that 1937 agreement under which they borrowed, and they have left gold as a collateral against the yuan which you purchased. They have about nineteen million dollars in gold set aside to cover a purchase you made of their yuan, and they are paying interest on it, one and a half percent. There is no particular reason why they should because all they have to do is sell the gold, complete the transaction, but for some reason which is not clear to me they don't want to do that.

H.M.JR: Don't want to do what?

MR. WHITE: But what they are asking is to use part of the five hundred million dollars to buy the gold. There

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doesn't seem to be any difference.

(Mr. Gaston entered the conference.)

H.M.JR: Harry, I have got to get out my Chinese adding machine, you know, the beads on the machine. I need time on that.

MR. WHITE: Well then, do you want to set aside five or ten minutes?

H.M.JR: Yes. Freeze it in the meantime.

MR. WHITE: That is all.

H.M.JR: O.K. Chick?

MR. SCHWARZ: Nothing.

MR. ODEGARD: Nothing.

H.M.JR: George?

(Mr. Haas handed charts to the Secretary.)

H.M.JR: What is that, financing?

MR. HAAS: Yes.

H.M.JR: Hold it until ten-thirty. You have got a short haircut. (Laughter)

MR. HAAS: Yes, they gave me the duration haircut. (Laughter)

H.M.JR: You and I get a haircut and nobody ever notices it. Anything else, George? You are coming in at ten-thirty?

MR. HAAS: Yes.

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H.M.JR: Roy?

MR. BOUGH: You are not pressing for an immediate answer on your tax on idle bank balances, are you?

H.M.JR: What good would it do me? I am just patiently waiting. All right?

MR. BLOUGH: We are getting some memoranda together and having a conference.

H.M.JR: Ferdinand?

MR. KUHN: Nothing.

H.M.JR: Randolph, I am worried, and I don't expect to settle it here, but you have got your own Congressional relations, public relations for them, and this thing of Sabath calling us up and asking for the thing - my own hunch - you most likely have done it, but my hunch would be to tell Doughton that Sabath called me up and ordered them to give them this.

MR. PAUL: That may be - after we find out what they are really after, more than I know now.

H.M.JR: Have you been to see Sabath?

MR. PAUL: No. I tried to see him yesterday, but he was away all afternoon.

H.M.JR: Don't you think after you have seen him it would be just as well to tell Doughton you have been to see him and what he wanted?

MR. PAUL: Yes, but I would like to see what happens at ten o'clock first.

H.M.JR: What is that?

MR. PAUL: Well, Murray is coming in at ten, and I suspect there may be some connection.

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H.M.JR: Well, anyway, after all, there is no reason why we shouldn't play fair with Doughton, and here Sabath comes up and makes this most - did you read that conversation with Sabath?

MR. PAUL: Yes. I sent for the transcript.

H.M.JR: Wasn't it most unusual?

MR. PAUL: He said - the language was "that reactionary Ways and Means Committee."

H.M.JR: Now, I walked down with Sullivan this morning, and he hasn't quite yet got the answer on the machinery on deduction at the source, but he said he would have it a little later in the morning, but then I am not ready. I am going to let it go over until Monday or Tuesday.

MR. PAUL: Well, we would like to argue that out.

H.M.JR: I told him it would be a two-hour affair, and everybody who is interested - and I think everybody is - can get in on it. But sometime when we have a couple of hours--

MR. SULLIVAN: I think it might be well at that meeting to have one of those WPB fellows here.

H.M.JR: I don't think so because Harry and I might be embarrassed; we would have to pull our punches. We had better have a meeting alone.

MR. SULLIVAN: We don't want any punches pulled - better leave them out.

H.M.JR: You can represent - what is the name of the man who is head of the WPB? (Laughter)

MR. SULLIVAN: Admiral Nelson - Trafalgar.

MR. WHITE: Remember you whipped him in the third round?

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H.M.JR: No?

MR. SULLIVAN: My goodness, when I polish him off as early as the third, you don't expect me to kick about that. Many of my fights went longer than that.

H.M.JR: Anything else?

MR. PAUL: Nothing.

MR. BUFFINGTON: Nothing.

H.M.JR: Did Dan tell you the fast one your man in New York pulled on us?

MR. BUFFINGTON: Yes, sir.

H.M.JR: It wasn't very good taste.

MR. BUFFINGTON: I don't know why he did it.

H.M.JR: It wasn't very good taste.

MR. BELL: Well, we did know why.

MR. BUFFINGTON: Not why he did it that way.

H.M.JR: In the first place he shouldn't have been invited. But after all, I was a guest, and to pull that kind of a thing - it didn't set very well.

MR. BUFFINGTON: I shouldn't think so. He has his instructions.

H.M.JR: I don't think he made a good impression on the others, but Dan told you about it?

MR. BUFFINGTON: Yes, he did.

MR. BELL: He really was aiming at the larger question of expanding the force rather than the purchase of lead pencils or something.

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MR. BUFFINGTON: We didn't want to do anything until we knew a little more of what we were going to do. I talked this other question over with him and asked him to defer it, postpone it, until we were a little further along.

H.M.JR: Anything else?

MR. BUFFINGTON: No, sir.

H.M.JR: Dan, in our relationship with the bankers, the Manufacturers Trust has this plan where you can open an account, fifty cents at a time, and through that they have opened a lot of accounts. Are you familiar with it?

MR. BELL: You mean the coupon?

H.M.JR: Yes. Now, they are very much pleased with it, and new business naturally means a lot, and I wish - Ted Gamble is handling it, and the last I heard the ABA had not agreed to circulate the thing. Is that right?

MR. GAMBLE: They are sending Mr. Drew down here in the next few days to go over it.

H.M.JR: When he comes, let Mr. Bell sit in with you because, after all, there are so many things we are asking the banks to do, and we can show that the banks have something which they get out of it to benefit them, in a perfectly ethical manner. They should have it, and I would like Bell to sit in.

MR. GAMBLE: Yes, sir.

MR. BELL: Does Harold Stonier know about it?

MR. GAMBLE: The request went to Stonier, and they did not approve the request made of him to send all this material out to every bank in the United States, and they are sending Drew down here to go into it further with us. They were a little bit concerned about sending

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out something for Rand McNally or something that plugged the Manufacturers Trust Company, but I think we can eliminate that part.

MR. BELL: All it is is a Christmas fund.

MR. GAMBLE: That is right. I don't think they clearly understood it, so they are sending Mr. Drew down here.

We polled the country to see how the cities were reacting, the retailers, to this July 17 day, and we have a report from thirty-five rather important cities, all indicating that they are going to have important activities on the 17th. I thought it was very good. I will leave the list with you.

H.M.JR: Thirty-five?

MR. GAMBLE: Thirty-five in different parts of the country.

H.M.JR: Is that good?

MR. GAMBLE: We didn't contact any more--

H.M.JR: You didn't contact more than thirty-five?

MR. GAMBLE: ... in the poll to see how they were reacting to this material.

H.M.JR: And you got a hundred percent?

MR. GAMBLE: We got a hundred percent reaction - we didn't get a hundred percent, either. Philadelphia did not respond.

H.M.JR: And you and Bell are all right on your fifty-two hundred, your hundred thousand?

MR. GAMBLE: We can regulate that. I will tell you what happened to it. Fourteen hundred wires went

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out, Mr. Secretary, to these thousand big department stores and representatives of the four thousand principal stores of the chains. Now, Sears Roebuck, for example, wired back and wanted all six hundred of their stores qualified to sell bonds, which is excellent. Krogers are sending their men here. This worry that Mr. Bell had was that a firm like Kroger would wire in and say, "We want all four thousand of our stores" - that would be something to be worried about. They are sending their men to pick out thirty or forty.

MR. BELL: Apparently it is a potential one hundred thousand stores, but they don't expect more than four thousand out of that group. We are, however, getting wires from the variety shops, and so forth, in small towns.

H.M.JR: The thing that I never understood - I put great pressure on the Bureau of Engraving to rush out a lot of bonds, and they did. Now, did we use up all that stock, even though it says "Defense Bonds?"

MR. BELL: I think we practically used it all before the July 1 date.

H.M.JR: I mean, I didn't overstock us? Remember, there was a time we were afraid of putting all that pressure - the question came up, what would we do. I kept saying, "Use them up."

MR. BELL: That is right, we used them. They stopped about the last part of April.

H.M.JR: So no stock was destroyed?

MR. BELL: We are still using the Defense Bonds in places where they are going slowly, but there will be no stock wasted of any consequence.

H.M.JR: Good.

Anything else?

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MR. GAMBLE: That is all.

MR. SULLIVAN: I think one of the reasons why the Bureau is unable to recruit up to full strength is that after the man agrees to take the position we have to investigate, and there is, of course, delay there. Norman and I feel that in most of these positions there is no reason why we shouldn't hire the fellow temporarily, subject to the outcome of the investigation.

MR. THOMPSON: That is the real delay, while the investigation is going on.

MR. SULLIVAN: While the fellow is waiting for the investigation to be completed, he is offered another job, and we lose him.

MR. THOMPSON: No Civil Service difficulties at all.

MR. SULLIVAN: With your approval I will discuss that with the Commission.

H.M.JR: I put Norman on it. This seemed impossible to me that there should be nine hundred and fifty vacancies. In other words, the poor fellow gets no salary?

MR. THOMPSON: No. He will be selected today, and then three or four weeks will elapse while the investigation is on the way. In the meantime, he gets another job. Then we have to start with another man. If we put him on, then we have got him. I think that will cure ninety percent of the difficulties.

H.M.JR: Mr. Gaston?

MR. GASTON: I have a couple of reports in which you will be interested, one that you asked for yesterday, and another one that is on this alcohol thing, a question of what we ought to do about these prima facie indications of something very serious. It is really not our show, but maybe we ought to communicate it to somebody else.

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H.M.JR: If I don't get to you, would you mind putting it in an envelope and sealing it. Tell Stephens I will take it to the country - both reports.

MR. GASTON: Both of them, yes, sir.

H.M.JR: Seal it.

MR. GASTON: Otherwise you don't want them sent in here?

H.M.JR: No. Well, I hope you all have a nice Fourth of July.

July 3, 1942
10:55 a.m.

FINANCING

Present:

Mr. Bell
Mr. Haas
Mr. Murphy

MR. BELL: George has submitted to you a memorandum. It is quite long, and I should think he might hit the high spots. (7-2-42)

H.M.JR: The summary is on the front page.

(The Secretary read the summary.)

H.M.JR: Well, I had a chance to talk with Walter Stewart at lunch, and he told me that he passed the word on that he thought fourteen days' supply of money isn't enough, where we used to average fifty-six. I think he is right, but I also think, from reading this memorandum, that we have got, before I accede to Eccles' suggestion that we do five or six billion dollars in one lump--

MR. BELL: Sproul's suggestion.

H.M.JR: Whoever suggested it - we never know - whoever suggested it - and that we have got to do something on this excess reserves.

MR. HAAS: Yes, simultaneously.

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MR. BELL: It might be a good thing to do them together because then you don't get the upsurge from the market from the release of excess reserves.

H.M.JR: Yes. Well, I think you have got to do a little horse trading with those boys. Now, I will take this thing up with me.

But I think - let's just decide one question here. I am willing to increase the bills another fifty million. Now, with that in mind, with the excess reserve thing, would you do a billion and a half or two billion?

MR. BELL: It can't be less than a billion and a half, and it really ought to--

H.M.JR: Bills?

MR. BELL: Well, bills - you don't get much money this month. You can't do it next week. You can't do it until the week of the 12th - the 15th. The eighth is gone - that is coming in today, so you won't get more than a hundred and fifty million dollars in new money this month in bills, I mean over and above our estimates. But maybe we can - maybe we could get by tax - tax notes are going--

H.M.JR: I would be glad to do two billion.

MR. BELL: Two billion isn't going to hurt if you are going to do it because the way these expenditures are going you never know.

H.M.JR: I would be glad to do two billion.

MR. BELL: I think that is better.

MR. MURPHY: I think two billion.

MR. HAAS: Yes.

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H.M.JR: Let's say two billion. We won't say anything about the bills today. Here is a funny thing, as Stewart pointed out. He said that I ought to be begging the Fed to let me increase the bills because the pressure is on them to take them. He says, "What is your real reason why you don't want bills?" I says, "I always felt that that was an emergency that I could pick up in case of necessity, and once I issue them then they are there. I can't do it again; I can only do it once."

But I think we will skip the bill thing today and let's just talk about a two billion dollar issue.

MR. BELL: That is all right.

H.M.JR: How is that?

MR. BELL: That is all right. I don't think it would do any harm to increase the bills also, but you can still do that next week. You know you don't have to make that decision today. Up to Wednesday night you can make that decision.

H.M.JR: When were you thinking of doing this financing?

MR. BELL: I would like to do it not later than Thursday. We ought to have the money on the 15th. That only leaves us seven days. If it is a bond issue, it takes a little longer for printing.

July 3, 1942
11:05 a.m.

FINANCING

Present:

 Mr. Bell
 Mr. Eccles
 Mr. Haas
 Mr. Murphy
 Mr. Baker
 Mr. Sproul
 Mr. Rouse
 Mr. Williams
 Mr. Szymczak

H.M.JR: Well, gentlemen, we have had a very brief talk here. I still haven't got my teeth into this thing, but we do feel here, if you people agree, that the next financing ought to be two billion dollars.

MR. ECCLES: We agree. We are unanimous on that.

MR. SPROUL: No difference on that.

H.M.JR: Well, then there is no argument about that. The next thing is what should it be, and we are open to suggestions.

MR. ECCLES: Well, I--

H.M.JR: May I - I mean for this time, and then I would like to just say this: As soon as you fellows get around with your excess reserves and your legislation, and what have you, then I would like to get the Treasury back so that we have enough ammunition to run for thirty days at all times. Now we are only averaging fourteen days, which is too little. We used to--

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MR. ECCLES: You mean get enough balances so--

H.M.JR: So we could run thirty days always. They looked it up. We used to run - have enough for about sixty days.

MR. McKEE: Thirty days today is not going to be thirty days next December, either.

H.M.JR: No, but keep it so that, on the theory which I always used to have - it is much more so now - that the bottom may drop out somewhere. On the war front we may have a very bad shock, and we may all agree it would be very nice not to do any financing for a month.

MR. SPROUL: Isn't that situation changed by the fact that you now can finance direct with us if the situation arises?

MR. ECCLES: That is what that is for.

H.M.JR: I learned that by reading The Saturday Evening Post. Have you read that yet?

MR. ECCLES: You learned that before because when I came over and discussed that with you that is why I said we were getting it.

H.M.JR: Have you read it?

MR. ECCLES: I haven't seen it, no.

H.M.JR: A man by the name of Scherman has written the story in this week's Saturday Evening Post. He said that to prevent inflation everybody ought to go to buying - if he wants to keep inflation from coming, and do everything he has to do, he has to buy War Bonds or else some morning I may call up Marriner on the phone and say, "Let me have five billion dollars."

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MR. ECCLES: This week's Post?

H.M.JR: Just like that, "If you want to keep that from happening, from having Henry call Marriner on the phone and ask for five billion dollars," he says, "you had better get busy and buy some War Bonds."

MR. McKEE: Maybe we ought to buy a lot of those copies and send them all over the country.

H.M.JR: The Reader's Digest is going to reprint it in the next issue, and they have four million copies. The Reader's Digest has taken it, are condensing it, and putting it in their next issue. It is a very good anti-inflationary article.

MR. ECCLES: Fine. Well, I will certainly look it up. But I do feel that the Treasury and ourselves have got control of the market and have got to keep control of it. I just - when you are in a war economy such as we are in it couldn't be otherwise, and we have the machinery in which that can be exercised. The public - certainly the bankers know it, and the powers that we have to buy direct from the Treasury, the powers that you have that you don't want to use, of course, your stabilization and other funds, the power that we have to reduce the reserve requirements on any front now, it is just - and what we can do in the bill market through the - I mean, the discount rate, by reducing that - I just don't think that we need to have any concern about getting any financing you need.

The only thing we need to have concern about is to get it in a manner that will be the least inflationary.

The actual getting of the money isn't in itself a problem. It is the effect that it has on the way you get it.

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H.M.JR: You don't mind if I still disagree with you on the first part, that you can just do anything that you want? You know you and I differ on that, but that is all right. I hope you are right, but--

MR. ECCLES: You don't think that we control this situation?

H.M.JR: I think that you and I and the rest of the gentlemen in the room could some day do something ill-advised, and the market just wouldn't go along with us.

MR. ECCLES: I don't think that you can be arbitrary. I agree with you we don't want to just say, "Take it or leave it." I don't think that that kind of an approach - of course no one is going to make any such approach, but I do think--

H.M.JR: Well, I just don't like to - personally, talking for myself, that frame of mind that we can do anything we want, we can write the ticket - I am a little afraid of that attitude. That is just for myself.

MR. McKEE: Do you mind going back and allowing Dan to educate us a bit on what your requirements are, how they are going to step up for the balance of this year?

H.M.JR: I think he can go as far as October 1.

MR. McKEE: Fine. I don't want to waste the time if the rest of you are up to date.

H.M.JR: No, let's do it. Go ahead, Dan. Go as far as you can.

MR. BELL: All right. This contemplates that we would raise one billion seven hundred and fifty million dollars and meet your financing operations in July; two billion two hundred and fifty million dollars in August;

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three billion dollars in September, and assumes also a billion dollars a month from Savings Bonds, two hundred and fifty million dollars in July, three hundred million dollars in August, a hundred and fifty million dollars in September for tax notes.

Now, we also assumed that we would have a hundred and fifty million dollars in June for tax notes, but we got four hundred million. We were very surprised. It was a good thing we did because our taxes were about a hundred and forty million short and our Savings Bonds about a hundred and sixty million short, so that just made about what we were over in tax notes.

It assumes the Treasury bill program as it is now going. On that basis we would have one billion eight hundred and sixty million dollars going out of July, and that money would be pretty largely spent by August fifteen. So on that date we would have to have another financing and the money be available on that date. We will go out of August with one billion six hundred million and out of September with one billion eight hundred million.

In addition, this contemplates that we ought to do the refunding of three hundred and forty-two million dollars of Treasury certificates due in September, three hundred and twenty million dollars of RFC notes due in October, and possibly the two hundred and thirty-two million dollars of notes due in December, which would make close to a nine hundred million dollar refunding operation.

MR. McKEE: Are you satisfied that the acceleration of payment has been well-digested by the Armed Services, as to what their calls are going to be on you for payment of delivered goods?

MR. BELL: You mean am I satisfied with the estimates?

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MR. McKEE: Yes.

MR. BELL: Well, they are going about as estimated. We estimated about three billion eight hundred and twenty-two million, and we have estimated that they will call on us for four billion two in July. That is in line with the budget estimate.

MR. McKEE: In that connection I might take a minute to--

H.M.JR: Take all the time you want.

MR. McKEE: In connection with what little experience we have had with the armed services under these Regulation V loans and what little time I have spent with it, and with industry, I find that industry has been doing so much more than the armed services had anticipated that they are creating sort of bottlenecks for assemblies. There is some thought of readjusting those assemblies, that they are going to accelerate the delivery program considerably by September.

Now, that may not all work out that way, but the step-up on this thing is going to be terrific from this time on.

MR. BELL: We have been relying up to this time on the budget estimates of some sixty-seven billion dollars for defense.

H.M.JR: We have been, with one exception, where the Navy made some payments in a hurry, or something.

MR. BELL: What they did, for a while they had all these vouchers coming to Washington. This was a bottleneck. They got together twenty-two disbursing officers, sent them out over the country, and they started making payments and they wiped out our balances with the Federal Reserve Banks twice in two weeks. The

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reason for that was that they didn't give us the proper estimates here in town, forgot about the twenty-two officers drawing checks willy-nilly. But we have got that straightened out now, and we are getting estimates weekly from those people.

MR. McKEE: Three motor companies will probably be delivering a half a billion dollars' worth of material a month.

MR. SPROUL: You step up, do you not, from July to September?

MR. BELL: We step up four hundred million dollars every month.

MR. ECCLES: We have estimated that about in line - somewhere around six to seven billion, I mean - it looks like it would be in that range - of new money that you would have to get, assuming you would get a billion dollars a month from your War Savings, and then the tax notes would run along, and the weekly bill offering, allowing the three hundred million - a hundred and fifty new - that it would leave between six and seven billion; and what we have gone over, and I think pretty generally agree upon here, is a program for the next three months, July, August and September, and the - I don't know how much you want to discuss it but we feel--

H.M.JR: Not the general--

MR. ECCLES: Discuss the July financing now.

H.M.JR: You have got one for July, August and September?

MR. ECCLES: Yes.

H.M.JR: Let's just have the - what is it?

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MR. McKEE: We have got your requirements about six billion dollars. Does that make sense?

MR. BELL: It is nearer seven.

MR. ECCLES: All right. Well now, it is this, an intermediate bond, that is, the two billion now, whether you have the one issue at two percent or whether you have the two issues with the note and a bond. I mean, that is something that doesn't make very much difference. That would take care of the July.

Then we would like to see the Treasury bill offering picked up another fifty million on July twenty-second. You will have taken payment for this issue on the fifteenth, and then on August fifth up to four hundred million - set the schedule and we would meet the schedule. I mean, it is just a question of determining what you want to do, and then we would be prepared to meet it, either by decreasing the reserve situation in New York or of the country, or some of both - at least meet whatever the schedule is.

That would give you about a billion of new funds in July and August from that increase in bill offering, so that there would be the two and the three; and we would suggest that the long registered bond, the two and a half's, be opened up again, that you announce before the sixth; that is, when trading commences in the outstanding issue, beyond the sixth - prior to that time you announce that the books would be opened, the offering would be opened again the latter part of the month or the first of August.

We estimate that with the Victory Fund Committees making a drive on that for August and September you possibly could get seven hundred million.

H.M.JR: May I interrupt you a minute?

(Discussion off the record)

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MR. ECCLES: This long bond, then, for sale in August and September, a short non-marketable note issue, open-end issue, likewise to be offered the first of August, the Treasury making preparations during the month of July. We estimate that in August and September you will get a billion and a half from that issue, that you would give these Victory Fund Committees a quota of, say, seven hundred and fifty million on the long registered; and if you put out this non-marketable open-end note, about a three-year, two and a half or three years, making a billion and a half from that - give those committees an opportunity to see what good they are and let them get out and sell those securities. That would give you two and a half billion there outside of the banks entirely. Then a certificate of indebtedness again in September; that would get your certificates on a basis - a certificate of a billion and a half, or maybe two billion, maturing in one year, and from then out a quarterly issue of certificates of whatever is decided, a billion and a half or two billion.

H.M.JR: Marriner, this is just what you said the other day.

MR. ECCLES: Approximately, except it is worked out a little bit more in detail, and it has been - we discussed it this morning for about an hour and checked it. That would give you the required funds.

Now, there is this aspect of it that I - I know what you said about the rate thing, but we all feel you should keep your mind open on the question of going to a half of one percent on the bill rate.

Now, let me give you the picture.

H.M.JR: And he didn't even have lunch. (Laughter)

MR. ECCLES: I possibly feel stronger than Allan does, with the distinct understanding that that is the top.

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Now, I agree with you that we don't want to get any more idea that this is just a commencement on the way to half and then five-eighths, and then three-quarters, and so forth. I think that it has two advantages to the Treasury. First, it will enable us to utilize to a fuller extent than otherwise would be possible the existing reserves. Now, we have done by the three-eighths - I think we did tap a considerable volume. We can go still further and get a much wider distribution. A half percent sounds a good deal more than three-eighths. It isn't much, but it really is a much more--

H.M.JR: But remember, you started with me on a quarter. (Laughter)

MR. ECCLES: Yes, I know, but what you want to do--

MR. BELL: This is the second step.

MR. ECCLES: All right, but what you--

H.M.JR: Three-eighths doesn't sound much more than a quarter.

MR. ECCLES: You pay the banks two percent for bonds, so what I am trying to do is not to make this cost the Treasury more money because you are putting out - you don't question whether you put a two or a two and an eighth bond. There is an eighth right there. I would sooner see, if it is a question of saving money, you put the eighth on the bill end and leave it off the bond end. It isn't a question of increasing the cost to the Treasury. It is a question of getting the most effective financing, and when you get to your September certificate issue that should be priced, it seems to me, on about the basis of a base price of a half for bills. If we would begin to establish certificates when bills are at a three-eighths rate, then it seems to me you have frozen the rate at three-eighths.

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MR. BELL: What would you pay for your certificate?

MR. ECCLES: I don't know. You could determine that after you got to that. But I would like to see a half a rate on bills and freeze the rate there and get the most effective use of the reserve picture before we have to increase the reserves.

H.M.JR: Now, I won't pull what Claude Wickard did on me. I was talking about the price of hogs. So he says - "Oh," he says, "You are just talking to interest the packers." I says, "Now, listen, Claude, I have been around this town long enough - you can't pull that one on me." So I won't pull the obvious one on you about the bankers. (Laughter)

MR. ECCLES: Yes, but--

H.M.JR: Go on up to New England, get a little fresh air, a little of that New England thrifty spirit. You know you have been in Washington too long. (Laughter)

MR. ECCLES: It is just a question here--

H.M.JR: You have been in Washington too long. You are getting kind of generous.

MR. McKEE: May I just make one statement? It does look like we have done an awful good job in trying to get all the excess possible in the bills. The reaction in the bill market this week looks like the rest of the money is going to lie dormant in the reserve banks at the present rate. They haven't been able to be encouraged to come in. Now, there is something there for you to consider.

H.M.JR: Granted, but look, you know me now - have known me a couple of years, and I never shut my mind on anything. Isn't that right?

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MR. McKEE: Sure, and that is all Marriner is giving you, something for the future.

H.M.JR: Yes, but let's just wait. For instance, they tell me - I think it is a thing that the Fed banks should study and give us a quick answer on - that forty percent of these bills are going to non-banking institutions, which is very interesting. Did you know that?

MR. SPROUL: A week or so ago Dan told us.

H.M.JR: And we ought to know more about it. Now, that is an argument, I would say, on Eccles' side. I mean if forty percent will go to non-banking then we are doing something through the bills and getting non-inflationary money that we never dreamt of. At least I didn't. Maybe some of you others thought that you would, but I didn't, and I would like very much to know, early next week, if possible, just what these corporations are and who they are.

MR. ECCLES: Well, we make for this rate situation two things. It isn't only the question of getting a wider use of existing reserves, getting the smaller banks from the country to come in, but it is likewise to obtain from investors other than the commercial banks a wider distribution.

H.M.JR: Marriner, let it go until after this financing.

MR. ECCLES: I don't want you to decide it today. I am talking about a three months' program, and that was a part of this whole picture.

H.M.JR: I am not saying other than I would like to study it.

MR. McKEE: And keep your mind open, and when the demand requires it that you will be the first one to step up and put it on the line.

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MR. ECCLES: Now, there it is. Those are our recommendations this morning, a system on a three months' program. (Memorandum handed to the Secretary)

H.M.JR: I am very glad to have it. Did you go into the two billion? Let's get down to that.

MR. ECCLES: Yes.

H.M.JR: Has New York got some ideas on that?

MR. SPROUL: Our idea is two billion should be done in July.

H.M.JR: How?

MR. SPROUL: My own idea is that there is not much to choose between one issue and two, but my preference is for two issues. I would do it with a two and an eighth on the bond and a note of about three years. The reasons for that are that as far as your maturity schedule is concerned the two and an eighth fits a little better than the two. I think a two and an eighth will have more attraction for banks outside the principal money centers than the two, which I think has some advantage. I think it gives you a little wider spread between your bond and your note, which I would suggest because I think we still have that cleavage as between banks, those which want to keep relatively short and those which want to go out to about ten years; and you get a little wider spread than the two-percent bond.

I think it is possible, however, to put out a two, either by itself or else in combination with a note, but my preference is for two and an eighth plus a three-year note.

H.M.JR: Well now, I take it you are together?

MR. ROUSE: Yes.

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H.M.JR: My boys like a two percent. Couldn't that be argued out? I mean--

MR. ECCLES: That is what I like.

H.M.JR: They would like a two percent.

MR. ECCLES: Better than the two and an eighth.

H.M.JR: But, I mean, I have got this memo from them.

MR. BELL: We think that if you are going to do it as a single issue that it ought to be a two, but that if you are going to split it you could go to the two and an eighth or two and a quarter and have a note.

MR. SPROUL: I would agree on that; if you are going to do it with one issue I would do it with the two.

H.M.JR: Well, this is the way I feel, particularly in view of this program. If we are going to get this country used to big issues and bigger issues, I think we ought to make a start.

MR. McKEE: On a single issue.

H.M.JR: On a single issue. I think we ought to make a start.

MR. ECCLES: When you talk about four billion a month, the two billion certainly isn't a big issue in relation to the job. That is the way I feel about it. I feel that with the amount of financing ahead there is no reason for splitting an issue of that size. I would like to see us stick to one issue, a two percent issue. That would be my first choice. I don't like to get into the two and an eighth category. You pay an eighth that you don't need to. I

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would sooner see you put it on the bill end of the thing and keep away from the two percent. Don't go higher than the two. The two and an eighth would go to the banks just the same, as much as the two would. I would like to, if they are going to get that eighth, get it in some other category, other than long bonds, and try to keep within that two percent as largely the ceiling for the bank investment. Keep away from the two and an eighth and the two and a quarter; simplify this thing by getting the two and a half for the long investor, not higher than the two's for the banks.

MR. HAAS: That is in line with the philosophy of the restricted issue.

MR. ECCLES: That is exactly it. That is another reason I like it.

H.M.JR: Where are you on this?

MR. McKEE: How about your maturities, the two percent bond? There was some thought you were sort of bogging down your maturities.

MR. BELL: It is rather crowded, December 15, '49.

MR. PISER: Over two billion dollars, call bond, on that date now.

MR. HAAS: We have got to change our philosophy about what is crowded and what isn't before this is over. You want--

MR. ECCLES: We can't talk about a two hundred and fifty billion debt and be worried about that.

MR. BELL: If we had a two percent in that area, probably call three and an eighth or two and a half instead of the two, but it is all going to be crowded

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before we get through. We might as well make up our minds we have got to cross a lot of these dates.

MR. ECCLES: Crowd somebody else, Dan. We have been crowded to get it; let somebody else be crowded to refund it.

MR. ROUSE: This has one other advantage that hasn't been mentioned, which makes it a little more clear, I think. This is not an underwriting job but a buying job for the banks; in other words, you don't get anywhere by the banks buying one security and trying to sell another at the same time, and some of them don't realize it yet. I think that two does have the advantage of making it a little clearer.

MR. BELL: You mean by making it a little longer than the other twos. We have one in June and one in September, and this would make the third one, in December of that year.

MR. ECCLES: We have talked about two percent as the ceiling for the market issues, the bank issues that went into the market, and I don't like to see us, personally, kick over in the eighth, and the first thing you know we will be up in the quarter and we will have gotten clear away from the pattern again.

MR. BELL: That argument also goes for the bill rate. (Laughter)

MR. ECCLES: We always talked of the half on the bill as the ceiling - months ago.

MR. McKEE: I think you have got to keep in mind giving something to the fellow that has savings deposits, and some of his deposits are savings, and you can't do that with a two-percent bond.

MR. SPROUL: We have talked about not a two-percent rate but a ten-year maximum maturity for the banks.

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MR. McKEE: For the commercial side of banks it is fine, no question about it.

H.M.JR: Well, Marriner, why don't we do this? These technicians of ours, why don't they get together between now and Monday? There seems to be a lot of difference here. If we are going to learn how to run in a big way I think we ought to begin with a two billion dollar issue. That is the way I feel.

MR. PISER: My own preference is for the single issue for that reason, and also the fact that when you put out two issues you sometimes have a market problem involved in the shifting between those two issues. I would lean myself toward the two and an eighth percent bond because of your maturity distribution. I think there is a possibility where you have two billion dollars callable in December '49 that there will be some hesitancy on the part of banks to purchase an additional issue callable on that same date, and they might price it on the basis of a March or June 1950 issue, which would sell a little too close to par to be offered at par.

There is another suggestion on the two percent, and that would be to extend the maturity to March '50-'52, and offer the bond at a small discount, say an eighth or a quarter of a point.

H.M.JR: Well, that is something, I think, that - Mr. Eccles is going away for a week or so--

MR. ECCLES: I will be here tomorrow.

H.M.JR: He won't be here Monday. I think if our men could be talking, plus New York, it seems to me what we have agreed on here this morning, and the other members, that we have to raise two billion, and the thought seems to be it will be one issue. Is that right?

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MR. SZYMCAK: Preferably one.

MR. ECCLES: Isn't that - as I understand our discussion this morning, we all agreed on two billion and we all agreed that one issue would be preferable.

MR. SPROUL: No, I didn't agree on that.

MR. SZYMCAK: I was with Allan Sproul on the two issues.

MR. SPROUL: I don't think that you are giving any indication of not being willing to step out for larger amounts when you offer two issues. I think that indication would be given when you step it up to three billion or four billion and go after bigger sums. I think you ought to decide this merely on the basis of what is the best sort of an offering for the banks, at which it is directed at this time. I just have some feeling that the banks, insofar as I come in touch with them, have talked about serial issues, have talked about ways of getting the kind of security and maturity they want, and that if there is no great difficulty - I don't think there is any market difficulty in pricing two issues at this time - that you could give them the opportunity to take something less than five years, or something of around ten years, and that you would meet a better response than if you do it all at once.

MR. WILLIAMS: The banks would prefer the choice, but I think it is not of great importance if it is one or two.

H.M.JR: We can sleep on it. I lean towards one issue, but again I am open--

MR. ECCLES: At our discussion this morning no one felt very strong about whether it be one or two. I think we had a preference. I know I had a preference for one issue, and I think maybe that was

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the majority opinion. Allan had some preference for the two issues, but I don't think that there was any strong feeling by those that preferred one issue against the two, and I don't think you had any strong feeling against one issue.

MR. SPROUL: No.

H.M.JR: Could we do this, Bell, if it is agreeable to the others? When you go out tell Schwarz to tell the boys that next week, the end of next week, about Thursday--

MR. BELL: Not later than Thursday.

MR. ECCLES: You want the money - you have got to make the offering then to make it.

H.M.JR: Thursday is the ninth.

MR. BELL: Let's do it Wednesday. We don't get enough time to do the printing and get the bonds out.

MR. MCKEE: Not if you are going to stick to one day to have the books open. I think you ought to give, at least these little fellows, more notice than you have been giving.

H.M.JR: We will give them more notice - from now on two days.

MR. SPROUL: My recommendation on that would be that you tell them the terms of the offering one day before the books are open and only have the books open two days. We think that is better.

MR. ECCLES: They all wait until the second day, anyway.

H.M.JR: But can't you wait until the ninth?

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MR. BELL: You don't get much time getting in your subscriptions and then when you get the allotment back--

H.M.JR: I won't be able to make up my mind before Tuesday. You want me to make up my mind and let them know Tuesday morning; I won't do it.

MR. BELL: No, not Tuesday.

H.M.JR: They said announce the terms one day in advance and then leave it open one day.

MR. BELL: You can announce it on Wednesday, I suppose, open on Thursday, and give only one day. That rushes them.

MR. ECCLES: Announce it on Wednesday and you would offer it on Friday.

H.M.JR: Thursday.

MR. ECCLES: That would leave it open - they would know the terms Wednesday, I mean--

MR. SPROUL: And the books would be open on Thursday.

MR. BELL: We will see. If you want to do it we will have to date it the 16th.

MR. MCKEE: How many of them would know the terms Wednesday?

MR. BELL: Put it in all the papers and send them notice. They would get the mail some time Wednesday.

MR. MCKEE: Well, there are a whole lot of the little fellows that never get this that soon.

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H.M.JR: Twenty-five thousand - we could leave that open another day for the twenty-five thousand dollar fellows. We have done that. We have picked up fifty or sixty million dollars that way, haven't we?

MR. BELL: Not so many last time.

H.M.JR: Could I just clear this, because I am going to have to stop in five minutes? If it is agreeable, tell Schwarz we will have a financing next week. That is all right?

MR. BELL: Yes.

H.M.JR: Two billion dollars, and then if we get a call about the middle of next week--

MR. BELL: That will be the first major borrowing from the Federal.

H.M.JR: Why the devil should we announce it? Why not wait until Monday? Let's wait until Monday.

MR. ROUSE: It won't make any difference at all if you wait.

H.M.JR: Let's wait until Monday.

MR. BELL: There is not much doing today and nothing tomorrow.

MR. ECCLES: In other words, you will announce it on--

H.M.JR: I mean we won't say anything about a financing. Let's decide Monday whether we are going to have a financing.

MR. SZYMCAK: And the amount.

- 22 -

H.M.JR: And the amount. Give me that extra time.

MR. ECCLES: Yes, but you don't want to - that is this coming Monday?

H.M.JR: Yes, on Monday. If everything looks all right we will simply say it, but maybe we have - you don't think we have got to let the Street know?

MR. ROUSE: I don't think you need to say anything today.

MR. ECCLES: No.

MR. SPROUL: I don't think you have to let anybody know before Monday, but I don't think, myself, it makes any difference what has happened. You are going to have to go ahead Monday and it will go.

H.M.JR: If it is all right with New York let's wait until Monday.

MR. ROUSE: It suits us.

MR. McKEE: One other question about your announcement - is anything going to be said at the time of that announcement about your open-end issue?

H.M.JR: Well, that I am willing to have you say today.

MR. BELL: We ought to say that not later than Monday.

H.M.JR: You can say it for tomorrow morning's paper.

MR. SPROUL: I think I would say it all together on Monday; otherwise, to say something about that today leaves a gap about the immediate financing.

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MR. ECCLES: I think the statement on Monday would be all right.

MR. BELL: And that we are going to reopen the two and a half's.

H.M.JR: Some time soon.

MR. ECCLES: And Monday you would likewise say you are going to raise two billion. You are going to do financing this month and you want to - would you want to announce the amount and that is all?

H.M.JR: Yes, the amount, that is all.

MR. ECCLES: And then by Wednesday the terms, the detail of the offering.

H.M.JR: Now, if it is all right I would like to meet whoever is going to be here from the Federal Reserve again about eleven o'clock Monday morning.

MR. PISER: Shouldn't the announcement be made before trading starts on Monday?

H.M.JR: Mr. Bell will do that. But, Marriner, will you have somebody--

MR. ECCLES: Yes, I will have them come over.

H.M.JR: Could we stop now?

MR. MCKEE: What time Monday?

H.M.JR: Eleven o'clock. All right.

MR. ECCLES: Can I just have two minutes? It would just take me two minutes.

H.M.JR: Will you put money on that? (Laughter)

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MR. ECCLES: The Canadian Finance Minister on June 30 - I just want to give you this - made this statement, that last year they raised about two billion and a half. For us to raise the same amount it would be thirteen times that, to be comparable. Of that amount the commercial banks and the Bank of Canada took only forty million in bills. That is what the net result was. Now, that is his statement in his budget message. There it is. *(See memo to Eccles from Thurston dated 7-2 and filed 7-2 BK 545 p. 174)*

H.M.JR: I would want to look at it.

MR. ECCLES: There it is (indicating paper).

July 3, 1942

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TREASURY FINANCING

Confidential

A total of 6 billion dollars will have to be borrowed by the Treasury in the next three months in order to meet requirements. This estimate allows for receipts from special issues to trust accounts, from war savings bonds, from tax notes, and from the weekly issuance of 300 million dollars of bills.

The following specific financing program is suggested for the three-month period:

1. Intermediate Treasury bonds. An offering would be made on or about July 8 of 2.0 billion dollars of Treasury bonds. Various alternatives for this financing are given below.
2. Treasury bills. The weekly offering would be increased to 350 million dollars for the issue dated July 22 and possibly to 400 million dollars for the issue dated August 5. Although a substantial part of the offering dated July 1 was taken by the System Account, this may be attributed largely to the fact that the entire 300 million dollars constituted new funds. It would appear preferable to continue the 300 million dollar offering for the issues dated July 8 and 15 and to increase the offering to 350 million dollars for the issue dated July 22. After two weeks at the 350 million dollar level the offering possibly could be raised to 400 million dollars. By the end of September this source would have provided 1.0 billion dollars of funds.
3. Long registered Treasury bonds. An additional open-end issue of registered 2 1/2 per cent bonds would be announced before the beginning of trading in the present issue on July 6. In order to avoid confusion in the market the date of this issue might be advanced to September 1962-67 or the 60-day prohibition on trading might be eliminated. The books would be opened within a few days after the closing of the books on next week's offering and would be kept open until some time in September. This issue would provide between 500 and 750 million dollars.
4. Short nonmarketable Treasury notes. An open-end issue of short nonmarketable notes would be offered as soon as the Treasury can complete the necessary preparations. This might be about the first of August. The books would remain open indefinitely, as is the case with savings bonds and tax notes. It seems likely that from 1.0 to 2.0 billion dollars could be raised through this issue by the end of September. This issue as well as the long registered bonds would be actively promoted by the Victory Fund Committees.
5. Certificates of indebtedness. Although the market for certificates is easier at the present time, an issue of 1.5 or 2.0 billion dollars probably could be sold in September. The amount of the offering would depend in part on the amount of funds raised in the interim

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through the other sources mentioned above. As the maturity of certificates is gradually increased to a year with a resultant increase in the coupon rate, these issues will become more attractive to commercial banks outside of the large cities and to investors other than commercial banks.

This program is tabulated below. The smaller amounts shown in the range would raise 6.0 billion dollars, and the larger amounts would raise 7.75 billion dollars.

<u>Period</u>	<u>Issue</u>	<u>Amount</u> (In billions of dollars)
July	Intermediate Treasury bonds	2.0
July - Sept.	Treasury bills	1.0
July - Sept.	Long registered Treasury bonds	.5 - .75
Aug. - Sept.	Short nonmarketable Treasury notes	1.0 - 2.0
Sept.	Certificates of indebtedness	1.5 - 2.0
	Total	6.0 - 7.75

Regarding next week's financing the following suggestions are made:

1. A single issue instead of two issues would be in the direction of keeping the number of individual issues at the lowest possible point and would avoid the market difficulties that sometimes arise when two issues of different attractiveness are offered at the same time.

2. The single issue might be of 2, 2 1/8, or 2 1/4 per cent bonds. Since there is a large amount of bonds that are due or callable in the period where 2 per cent bonds offered at par would fall, such an issue would have some disadvantage. From the point of view of the Treasury's maturity distribution 2 1/4 per cent bonds would be desirable, but since they would be callable in more than 10 years and would mature in more than 12 years they would be slightly long for commercial banks, who will be the principal market in this financing. One solution would be to offer 2 per cent bonds of March 1950-52 at a slight discount. Such an innovation would be popular with investors, who have a preference for discount issues. One objection would be the possible psychological effect of a Treasury offering at less than par. Perhaps the best solution would be 2 1/8 per cent bonds, which would be callable early in 1951, a period in which there is a relatively small amount of outstanding issues and a period also that would be more suitable for commercial bank investment.

3. If two issues are offered, the second issue might be of notes of about three or four years. Notes with a coupon rate of 1 1/4 per cent would fall in about June 1945 and would be attractive to commercial banks. Instead of announcing the amount that will be allotted on each issue, it would seem preferable to announce the total amount only and to allot each issue in accordance with the amount of subscriptions received on each issue.

CONFIDENTIAL

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4. It is suggested that subscription rules should not be applicable to this offering, except that full allotment should be given to subscriptions of \$25,000 or less.

This program is designed to obtain outside of the commercial banking system the largest possible proportion of the required 6 billion dollars. A considerable part of this would be accomplished by the issue of nonmarketable notes. The existing amount of reserves could be made more effective by increasing the demand from smaller banks and an additional amount could be obtained from investors other than commercial banks if the buying rate on new issues of bills should be increased to $1/2$ of 1 per cent. This could be done with the least disturbance after next week's offering is subscribed and the secondary distribution largely completed. The rate on issues already outstanding at the time of the increase would remain at $3/8$ of 1 per cent.

If the program that is adopted should result in a substantial amount of purchases by commercial banks, it would appear necessary for the System Account to purchase a substantial amount of securities or for the Board to reduce the reserve requirements of central reserve city banks. From the point of view of reducing the inflationary effect of Government financing it would appear preferable to offer all of the various types of securities mentioned in the early part of this memorandum. The Victory Fund Committees would actively promote the sale of these securities. The suggested increase in the bill buying rate would be another anti-inflationary factor. After all methods of reaching investors other than commercial banks had been tried and the largest possible amount of funds obtained from these investors, it would then be possible to determine the amount of securities that it is absolutely necessary for commercial banks to purchase. In that event a program could be developed for whatever open-market operations, or reduction in reserve requirements, or both as would be necessary to assure the success of the war financing with the smallest possible inflationary effect.

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Mr. Paul read this.

July 3, 1942.
12:57 p.m.

HMJr: Is the Speaker out of town?

William
Cantrell: He's on the verge of going out, Mr. Morgenthau.

HMJr: When will he be back?

C: ~~-----~~ I think maybe I can look around here and find him possibly, if he hasn't left already, which I don't think he has.

HMJr: Well, just a split second, if I could speak to him.

C: All right. I tell you, suppose we call you back after I see whether I can find him or not.

HMJr: Will you - will it be in the next five minutes?

C: It'll be in the next five minutes.

HMJr: I thank you.

C: Yes, sir.

HMJr: Thank you.

1:03 p.m.

HMJr: Hello.

Operator: Speaker Rayburn.

HMJr: Thank you. Hello.

Speaker
Rayburn: Yes, Henry.

HMJr: Sam....

R: Yes.

HMJr:something's been going on, and I don't like it, and I wanted to tell it to you the way I always do, see?

- 2 -

R: Yeah.

HMJr: And then I thought maybe Monday we could talk about it.

R: Yeah.

HMJr: Sabath called up yesterday.

R: Who?

HMJr: Sabath....

R: Yeah.

HMJr:of the Rules Committee, and he wanted us to send up all of the stuff at the Treasury which we haven't gotten out of Ways and Means. Hello?

R: Yes.

HMJr: And then, by God, he was going to have it all brought out on the Floor. Hello?

R: Yes.

HMJr: Well, he's asked us to send it up and explain it to him and all that. Well, now we haven't done anything. Hello?

R: No.

HMJr: And while we didn't get what we wanted, I wouldn't make a move like that unless you advised me what to do.

R: No. Well, the Rules Committee's got no right to hear - have that anyhow. But it's strictly a policy committee that's supposed to report a rule when we want it - the leadership wants it, and as far as the Rules Committee going to conduct a hearing on this tax bill, when we asked for a rule, why, we're just not going to do any such damn thing.

HMJr: Well, now that's what it amounts to, and I - I'm an organization man, and I mean I play the game, you know?

- 3 -

R: Yeah.

HMJr: And....

R: But he's - he's been talking about an open rule, and all this, that and the other - well, now you can't - you couldn't pass this bill in three months on an open rule, where they could offer the Townsend Plan and every other thing in God's Kingdom. And we're - we're going to have a closed rule.

HMJr: Well now, if he calls me and gives me hell for doing nothing, is it all right that I said I talked to you?

R: That's exactly right.

HMJr: And that after all, you are the Speaker, you are the leader, and....

R: I'll just tell him that you talked to me....

HMJr: Yeah.

R:and gave you the stuff that you gave the Ways and Means Committee - was an Executive Session and so forth and so forth, and then I'll also, on top of that, I'll tell him that I don't think it's any of the business of his committee to do that. I can make him quit.

HMJr: Well, what I'll do is I'll sit tight and do nothing.

R: That's right.

HMJr: If he calls me and gives me hell, he won't be able to get me today anyway.

R: Good.

HMJr: Hello? So it won't be until Monday.

R: No? Well, we won't have the tax bill in the House until about Tuesday week, you know.

HMJr: Well, then I....

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R: You just sit tight and I'll take care of it.
HMJr: I'll sit tight.
R: All right, fine.
HMJr: Thank you.

July 3, 1942.
2:59 p.m.

HMJr: Hello.

Operator: Mr. Nelson.

HMJr: Hello.

Donald
Nelson: Hello.

HMJr: Don....

N: Yes, sir.

HMJr: Henry talking.

N: Yes, sir.

HMJr: Look, Don, you wrote me a letter on June 29th
about this question of Russian material, see?

N: Yes.

HMJr: And it was in reply to an inquiry that I made
which was a very simple one, did you want us
to continue to buy any more stuff for Russia.

N: Yes.

HMJr: And then it goes into a lot of - oh - criticisms
and so forth.

N: It wasn't meant to be.

HMJr: Well, the point is....

N: It was meant to be constructive, not critical.

HMJr: Well....

N: There's no one keeping a record of where the
stuff is.

HMJr: Well....

- 2 -

N: Now these boats come in....

HMJr: Yeah.

N:and we can't find it.

HMJr: Well, the thing is this, Don, I mean - I - I hate, you know, these battles of letters because we're all - got too much to do. Hello?

N: Yes.

HMJr: Now the point is that I can write back a letter that at the meeting of May 6th that your people didn't make it clear, and why did they wait from May 6th until June 29th, when we furnish all of this information to Lend-Lease. It's all there, you see? Hello?

N: Yes, I'm....

HMJr: And then we went into this whole question about the boat, and there's an answer to that and all the rest of that stuff. Now you don't want me to put - have them put all of that in.

N: Oh, no. No, it wasn't mean to do that at all.

HMJr: Now what I'd like - I don't - I like you and I - I want to win the war. Hello?

N: Well, that's all that we're interested....

HMJr: Now what I'd like to suggest, and you can think it over, I'd like to send this letter back, see?

N: All right.

HMJr: And then somebody like--anybody that you've got-- like Locke or somebody, I don't want to bother your time - anybody that's working on this, if you come over Monday and sit down with me for ten or fifteen minutes - hello?

N: Yes.

HMJr: I'll go over it with them with Cliff Mack and tell them our side of the story.

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N: All right.

HMJr: See?

N: All right. Now that letter was meant to be constructive. Bill Batt wrote it and....

HMJr: Who?

N: Bill Batt wrote the letter and....

HMJr: Well....

N:I signed it because I thought it was - it was....

HMJr: No....

N:going to be constructive.

HMJr:it sort of puts us as though the Russians got one less boat because we didn't have the material, and when we go into it we find that that wasn't the case, see?

N: Well, you send it back then.

HMJr: And then I'd have to answer it, because, you know, I don't want to let our record - criticism of us.

N: Send it back and I'll tear it up.

HMJr: And - whoever is handling it - Monday if I can sit down with him he can say any damn thing he wants about the Treasury. We'll - we have - we'll try to explain it, but the information, we've been furnishing it to Lend-Lease. And it wasn't clear that your boys wanted it.

N: Well, we - we meant - we couldn't find it in Lend-Lease either.

HMJr: Well, who - who's doing this for you?

N: Bill Batt.

HMJr: Well, is it all right if I call him up Monday?

N: Sure it is.

- 4 -

HMJr: And have him....

N: If you - if you think there was anything in that letter that was critical, you send it back.

HMJr: Well, it - I - I felt it - it put us as though - putting us in the wrong.

N: Well, we - we don't want to do that.

HMJr: You don't want to do that.

N: Not at all.

HMJr: Then I'd have to answer, then we'd have a battle of letters.

N: You send it back. We won't have that.

HMJr: I thank you.

N: And I appreciate your calling me just that way.

HMJr: I thank you.

N: Goodbye, sir.

July 3, 1942 ✓ 59

Original of this letter was returned to
O. Nelson today at his request. See
phone conversation with Mr. Nelson.

WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

June 29, 1942

The Honorable

The Secretary of the Treasury

My dear Mr. Secretary:

I have your letter of June 18 advising that as of June 11 a total of 338,904 tons of materials and equipment purchased by the Treasury Procurement Division was on hand and unshipped and asking whether, under these circumstances, purchases should be continued on the present scale for Russian account.

We have been very much concerned over the lack of information on the quantities of Russian goods on hand. For some time we have been attempting to develop this information but, until now, without great success. Early in May - on May 6 - representatives of the War Production Board met with Mr. Mack and his associates to discuss several of the pressing problems in connection with the Russian program and at that time it was agreed that the Treasury Procurement Division would undertake to prepare and keep current an inventory of Russian materials and equipment in storage or at port but unshipped. This information was necessary then and is even more necessary now for several reasons.

First, because a full and detailed picture of the materials and equipment on hand as of July 1 will be necessary in order to arrive at the ultimate decisions in respect to the additional cargo that should be made available to the USSR during the period of the second Protocol. As you know, the Russians have been asked to select from the materials and equipment offered to them a cargo program which will conform to the shipping tonnages estimated to be possible during the period of the new agreement.

Second, as you suggest in your letter, full and current knowledge as to the accumulated backlog of materials and equipment is necessary as a basis for determining production schedules since it is, of course, undesirable to build up excessive stocks which can not be shipped.

FOR DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

The Honorable
The Secretary of the Treasury

Page Two
June 29, 1942

Finally, this information is necessary in order to be able to know where to find existing stocks that may be drawn upon to fill ships as they become available, as well as to guard against the excessive depletion of stocks at seaboard.

From the fact that you report a total unshipped tonnage of 338,904 tons, I assume you have now a detailed breakdown of this cargo. I should very much like to have access to this more detailed data, as the information is urgently needed at this time, especially by the Iron and Steel Branch. We started on May 11 with representatives of the Procurement Division to obtain a detailed picture of the stocks on hand of various types of steel, but it developed that the Treasury did not then have accurate information on this point, and we have not received it yet.

It is somewhat surprising to me that this large tonnage is actually available since I was informed yesterday that at least one cargo vessel which had been made available for Russian transport was recalled by the War Shipping Administration and allocated to another use when it was found impossible to locate the desired cargo for the vessel. It is my understanding that when the Soviet Government Purchasing Commission undertook to specify the priority cargo which was urgently desired for loading on the ship, it was found that of a total of 22 specified items, only 2 could be located.

Clearly, something is wrong somewhere when goods which have been produced cannot be found at the time ships are available to take on cargo. I am therefore inclined to the belief that attention should first be given to the development of an efficient machinery that will provide detailed information on the tonnage and location of goods that have been produced, and will assure that the goods already produced are delivered to the ports where and when they are needed.

While I am not familiar with your administrative organization, it appears to me that there should be in the Procurement Division an organization to perform this important function of controlling and recording shipments from suppliers under Treasury Lend-Lease contracts. Such an organization would be responsible for issuing delivery instructions and releases in such a way as to avoid unnecessary delays in shipments from seaboard and, similarly, to avoid

The Honorable
The Secretary of the Treasury

Page Three
June 29, 1942.

the development of unrealistic statistical data. I understand that under the present system whereby shipping releases are obtained for specific contracts, many of the mills attempt to estimate future deliveries on too optimistic a basis with the result that the paper figures on shipments become inaccurate and materials which are scheduled for shipment from port in reliance upon these statistics are frequently not yet produced by the mills. Conversely, when the mills wait until materials are produced before requesting releases, the releases are not immediately available, goods accumulate at the mills and not infrequently production must be completely halted until these accumulated stocks are moved. The solution to this situation may well be found in some arrangement whereby block shipping releases are issued to the Treasury Procurement Division which, in turn, must be responsible for issuing specific shipping releases at the time they are required and for doing the bookkeeping job of recording data, product-by-product, on shipments from the mills, stocks on hand at storage points, and stocks on hand at port.

I have written in some detail as I know you will want to see that action is taken to provide effective control over Lend-Lease shipments.

Sincerely yours,



Donald M. Nelson

This letter was not sent because Mr. Nelson withdrew his letter of June 29th.

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THE SECRETARY OF THE TREASURY
WASHINGTON

My dear Mr. Nelson:

Upon receipt of your letter of June 29th, inquiry was made relative to your indicated difficulty in obtaining information concerning available U.S.S.R. materials, and I am informed by the Procurement Division that it was not understood that your Office wished an itemized list. A detailed inventory of available Lend-Lease materials for Russia as of June 30th is now being compiled and it will be furnished to you within a few days in accordance with your request.

There was a reassignment by the War Shipping Administration of a vessel scheduled for New York because of a request by the Soviet representatives that the space be used for high priority items rather than general cargo which was available at the port. The high priority cargo requested was stored in various private warehouses inland necessitating the securing of releases from the War Department, likewise the time required for transportation to shipside.

Concerning your suggestions relative to transportation procedure, the Procurement Division initiated action on June 20th to simplify the procedure inaugurated with the establishment of a central transportation control, requesting provision for sufficient banks of bottom cargo at designated port areas and block releases by ports of exit. The Procurement Division has streamlined its procedure and several conferences have been held with representatives of the Transportation Control Committee, also other interested agencies, to bring about the most effective coordination.

You realize, I am sure, my great interest in the Soviet aid program, and if I can be of any further help to you please let me know.

Sincerely yours,

Secretary of the Treasury

Hon. Donald M. Nelson
Chairman
War Production Board



OFFICE OF THE DIRECTOR

Prepared for transmission to
Mr. Nelson but was not sent because
Mr. Nelson withdrew his letter of 6/29.
TREASURY DEPARTMENT 64

PROCUREMENT DIVISION

WASHINGTON
July 2, 1942

MEMORANDUM TO THE SECRETARY:

This memorandum supplements my brief note to you yesterday concerning Mr. Nelson's letter of June 29, addressed to you relative to available tonnage for the USSR.

- (a) Statement that the WPB has unsuccessfully endeavored to obtain information from us as to the quantities of Russian goods on hand.

I did not understand, and so far as I can learn, none of the supervisory officials here understood that the WPB wished us to provide them with a record of available Russian materials. On May 6th a conference was held in this office with representatives of the WPB and during that discussion it was agreed that the Procurement Division would provide for the warehousing, and would maintain records but I do not recall a request for a list to be submitted to WPB. The War Department placed an embargo on the movement of USSR materials to ports from April 27 to May 27, which necessitated diversion to warehouses and we have maintained records accordingly.

Mr. Nelson's letter requests a detailed record of materials and equipment on hand as of July 1st. A physical inventory of all available Lend-Lease materials as of June 30th is now being compiled and will be ready within a few days, a copy of which will be promptly furnished to WPB.

- (b) Statement that there was difficulty because of delay in receiving 22 items of high priority cargo.

I made inquiry through our New York office and I am advised that there was sufficient cargo at the Port of New York but that the Russians wished 22 high priority items which had to be shipped to the port, necessitating the obtaining of releases from the War Department and transportation to the port. I am informed by Mr.

FOR DEFENSE



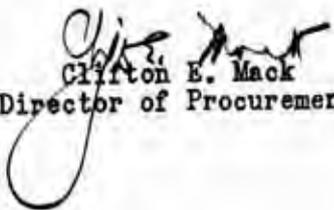
- 2 -

Scholl of the War Shipping Administration that the ship originally assigned was the "Henry St. G Tucker" and when the USSR representative stated that they wished to use the ship for the high priority items, the War Shipping Administration cancelled the assignment with the understanding that the ship would be replaced by the assignment of another vessel, which was done.

- (c). Statement that steps should be taken to improve the procedure of moving cargo under the release system.

On June 20th, I initiated action to streamline the transportation procedure. I also emphasized the importance of obtaining block releases, also, that it was most urgent to be authorized by the War Department to move sufficient tonnages of steel to the port areas so that there would be bottom cargo immediately available for loading. As a result of numerous conferences, the procedure has been considerably simplified, which is a great relief to us.

In so far as providing Mr. Nelson's office with a list of available Russian materials is concerned, I will see to it that he receives the June 30th physical inventory, which will record each commodity item and location. We have also inaugurated a current inventory record, effective July 1, and any further information WPB may desire will be available.


Clifton E. Mack
Director of Procurement

July 3, 1942.
3:14 p.m.

Dr. Chaim
Weizmann: I've seen the General.

HMJr: Yes.

W: He's going to be - get in touch with Dill at once....

HMJr: Good.

W: And they are going to telegraph out.

HMJr: Good.

W: He had heard about Wingate....

HMJr: He had.

W:so it wasn't new to him.

HMJr: It was not new.

W: No.

HMJr: How had he heard about him?

W: Oh, he knew his reputation.

HMJr: Oh, good.

W: Yes, and he knew his family, which is a very important family. So it was easy.

MJr: Well....

W: He's a wonderful man.

HMJr: Well, I got a message from the man -- He is phoning General Dill himself.

W: Good.

HMJr: He's going to phone General Dill.

- 2 -

W: So I can go home then.

HMJr: You can go home. You understand what I mean.

W: Yes.

HMJr: The man that I....

W: Yeah, yeah.

HMJr:he's going to....

W: I - I - I have no words to thank you....

HMJr: Well....

W:and God will give you strength....

HMJr: Well....

W:and bless you.

HMJr: Thank you.

W: Take the blessing of an old man.

HMJr: Thank you.

W: God bless you.

HMJr: Thank you.

W: And goodbye, I'll see you sometime later.

HMJr: Yes, sir, see me next week.

W: Goodbye, sir.

HMJr: Yes, next week I'd like to see....

W: I'll - I'll be in touch with Mrs. Klotz.

HMJr: Thank you.

W: Goodbye.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau
FROM Mr. White
Subject: Movie Industry's Request for Release of its Funds
Blocked in U.K.

There is appended a letter and memorandum which Mr. Hays left with me for you. They do not raise any new points, and I am not sure, therefore, why they were submitted.

They restate the movie industry's case that it is the only industry whose receipts from current deliveries are being blocked; that the films are necessary to Britain's war effort; that the industry needs the funds in order to continue production; and that the establishment of Lend-Lease and our entry into the war has removed the necessity for the funds being blocked.

The memorandum restates the amounts involved (\$51 million in the U.K. and \$10 million in the Empire by the end of the current agreement years), and suggests again that the United States could purchase the sterling for use in meeting troop expenditures in the Sterling Area. The memorandum also states that the blocking policy will lead to the bankruptcy of all the companies.

There is attached a letter of acknowledgement.

JUL 6 1942

Dear Mr. Hays:

I have received your letter of June 29 and its attached memorandum, and your earlier memoranda of May 4 and May 12, all of which explain the arrangement under which some of the Sterling Area receipts of the American motion picture industry have been blocked, and all of which request the Treasury's assistance in obtaining their release.

I understand that Mr. White has discussed these memoranda with you, and I wish to assure you that all of your communications have been given and will continue to be given the most careful consideration.

Very truly yours,

(Signed) H. Morgenthau. SM.

Secretary of the Treasury

Mr. Will H. Hays, President,
Motion Picture Producers & Distributors
of America, Inc.,
28 West 44th Street,
New York, New York.

HDK
7/6/42
FILE COPY

MOTION PICTURE PRODUCERS & DISTRIBUTORS OF AMERICA, INC.
28 WEST 44TH STREET
NEW YORK CITY

WILL H. HAYS
PRESIDENT
CARL E. MILLIKEN
SECRETARY

OFFICE OF THE PRESIDENT

June 29, 1942

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

Dear Mr. Secretary:

With a full realization of the immeasurable service which you and the Treasury Department are rendering and the consequent pressures involved, the growing necessities of the American Motion Picture Companies and the far-reaching elements involved force the industry further to appeal to you for aid in the effort to recover the Industry's funds earned and still impounded in the British Empire. A memorandum further reviewing the matter is enclosed.

Too, I have in mind the discussions which have been held with the Treasury Department. In that connection, I would particularly emphasize the special status of the Motion Picture Industry, different from other industries that have blocked currency. This special status is clearly a fact because of the contractual relations involved, the currentness of the blocked funds, the total defense purposes of the product, and the other unique elements in a situation not similar to any other American industry, including the requirement by the British Government that the American industry neither reduce the number of the pictures nor raise the price, and including the fact that we know of no other industry furnishing product necessary for defense which is not paid for by someone.

You will note that the memorandum covers the matter of impounded funds in Australia, New Zealand, and India as well as in Great Britain. While the contractual relations are different, the principles involved are the same, and the need for the additional amount is likewise pressing. It is clear that further progress cannot be made in those areas without the very positive help of the American Government.



Hon. Henry Morgenthau

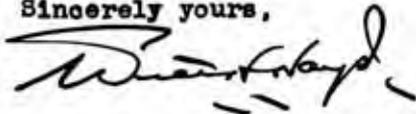
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June 29, 1942

We will be grateful if you will go over the enclosed brief memorandum, and I do assure you on behalf of the industry and personally that our appreciation for the aid will be no less great than is the emergency. This emergency is great indeed because only with this aid and the recovery of these earnings held in England is the industry assured of its capacity to continue its maximum usefulness at home and abroad toward the objectives so vital to all.

With assurance of my highest esteem and personal regards, I am

Sincerely yours,



June 27, 1942

MEMORANDUM IN RE:

IMPOUNDING IN THE BRITISH EMPIRE
OF THE EARNINGS OF
AMERICAN MOTION PICTURE COMPANIES

* * *

ENGLAND:

This is the third year that agreements have been entered into between the industry and the British Treasury through the State Department and our Embassy in London, by virtue of which the industry has distributed in England a great many American pictures on a basis of only partial cost recovery by the industry.

The first agreement was for the year extending from November 1939 to October 1940, inclusive, which provided for the transfer during the period of \$19,000,000.

The agreement for the year November 1940 to October 1941, inclusive, provided for the transfer during the period of \$12,900,000. At the end of the second period, November 1941, there was actually impounded in England of our two-year earnings a total of \$36,706,108.28.

The 1940-1941 agreement recognized the justice of a possible change in the contract during its term and specifically provided that -

"the Treasury and Control Committee will take into consideration any improvement in the foreign exchange position of the United Kingdom of such a kind as to make it possible for such request (for larger transfer) to be dealt with more liberally than heretofore."

In compliance with this provision, and in recognition of the changed situation, the British Treasury did, in October 1941, agree to transfer one-half of the funds impounded as of October 25, 1941, which agreement has been carried out, and the sum of \$18,353,054.13 has been fully received. Concurrently with the agreement for this payment of this impounded money, it was provided for the year November 1941 to October 1942, inclusive, that there should be transferred out of our earnings the sum of \$20,000,000.

The current 1941-1942 agreement also provides in the same language that if there is "any improvement in the foreign exchange position of the United Kingdom of such a kind as to make it possible for such requests (for larger transfers) to be dealt with more liberally than heretofore", the British Treasury will take such conditions into consideration.

The American Motion Picture Industry now most earnestly represents that under the terms of this provision there should again be a reconsideration of the matter, and that the full amount of the earnings to October 25, 1941, which are still impounded, i.e., \$18,353,054.13, should be forthwith transferred; and that all of the monies earned to date during the term of the present contract and still now impounded, estimated up to May 31, 1942 at \$20,792,000., should be transferred immediately (this is in addition to the \$10,000,000 of this year's earnings already transferred this year); and, further, that the net earnings for the remainder of this year should be likewise transferred in full as earned. This will amount to approximately \$12,000,000 in addition to the \$10,000,000 which will be transferred under the present agreement.

Thus the total amount which will be due the American companies (in addition to the \$20,000,000 current earnings provided to be paid in the present contract) will amount to approximately \$51,000,000. The retention in England of this \$51,000,000 earned by these American pictures is as demoralizing economically to the American Motion Picture Industry as it is unfair under all the conditions of the whole joint vital enterprise.

It is respectfully urged that again conditions have changed by reason of the totality of relationship of the United States and the British Empire which flowed from Pearl Harbor, and the pooling process concurrent therewith, coupled with the Atlantic Charter and the Lend-Lease broadening, so that identical construction of the terms of the agreement is more than justified. Only by such complete readjustment will the intent of the agreement be fulfilled, which agreement has by all parties been continuously held sacred.

The British Government and the American motion picture producers, actuated by mutual recognition of the indispensable need of a continuous supply of American motion pictures to Britain, and determined to maintain that supply in the face

-3-

of every problem, entered into these agreements, the purpose of which was to supply the pictures first and adjust the mechanics of the job to that prime purpose.

The pictures have been supplied, without reservation, indemnity, bond or quibbling. The American producers, despite penalties of the Consent Decree here, increased war costs, depleted income, and other severe handicaps have done the job. At least one of the large companies has put itself on the very verge of bankruptcy by continuing production on borrowed money while possessing approximately \$3,000,000 earned and impounded in Britain. Every American company will eventually reach this same condition by pursuance of the present policy. Some companies are in such state now. Such policy is inevitably proceeding toward effectually defeating the prime purpose of the agreements.

It is to be noted that these funds requested are current funds. They have accrued during the war. They are indispensable to continue performance of the contract. They are funds essential to producers of motion pictures. They are not to be confused with exhibitor funds which form the great bulk of motion picture income. Only producer funds are included.

Throughout the war American producers have never suggested advance payment for pictures under Lend-Lease. They are not suggesting such payment now. It is suggested by some that this product essential for total defense may be the only such product which is furnished without being paid for by someone.

The Consent Decree under which most American pictures are made has alone made necessary increases in American studio inventories of approximately \$25,000,000 and has slowed the turn-over of these increased inventories with resultant increased costs. General war conditions have further increased production costs

The 75% decrease of British production has brought a great speed-up of American releases in Britain. This increases the production cost of these pictures and freezes with increasing speed and amount the impounded funds of American producers. It is an ever-narrowing bottleneck which ultimately must place every American studio in the present acute position of some of them.

If the solution can be speedily effected the American producers can meet the continuing British requirements; be better able to continue the educational and feature pictures to our own armed forces on British and other soil as they are now doing without admission charge to our soldiers; maintain the picture supply in camps and theatres in America, through which our own people derive as requisite a commodity as the people of Britain; supply world need just as acute as the British need; keep American theatres open so that the direct contact with every walk of life will not be lost, and keep these theatres operating with entertainment films which assure, not lose, their audience; continue to ship a full supply of pictures without payment in advance of shipment but with the assurance of prompt payment of what the picture earns on its own merits after that worth has been established by exhibition; continue the manufacture of the instructional films for the different departments of our Government at less than cost which is being done; continue the service with particular care and efficiency to South America, having in mind the importance which that service involves; and do this war job "all out" as the American producers agree it must be done, not alone in Britain but also here at home and throughout our hemisphere where Axis propoganda can be buried under an avalanche which makes visible the American way of life.

Reference is made to the memoranda which were furnished to the Secretary of the Treasury on May 4th and May 12th; also to the discussions with the Department relative to the matter. The industry has thought that the problem last year was primarily one of an effort by the American Government to aid in the protection of the interests of American nationals by effecting the obviously proper construction of the agreements and the reconsideration of the amount to be paid by the British Government. The industry has thought that this year, with the credit situation so mutually altered and the probability of substantial credits being established by this Government in England, the matter is one in which primarily the Treasury's aid was especially indicated; this was thought true also because one method now suggested might possibly enable quick payment for pictures in dollars here and the payments, in impounded sterling, of United States obligations in Britain; also because of the possible development of some other manner in which the United States Treasury might aid with propriety having in mind the increased emergency.

American producers already are faced with pressing inquiries of stockholders as to what the ultimate result of this policy must be. The management of the American companies have met the demands of continuing this vital supply in a manner they thought

right and with the understanding that changing conditions might bring relief from unfair and even fatal financial results to them. It has always been their understanding that the Motion Picture Industry was in a special status because of the contractual relations, the currentness of the blocked funds, the total defense purposes of the product and the other unique elements in the situation not similar to any other American industry.

During the tragic months in which Great Britain valiantly held the citadel of democracy alone, it was doubtless inevitable that the British authorities should have insisted upon a rationing of available exchange. This need the American Motion Picture Industry recognized. The enactment of the Lend-Lease freed Great Britain from financial limitations under which her Government had been laboring and this was recognized by the British Treasury in the additional transfer of the impounded funds provided for in the last agreement.

Now with the further greatly changed conditions, the increased vital need of the American companies and the complete mutuality of interests it is respectfully submitted that the State Department, the Secretary of the Treasury and the other factors of the American Government, who have ever been responsive to the reasonable appeals of this important art industry, have at this moment an especial opportunity to assist the industry in securing the equitable financial arrangement necessary to the continued maintenance of service recognized as essential.

It has been suggested by high authority in England that the American motion pictures are responsible for over one hundred million dollars a year in taxes paid to the British Government. The release of these funds assures the continuation of the service which makes that possible, just as such funds received here will result in the payment of large sums of the total amount to the American Government in taxes, which in turn is properly spent for the benefit of both America and England.

Under all these circumstances and with full consciousness of its own accepted responsibility, the organized American Industry does most earnestly express the hope that some action may be taken by the American Government to effectuate these just, fair and necessary purposes.

AUSTRALIA, NEW ZEALAND, and INDIA:

This memorandum is directed especially to the situation in Great Britain. However, a consideration of the impounded

funds in Australia, New Zealand, and India is likewise respectfully requested. While the contractual relations are different, the principles involved are the same and the need for the additional amount is likewise pressing. It is clear that further progress cannot be made in those areas without the very positive help of the American Government.

The total amount estimated to be impounded as of this date in those areas is in excess of \$6,250,000., with an additional estimated amount to be impounded by the end of this agreement year of \$3,900,000., making a total of over \$10,000,000. Thus, the total amount of the industry's earnings estimated to be impounded in the British Empire at the end of the current year will be approximately \$61,000,000.

* * * * *

Summations of the amounts due and accruing both to England and in Australia, New Zealand and India are attached.

Respectfully submitted,
Motion Picture Producers and Distributors of America, Inc., by
Walter L. Reade
President.

SUMMARY OF ENGLISH-AMERICAN FILM EXCHANGE AGREEMENTSFirst English Exchange Agreement (1939-40)

Net amount transferrable under the first exchange agreement
year, estimated. \$36,000,000

Second English Exchange Agreement (1940-41)

Net amount transferrable under the second exchange agree-
ment year, estimated 41,000,000

Total net balance impounded at the end of the
second year (after deduction of remittances,
non-operating expenditures and property invest-
ments in England). \$36,706,000

Less special transfer agreed to in October 1941. 18,353,000

NET AMOUNT IMPOUNDED AS OF OCTOBER 25, 1941 \$18,353,000

Third English Exchange Agreement (1941-42)

Net amount transferrable under the third exchange
agreement year to May 31, estimated. \$31,000,000

Impounded to May 31 after remittances and charges. \$20,792,000

Total estimated impounded to May 31, 1942 \$39,145,000

Estimated to be impounded June 1 to October 24, 1942 11,993,000

ESTIMATED IMPOUNDED AT OCTOBER 24, 1942 \$51,138,000

In all three of these Agreements, the British Government required the American Industry to accept the reduced amounts, and at the same time agree that there would be no lessening of the number of pictures imported nor any raise in price. This was agreed to because of the American Industry's desire to do everything possible, and because of the British Government's declaration that the impounded exchange was then necessary for their use in payment for other essential war material; also, and definitely, because the Exchange Agreements for the years 1940-1941 and 1941-1942 provided:

"The Treasury and Control Committee will take into consideration any improvement in the foreign exchange position of the United Kingdom of such a kind as to make it possible for such requests (increased amount of dollar transfers) to be dealt with more liberally than hitherto."

It was under the proper construction of this provision, recognizing changed conditions (by reason of lend-lease, etc.) and because of the mutual purpose of fair conduct, that the special payment of \$18,353,000 was made; and it is because the same construction of this provision is warranted by reason of further changed conditions (totality of relationship which flowed from Pearl Harbor, the total pooling process concurrent therewith, coupled with the lend-lease broadening, etc.); because of the continuing mutual purpose of fair conduct; and because of the dire necessities of the Industry, that a reconsideration and full payment of the impounded money is requested.

June 27, 1942

79

Estimate of amounts impounded in Australia,
New Zealand and India at the end of the 1942
Agreement Years.

1. Australia, estimated impounded at end of 2nd agreement
year, 2/28/42 \$ 5,000,000
New Zealand, estimated at end of 3rd agreement
year, 12/31/41 1,250,000
\$ 6,250,000

2. Estimated additional amounts which will be
impounded annually under the terms of the most
recent exchange agreements and restrictions
at present rates of exchange, (1 year's
restrictions in the case of India), taking
into account reported increased business in
the territories:

Australia - 2/28/43; if remittances
continued on basis of last agreement \$ 3,000,000

New Zealand - 12/31/42; if remittances
continued on basis of last agreement 400,000

India - as of 10/31/42, the end of the
first year's restrictions 500,000
\$ 3,900,000

3. Estimated total impounded funds in above coun-
tries at end of present agreement years, and
after 1 year's restrictions in the case of India \$ 10,150,000

6/27/42

80

pl. file
7/3 date
plus
chart

80

ARMY WPB REPORT

CONFIDENTIAL

This document contains information relating to the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Sec. 793 and 794, and the transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

AIRCRAFT DELIVERIES*

(CLASSIFIED BY MANUFACTURER CUSTOMER & TYPE)

Page 1

JANUARY 1942

PROGRAM (MILITARY) MANUFACTURERS	TACTICAL							TRAINER					GRAND TOTAL	B-I PROGRAM		SPARES DELIVERED		ALIFRAME WT. DELIVERED (000)**
	4 Eng. Bomber	2 Eng. Bomber	1 Eng. Bomber	Pur- suit	Observ- ation	Trans- port	Total Tactical	Advanced		Basic	Primary	Total Trainer		Jan.	Feb.	Equiv't Units	% Complete Frames	
								2 Eng.	1 Eng.									
Boech	—	—	—	—	—	—	—	47	—	—	—	47	47	26	46	2.9	6.2%	167.0
Bell	—	—	—	179	—	—	179	—	—	—	—	—	179	200	200	28.1	15.7	757.8
Boeing(Seattle)	74	67	—	—	—	—	141	—	—	—	—	—	141	120	130	21.0	14.9	2532.8
Boeing(Wichita)	—	—	—	—	—	—	—	—	—	1	122	123	106	126	32.0	26.0	209.1	
Brewster	—	—	—	10	—	—	10	—	—	—	—	—	10	21	—	2.0	20.0	34.7
Cessna	—	—	—	—	—	—	—	95	—	—	—	95	95	100	90	28.7	30.2	309.3
Consolidated(S.D.)	12	52	—	—	—	—	64	—	—	—	—	—	64	74	96	9.8	15.3	1196.0
Curtiss(Buffalo)	—	—	—	317	6	—	323	—	—	—	—	—	323	326	300	45.0	13.9	1349.0
Curtiss(Columbus)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—
Curtiss(St.Louis)	—	—	—	—	—	—	—	64	89	—	—	153	153	133	45	2.0	1.3	333.5
DeHavilland	—	—	—	—	—	—	—	—	—	—	110	110	110	60	75	—	—	135.3
Douglas(E.S.)	—	—	1	—	—	—	1	—	—	—	—	—	1	10	6.0	600.0	27.4	
Douglas(L.B.)	—	3	—	—	—	7	10	—	—	—	—	—	4	21	—	—	—	116.8
Douglas(S.M.)	—	116	—	—	—	30	146	—	—	—	—	—	112	110	2.0	1.4	1479.8	
Fairchild	—	—	—	—	—	23	23	—	—	—	112	112	135	151	162	26.8	19.9	191.3
Grumman	—	—	1	64	—	42	107	—	—	—	—	—	107	106	121	10.0	9.3	423.6
Howard	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5	—	—	—
Lockheed	—	86	—	136	—	2	224	—	—	—	—	—	224	193	218	28.1	12.3	1769.1
Martin(Baltimore)	—	43	—	—	—	—	43	—	—	—	—	—	43	57	81	6.0	14.0	481.0
Naval Aircraft	—	—	—	—	—	—	—	—	—	—	—	—	—	8	10	34.0	—	44.5
North Amer.(Dallas)	—	—	—	—	—	—	—	—	232	—	—	232	232	232	211	34.0	14.7	686.3
North Amer.(K.C.)	—	—	—	—	—	—	—	—	—	—	—	—	—	1	2	—	—	—
North Amer.(Ingle.)	—	18	—	84	—	—	102	—	8	—	—	8	110	116	129	8.0	7.3	602.4
Northrop	—	—	7	—	—	—	7	—	—	—	—	—	7	8	15	—	—	47.6
Piper	—	—	—	—	—	—	—	—	—	—	—	—	—	—	35	—	—	—
Republic	—	—	—	38	—	—	38	—	—	—	—	—	38	27	48	6.0	15.8	154.1
Ryan	—	—	—	—	—	—	—	—	—	—	115	115	115	113	139	11.0	9.6	113.4
Spartan	—	—	—	—	—	—	—	—	—	—	9	9	9	31	27	1.0	11.1	14.6
Vega	—	12	—	—	—	—	12	—	—	—	—	—	12	16	24	3.0	25.0	146.3
Vought-Sikorsky	—	—	—	—	95	—	95	—	—	—	—	—	95	102	100	10.0	10.5	231.0
Vultee(Downey)	—	—	—	34	—	—	34	—	—	327	—	327	361	277	285	31.6	8.8	792.2
Vultee(Nashville)	—	—	—	—	93	—	93	—	—	—	—	—	93	48	39	1.6	1.7	176.0
TOTAL (32 MFRS.)	86	397	9	862	194	104	1652	206	329	328	468	1331	2983	2769	2901	390.6	13.1%	14521.9
CUSTOMERS																		
Army	82	22	—	356	99	25	584	134	181	328	337	980	1564	—	—	168.9	10.8%	6670.9
Navy	—	52	2	64	95	33	246	—	51	—	9	60	306	—	—	86.0	28.1	1712.5
Defense Aid	—	224	—	214	—	26	464	1	—	—	110	111	575	—	—	34.0	5.9	2982.9
British	4	99	7	218	—	—	328	71	8	—	—	79	407	—	—	99.5	24.4	2772.5
Other Foreign	—	—	—	10	—	9	19	—	89	—	12	101	120	—	—	2.2	1.8	247.3
Commercial *	—	—	—	—	—	11	11	—	—	—	—	—	11	—	—	—	—	135.8
TOTAL (32 MFRS.)	86	397	9	862	194	104	1652	206	329	328	468	1331	2983	—	—	390.6	13.1%	14521.9

* Excluding less-than-12-place commercial (non-scheduled) deliveries.

** Including spares and non-scheduled commercial deliveries.

SOURCE: Materiel Division, Army Air Corps.

Production Analysis Unit,
Feb. 14, 1942.

Regraded Unclassified

WORLD WAR II

CONFIDENTIAL

*** This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 USC 3161 (a) (1) and its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

AIRCRAFT ACCEPTANCES

classified by manufacturer & type, customer & type

FEBRUARY 1942

Page 1

PROGRAM (MILITARY) MANUFACTURERS	TACTICAL							TRAINER					GRAND TOTAL	B-I SCHEDULE		SPARES DELIVERED		AIRFRAME WT. ACCEPTED (0000)**	
	4 Eng. Bomber	2 Eng. Bomber	1 Eng. Bomber	Par- suit	Obser- vation	Trans- port	Total Tactical	Advanced		Basic	Primary	Total Trainer		Feb.	Mar.	Equip't Units	%, Complete Frames		
	2 Eng. 1 Eng.	1 Eng.	2 Eng. 1 Eng.	2 Eng. 1 Eng.	2 Eng. 1 Eng.	2 Eng. 1 Eng.													
Aerona	—	—	—	—	5	—	5	—	—	—	—	—	—	—	—	—	—	—	9.5
Beech	—	—	—	—	—	—	—	72	—	—	—	—	—	—	46	62	4.5	6.3	254.3
Bell	—	—	—	113	—	—	113	—	—	—	—	—	—	—	200	200	8.0	7.1	443.1
Boeing (Seattle)	75	53	—	—	—	—	128	—	—	—	—	—	—	—	130	135	—	—	2134.3
Boeing (Wichita)	—	—	—	—	—	—	—	—	—	—	122	122	122	126	200	24.0	19.7	196.8	
Brewster	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cessna	—	—	—	—	—	—	—	98	—	—	—	—	—	—	90	100	26.7	27.0	314.3
Consolidated (S.D.)	59	63	—	—	—	—	122	—	—	—	—	—	—	—	96	116	8.5	7.0	2282.6
Curtiss (Buffalo)	—	—	—	295	—	—	295	—	—	—	—	—	—	—	300	300	67.0	22.7	1336.9
Curtiss (Columbus)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	7	—	—	—
Curtiss (St. Louis)	—	—	—	—	—	—	—	90	9	—	—	99	99	45	60	12.7	12.8	289.8	
De Havilland	—	—	—	—	—	—	—	—	—	—	54	54	54	75	60	5.9	10.9	73.7	
Douglas (E.S.)	—	—	—	—	—	—	—	—	—	—	—	—	—	10	20	8.0	—	31.3	
Douglas (L.B.)	—	6	—	—	—	29	35	—	—	—	—	—	—	21	49	2.0	5.7	444.5	
Douglas (S.M.)	—	93	—	—	—	18	111	—	—	—	—	—	—	110	123	11.0	9.9	1192.3	
Fairchild (Hager.)	—	—	—	—	11	—	11	—	—	—	115	115	126	162	142	19.9	15.8	172.8	
Gruman	—	—	4	80	—	46	130	—	—	—	—	—	—	121	102	9.7	6.9	516.6	
Howard	—	—	—	—	—	—	—	—	—	—	—	—	—	5	7	1.0	—	2.0	
Lockheed	—	112	—	127	—	2	241	—	—	—	—	—	—	218	268	29.0	11.7	1900.3	
Martin (Balt.)	—	63	—	—	—	—	63	—	—	—	—	—	—	81	100	6.7	10.6	725.1	
Naval Aircraft	—	—	4	—	—	—	4	—	—	—	—	—	—	10	20	13.0	325.0	28.2	
Noorduyn	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5	—	—	—	
North Amer. (Dallas)	—	—	—	—	—	—	—	—	175	—	—	175	175	211	220	30.0	17.1	528.8	
North Amer. (Ingle.)	—	53	—	84	—	—	137	—	—	—	—	—	—	129	144	14.0	10.2	961.1	
North Amer. (K.C.)	—	2	—	—	—	—	2	—	—	—	—	—	—	2	3	—	—	20.0	
Northrop	—	—	6	—	—	—	6	—	—	—	—	—	—	15	20	.6	10.0	44.9	
Piper	—	—	—	—	171	—	171	—	—	—	—	—	—	35	25	—	—	103.0	
Republic	—	—	—	46	—	—	46	—	—	—	—	—	—	48	45	2.0	4.3	166.2	
Ryan	—	—	—	—	—	—	—	—	—	—	58	58	—	139	145	6.0	10.3	57.6	
Spartan	—	—	—	—	—	—	—	—	—	—	13	13	13	27	32	—	—	19.0	
Taylorcraft	—	—	—	—	47	—	47	—	—	—	—	—	—	—	25	—	—	—	
Vega	—	36	—	—	—	—	36	—	—	—	—	—	—	24	40	4.0	11.1	390.0	
Yough-Sikorsky	—	—	—	95	—	—	95	—	—	—	—	—	—	100	101	13.0	13.7	239.4	
Vultee (Downey)	—	—	—	23	—	—	23	—	—	351	—	351	374	285	260	16.6	4.4	776.2	
Vultee (Nash.)	—	—	—	56	—	—	56	—	—	—	—	—	—	39	50	1.7	3.0	107.3	
TOTAL (35 MFRS.)	134	481	14	768	374	106	1877	260	184	351	362	1157	3034	2901	3213	345.3	11.4%	15798.8	
CUSTOMERS																			
Army	134	78	—	205	279	36	732	214	138	351	254	957	1689	—	—	124.1	7.4%	7867.8	
Navy	—	50	8	78	95	48	279	—	37	—	13	50	329	—	—	62.4	19.0	1852.4	
Defense Aid	—	258	—	323	—	17	598	39	—	—	89	128	726	—	—	82.7	11.4	3925.0	
British	—	95	6	162	—	—	263	—	—	—	—	—	263	—	—	68.4	26.0	1990.0	
Other Foreign	—	—	—	—	—	2	2	7	9	—	6	22	24	—	—	7.7	32.1	105.0	
Commercial *	—	—	—	—	—	3	3	—	—	—	—	—	3	—	—	—	—	58.6	
TOTAL (35 MFRS.)	134	481	14	768	374	106	1877	260	184	351	362	1157	3034	—	—	345.3	11.4%	15798.8	

* Excluding less-than-12-place commercial (Non-scheduled) deliveries.

** Including spares and non-scheduled commercial deliveries.

SOURCE: Material Division, Army Air Corps.

Production Analysis Unit
March 14, 1942

CONFIDENTIAL

..... The document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U.S.C. 3231, and the transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

AIRCRAFT ACCEPTANCES*

classified by manufacturer & type; customer & type

MARCH 1942

PROGRAM (MILITARY) MANUFACTURERS	TACTICAL									CARRIER					GRAND TOTAL	S-1 SCHEDULE		SPARES DELIVERED		AIRFRAME WT. DELIVERED (000#)****	
	1/2 Eng. Bomber **	2 Eng. Medium **	Bomber Light	1 Eng. Bomber	Pursuit 2 Eng. 1 Eng.		Observ- ation ***	Trans- port	Total Tactical	Advanced 2 Eng. 1 Eng.		Basic	Primary	Total Trainer		Mar.	Apr.	Equip't Units	% Complete Frames		
Aerocoa	—	—	—	—	—	—	78	—	78	—	—	—	—	—	—	78	25	60	—	—	69.3
Beech	—	—	—	—	—	—	—	—	—	53	—	—	—	—	53	62	84	4.0	7.4	190.9	
Bell (Buffalo)	—	—	—	—	—	—	—	—	141	—	—	—	—	—	141	200	200	44.2	31.3	677.8	
Boeing (Seattle) ✓	85	—	65	—	—	—	—	—	150	—	—	—	—	—	150	135	116	11.5	7.7	2702.5	
Boeing (Vancou.)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	
Boeing (Wichita)	—	—	—	—	—	—	—	—	—	—	—	—	189	189	189	200	201	41.0	21.7	310.0	
Brewster	—	—	—	—	—	1	—	—	1	—	—	—	—	—	1	2	16	2.2	220.0	9.3	
Cessna	—	—	—	—	—	—	—	—	—	137	—	—	—	—	137	100	100	43.8	30.8	532.8	
Consolidated (S.D.)	71	49	—	—	—	—	—	—	120	—	—	—	—	—	120	116	124	14.7	12.3	2411.9	
Curtiss (Buffalo)	—	—	—	—	—	—	348	—	348	—	—	—	—	—	348	300	302	77.0	22.1	1971.9	
Curtiss (Columbus)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7	20	—	—	—	
Curtiss (St. Louis)	—	—	—	—	—	—	—	—	—	107	—	—	—	—	107	60	75	17.0	15.9	332.6	
De Havilland	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	60	—	8.8	—	10.8	
Douglas (S.S.)	—	—	—	24	—	—	—	—	24	—	—	—	—	—	24	20	35	10.0	41.7	133.3	
Douglas (L.S.)	—	—	2	—	—	—	—	—	38	40	—	—	—	—	40	49	78	—	—	491.2	
Douglas (S.W.)	—	—	57	—	—	—	—	20	77	—	—	—	—	—	77	123	81	36.0	46.8	1131.2	
Fairchild (Wagons.)	—	—	—	—	—	—	—	14	14	—	—	—	120	120	134	142	159	21.1	15.7	183.3	
Grumman	—	—	—	17	—	90	—	13	120	—	—	—	—	—	120	102	109	10.0	8.3	523.4	
Howard	—	—	—	—	—	—	—	1	1	—	—	—	—	—	1	7	5	—	—	6.4	
Lockheed	—	—	92	—	100	—	—	15	207	—	—	—	—	—	207	268	284	22.0	10.6	1578.5	
Martin (Balt.)	—	49	39	—	—	—	—	—	88	—	—	—	—	—	88	100	121	19.2	17.3	1142.6	
Naval Aircraft	—	—	—	3	—	—	—	—	24	—	—	—	—	—	24	20	30	6.0	25.0	63.5	
Noorduyn	—	—	—	—	—	—	—	1	1	—	—	—	—	—	1	5	12	—	—	0.5	
No. Amer. (Dallas)	—	—	—	—	—	—	—	—	—	—	212	—	—	—	212	220	235	25.0	11.8	611.5	
No. Amer. (Ingle.)	—	148	—	—	—	52	—	—	200	—	—	—	—	—	200	144	168	25.0	12.5	1887.1	
No. Amer. (K.C.)	—	3	—	—	—	—	—	—	3	—	—	—	—	—	3	3	10	—	—	31.5	
Northrop (Saw.)	—	—	—	7	—	—	—	—	7	—	—	—	—	—	7	20	33	2.4	34.3	63.9	
Piper	—	—	—	—	—	—	165	—	165	—	—	—	20	20	189	25	111	23.5	11.9	106.6	
Republic	—	—	—	—	—	—	—	—	30	—	—	—	—	—	30	45	20	11.3	37.7	155.8	
Ryan	—	—	—	—	—	—	—	—	30	—	—	—	180	180	180	145	145	6.0	3.3	167.4	
Spartan	—	—	—	—	—	—	—	—	—	—	—	—	26	26	26	32	35	2.0	7.7	40.8	
Taylorcraft	—	—	—	—	—	—	73	—	73	—	—	—	—	—	73	25	61	—	—	38.6	
Vega	—	66	—	—	—	—	—	—	66	—	—	—	—	—	66	40	50	4.0	6.1	682.5	
Vought-Sikorsky	—	—	—	—	—	—	95	—	95	—	—	—	—	—	95	101	101	6.0	6.3	222.2	
Vultee (Downey)	—	—	—	—	—	—	14	—	14	—	—	325	—	325	339	260	265	35.1	10.4	737.8	
Vultee (Wash.)	—	—	—	3	—	—	—	3	6	—	—	—	—	—	6	50	68	1.8	30.0	28.1	
TOTAL (36 TYPES.)	156	315	255	54	100	676	435	102	2093	297	212	325	535	1369	3462	3213	3515	526.6	14.9%	18847.5	
CUSTOMERS																					
Army	156	200	2	—	100	131	319	54	962	232	173	325	385	1115	2077	—	—	217.1	10.9%	10461.8	
Navy	—	49	—	44	—	57	86	12	248	—	39	—	32	71	319	—	—	48.0	15.0	1762.1	
Defense Aid	—	—	214	—	—	332	30	31	607	48	—	—	104	152	799	—	—	132.4	17.4	4131.8	
British	—	66	39	10	—	155	—	1	271	—	—	—	—	—	271	—	—	124.3	45.9	2347.2	
Other Foreign	—	—	—	—	—	1	—	4	5	17	—	—	14	31	36	—	—	4.8	13.3	90.3	
Commercial *	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	54.3	
TOTAL (36 TYPES.)	156	315	255	54	100	676	435	102	2093	297	212	325	535	1369	3462	—	—	526.6	14.9%	18847.5	

* Excluding less-than-12-place commercial (non-scheduled) deliveries.
 ** Including Patrol Bombers
 *** Including Liaison
 **** Including spares and non-scheduled commercial deliveries.
 SOURCE: Material Division, Army Air Corps.

Production Analysis Unit
 April 11, 1942

FORM WPB 1-42

CONFIDENTIAL

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AIRCRAFT ACCEPTANCES*

classified by manufacturer & type; customer & type

APRIL 1942

PROGRAM (MILITARY) MANUFACTURERS	TACTICAL									TRAINERS					GRAND TOTAL	S-J SCHEDULE		APRIL, COMPARED PRIOR ACCEPTANCES			
	4 Eng. Bomber **	2 Eng. Bomber		1 Eng. Bomber	Pursuit		Reconn. Combus. ***	Transport		Total Tactical	Advanced		Basic	Primary		Total Trainer	Apr.	May	Feb.	Mar.	Apr.
		Medium	Light		2 Eng.	1 Eng.		4 Eng.	2 Eng.		2 Eng.	1 Eng.									
Aerona	--	--	--	--	--	--	84	--	--	84	--	--	--	--	--	84	125	125	5	78	84
Beech	--	--	--	--	--	--	--	--	--	--	105	--	--	--	105	105	119	146	72	53	108
Bell (Buffalo)	--	--	--	--	--	--	53	--	--	53	--	--	--	--	--	53	200	200	113	141	53
Boeing (Seattle)	90	--	--	--	--	--	--	--	--	90	--	--	--	--	90	86	90	128	180	90	
Boeing Airplane (Wich.)	--	--	--	--	--	--	--	--	--	--	--	--	191	191	191	201	250	122	189	191	
Brewster	--	--	--	--	--	9	--	--	--	9	--	--	--	--	9	9	22	--	1	9	
Cessna	--	--	--	--	--	--	--	--	--	--	73	--	--	--	73	73	100	100	96	137	73
Consolidated (T.V.)	1	--	--	--	--	--	--	--	--	1	--	--	--	--	1	2	6	--	--	1	
Consolidated (S.D.)	80	81	--	--	--	--	--	--	--	141	--	--	--	--	141	139	148	122	130	141	
Curtiss (Buffalo)	--	--	--	--	--	396	--	--	--	396	--	--	--	--	396	344	350	296	348	296	
Curtiss (Columbus)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	19	26	--	--	--	
Curtiss (St. Louis)	--	--	--	--	--	--	--	--	--	--	100	9	--	--	109	82	93	99	107	108	
De Havilland	--	--	--	--	--	--	--	--	--	--	--	--	31	31	31	31	--	54	--	31	
Douglas (E.S.)	--	--	--	82	--	--	--	--	--	82	--	--	--	--	82	34	54	--	24	52	
Douglas (L.S.)	--	--	--	--	--	--	--	86	86	86	--	--	--	--	86	178	244	35	40	86	
Douglas (S.W.)	--	--	21	--	1	--	3	1	24	50	--	--	--	--	50	87	62	111	77	50	
Fairchild (Wagers.)	--	--	--	--	--	18	--	--	--	18	--	--	131	131	149	160	159	126	134	149	
Ford (Willow Run)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	--	--	--	
Grumman	--	--	--	26	--	98	2	--	7	133	--	--	--	--	133	142	154	130	120	133	
Howard	--	--	--	--	--	--	2	--	--	2	--	--	--	--	2	8	8	--	1	2	
Lockheed	--	--	88	--	100	--	--	--	8	196	--	--	--	--	196	258	219	241	207	196	
Martin (Balt.)	--	9	50	--	--	--	--	--	--	59	--	--	--	--	59	123	146	63	88	59	
Naval Aircraft	--	--	--	--	--	30	--	--	--	30	--	--	--	--	30	30	40	4	24	30	
Noorduyn	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	15	29	--	1	--	
North Amer. (Dallas)	--	--	--	--	--	--	--	--	--	--	--	250	--	--	250	236	249	175	212	250	
North Amer. (Ingle.)	--	122	--	--	--	86	--	--	--	208	--	--	--	--	208	169	174	137	200	208	
North Amer. (K.G.)	--	6	--	--	--	--	--	--	--	6	--	--	--	--	6	10	20	2	3	6	
Northrop (Nav.)	--	--	--	23	--	--	--	--	--	23	--	--	--	--	23	21	33	6	7	23	
Piper	--	--	--	--	--	183	--	--	--	183	--	--	--	--	183	323	272	171	185	183	
Republic	--	--	--	--	2	--	--	--	--	2	--	--	--	--	2	21	50	46	30	2	
Ryan	--	--	--	--	--	--	--	--	--	--	--	--	28	28	28	148	138	58	180	28	
Spartan	--	--	--	--	--	--	--	--	--	--	--	--	30	30	30	40	37	13	26	30	
Taylorcraft	--	--	--	--	--	91	--	--	--	91	--	--	--	--	91	100	90	47	73	91	
Vega	--	85	--	--	--	--	--	--	--	85	--	--	--	--	85	66	82	36	68	85	
Yough-Baker	--	--	--	--	--	73	1	--	--	74	--	--	--	--	74	101	101	95	95	74	
Fulton (Downey)	--	--	--	--	2	--	--	--	--	2	--	--	338	--	338	267	288	274	239	240	
Fulton (Mash.)	--	--	--	4	--	--	--	--	--	4	--	--	--	--	4	15	23	56	6	4	
TOTAL (37 MFRS.)	191	263	189	106	101	646	486	2	125	2078	278	259	338	411	1286	3364	4015	4239	3034	3462	3364
CUSTOMERS																					
Army	191	127	--	--	101	108	381	1	103	982	262	208	338	229	1027	2009	--	--	1689	2077	2008
Navy	--	61	--	78	--	92	75	--	9	315	--	51	--	30	81	396	--	--	329	319	396
Defense Aid	--	--	109	--	--	327	48	--	7	491	26	--	--	152	178	649	--	--	726	759	649
British	--	85	50	27	--	110	2	--	--	274	--	--	--	--	274	--	--	263	271	274	
Other Foreign	--	--	--	--	--	9	--	--	--	9	--	--	--	--	9	--	--	24	23	9	
Commercial *	--	--	--	--	--	--	--	1	6	7	--	--	--	--	7	--	--	3	--	7	
TOTAL (37 MFRS.)	191	263	189	106	101	646	486	2	125	2078	278	259	338	411	1286	3364	4015	4239	3034	3462	3364

* Including less-than-12-place commercial (non-scheduled) acceptances

** Including Patrol Bombers

*** Including Liaison

SOURCE: Materiel Division, Army Air Corps

Production Analysis Unit
May 3, 1942

Regraded Unclassified

AIRCRAFT ACCEPTANCES*
classified by manufacturer & type, customer & type

MAY 1942

MILITARY MANUFACTURERS	TACTICAL										TRAINERS					GRAND TOTAL	B-7 SCHEDULE		MAY COMPARED PRIOR ACCEPTANCES		
	4 Eng. Bomber **	B Eng. Bomber			1 Eng. Bomber	Pursuit		Region. & Comm. ***	Transport		Total Tactical	Advanced			Total Trainer		MAY	JUNE	MAR.	APR.	MAY
		Medium **	Light	Bomber		2 Eng.	1 Eng.		4 Eng.	2 Eng.		2 Eng.	1 Eng.	Basic							
Aerospace	--	--	--	--	--	--	114	--	--	114	--	--	--	--	--	114	126	42	78	84	114
Boeh	--	--	--	--	--	--	5	--	--	5	132	--	--	--	--	132	145	214	53	106	138
Bell (Buffalo)	--	--	--	--	--	86	--	--	--	86	--	--	--	--	--	86	200	301	141	53	86
Boeing (Seattle)	90	--	--	--	--	--	--	--	--	90	--	--	--	--	--	90	90	95	150	90	90
Boeing (Yacouver)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Boeing (Wichita)	--	--	--	--	--	--	--	--	--	--	--	--	--	195	--	195	300	301	189	191	195
Brewster	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	18	27	1	9	--
Cessna	--	--	--	--	--	--	--	--	--	--	129	--	--	--	--	129	100	100	137	73	129
Consolidated (F.V.)	2	--	--	--	--	--	--	--	--	2	--	--	--	--	--	2	5	10	--	1	2
Consolidated (S.D.)	86	60	--	--	--	--	--	--	--	146	--	--	--	--	--	146	148	157	120	142	146
Curtiss (Buffalo)	--	--	--	--	--	386	--	--	--	386	--	--	--	--	--	386	350	347	348	396	386
Curtiss (Columbus)	--	--	--	--	--	--	4	--	--	4	--	--	--	--	--	4	26	55	--	6	4
Curtiss (St. Louis)	--	--	--	--	--	--	--	--	--	--	88	33	--	--	--	118	93	69	107	109	118
De Havilland	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	31	--
Douglas (S.S.)	--	--	--	60	--	--	--	--	--	60	--	--	--	--	--	60	54	72	24	52	60
Eugene (L.S.)	--	--	184	--	--	--	--	--	64	248	--	--	--	--	--	248	244	271	40	86	248
Douglas (S.M.)	--	--	34	--	--	--	--	3	22	59	--	--	--	--	--	59	62	88	77	50	89
Fairchild (Magers.)	--	--	--	--	--	--	10	--	--	10	--	--	125	--	125	159	147	134	149	135	
Fleet	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Ford (Willow Run)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	2	--	--	--
Gruman	--	--	--	36	--	107	--	--	8	151	--	--	--	--	--	151	154	178	120	134	151
Howard	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	8	8	1	2	--
Lockheed	--	--	88	--	100	--	--	--	6	194	--	--	--	--	--	194	219	197	207	196	194
Martin (Salt.)	--	72	44	--	--	--	--	--	--	116	--	--	--	--	--	116	146	180	88	60	116
Naval Aircraft	--	--	--	--	--	--	19	--	--	19	--	--	--	--	--	19	40	40	24	30	19
Northrop	--	--	--	--	--	--	--	--	--	--	--	21	--	--	21	21	29	44	1	--	21
North Amer. (Dallas)	--	--	--	--	--	--	--	--	--	--	--	255	--	--	255	249	268	212	250	255	
North Amer. (Ingle.)	--	73	--	--	--	84	--	--	--	157	--	--	--	--	157	174	179	300	208	157	
North Amer. (K.C.)	--	16	--	--	--	--	--	--	--	16	--	--	--	--	16	20	40	3	6	16	
Northrop (Haw.)	--	--	34	--	--	--	--	--	--	34	--	--	--	--	34	33	46	7	23	34	
Piper	--	--	--	--	--	--	85	--	--	85	--	--	122	--	122	272	42	185	285	207	
Republic	--	--	--	--	--	10	--	--	--	10	--	--	--	--	10	50	70	30	2	10	
Ryan	--	--	--	--	--	--	--	--	--	--	--	--	172	--	172	138	68	180	53	172	
Spartan	--	--	--	--	--	--	--	--	--	--	--	--	23	--	23	37	--	26	30	23	
Taylorcraft	--	--	--	--	--	--	95	--	--	95	--	--	--	--	95	90	66	73	91	--	
Tega	--	102	--	--	--	--	--	--	--	102	--	--	--	--	--	102	52	94	66	85	197
Tough-Sikorsky	--	--	--	--	--	71	--	1	--	72	--	--	--	--	72	101	176	95	75	72	
Yulise (Downey)	--	--	--	--	--	--	--	--	--	--	--	--	325	--	325	325	325	339	340	325	
Yulise (Haw.)	--	--	--	40	--	--	--	--	--	40	--	--	--	--	40	33	50	6	4	40	
TOTAL (39 MFRS.)	178	323	350	170	100	673	404	4	100	2302	346	309	325	637	1617	3919	4222	4102	3462	2501	3919
CUSTOMERS																					
Army	174	189	176	--	100	114	294	3	76	1096	320	177	259	279	1125	2231	--	--	2077	2069	2231
Navy	--	53	8	96	--	107	100	--	18	382	--	111	66	145	322	704	--	--	319	514	704
Defense Aid	4	9	88	--	--	368	1	--	5	475	26	21	--	113	160	625	--	--	759	723	625
British	--	102	44	74	--	84	--	--	--	304	--	--	--	--	304	--	--	271	274	304	--
Other Foreign	--	--	34	--	--	--	9	--	1	44	--	--	--	--	44	--	--	36	34	44	--
Commercial *	--	--	--	--	--	--	--	1	--	1	--	--	--	--	1	--	--	--	7	1	--
TOTAL (39 MFRS.)	178	323	350	170	100	673	404	4	100	2302	346	309	325	637	1617	3919	--	--	3462	2501	3919

* Excluding less-than-12-place commercial (non-scheduled) deliveries.

** Including Patrol Bombers

*** Including Liaison

SOURCE: Material Division, Army Air Corps

Production Analysis Unit
June 4, 1942

Regraded Unclassified

WFB

CONFIDENTIAL

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AIRCRAFT ACCEPTANCES*
classified by manufacturer & type, customer & type

JUNE 1942

MILITARY MANUFACTURERS	TACTICAL										TRAINERS					GRAND TOTAL	6-2 SCHEDULE		JUNE COMPARED PRIOR ACCEPTANCES				
	4 Eng. Bomber	2 Eng. Medium	Bomber Light	1 Eng. Bomber	Fighter		Naval Bomber	Transport		Comm. Ins. Liaison	Total Tactical	Advanced		Total Trainer	TOTAL		June	July	Apr.	May	June		
					2 Eng.	1 Eng.		2 Eng.	1 Eng.			Basic	Primary										
Aeromac	--	--	--	--	--	--	--	--	--	61	61	--	--	--	61	42	75	84	114	61			
Boech	--	--	--	--	--	--	--	--	--	1	1	116	--	--	116	117	214	270	109	138	117		
Bell(Buffalo)	--	--	--	--	--	227	--	--	--	--	227	--	--	--	227	200	200	53	86	287			
Boeing(Battle)	95	--	--	--	--	--	--	--	--	--	95	--	--	--	95	95	100	90	90	95			
Boeing(Yankee)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	--	--	--	--			
Boeing(Wichita)	--	--	--	--	--	--	--	--	--	--	--	--	--	171	171	171	201	201	191	195	171		
Brewster	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	27	36	9	--	--			
Cessna	2	--	--	--	--	--	--	--	--	--	2	92	--	--	92	100	117	73	129	92			
Consolidated(P.V.)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	10	17	1	2	2			
Consolidated(S.D.)	96	62	--	--	--	--	--	--	--	--	158	--	--	--	158	157	164	142	146	158			
Curtiss(Buffalo)	--	--	--	--	--	347	--	--	1	--	348	--	--	--	348	393	393	396	386	348			
Curtiss(Columbus)	--	--	--	--	--	--	5	--	--	5	5	--	--	--	5	25	22	6	4	5			
Curtiss(Sv. Louis)	--	--	--	--	--	--	--	--	--	--	--	42	--	--	42	69	60	109	114	42			
De Villiam	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	31	--	--			
Douglas (S.E.)	--	--	--	64	--	--	--	--	--	--	64	--	--	--	64	72	94	52	60	64			
Douglas (L.S.)	2	--	84	--	--	--	--	--	60	--	146	--	--	--	146	271	277	86	244	146			
Douglas (S.W.)	--	--	14	--	33	--	--	3	10	--	60	--	--	--	60	88	148	90	99	60			
Douglas (Palme)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Fairchild (Sagers.)	--	--	--	--	--	--	--	--	--	27	27	--	--	126	126	147	136	149	135	153			
Fleet	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2	17	--	--	--			
Ford (Willow Run)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2	5	--	--	--			
Grumman	--	--	--	61	--	130	--	--	7	--	198	--	--	--	198	178	193	134	151	198			
Howard	--	--	--	--	--	--	--	--	--	3	3	--	--	--	3	4	2	--	--	3			
Lockheed	--	--	76	--	109	--	--	--	17	--	198	--	--	--	198	197	195	196	196	198			
Martin (Salt.)	--	84	33	--	--	--	--	--	--	117	117	--	--	--	117	140	149	60	114	117			
Martin (Omaha)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	--	--	--			
Naval Aircraft	--	--	--	--	--	--	27	--	--	27	27	--	--	--	27	40	40	30	19	27			
Beardmore	--	--	--	--	--	--	--	--	--	--	--	42	--	--	42	44	57	--	23	42			
North Amer. (Dallas)	--	--	--	--	--	--	--	--	--	--	--	294	--	--	294	264	301	290	281	294			
North Amer. (Logie.)	--	103	--	--	--	84	--	--	--	187	187	--	--	--	187	179	184	208	197	187			
North Amer. (K.C.)	--	26	--	--	--	--	--	--	--	26	26	--	--	--	26	40	60	6	14	26			
Northrop (Northrop)	--	--	--	42	--	--	--	--	--	42	42	--	--	--	42	42	59	23	34	42			
Piper	--	--	--	--	--	--	--	--	--	139	139	--	--	--	139	42	100	245	207	139			
Republic	--	--	--	--	26	--	--	--	--	26	26	--	--	--	26	70	80	2	10	26			
Ryan	--	--	--	--	--	--	--	--	--	--	--	--	73	73	73	44	1	53	172	73			
Spartan	--	--	--	--	--	--	--	--	--	--	70	--	--	5	5	--	--	30	23	5			
Taylorcraft	--	--	--	--	--	--	--	--	70	70	70	--	--	--	70	64	75	91	--	70			
Vega	2	109	--	--	--	--	--	--	--	107	107	--	--	--	107	94	105	89	197	107			
Vought-Sikorsky	--	--	--	1	--	--	71	--	--	72	72	--	--	--	72	104	63	75	72	72			
Vultee (Downey)	--	--	--	--	1	--	--	--	--	1	1	--	--	306	306	307	325	334	340	307			
Vultee (Rank.)	--	--	--	95	--	--	--	--	--	95	95	--	--	--	95	90	75	4	40	95			
Vultee (Wayne)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	--	--	--			
Vultee (Troy) 41	--	--	--	--	--	--	--	--	--	--	--	--	--	1	1	--	--	--	--	1			
TOTAL (43 MFRS.)	197	380	207	223	138	814	103	3	95	302	2462	208	344	306	376	1234	3696	4147	4908	3901	3919	3494	
CUSTOMERS																							
Army	94	211	84	--	138	157	--	3	48	271	1006	200	60	269	199	784	1730	--	--	2009	2231	1730	
Navy	1	2	--	125	--	120	107	--	13	4	364	--	193	37	103	533	701	--	--	514	704	701	
Defense Aid	102	62	76	--	--	493	--	--	26	16	735	8	91	--	77	176	911	--	--	663	695	911	
British	--	105	33	98	--	84	--	--	--	--	320	--	--	--	--	320	--	--	274	304	320		
Other Foreign	--	--	14	--	--	--	--	--	8	11	33	--	--	1	1	34	--	--	34	44	34		
Commercial *	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	7	1	--		
TOTAL (43 MFRS.)	197	380	207	223	138	814	103	3	95	302	2462	208	344	306	376	1234	3696	4147	4908	3901	3919	3494	

* Including less-than-12-place commercial (non-scheduled) acceptances.

** Including Patrol Bombers

SOURCE: Material Command, Army Air Forces

Production Analysis Unit
July 3, 1942

Regraded Unclassified

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Henry Morgenthau, Jr.
FROM Milburn McCarty, Jr.

My dear Mr. Secretary:

The Treasury is, I am now more than ever assured, a mighty fine Department to work for.

In the past I've had some very good employers. These firms were small, in contrast with the Treasury -- small enough so that the seriousness of work and competition was pleasantly augmented here and there by the warmth of personal contact.

When I came here more than a year ago I hardly expected to find such a personal touch in the Treasury. I couldn't imagine an organization of 60,000 having a heart. But I find it has.

It's been difficult, during the past few days, to keep my spirits above the cutting cross-currents. But I have kept them above, and I was able to do so mainly because of the moral support and personal attention you and your Assistants gave me.

I am grateful -- deeply grateful -- for the interest all of you have taken in me, and I just wanted to let you know how I feel about it.

Milburn McCarty, Jr.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1942

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

During the week ended last night, there was little change in the prices of Government securities. Taxable notes either held or slightly improved their levels of a week ago, while tax-exempt notes of the longer maturities showed some gains. The premium on the new 1-1/2 percent notes remained unchanged at 11/32. Small losses were registered by most taxable bonds, an exception being the 2-1/2's of 1967-72 which closed last night at 101-2/32, up 1/32 from a week ago. Partially tax-exempt bonds showed mixed changes of a minor character.

A comparison of current prices with those of March 19 shows that longer-term partially tax-exempt bonds have improved, while taxable bonds of comparable maturities have made little net change. All other sectors of the market have lost ground as compared with the March 19 benchmark. (See attached chart and tables.)

Certificates of indebtedness were firm during the week. The new 5/8 percent issue closed last night at a price to yield 0.61 percent, unchanged from a week ago. The average rate on the weekly offering of bills was 0.360 percent, down fractionally from the previous week.

Federal Open Market Account purchases during the week were unusually heavy, totaling \$209 millions. The major item was \$151 millions of bills, including \$100 millions of the current week's offering. Certificates of indebtedness accounted for \$47 millions, about equally divided between the two issues. The balance of the purchases, \$11 millions, consisted principally of taxable bonds. There were no sales or bill maturities, so that the holdings of the portfolio increased by the full amount of the purchases.

Attachments

Table I

Price and Yield Changes of United States Securities
June 25, 1942 to July 2, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	June 25, 1942	July 2, 1942	Change	June 25, 1942	July 2, 1942	Change
	(Decimals are thirty-seconds) $\frac{1}{2}$			(Percent)		
Bills						
Average rate last issue	-	-	-	.36	.36	.00
Certificates						
1/2% 11/1/42	100.017	100.019	+0.002	.45	.44	-.01
5/8 2/1/43	100.009	100.010	+0.001	.61	.61	.00
Taxable Notes						
3/4% 3/15/43	100.05	100.06	+0.01	.53	.48	-.05
3/4 9/15/44	99.23	99.24	+0.01	.88	.87	-.01
3/4 12/15/45	99.11	99.11	.00	.94	.94	.00
1 3/15/46	99.14	99.14	.00	1.16	1.16	.00
1-1/2 12/15/46	100.11	100.11	.00	1.42	1.42	.00
Taxable Bonds						
2% 3/15/48-50	101.12	101.12	.00	1.75	1.75	.00
2 6/15/49-51	100.22	100.21	-.01	1.89	1.90	+0.01
2 9/15/49-51	100.19	100.18	-.01	1.91	1.92	+0.01
2 12/15/51-55	100.10	100.10	.00	1.96	1.96	.00
2-1/2 3/15/52-54	104.00	103.28	-.04	2.04	2.06	+0.02
2-1/4 6/15/52-55	101.05	101.02	-.03	2.12	2.13	+0.01
2-1/2 3/15/56-58	102.31	102.30	-.01	2.25	2.25	.00
2-1/2 6/15/62-67	-	-	-	-	-	-
2-1/2 9/15/67-72	101.01	101.02	+0.01	2.45	2.44	-.01
Wholly Tax-exempt Notes						
2% 9/15/42	100.16	100.16	.00	2/32*	3/32*	+1/32*
1-3/4 12/15/42	100.24	100.24	.00	.15	.09	-.06
1-1/8 6/15/43	100.26	100.25	-.01	.29	.30	+0.01
1 9/15/43	100.25	100.25	.00	.36	.34	-.02
1-1/8 12/15/43	101.03	101.02	-.01	.38	.39	+0.01
1 3/15/44	100.29	100.30	+0.01	.47	.45	-.02
3/4 6/15/44	100.14	100.16	+0.02	.53	.49	-.04
1 9/15/44	101.02	101.03	+0.01	.52	.50	-.02
3/4 3/15/45	100.13	100.17	+0.04	.60	.55	-.05
Partially Tax-exempt Bonds						
3-3/8 6/15/43-47	102.21	102.20	-.01	.62	.60	-.02
3-1/4 10/15/43-45	103.08	103.08	.00	.74	.70	-.04
3-1/4 4/15/44-46	104.07	104.08	+0.01	.89	.84	-.05
4 12/15/44-54	107.13	107.12	-.01	.96	.95	-.01
2-3/4 9/15/45-47	105.13	105.14	+0.01	1.04	1.02	-.02
2-1/2 12/15/45	105.01	105.02	+0.01	1.02	1.00	-.02
3-3/4 3/15/46-56	109.08	109.08	.00	1.20	1.19	-.01
3 6/15/46-48	107.01	107.03	+0.02	1.18	1.16	-.02
3-1/8 6/15/46-49	107.14	107.15	+0.01	1.20	1.18	-.02
4-1/4 10/15/47-52	115.06	115.05	-.01	1.28	1.27	-.01
2 12/15/47	104.13	104.13	.00	1.17	1.16	-.01
2-3/4 3/15/48-51	107.19	107.18	-.01	1.37	1.37	.00
2-1/2 9/15/48	106.28	106.28	.00	1.34	1.34	.00
2 12/15/48-50	104.14	104.12	-.02	1.28	1.29	+0.01
3-1/8 12/15/49-52	110.22	110.22	.00	1.60	1.60	.00
2-1/2 12/15/49-53	106.16	106.15	-.01	1.57	1.58	+0.01
2-1/2 9/15/50-52	106.28	106.26	-.02	1.60	1.61	+0.01
2-3/4 6/15/51-54	108.22	108.20	-.02	1.70	1.71	+0.01
3 9/15/51-55	110.20	110.19	-.01	1.75	1.75	.00
2-1/4 12/15/51-53	105.06	105.05	-.01	1.66	1.66	.00
2 6/15/53-55	103.19	103.17	-.02	1.64	1.65	+0.01
2-1/4 6/15/54-56	105.11	105.11	.00	1.75	1.75	.00
2-7/8 3/15/55-60	110.09	110.10	+0.01	1.96	1.95	-.01
2-3/4 9/15/56-59	109.19	109.18	-.01	1.97	1.97	.00
2-3/4 6/15/58-63	109.26	109.26	.00	2.03	2.03	.00
2-3/4 12/15/60-65	110.10	110.10	.00	2.08	2.07	-.01

Treasury Department, Division of Research and Statistics.

July 2, 1942.

$\frac{1}{2}$ Decimals in prices of certificates are cents.
Excess of price over zero yield.

Regraded Unclassified

Table II

Price and Yield Changes of United States Securities
March 19, 1942 to July 2, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	March 19, 1942	July 2, 1942	Change	March 19, 1942	July 2, 1942	Change
	(Decimals are thirty-seconds) 1/			(Percent)		
Bills						
Average rate last issue	-	-	-	.20	.36	+16
Certificates						
1 7/8 11/1/42	-	100.019	-	-	.44	-
5/8 2/1/43	-	100.010	-	-	.61	-
Taxable Notes						
3 7/8 3/15/43	100.12	100.06	-.06	.37	.48	+11
3/4 9/15/44	99.31	99.24	-.07	.75	.87	+11
3/4 12/15/45	99.21	99.11	-.10	.84	.94	+10
1 3/15/46	99.29	99.14	-.15	1.02	1.16	+14
1-1/2 12/15/46	-	100.11	-	-	1.42	-
Taxable Bonds						
2% 3/15/48-50	101.28	101.12	-.16	1.67	1.75	+08
2 6/15/49-51	101.04	100.21	-.15	1.83	1.90	+07
2 9/15/49-51	-	100.18	-	-	1.92	-
2 12/15/51-55	100.12	100.10	-.02	1.96	1.96	.00
2-1/2 3/15/52-54	103.23	103.28	+.05	2.09	2.06	-.03
2-1/4 6/15/52-55	101.06	101.02	-.04	2.12	2.13	+.01
2-1/2 3/15/56-58	103.05	102.30	-.07	2.24	2.25	+.01
2-1/2 6/15/62-67	-	-	-	-	-	-
2-1/2 9/15/67-72	100.27	101.02	+.07	2.46	2.44	-.02
Wholly Tax-exempt Notes						
2% 9/15/42	101.04	100.16	-.20	5/32*	3/32*	-2/32*
1-3/4 12/15/42	101.11	100.24	-.19	2/32*	.09	-3/32*
1-1/8 6/15/43	101.04	100.25	-.11	.22	.30	+.08
1 9/15/43	101.03	100.25	-.10	.26	.34	+.08
1-1/8 12/15/43	101.16	101.02	-.14	.26	.39	+.13
1 3/15/44	101.10	100.30	-.12	.34	.45	+.11
3/4 6/15/44	100.27	100.16	-.11	.37	.49	+.12
1 9/15/44	101.16	101.03	-.13	.39	.50	+.11
3/4 3/15/45	101.00	100.17	-.15	.41	.55	+.14
Partially Tax-exempt Bonds						
3-3/8 6/15/43-47	103.21	102.20	-1.01	.41	.60	+19
3-1/4 10/15/43-45	104.06	103.08	-.30	.57	.70	+13
3-1/4 4/15/44-46	105.06	104.08	-.30	.72	.84	+12
4 12/15/44-54	108.11	107.12	-.31	.91	.95	+.04
2-3/4 9/15/45-47	106.06	105.14	-.24	.94	1.02	+.08
2-1/2 12/15/45	105.28	105.02	-.26	.90	1.00	+.10
3-3/4 3/15/46-56	110.08	109.08	-1.00	1.11	1.19	+.08
3 6/15/46-48	107.28	107.03	-.25	1.09	1.16	+.07
3-1/8 6/15/46-49	108.08	107.15	-.25	1.13	1.18	+.05
4-1/4 10/15/47-52	115.20	115.05	-.15	1.33	1.27	-.06
2 12/15/47	104.23	104.13	-.10	1.15	1.16	+.01
2-3/4 3/15/48-51	107.28	107.18	-.10	1.38	1.37	-.01
2-1/2 9/15/48	107.07	106.28	-.11	1.33	1.34	+.01
2 12/15/48-50	104.21	104.12	-.09	1.28	1.29	+.01
3-1/8 12/15/49-52	110.22	110.22	.00	1.65	1.60	-.05
2-1/2 12/15/49-53	106.16	106.15	-.01	1.60	1.58	-.02
2-1/2 9/15/50-52	106.20	106.26	+.06	1.66	1.61	-.05
2-3/4 6/15/51-54	108.18	108.20	+.02	1.74	1.71	-.03
3 9/15/51-55	110.20	110.19	-.01	1.78	1.75	-.03
2-1/4 12/15/51-53	104.29	105.05	+.08	1.70	1.66	-.04
2 6/15/53-55	103.10	103.17	+.07	1.68	1.65	-.03
2-1/4 6/15/54-56	104.28	105.11	+.15	1.80	1.75	-.05
2-7/8 3/15/55-60	110.00	110.10	+.10	2.00	1.95	-.05
2-3/4 9/15/56-59	109.10	109.18	+.08	2.01	1.97	-.04
2-3/4 6/15/58-63	109.12	109.26	+.14	2.07	2.03	-.04
2-3/4 12/15/60-65	110.00	110.10	+.10	2.10	2.07	-.03

Treasury Department, Division of Research and Statistics.

July 2, 1942.

1/ Decimals in prices of certificates are cents.
Excess of price over zero yield.

Regraded Unclassified

STANDARD TIME INDICATED

RECEIVED AT
6 NEW MARKET STREET
POUGHKEEPSIE, N. Y.
TELEPHONE
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N82 LONGMA132N 139 DL=MA NEWYORK NY 3 402P

JUL 3 PM 4 (3)

HON HENRY MORGENTHAU SECRETARY OF THE TREASURY

=CARE OF MR C A KIRK HOLD FOR MR KIRKS ARRIVAL NELSON HOUSE
POUGHKEEPSIE NEWYORK=

YOU HAVE CONFERRED A GREAT HONOR ON OUR POUGHKEEPSIE COMMUNITY
BY TAKING TIME OFF FROM YOUR BUSY LIFE TO ATTENT THE CEREMONY
IN CONNECTION WITH THE UNITEDSTATES BOND AND SSAVINGS STAMP
CAMPAIGN I CONGRATULATE YOU AND ALL MEMBERS OF YOUR STAFF ON THE
EFFICIENT AND SUCCESSFUL FINANCING OF OUR GOVERNMENT DURING THESE
CRITICAL TIMES WE ARE PROUD TO BE AMONG THE GROUP WHO ARE BEIN

STANDARD TIME INDICATED

RECEIVED AT

6 NEW MARKET STREET
POUGHKEEPSIE, N. Y.
TELEPHONE
"POSTAL TELEGRAPH"

TELEPHONE YOUR TELEGRAMS
TO POSTAL TELEGRAPH

Postal Telegraph

Message Service
Commercial Code



All America Cable
Canadian Pacific Telegrams

THIS IS A FULL RATE TELEGRAM, CABLEGRAM OR RADIOGRAM UNLESS OTHERWISE INDICATED BY SYMBOL IN THE MESSAGE OR IN THE ADDRESS OF THE MESSAGE. SYMBOLS DESIGNATING SERVICE SELECTED ARE OUTLINED IN THE COMPANY'S TARIFFS ON HAND AT EACH OFFICE AND ON FILE WITH REGULATORY AUTHORITIES.

HONORED BY YOU TODAY THESE CERTIFICATES SYMBOLIZE THE UNITED DETERMINATION OF THESE PEOPLE TO ASSUME THIER INDIVIDUAL RESPONSIBILITY BY MAKING THE SOUNDEST INVESTMENT IN THE WORLD GIVING CONCRETE EVIDENCE OF THEIR SUPPORT TO OUR COMMANDER IN CHIEF PRESIDENT ROOSEVELT AND YOU AS THE HEAD OF THE FINANCIAL DEPARTMENT OF OUR GOVERNMENT IN CARRYING OUT OUR COUNTRY'S WAR PROGRAM DEEPLY REGRET DUE TO SLIGHT ILLNESS AM UNABLE TO BE PRESENT AT THE CEREMONY TODAY:

-THOMAS J WATSON

July 3, 1942

Dear Frank:

This is just a word of thanks for all the fine help that you and the Navy Department gave us to make a success of our war heroes' tour.

The tour is ending in St. Louis on Saturday, and tremendous enthusiasm has been reported from every city the men have visited. Your own Navy men, Ensign Mason and Ensign Pinter, were grand representatives of the service, and made a hit wherever they went.

I know how much we owe to your personal intervention in getting these men for our tour, and I am grateful to you.

The attached layout will give you some idea of the excitement created by these young veterans. My own feeling is that it did the people a great deal of good to see and hear some of the men who have really distinguished themselves in actual combat with the enemy.

Sincerely,

(Signed) Henry

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

Copies to Thompson

By Messenger: *Bundy 4:15 7/2*

FK/cgk

nm

July 3, 1942

Dear Mr. Ambassador:

This is just to tell you again how much I appreciate the help which you and the Embassy have given us in arranging the tour of the American and British war heroes.

The tour comes to an end in St. Louis tomorrow night with tremendous success reported from every one of the 21 cities the men have visited. It has not only given a lift to the war spirit in this country but, in my opinion, has done a great deal to remind the American people of the courage and the devotion of British fighting men.

When Squadron Leader Nettleton and his friends get back home, I think they will be able to give a first-hand picture of the warmth of American feeling toward the British people and also of the determination of the American people to win this war.

Sincerely,

(Signed) H. Morgenthau, Jr.

His Excellency,
The Right Honorable
the Viscount Halifax,
British Ambassador,
London, England.

Envelope addressed:

c/o British Embassy,
Washington, D. C.

marked "Please Forward"

FK/cgk

by messenger

Schuy
4:15 7/3/42

Copies to Mr. Thompson

nmc

July 3, 1942

Dear Air Marshal Evill:

Now that the Nettleton group is ending its tour on behalf of War Bonds, I am writing to thank you once more for all that you did to make their visit possible.

The tour ends in St. Louis tomorrow night, with tremendous success reported from every one of the cities visited. It has come up to every one of my hopes, and the men themselves will be able to tell you of the enthusiasm which they encountered in all parts of this country. I feel that the tour has done a great amount of good for this country and for yours.

I should like to send a special word of praise, through you, to the officer who chose the members of the British contingent on this tour. You sent us a genuine cross section of your armed forces and of the British people, and I believe that it was especially imaginative to have included a former coal miner from Wales, a former fish merchant from Hull and a boy from the Glasgow tenements among your group. The effect of this was to convince many thousands of Americans that this is truly a people's war in which all groups are contributing and winning their share of glory.

I look forward to seeing you when you return to Washington.

Sincerely,

(Signed) E. Sargentan, Jr.

Air Marshal D. C. S. Evill,
c/o British Embassy,
Washington, D. C.

envelope marked "Please Forward"

FK/cgk

Copies to Mr. Thompson

By Messenger

Schuy
7/3/42 4:15 nmc

July 3, 1942

Dear Wing Commander Loudon:

Now that your strenuous tour is ending, I should like you to know of my deep appreciation, and that of the United States Government, for the great service that you have rendered our War Bond effort.

From what I have seen in the newspapers and the newsreels I suspect that this has been a hard and tiring assignment for all of you. I can assure you, however, that it has done a great deal of good for this country and for yours, and that it has more than justified all the effort which you gave to it.

I have felt for a long time that the American people wanted and needed to see and hear some of the men who have distinguished themselves in actual combat in this war. The effect of this tour has been better than that of a hundred inspirational speeches. I believe that you helped to strengthen the war spirit here and also to remind the American people of the courage of the British fighting man.

Thank you again, and good luck to you on your future assignments.

Sincerely,

(Signed) H. Morgenthau, Jr.

Wing Commander A. M. Loudon, D.F.C.,
Statler Hotel,
St. Louis, Missouri.

FK/cgk

Copies to Mr. Thompson

AIR MAIL
SPECIAL DELIVERY
By Messenger *Harmon 3:55*
airport *7/2 nm*

July 3, 1942

Dear Pilot Officer Taylor:

I am writing just to tell you of my own deep appreciation, and that of the United States Government, for the great service that you have rendered the war effort in this country by going on the long tour in behalf of the War Bond campaign.

I know how hard the assignment must have been, and how tiring, but I can assure you that it has done a great deal to deepen America's understanding of the war. More than that, you and your fellow travellers from England have helped to remind our people of the contribution made by British courage and British endurance in the past two and one-half years.

The enthusiasm along the route must have convinced you that the tour was worth while, not only for this country but for yours. I am more than grateful to you all, and I wish you the best of luck in whatever flying assignments may lie ahead.

Sincerely,

(Signed) E. Borahathu, Jr.

Pilot Officer A. F. Taylor, D.F.C.,
Statler Hotel,
St. Louis, Missouri.

ric to Mr. Thompson

FK/cgk

AIR MAIL
SPECIAL DELIVERY

By Messenger

Harmon 3:55 7/2
Airport nmk

July 3, 1942

Dear Lieutenant Vandevanter:

This is just to tell you of my deep appreciation of all that you and your comrades have done for the country on the long and strenuous tour which is now ending.

The weeks since you were in Washington have only increased my admiration of the job that you have done, not only in helping to spur the sale of War Bonds but in strengthening the spirit of the American people. I know that it was hard at times to go through such a tiring schedule, but I want you to know that all your effort was well spent and that from our point of view the tour has been a tremendous success.

I am very glad that the Army chose you as one of its representatives, and from all that I hear you were a credit to your uniform and your country. Thank you again, and good luck wherever you may be assigned.

Sincerely,

(Signed) H. Morgenthau, Jr.

Lieutenant Elliott Vandevanter, Jr.,
Statler Hotel,
St. Louis, Missouri.

FK/egk

Copies to Mr. Thompson

AIR MAIL
SPECIAL DELIVERY

By Messenger

Harmon 9:55 7/2
Airport - nme

July 3, 1942

Dear Ensign Pinter:

This is just to thank you for all that you did to make a success of the long tour you have just made for the Treasury Department.

I know that it was a hard assignment, but it was an important one, and I am sure that it has not only stimulated the sale of War Bonds but has strengthened the spirit of America generally.

With all good wishes for your future career in the Navy,

Sincerely,

(Signed) W. Worrethau. Jr.

Ensign Francis E. Pinter, U. S. N.,
Statler Hotel,
St. Louis, Missouri.

FK/egk

AIR MAIL
SPECIAL DELIVERY

By Messenger:

*Harmon 3:55 7/2
Aspat nmc**Copies* to Mr. Thompson

July 3, 1942

Dear Lieutenant McColpin:

This is just to tell you of my deep appreciation, and that of the United States Government, for the part you have played in making a success of the long tour on behalf of our War Bond effort.

We in Washington were especially glad that the British assigned you to this tour as one of the Americans in the Eagle Squadron. Your presence helped to remind our people of the many fine men from this country who volunteered for active service long before we entered the war. I feel that you made a real contribution on this hard and tiring journey, and I am grateful to you.

My best wishes to you, and good luck.

Sincerely,

(Signed) H. Worgenthaler, Jr.

Flight Lieutenant Carroll W. McColpin, D.F.C.,
Statler Hotel,
St. Louis, Missouri.

FK/cgk

AIR MAIL
SPECIAL DELIVERY

Copies to Mr. Thompson

By Messenger

Harmon 3:55 7/2
airport nmc

July 3, 1942

Dear Lieutenant Hall:

This is just to tell you of my deep appreciation, and that of the United States Government, for the outstanding service which you have given to our war effort by taking part in our War Bond tour.

As you know, the name "Commando" has a particular appeal among the American people. I am especially glad that you were assigned to take part in this tour, because it helped to remind us of the courage and spirit of Commando men.

Although it must have been a strenuous experience for all of you, I can assure you that this trip has been abundantly worth while for our country and for yours. I do hope that you will come back to us in more normal times, because you made so many friends who will be happy to see you again.

Thank you once more, and the best of luck to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Lieutenant J. Michael Hall,
Statler Hotel,
St. Louis, Missouri.

FK/cgk

AIR MAIL
SPECIAL DELIVERY

Copies to Mr. Thompson

By Messenger, *Harmon 7/2*
3:55 to airport *nm*

July 3, 1942

Dear Mr. Howard:

At the end of this long and strenuous tour I should like to extend to you the thanks of the United States Government for your share in making it such a success.

The traditions of the Royal Navy were in good hands when you were assigned to come to this country. I can assure you that you made a real contribution to our war effort by taking part in this tour, and that you have made thousands of friends who would like to see you in this country again.

We were delighted to have you here with us, and our good wishes will follow you in the future wherever your ship may be.

Sincerely,

(Signed) E. Worgenthau, Jr.

Chief Engine Room Artificer Harry Howard,
Statler Hotel,
St. Louis, Missouri.

FK/egk

Copies to Mr. Thompson

By Messenger

AIR MAIL
SPECIAL DELIVERY
*Harmon 7/2
3:55 to airport nmc*

July 3, 1942

Dear Squadron Leader Nettleton:

Now that your tour of strenuous duty in the United States is ending, I should like you to know how much I appreciate the contribution which you and your comrades have made to our war effort.

You were the leader of the men who came from England on this assignment, and, as such, you had additional responsibilities. You have every reason to be proud of the way you performed your task. You and those who came with you have been a credit to your country.

You have done an outstandingly good job of arousing public enthusiasm and determination to win the war. On behalf of the United States Government, I should like to express my thanks and my hope that you will come back to visit us in happier days when the war is over.

Sincerely,

(Signed) H. Morganthau, Jr.

Squadron Leader John S. Nettleton, V. C.,
Statler Hotel,
St. Louis, Missouri.

FK/egk

AIR MAIL
SPECIAL DELIVERY

Copies to Mr. Thompson

By Messenger

Harrison 7/2
3:55 to airport rmc

July 3, 1942

Dear Lieutenant Welch:

This is just to tell you of my deep appreciation of all the help you have been giving to the Treasury Department by going on the long tour that is now ending.

It was a real stroke of luck for us when the Army reassigned you to our tour after your first appearance in New York. You helped a great deal to make the tour a success in every city you visited, and the enthusiasm along the route must have convinced you that the job was worth while.

My own feeling is that you and your comrades have helped to deepen America's understanding of the war. Thank you again, and the best of luck to you wherever you may be assigned.

Sincerely,

(Signed) H. Worgenthal, 397

Lieutenant George S. Welch,
Statler Hotel,
St. Louis, Missouri.

FK/lk

AIR MAIL
SPECIAL DELIVERY

Copies to Mr. Thompson

By Messenger *Harmon* 3:55 to
Airport 7/2 *nmc*

July 3, 1942

Dear Sergeant Riddell:

This is just to tell you of my deep appreciation, and that of the United States Government, for the outstanding service that you have given in taking part in our War Bond tour.

From every city we have had glowing reports about you, and your little speeches at the rallies made a hit wherever you went. I know that this trip was a strenuous one, but I also know that it did a great deal of good, not only for this country but for yours.

I only hope that some day it may be possible for you to come back here as a visitor. You and your comrades have made thousands of friends in this country who will be happy to welcome you when the war is won.

Thanks again, and good luck.

Sincerely,

(Signed) H. Morgenthau, Jr.

Flight Sergeant Maxwell Riddell, D.F.M.,
Statler Hotel,
St. Louis, Missouri.

FK/cgk

AIR MAIL
SPECIAL DELIVERY

Copies to Mr. Thompson

By Messenger *Harmon* *nm*
to Airport 7/2 3:55

July 3, 1942

Dear Sergeant Herbert:

Now that your long tour of duty in the United States is ending, I should like you to know of the deep appreciation of the Treasury Department and the Government generally for the fine work you have been doing.

I am especially glad that the Commandos were represented on this tour, and that you were chosen as one of their spokesmen. As you know, the name of Commando has a great appeal to the American public, and the enthusiasm of the crowds must have convinced you that you were among friends and admirers.

In coming before our people as you did, you helped to bring the realities of the war to them, and you rendered a genuine service to this country and to yours. Our best wishes will follow you back across the ocean to whatever duty you may be assigned.

Sincerely,

(Signed) H. Morgenthau, Jr.

Sergeant R. George Herbert,
Statler Hotel,
St. Louis, Missouri.

FK/cgk

AIR MAIL
SPECIAL DELIVERY

City Messenger

Harmon 7/2
3:55 to airport
nmc

Copies to Mr. Thompson

July 3, 1942

Dear Sergeant Huntley:

I am writing to express the appreciation of the Treasury Department and of the United States Government for the fine work which you have done for us on the long tour that is ending.

I only wish that I could have been with you at some of the great meetings where you appeared. The enthusiasm of the crowds in every city must have been sufficient proof to you that your visit to the United States was worth while, not only for this country but for yours.

Perhaps, when the war is won, you will come back among us as a visitor, and you will have a chance to see this country under more normal circumstances. In the meantime I want you to know that you have my best wishes and those of many thousands of American citizens wherever you may be flying.

Sincerely,

(Signed) H. Morgenthau, Jr.

Sergeant Donald N. Huntley, D.F.M.,
Statler Hotel,
St. Louis, Missouri.

FK/cgk

AIR MAIL
SPECIAL DELIVERY

Copies to Mr. Thompson

153 Messenger *Harrison*
7/2 3:55 airport
me

July 3, 1942

Dear Lieutenant Boyd:

This is just to tell you of my own deep appreciation, and that of the United States Government, for the work that you have been doing for us on the long and strenuous tour that is now ending.

You not only submitted to a crowded schedule with the best of good nature at all times, but I understand that you also made yourself an effective salesman for United States War Savings Bonds. The results in a number of cities were so notable that I honestly wish we could use you in the future, although I know you have still more important work to do on the other side.

I just want you to know that it has been a real privilege for us to have had you touring the country on our behalf, and that all of us at the Treasury will be sending you our best wishes when you go back to fight the Germans. Thanks again, and good luck.

Sincerely,

(Signed) H. Morgenthau, Sr.

Lieutenant Thomas W. Boyd,
Statler Hotel,
St. Louis, Missouri.

FK/cgk

Copies to Mr. Thompson.

AIR MAIL
SPECIAL DELIVERY

*By Memorandum Thompson 3:55
to airport on 7/2 2000*

July 1, 1942

Dear Bob:

I am writing to tell you of my deep appreciation, and that of the Treasury Department, for the wonderful help which you and the Army Air Corps have given us in arranging our tour of 15 American and British war heroes on behalf of the War Bond campaign.

The tour is ending in St. Louis on Saturday with tremendous success reported from every city the men have visited. I feel that it has been one of the most successful ventures of the kind we have made, not only in spurring the sale of Bonds but in strengthening the war spirit in this country.

The arrangements you so kindly made for us could not have been better. Without the plane and its crew, and the servicing that was done by the Army, the tour would not have been possible at all. In addition, I feel that Captain Haddock and Colonel Cooper contributed a great deal to the smooth handling of a long and strenuous schedule.

The attached layout will give you some idea of the excitement caused in every city by the arrival of this group of young veterans. People everywhere seem genuinely glad to see and hear some of the outstanding men who have been fighting for them.

Thank you again for all that you and the Air Corps have done.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. Robert A. Lovett,
Assistant Secretary of War for Air,
Washington, D. C.

FK/cgk

to Mr. Thompson.

By Messenger *Bursey* 4:15

7/2

nmc

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY FOR AIR
WASHINGTON, D. C.

July 3, 1942

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

My dear Mr. Secretary:

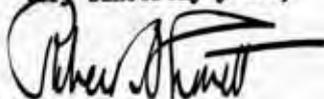
Thank you very much for your kind letter of July 1 and your generous comments about the part played by the Army Air Forces in the tour of the American and British officers in connection with the War Bond campaign.

We feel that we all owe a very real debt to you for the important part that you played in getting the foundation for our aircraft production started and the Army Air Forces have been happy to be of such small help as they could in the War Bond program which you have undertaken for all of us.

The Officers concerned specifically with the arrangements will be notified of your letter and will, I am sure, very much appreciate your thoughtfulness. From reports which we have received at various stages of the tour it seems to have been an outstanding success.

With kind regards and my thanks for your courtesy,
I am

Very sincerely yours,



ROBERT A. LOVETT
Assistant Secretary of War for Air

113

This book is with the Secretary
press clipping books.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

As the sponsor of the war heroes' tour you may wish to have one of these scrap books which will be given to each of the group when the tour ends in St. Louis tomorrow night. Additional clippings and photographs from the last ten of the 21 cities on the route will be sent to the men later for insertion in this loose-leaf cover.

J.K.



BUREAU OF ACCOUNTS
OFFICE OF THE COMMISSIONER

TREASURY DEPARTMENT
FISCAL SERVICE
WASHINGTON

July 3, 1942.

My dear Mr. Secretary:

Please accept my thanks for your thoughtful letter of June 29th, regarding the campaign to enroll employees of the Treasury Department in the Voluntary Pay-roll Savings Plan for the purchase of War Savings Bonds.

I would like to call your attention to the most able assistance given to me by the representatives of the various bureaus and offices of the Treasury Department, and by the members of the staff set up to assist with this campaign. There is attached hereto a memorandum giving the names of bureau and office representatives and the members of the staff. I also wish to give special recognition to the invaluable services of my secretarial staff.

Faithfully,

E. F. Bartelt,
Commissioner of Accounts.

Attachment

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

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

Organization set up to conduct the
Campaign to Enroll Employees of the Treasury
Department in the Voluntary Pay-roll Savings
Plan for the Purchase of War Savings Bonds

Members of the Staff

Mr. C. A. Mead	-	Assistant to Chairman
Mr. Charles Schoeneman	-	Consultant to Departmental Chairman
Mr. R. H. O'Malley	-	Liaison with the War Savings Staff
Mr. R. W. Maxwell	-	Accounting and Forms
Mr. J. Gunther	-	Information and reports
Mr. E. M. Sanford	-	Training and speakers
Mr. J. A. Jordan	-	Training and speakers
Mr. Wm. L. Lynch	-	Duplicating and printing
Mr. C. O. Bryant	-	Assisted in formulating accounting procedure
Mr. J. W. Buddeke	-	Drafting and Chart Work

Assistant Chairmen

Mr. L. C. LaChance)	
Mr. E. M. Sanford)	Coordinated activities
Mr. H. L. Simcoe)	between Departmental
Mr. W. L. Funk)	Chairman and Treasury
Mr. H. F. Ziegenfus)	bureaus and offices
Mr. J. A. Jordan)	

Representatives of Bureaus and Offices

Mr. C. F. Macklin	-	Procurement Division
Mr. Harry Cooper	-	Secret Service Division
Mr. H. F. Ziegenfus	-	Bureau of the Public Debt
Mr. Clark R. Long)	Bureau of Engraving and
Mr. E. G. Shreve)	Printing
Mr. Frank Birgfeld	-	Chief Clerk of the Treasury
Mr. E. M. Sanford	-	Office of Comptroller of the
		Currency
Mr. John D. Larson	-	Office of the Secretary
Mr. J. A. Jordan	-	Division of Personnel
Mr. Russell Reagh	-	Division of Research and
		Statistics
Mr. Martin Atlas	-	Division of Tax Research
Mr. Norman Cann	-	Bureau of Internal Revenue
Mr. A. S. Johnson	-	Bureau of Customs
Mr. Kenneth Faylor	-	Bureau of the Mint
Mr. R. W. Maxwell	-	Bureau of Accounts
Mr. G. C. Emerson	-	Office of the Treasurer, U.S.
Mr. Walter Windsor	-	Foreign Funds Control
Mr. E. J. Heid	-	Bureau of Narcotics
Mrs. Margaret C. Ready	-	War Savings Staff
Miss Alice L. Ferrari)	Office of Superintendent of
Mr. L. J. Bernard)	Treasury Buildings
Mr. A. Rupert	-	Office of General Counsel
Miss Thelma Kistler	-	Division of Monetary Research
Miss Annabel Matthews	-	Processing Tax Board of Review

Secretarial Staff

Miss Hazel White	Mrs. Georgia W. McKenna
Mrs. Mary Louise Moore	Mrs. Jean Wells
	Mrs. Mary Groves

July 3, 1942

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

PRESSMagazines

The Harry Scherman article, "Invisible Greenbacks", urging the purchase of War Savings securities as an anti-inflation measure, is featured in this week's SATURDAY EVENING POST. (Attachment No. 1) A resume of the article, accompanied by a letter from William Allen White, has been sent to all newspaper editors in the United States. (Attachment No. 1A)

MADAMOISELLE magazine has adopted a policy of using a War Bond mention at the end of each major story. This month the publication carries eight War Bond mentions.

Attachments No. 2 and No. 3 cover further magazine features of the week.

*PWS
7/2/42*

PRESS (Continued)Labor Press

The eight monthly journals of the Railway Brotherhoods, reaching over 1,000,000 organized workers, ran War Bond feature and picture layout in their June issues. (Attachment No. 4)

An editorial, "The Price of Independence", was sent out by International Labor News Service. The editorial copy is a slightly revised version of a piece prepared by the War Savings Staff. (Attachment No. 5)

Religious Press

THE WATCHMAN-EXAMINER of New York, a Baptist publication, ran a display ad which featured the Holy Bible in promoting Bonds. The drawing has been offered for further War Bond publicity use. (Attachment No. 6)

General

County Quotas for July, indicated on state maps, were released in plate and mat form to more than eleven-thousand newspapers. (Attachment No. 7)

Jumbo telegrams from Secretary of the Navy Knox are being widely featured in the display windows of Postal Telegraph offices. Attached is a sample of this poster display. (Attachment No. 8)

FARM SECTIONPress and Radio

The current Farm Bond Contest, actively supported by 3,000 implement dealers from coast to coast, has brought favorable comment from many State Administrators. This one from William H. Bartley, Administrator for Montana:

"The most enjoyable phase of our work is the day to day discovery of the unexpected and invaluable assistance which we uncover. From many sources we have been advised of the immense help your nation-wide Allis-Chalmers campaign has been to our program. Thanks to Allis-Chalmers and to you for this fine contribution to help insure victory for democracy."

Data on this special activity has been given wide distribution. (Attachment No. 9)

The Farm Section is promised the aid of 500 Army Public Relations Officers through the cooperation of Captain Russel, Washington Public Relations Officer. These men are stationed at every air field in the United States and are instructed to obtain pictures and stories from all farm boys now being trained to fly. Testimonial letters on the vital

FARM SECTIONPress and Radio (Continued)

importance of the "home folks" furnishing money for equipment through the purchase of Bonds will be included. These pictures, letters, and stories will be sent out as exclusives to papers in each boy's home State.

RADIO

Seven-hundred and ninety-six radio stations (out of the nation's 868) now broadcast the "Treasury Star Parade" series of programs three times weekly.

Plans now under way in Ohio to collect old "Treasury Star Parade" programs and circulate them in those war industries which have suitable amplifying systems. Field Division intends to do this in all States where feasible.

Telegram of seven short announcements was sent out to 868 stations, emphasizing fact that post offices will be open to sell War Bonds and Stamps on July 4.

Special set of "Meet the Quota" announcements, to all stations for use in speeding up the July drive. (Attachment No. 10)

Governor Herbert Lehman of New York made six-and-one-half-minute speech on opening of Retailers' Bond and Stamp Drive, on

RADIO (Continued)

"Kate Smith Speaks" program over Columbia Broadcasting System network from 12:00 to 12:15 PM, July 1.

Commissioner Guy Mason of the District of Columbia spoke on opening of Retailers' Drive in Washington, D. C. from 12:00 to 12:15 PM, July 1, over local network of WJSV, WINX, and WWDC.

Horace Heidt and Orchestra, featured "Save The American Way", War Bond marching song, over NBC coast-to-coast network from 8:30 to 9:00 PM on June 30. (Attachment No. 11)

Pepsi-Cola Jingle Contest now totals 59,385 entries, as of June 26. Entries still moving in strongly from all 48 States, District of Columbia, Alaska and Canada.

WBEM, Chicago, sends in typical schedule of cooperation with War Savings Program. On one day, 15 War Bond messages, by Minute Men, Minute Women, Junior Minute Men; regular live announcements and "Treasury Star Parade". (Attachment No. 12)

WJIM, Lansing, Michigan, announces a new step to aid the War Savings Program. Owner of the station -- beginning July 5 -- each payday will double the amount that each staff member was putting into War Bonds on June 15. These bonuses will be continued at least until January, 1943.

BUSINESS PUBLICATIONS

Material was sent this week to a complete list of approximately 700 business publications. Copies of this material, including photograph, are attached. (Attachment No.13)

THE FARM JOURNAL and FARMER'S WIFE, a magazine which has a circulation of 2,600,000 readers, advise that they will use the latest farm advertisement, "The Minute Man Was a Farmer, Too", in full page size on the outside back cover, in four colors. The ad will appear in their August issue.

NEWSPAPER CARRIER SALES (See attachment No. 14)

FIELD DIVISIONAgriculture

A plan for converting Food Stamps into War Bonds has been worked out and is beginning to show results in Greater New York City. A goal of \$500,000 a month invested in Bonds through this plan has been set for the 27,000 food merchants receiving Food Stamps in the Metropolis. This would be ten per cent of the total volume of these Stamps distributed in that area.

Quota Campaign

See statistical table. (Attachment No. 15)

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FIELD DIVISION (Continued)Industry

Contractors working for either the War Department, the Navy Department, or the United States Maritime Commission, on a cost-plus-a-fixed-fee basis, may now be reimbursed for expenses incurred in acting as issuing agents and operating a Payroll Savings Plan, according to a decision of the Comptroller General.

Highlights

Two counties made their July Quotas on July 1: Okeechobee County, Florida (which made its May Quota on May 20), and Cumberland County, Kentucky. The record for speed will probably have to go to Okeechobee County because the telegram sent stated that the Quota had been reached by 9:00 A.M.

Women's Activities

New approach to farm women involves mapping out a program for Home Demonstration Clubs in conjunction with the Department of Agriculture, and in contacting the heads of the three major farm women's organizations in the country.

FIELD DIVISIONWomen's Activities (Continued)

Display booths were ordered for wide usage. (See photograph - Attachment No. 16)

A plan for a model budget is being worked out with the Y.W.C.A. for girls earning from \$18.00 to \$25.00 per week.

RETAIL STORES

The nation-wide "Whiteout for Victory" was celebrated by virtually every store, large and small, on July 1. At 12 o'clock noon, retail counters were cleared of merchandise and in many stores the only thing for sale was War Bonds and Stamps.

The day's sales of Bonds and Stamps through retail stores on July 1 far exceeded expectations. The A. Polsky Company of Akron, Ohio, wired that their entire month's Quota for July had been exceeded before noon on July 1. The Woolworth Fifth Avenue store in New York City reported over \$250,000 in Bonds and Stamps sold during the day. Bonwit Teller's in New York City ran up sales totaling \$90,000, more than five times its Quota for the entire month.

All of these stores were aiming at a self-determined Quota for the month equal to 4 per cent of their merchandise sales during July of last year.

MOTION PICTURES AND SPECIAL EVENTSVictory Houses

Feature presentations at Los Angeles, California, Victory House, for period June 15 - 20, included California Women's Orchestra, Negro Chorus, Auction of three small dogs, Pearl Harbor Group, Don Philipini and his Symphonic Band, Theodore Roosevelt High School program, with a Bond-and-Stamp sale that totaled \$2,400.

Tank For A Yank

The "Tank For A Yank" tour, with Johnnie Sheffield, Tarzan, Jr., of the movies, as feature attraction, is producing results as a promoter of Bond and Stamp sales. Attached publicity sheet tells story of appearances in San Francisco, Sacramento, and Chico, California; and Klamath Falls, Ashland, and Medford, Oregon. (Attachment No. 17)

Rallies

Rochester, New York's, "War Week" celebration accounted for more than \$100,000 in Bonds, helping the city go over its Quota. Personal appearance by Fay Wray, movie star, and Major Ben I. Funk, Army Air Force.

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MOTION PICTURES AND SPECIAL EVENTSRallies (Continued)

Allentown, Pennsylvania, and Lehigh County, paid out \$200,000 the night of June 12 at a huge War Bond rally in Center Square. Gloria Stuart, 20th Century-Fox star, and Barry Wood, Hit Parade star, appeared.

Dorothy Lamour christened a new ship at California Shipyards, in addition to awarding official United States Treasury flag in recognition of the 90 per cent War Bond subscription of the employees.

Victory Windows

The Victory Windows of the I. Magnin & Company, West Coast stores, report sales of \$241,646 to date. Attached is a "thank you" ad that lists the stars who have appeared in the windows to sell Bonds and Stamps. (Attachment No. 18)

Bondwagons

Kay Kyser is doing a series of "Bondwagon" appearances for War Savings. His itinerary is as follows: Atlanta, June 23; Cincinnati, July 3 (CBS broadcast); Dayton, Ohio, July 4; Milwaukee, July 6 (CBS broadcast); Indianapolis, July 9 - 13 (CBS broadcast); Detroit, July 17 - 20 (CBS broadcast). The Atlanta concert attracted 35,000 to the main center of the city.

SPECIAL ADDITIONWar Heroes

The War Heroes ended their most successful tour in St. Louis on July 4. There, each of the Heroes was presented with a special scrapbook prepared for them by the Treasury Department.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JUL 3 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Results of OFF field survey of public reactions to the war economy.

Here is a brief summary of the results of a field survey to determine public reactions to the war economy, conducted by the Office of Facts and Figures under the direction of Mr. R. Keith Kane. Interviews totalling 1,797 were conducted between April 27 and May 16 in five cities, and in towns and rural areas in 12 States, selected to give a representative cross section for the Nation as a whole. The following main points are brought out by the survey:

(1) The public, at that time, was well aware that prices were rising and that purchasing power was increasing, but they saw no clear relationship between the two. The rising cost of living was, in fact, the outstanding economic concern of those interviewed. Greatest concern was felt over the rise in food prices, particularly for meats, but this was most frequently attributed to profiteering. Purchasing power was not thought of in relation to the supply of consumer goods. This suggests that, lacking further education, measures to retard inflation should be presented to the public on other grounds than that of curtailing purchasing power.

(2) War bonds and stamps were being purchased mainly from patriotic motives, rather than from an understanding of their function in inflation control. The chief reason for purchasing bonds was to aid the war effort, according to 44 percent of those interviewed; 29 percent thought of their purchase mainly as a good investment; 9 percent as a means of furnishing the Government with money or supplies; 5 percent as a reserve against post-war uncertainties; and only 2 percent as a means of reducing purchasing power.

(3) Among various plans of war bond buying, 62 percent favored unplanned voluntary buying, chiefly because it permitted adjustments to individual needs and emergencies; 16 percent favored governmental enforcement; 14 percent favored the payroll deduction plan; while 8 percent favored other methods of planned voluntary buying. Of those expressing opposition to any plan, 85 percent were opposed to Government enforcement.

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(4) Government rationing of sugar and automobile tires was generally approved and price control was strongly approved. It was clearly evident, however, that approval of economic controls necessitated by the war will be contingent on their fairness: on the equality of sacrifices imposed and of benefits conferred. Granted these conditions, there was evidence of little concern with "interference" as such.

(5) Half of those interviewed (51 percent) believed that price control would work; 4 percent were convinced that it would not work; the remainder were uncertain. Approval of price control, as was to be expected, was highest in the large cities (90 percent) and lowest in farm areas (74 percent).

(6) Questioned about the distribution of the present income tax, 45 percent thought the tax fairly distributed. Of the rest, there was a tendency to feel that the tax was too heavy on the low incomes or too light on the high incomes, or both. This finding is in contrast to that of the Gallup Poll of April 19, which indicated (through a difference in the way the question was asked) that the public believed taxes should be raised in the lower brackets and lowered in the upper brackets.

(7) While 46 percent of those interviewed said they were making more money than last year, only 31 percent (29 percent in large cities and 39 percent on farms) said they were better off than last year. The difference was typically attributed to the increased cost of living. The most definite improvement in economic status was shown by those now in the middle income brackets (\$45 to \$100 a week) many of which were probably defense workers, while those in the lowest income brackets showed the least improvement. Defense workers as a group were better off in 41 percent of the cases; non-defense workers, 24 percent.

Analysis of Exposure to Payroll Savings Plans

June 27, 1942

	Number exposed to payroll savings plans	Total number in the country (estimated)	Percent of total exposed
Part A - Summary by Number of Organizations Exposed			
I. Business organizations			
(1) Firms with 5,000 employees or more.....	477	481	99
(2) Firms with 500 to 4,999 employees.....	4,956	6,067	82
(3) Firms with 100 to 499 employees.....	<u>19,718</u>	<u>27,130</u>	<u>73</u>
(4) Subtotal - large firms.....	25,151	33,678	75
(5) Firms with less than 100 employees.....	<u>82,948</u>	<u>*</u>	<u>*</u>
(6) Total business organizations.....	108,099	*	*
II. Governmental organizations.....	<u>*</u>	<u>*</u>	<u>*</u>
III. Grand total.....	<u>108,099</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed			
I. Business organizations			
(1) Firms with 5,000 employees or more.....	7,789,558	*	*
(2) Firms with 500 to 4,999 employees.....	6,689,520	*	*
(3) Firms with 100 to 499 employees.....	<u>4,638,385</u>	<u>*</u>	<u>*</u>
(4) Subtotal - large firms.....	19,117,463	*	*
(5) Firms with less than 100 employees.....	<u>2,180,176</u>	<u>*</u>	<u>*</u>
(6) Total business organizations.....	21,297,639	30,000,000 ^{1/}	71
II. Governmental organizations			
(1) Federal Government.....	397,981	2,100,000 ^{1/}	19
(2) State and local governments.....	<u>1,149,730</u>	<u>2,700,000</u>	<u>43</u>
(3) Total governmental organizations.....	<u>1,547,711</u>	<u>4,800,000</u>	<u>32</u>
III. Grand total.....	<u>22,845,350</u>	<u>34,800,000 ^{1/}</u>	<u>66</u>

July 3, 1942.

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

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

* Data not available.

Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans
(As reported by the Defense Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	June 20	June 27		Apr. 18	June 20	June 27
Alabama.....	149	221	229	285	52	78	80
Arizona.....	43	59	59	64	67	92	92
Arkansas.....	44	49	50	142	31	35	35
Northern California.....	512	624	629	629	81	99	100
Southern California.....	756	869	872	1,178	64	74	74
Colorado.....	113	122	123	124	91	98	99
Connecticut.....	277	305	318	622	45	49	51
Delaware.....	21	49	50	87	24	56	57
District of Columbia.....	52	87	94	152	34	57	62
Florida.....	147	180	181	181	81	99	100
Georgia.....	133	276	281	590	23	47	48
Idaho.....	31	31	31	39	79	79	79
Illinois.....	1,300	1,584	1,627	2,253	58	70	72
Indiana.....	415	579	589	593	70	98	99
Iowa.....	165	201	201*	272	61	74	74
Kansas.....	276	278	278	278	99	100	100
Kentucky.....	136	181	182	313	43	58	58
Louisiana.....	179	254	257	385	46	66	67
Maine.....	60	107	119	198	30	54	60
Maryland.....	177	230	235	405	44	57	58
Massachusetts.....	639	770	785	1,532	42	50	51
Michigan.....	689	847	865	1,030	67	82	84
Minnesota.....	376	417	418	418	90	99	100
Mississippi.....	59	63	63*	143	41	44	44
Missouri.....	472	586	607	664	71	88	91
Montana.....	40	45	45	45	89	100	100
Nebraska.....	103	112	112	123	84	91	91
Nevada.....	14	16	16	21	67	76	76
New Hampshire.....	89	102	109	145	61	70	75
New Jersey.....	463	704	721	870	53	81	83
New Mexico.....	33	33	33*	42	79	79	79
New York.....	2,060	2,844	2,961	4,257	48	67	70
North Carolina.....	282	388	399	499	57	78	80
North Dakota.....	14	19	19	29	48	66	66
Ohio.....	1,126	1,236	1,236*	1,740	65	71	71
Oklahoma.....	166	209	215	348	48	60	62
Oregon.....	211	266	267	271	78	98	99
Pennsylvania.....	1,682	1,937	1,951	2,035	83	95	96
Rhode Island.....	154	187	199	224	69	83	89
South Carolina.....	71	127	130	174	41	73	75
South Dakota.....	21	23	24	24	88	96	100
Tennessee.....	199	231	232	449	44	51	52
Texas.....	326	439	487	1,378	24	32	35
Utah.....	36	44	44*	111	32	40	40
Vermont.....	59	60	60	63	94	95	95
Virginia.....	281	357	358	358	78	99	100
Washington.....	234	311	317	323	72	96	98
West Virginia.....	134	156	181	272	49	57	67
Wisconsin.....	278	386	390	680	41	57	57
Wyoming.....	17	18	18	18	94	100	100
Alaska.....	2	2	2*	2	100	100	100
Railroads.....	49	49	49	52	94	94	94
Total.....	<u>15,365</u>	<u>19,270</u>	<u>19,718</u>	<u>27,130</u>	<u>57</u>	<u>71</u>	<u>73</u>

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

July 3, 1942.

* Data are for June 20, inasmuch as no June 27 report was received.

Regraded Unclassified

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

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	June 20	June 27		Apr. 18	June 20	June 27
Alabama.....	41	62	62	83	49	75	75
Arizona.....	9	10	10	13	69	77	77
Arkansas.....	16	16	16	22	73	75	73
Northern California.....	122	125	125	170	72	74	74
Southern California.....	121	130	131	139	87	94	94
Colorado.....	25	28	29	30	83	93	97
Connecticut.....	114	118	119	153	75	77	78
Delaware.....	15	18	18	22	68	82	82
District of Columbia.....	32	33	33	53	60	62	62
Florida.....	28	31	32	62	45	50	52
Georgia.....	86	106	106	111	77	95	95
Idaho.....	11	11	11	11	100	100	100
Illinois.....	391	423	427	548	71	77	78
Indiana.....	88	126	126	164	54	77	77
Iowa.....	22	29	29*	39	56	74	74
Kansas.....	23	24	24	24	96	100	100
Kentucky.....	38	45	48	72	53	63	67
Louisiana.....	29	43	43	76	38	57	57
Maine.....	48	56	57	60	80	93	95
Maryland.....	84	91	93	110	76	83	85
Massachusetts.....	237	277	278	332	71	83	84
Michigan.....	265	277	279	302	88	92	92
Minnesota.....	79	80	80	82	96	98	98
Mississippi.....	26	31	31*	38	68	82	82
Missouri.....	103	119	120	138	75	86	87
Montana.....	3	3	3	3	100	100	100
Nebraska.....	23	24	24	31	74	77	77
Nevada.....	4	4	4	5	80	80	80
New Hampshire.....	29	32	32	32	91	100	100
New Jersey.....	142	171	173	206	69	83	84
New Mexico.....	5	5	5*	5	100	100	100
New York.....	759	819	823	1,069	71	77	77
North Carolina.....	103	129	129	139	74	93	93
North Dakota.....	0	0	0	0	0	0	0
Ohio.....	412	427	427*	495	83	86	86
Oklahoma.....	31	39	39	48	65	81	81
Oregon.....	48	54	54	54	89	100	100
Pennsylvania.....	551	577	580	624	88	92	93
Rhode Island.....	61	69	71	83	73	83	86
South Carolina.....	84	94	94	103	82	91	91
South Dakota.....	5	5	5	5	100	100	100
Tennessee.....	50	56	57	108	46	52	53
Texas.....	63	78	79	137	46	57	58
Utah.....	8	10	10*	15	53	67	67
Vermont.....	12	12	12	12	100	100	100
Virginia.....	93	100	103	103	90	97	100
Washington.....	49	65	66	75	65	87	88
West Virginia.....	36	61	65	69	52	88	94
Wisconsin.....	127	138	138	154	82	90	90
Wyoming.....	1	1	1	1	100	100	100
Alaska.....	3	3	3*	3	100	100	100
Railroads.....	109	109	109	115	95	95	95
Total.....	4,864	5,394	5,433	6,548	74	82	83

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

July 3, 1942.

* Data are for June 20, inasmuch as no June 27 report was received.

Regraded Unclassified

Sales of United States Savings Bonds
July 1-2, 1942
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

CONFIDENTIAL

Date	Series E				Series F and G				Total			
	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales
	Daily	to	July 1	to Date	Daily	to	July 1	to Date	Daily	to	July 1	to Date
	Date	Date	as % of	Quota	Date	Date	as % of	Quota	Date	Date	Date	as % of
1	\$ 15.8	\$ 15.8	\$ 23.6	66.9%	\$ 12.6	\$ 12.6	\$ 19.4	64.9%	\$ 28.4	\$ 28.4	\$ 43.0	66.0%
2	14.9	30.7	47.9	64.1	9.4	22.0	36.4	60.4	24.3	52.7	84.3	62.5
3			73.0				50.6				123.6	
6			126.0				82.6				208.6	
7			139.3				94.2				233.5	
8			162.2				114.5				276.7	
9			189.8				129.5				319.3	
10			216.0				139.9				355.9	
11			236.6				147.7				384.3	
13			273.2				160.6				433.8	
14			287.6				168.0				455.6	
15			311.6				181.8				493.4	
16			335.5				193.5				529.0	
17			358.7				202.8				561.5	
18			377.4				210.5				587.9	
20			411.8				223.9				635.7	
			425.9				231.8				657.7	
22			451.1				247.0				698.1	
23			477.5				260.1				737.6	
24			503.8				270.7				774.5	
25			525.0				279.5				804.5	
27			562.7				295.1				857.8	
28			577.2				304.3				881.5	
29			601.3				322.1				923.4	
30			625.8				337.5				963.3	
31			650.0				350.0				1,000.0	

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

July 3, 1942.

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

Note: Quota takes into account both the daily trend during the week and the monthly trend during the month.

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

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

(At issue price in thousands of dollars)

Date	July daily sales	Cumulative sales by business days			July as percent of June
		July	June	May	
July 1942					
1	\$ 12,597	\$ 12,597	\$ 9,705	\$ 7,302	129.8%
2	9,389	21,986	17,601	15,168	124.9

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

July 3, 1942.

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

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

UNITED STATES SAVINGS BONDS - SERIES E

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

(At issue price in thousands of dollars)

Date	July daily sales	Cumulative sales by business days				July as percent of June
		July	June	May	July as percent of June	
July 1942						
1	\$ 15,821	\$ 15,821	\$ 19,834	\$ 12,679		79.8%
2	14,880	30,701	27,841	24,263		110.3

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

July 3, 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 July sales to date with sales during the same number of business days in June and May 1942

(At issue price in thousands of dollars)

Date	July daily sales	Cumulative sales by business days				July as percent of June
		July	June	May		
July 1942						
1	\$ 28,418	\$ 28,418	\$ 29,539	\$ 19,981		96.2%
2	24,269	52,687	45,442	39,430		115.9

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

July 3, 1942.

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

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

MEMORANDUM FOR THE SECRETARY.

July 3, 1942.

Mail Report

A rising tide of general dissatisfaction and specific complaint has surged through the fan mail this week. Probably it may be taken as a barometer of feeling in general during a period of discouraging news from abroad, and apparent inaction at home. As a commentary on Treasury matters, however, it has particular bearing on two outstanding subjects -- taxes and bonds -- with emphasis on the latter.

We have never had a week when complaints so far outnumbered praise or comments of approval on the Bonds. For the first time, any one reading the mail as a whole would conclude that sales may actually be threatened by the delays incident to delivering and cashing Bonds, difficulties over transferring titles, regulations in regard to beneficiaries, and trouble in collecting interest long overdue. Specimen quotations indicating the different types of complaint have been included in the following pages, but it is the increasing volume of such letters that is really significant.

As for taxes, the \$5 car use stamp has naturally come in for a good deal of criticism. A number of letters urged the stamp be required for the issuance of a gas rationing card. Inheritance taxes have called forth protests on difficulties in the transfer of tax anticipation notes, on forced sales, and the inability of heirs to pay at once the levies placed upon them by State and Federal authorities. The Sales Tax was less frequently mentioned, with 3 out of 4 opposing it.

The great general "gripe" is on the subject of Government economy, with or without mention of its effect on Bond sales. Repeated pleas for economy have been received, many

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Memorandum for the Secretary.

July 3, 1942.

with specific instances of extravagance, local or national; others containing threats not to buy Bonds unless conditions are remedied.

There have been a number of protests on insufficient silver for commercial use.

Suggestions for additional revenue include increased postage rates; the sale of advertising space on postage stamp books, as adopted in England; the sale of small denomination stamps, like the Christmas seals; taxes on gasoline, movies, punch boards, checks, etc.

White House mail during June went down to a total of 775 received, of which 447 were answered in the Correspondence Division. The similar month in 1941 brought in 600 letters.

Hubert E. Fawcett

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General Comments

Senator Theodore Francis Green sends copy of letter he has received from Roger T. Clapp, Attorney at Law, Providence, Rhode Island, commenting as follows: " * * * As you know, when the English bombings first became serious, many people accepted refugees from English refugee organizations here. * * * However, with the prolongation of the war, and the increases in taxes and living expenses, the financial burden on American families acting as hosts has become increasingly serious. Against this, there are a number of cases of adult refugees in this country and of parents in England who have substantial means in England, and who are willing but unable to transfer or procure the transfer of any funds from England by reason of existing English restrictions. I understand also that British restrictions against return to England, both of adults (particularly those who could not work), and children, make it difficult, if not impossible, for many refugees to return, even though they wished to. * * * I understand that already in certain cases, Englishmen in military service are permitted to export allotments from their pay to help support their children while refugees here. People involved, with whom I have talked, appreciate that they assumed - with their eyes open - responsibilities relative to refugees accepted by them, and for this reason and also in that embarrassing social problems might result, particularly in situations already somewhat delicate, they personally do not wish to complain. * * * It does strike me, however, that if British restrictions on export funds could be relaxed within reason for the above purpose, it would materially ease many difficult financial and social problems here, and might have a definite bearing on post-war Anglo-American relations."

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E. N. Moore, Cashier, The Peoples Bank, Fort Recovery, Ohio. We have noted all along with interest how efficiently you have and are financing the war effort. You should be complimented upon the very efficient service you are rendering to our Government in these stressed times. We as a small institution are doing our bit, too, as well as the many hundreds of banks throughout the United States, in selling War Bonds to the rural and other folk. * * *

Mrs. Ramona Toro, Santa Clara, Calif. In this little town of Santa Clara, a group of Spanish women have organized a club since January 15, 1942, called the Spanish-American Society for National Defense. Each member pays a small fee monthly. This money is divided into two parts, half we give to the American Red Cross, Santa Clara Branch; and with the other half we buy Bonds. When the war is over, we will cash these Bonds and give half to the American Red Cross and the other half we will send to the Warm Springs Foundation. We, the Spanish people of Santa Clara, have pledged this duty for the duration of the war. Through a raffle, we have raised \$135.00, which is being sent to you for war relief or wherever it is needed most.

Evangelist Maurice Davis, Owensboro, Ky. As a token of my appreciation for freedom of religion and freedom of the air, I am sending you herewith the first of my weekly donations to the Government of the greatest nation on earth in the hope that it may help to bring about the day when these freedoms may again be enjoyed by the people of the entire world. * * * (Encloses check for \$25.00)

Thomas S. McCrae, (F. A. Hermann Company), Melrose Highlands, Mass. As jewelry manufacturers, we are somewhat embarrassed by conditions which are beyond our control. We need considerably more silver than we are able to secure, and the uncertainty of our source is a constant embarrassment. * * * Identification bracelets for Army, Navy, and Air Forces are sold by us, and these are required in good quantities by our customers, also Army Canteens. Is there anything that you can do to expedite delivery to us of silver to cover our requirements? Can we import it from Canada or Cuba, if you have not enough to cover our needs? We understand there is a large stock accumulated at West Point. If this be so, why shouldn't legitimate manufacturers be able to get it? * * *

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Senator Walter F. George transmits a letter he has received from Lt. Colonel Mark A. Cooper, Rome, Georgia, commenting as follows: "The Legion gave me a German Machine Gun, complete with lock, which I have reconditioned so that it now fires the American cartridge perfectly. This gun did not cost the United States Government one red cent. I learn that the Treasury Department has confiscated a lot of these guns with the idea of either junking them or giving them to the British. Some of these guns have the locks removed; the others I can, in a few minutes, convert to use the American cartridge satisfactorily. * * * Given enough of these guns with locks, I can produce heavy machine guns at a cost of not one cent, whereas, heavy machine guns new would probably cost the Government several hundred dollars. We need your help."

P. A. Devensky, Dry Goods & Shoes, New Orleans, La. I have a wife, small busenis, own house, small expense. Can aford to donate to war fund \$50.00. (You will find check enclosed.) Wish I could be of any service to my coutry. (Am sick, heart ailment). On July the 3rd will buy for my last \$3,000 War Bonds. I wish the Government would stop strikes, overtime pay, and 40-hour week. Any healty man can work 80 hours week in stress time. Hope this token check will help finish our enemies.

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Unfavorable Comments on Bonds

Copy of letter addressed to the House Ways and Means Committee by "A TRUE AMERICAN". * * * The company I work for is deducting \$4.00 a week out of my salary of \$30.00 a week, for Bonds which I can't possibly afford, as I am paying off my home, which has two mortgages on it running at 5%, and along with the taxes, insurance, principal payments, etc., and the high cost of living, under these circumstances it will be impossible for me to save any money to pay the income tax next March. The most I can possibly afford is \$1.00 a week, which I would be very glad to give, and I might add, I have been buying Defense Stamps up to what I could afford. When I protested against this \$4.00 deduction, I was told to either accept it or resign. I think too, doctor bills should be allowed to be deducted as these are expensive, and too, are apt to use up the money which one may have laid aside to pay the income taxes. * * *

Bert Cohen, N.Y.C. In the New York Law Journal of Thurs. there was a decision of a Brooklyn Supreme Court Judge holding the provision in a U. S. Savings Bond making it payable on the death of the holder to a named person is not operative; the Court cited a decision of the Supreme Court of the State of Washington to the same effect, and the Court awarded the Bond to the decedent's estate, and not to the named person. I'm not interested in the case, but it struck me in thinking about it, that if those decisions are good law, all Bonds in that form ought to be changed, or the owners notified of the risks they run. Probably the matter is already having the attention of your attorneys, but I felt it would do no harm for me to write about it to call the situation to your attention.

W. S. Dolan, Publisher, Grant County Review, Milbank, S.D. As a newspaper publisher, and incidentally a Democratic County Chairman, I am taking the liberty of writing you relative to the material being received at this office, intended for use in promoting the sale of War Bonds and Stamps. * * * Recently we received a large package of mats

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and suggested ads to sell stores, urging patrons to accept change in Bonds or Stamps, etc. In this package was a printed slip that a like package was being forwarded to every newspaper in the United States. Surely some one in connection with your office should know that at least 90% of the material you have sent out -- usually in heavy craft envelopes, when much cheaper containers would have done as well -- is wholly impractical and never used by our newspapers, for the simple reason the average store in towns of 5,000 or less, practically none of them, sell Bonds or Stamps. The bank or banks, and Post Office, attend to this, and mailing this expensive material to thousands of towns where there is no chance to use it is the kind of extravagance and absolute waste that disgusts even died-in-the-wool Administration supporters. I don't mind telling you the waste practiced by your Department the past few months in the matter of publicity service has been appalling, and makes one wonder if this is typical of Washington's handling of war matters in general, and if so, it is not surprising an appropriation of another few millions of dollars is necessary every few days. * * *

James R. Manning, Midland Park, N.J. Your attention is most earnestly and urgently requested to a matter, the seriousness of which, to this writer and his family welfare, cannot possibly be sufficiently emphasized, and concerns the long delayed and urgently needed check in payment from you on two U. S. Savings Bonds which I sent into your New York Branch of the Federal Reserve Bank to be cashed, now going on four weeks ago - or about the third or fourth day of this month - and from which, though I have unsuccessfully and most urgently written them three times already, I have not yet received your check in payment on the Bonds. * * * The failure to receive payment on the Bonds has caused me and my family distress and hardship; to say nothing of the galling and needless humiliation to us, especially to my wife and children, in being thus also forced to delay and finally default in the payment of my rent, due on the first of this month. * * *

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O. H. Whitten, Chairman, War Savings Committee, Farmville, Virginia. * * * Naturally I am proud of our June record, and wish to say that we exceeded our May quota by approximately \$11,000. We expect to reach all monthly quotas assigned by the State office. I believe that it is in order to say that within the last month or six weeks I have met with objections and criticisms when discussing War Bonds with many of the citizens in my County, some of them being business leaders. Just two days ago, a business man in Farmville stated that he buys War Bonds very reluctantly due to Governmental extravagance. * * * There seems to be a growing tendency on the part of many people who have the funds to invest in War Bonds, to hesitate purchasing them in large quantities for this same reason. * * * NYA and CCC are two sore spots. Another prominent business man in Farmville refused to cooperate at all in connection with the Victory Pledge Campaign which I put on in April, and indicated to me that he did not want any of his employees solicited for pledges. However, I had one of these employees agree to help in the campaign and in a quiet manner he contacted and secured a pledge from each member of this establishment, except the owner, who would not sign a pledge for any one or promise to buy War Bonds. His complaint also was the wasting of the taxpayers' money. * * * People are most resentful at some Congressmen's attitude toward Leon Henderson, especially that policy expressed by him in his recent article in the American Magazine. Nothing would stimulate the American people in the war effort more than for them to feel that the leaders of the nation are laboring entirely for the interests of the people, rather than for some of them to seem to play politics, or work toward selfish ends.

Harris B. Rothkowitz, Attorney and Counsellor at Law, N.Y.C. It has been brought to my attention that in the town of Rome, N.Y., there is an aviation plant employing about 6,000 men. The workers are earning about \$80 per week each, and have money to spend. I am further informed that there is no agency which is interested to sell War Bonds, or even War Stamps. That any one who desires to

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purchase a Bond or a War Stamp has to go around looking for a place where he can buy, or for the person who can give him information about purchasing such War Bonds. Not even the police or the mayor of the town know anything about it. The only place where a fellow could obtain a Bond is to go to the druggist of the town, and he will exert himself to accommodate the prospective buyer to get such a Bond. * * * *

Letter signed, "Chagrin", Albany, N.Y. * * * When a city like Albany, with over 125,000 inhabitants, will pledge less than \$10 a piece, and when high ranking banking officials advise members of the banking associations to buy as few Bonds as they may be compelled to, and use utmost persuasion to place the Bonds in the hands of the public, it's time for our stupid Administration to wake up. The publicity, circus stunts and hayseed vaudeville tactics being used by the "brains" of the Government must make lovely reading for the Nazis. * * * Contrast our silly leaders' notions of a post-war America with the rosy promises Hitler holds out to his people; he is not asking the Germans to fight a war in order that Indus, Bushman, Czechs and Turks may reap the benefit; he asks them to fight that Germany and the German people will benefit; he asks them to fight that they may rule the world; and there has never been an instance, with win or loss of the war considered, that the German people have been told that after the war the leaders wouldn't know how to keep the populace busy, and would have to put them on charitable relief. * * *

James Truslow Adams, Sheffield House, Southport, Conn. * * * Recently I was asked to do something rather special for the Treasury by my publishers, Charles Scribners' Sons, who had been asked to request me to write a syndicated article for the newspapers, particularly in the Middle West, telling people a little about what the war was and why taxes and Government Bonds. I did it immediately and very gladly. * * * I am frank to say that I think one reason that private investors are not buying Government Bonds is that they are not made attractive enough, and also hesitation on the part of investors as to when and how they will get their money back. * * * In the last war, although I had considerably less money than I have in this one, I bought \$55,000 of Government Bonds,

but at that time I got 4 $\frac{1}{2}$ % and up on my investment. Now the Defense Bonds offer me practically no income. The "E's" and "F's" are of no use to me, nor to a considerable part of the public which is not accustomed, as bankers are, to buying investments on a discount basis, rather than a regular rate of coupons or dividends. * * * In addition to these drawbacks, I may mention the fact that these Bonds are not saleable nor negotiable, as were the Government Bonds in the last war, and in addition, although I regret to say it, the Government is not living up even to the obligations of the contract for the "G" Bonds. I have \$5,000 of these Bonds in the estate of my sister. Figuring from the date of purchase and the several months' notice given after her death, we were informed by the Government that these Bonds would be paid on June 1st. They have not been paid in spite of repeated requests from the Irving Trust Company of N.Y.C., and interest on them was stopped on June 1st. I had intended to buy more Government Bonds with this \$5,000 as soon as I could realize on it, but of course if the Government doesn't pay me the money, I cannot turn around and buy more Bonds from the Government with the same money. * * * The point that bothers me most is when the Treasury Department asks me to advise people of all sorts and persons with all kinds of obligations to buy these Bonds, it puts me in rather an awkward position. I never dreamed but what the Government would meet its obligations promptly. * * *

William H. Abel, Cashier, The Central National Bank, Mineola, N. Y. As your records and those of the Federal Reserve Bank of New York will indicate, this bank has been and desires to continue to cooperate whole-heartedly with our Government's efforts to finance the war. We feel it is our patriotic duty to cooperate in every respect and have been accepting War Savings Stamps in payment of War Bonds. However, when our representative called at the local Post Office to redeem the Stamps we have accepted, payment on many occasions was refused. The Post Office clerk states he has no funds. Let me also state we do not insist on cash as we are perfectly willing to

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accept the Postmaster's check. On June 27 we again presented Stamps, and after an argument, were paid. We were advised that the Post Office does not cash Stamps or Postal Money Orders on Saturday. We feel that is a rather peculiar attitude for paid Government employees to take at this time. * * * We would greatly appreciate your advising us as to a more agreeable method of redeeming Stamps, or possibly a few words from your office in the right direction may correct this situation.

William H. Campbell, Jr., Newark, N. J. As a practicing lawyer handling estates, I frequently find that estates of decedents have Defense Appreciation Bonds as a part of its assets. Frequently the beneficiaries of the estate are willing to have the Bonds transferred to them instead of having the Bonds surrendered and then divide the cash. * * * In December, 1941, I wrote to the Treasury Department regarding the transfer of five Defense Bonds, received an answer that the matter would be given its attention, wrote again on the matter but have received no reply, and after four months was exactly where I started. The local Post Office has no knowledge or information, but suggested I write to the Federal Reserve Bank of New York, which I did. I received a prompt reply telling me just what was required and immediately I forwarded the Bonds and all papers in the latter part of May, and from that date until the present time have had no reply and have not received the Bonds. If this were an ordinary commercial Bond, the transfer would have been effected in 48 hours; if it were a stock transfer, it would have been effected in 72 hours; yet it has taken 7 months and the transfer has not yet been completed. This delay causes dissatisfaction to my clients, makes it extremely burdensome for my office, and in the office of all other attorneys handling similar matters. It is much simpler to surrender the Bond and get the cash. * * * I am writing this letter so that you might have firsthand information from the public as to the difficulties involved in hope that a system may be developed expediting the transfer of such Bonds with resultant benefit to the Government for which all of us are endeavoring to do our best. * * *

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Edward A. Meyer, Bradenton, Fla. On December 19, 1941, the writer purchased a Defense Bond. * * * I was given to understand at the time of purchase that the beneficiary could be changed at will, and having decided to make the same payable to my estate, I requested the First National Bank at Bradenton, Fla., to take care of the matter for me. I was advised this morning by the Bank that Treasury regulations do not permit the change of beneficiary, but that I would be obliged to produce the death certificate of the beneficiary. Not being willing to have the present beneficiary receive the proceeds of the Bond under any circumstances, I was obliged to sign the Bond and ask for redemption forthwith. Do you expect me to lose the right to a December 19, 1941, date on my Bond and accept a new one dated sometime in July, 1942? The only reason for an arbitrary ruling that a change of beneficiary cannot be permitted is that it might cause a little book work in Washington. That's not a very good excuse from an Administration that has developed bureaucracy to the 'nth degree. I have requested, through the Bank, a refund on this Bond through necessity. If you decide to issue me a new one dated December 19, 1941, please advise and I will remit; otherwise I cannot but decline to purchase any further Bonds. * * *

Mrs. Anna Morris, Brooklyn, N.Y. What is the idea of not sending checks for interest? I have drawn money from bank to purchase Bonds, but must have interest on time. No more Bonds for me!

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Favorable Comments on Taxation

Harry D. Graham, Kingston, N.Y. * * * Place a Federal tax of 25¢ per gallon on gasoline and watch the rubber stocks remain and the storage tanks fill up, or else the Treasury coffers; do away with the ridiculous rationing system which is a complete failure. In addition, fellows like myself (I'm with the Ferrying Command) will be able to secure the few gallons needed to get us to the airdromes while the defense evaders get down to earth and realize that a war is actually on, and park their mechanical steeds. Sure there will be a lot of objecting upon the part of the oil companies, but Harold doesn't like them anyway, and can certainly make them understand we're at war. The defense "worker" is making the money and will be contributing to the war-fund if he really needs his car, and shouldn't have any gripes about it either. * **

Max Gross, Counsellor at Law, N.Y.C. Please accept for yourself my congratulations upon the salutary efforts of your Department to harmonize the tax bases of the several states with those of the Federal Government, as reportedly clarified by your Special Assistant, Mr. Groves, at the Convention of the Municipal Finance Officers Association last week. During 10 years of service on New York City's Board of Aldermen, I pointed out on many occasions the necessity of the city to avoid invading tax fields already preempted by the Federal and/or State Government. Notably, I sponsored the bill that promptly repealed the city inheritance tax. Likewise, I fought proposed local legislation setting up under any disguises, revenue measures which were in their nature, barriers to intercity or interstate trade. THERE indeed is a field for much missionary work, lest we come back to the trade barrier practices of post-colonial days. * * *

Unfavorable Comments on Taxation

Wesley H. Seaton, Oil City, Pa. * * * We are as anxious to help with the war effort as are millions of other good Americans who have a big percentage of their savings in utility equities, but we feel it is very unjust to tax our corporations so heavily they must continually reduce their dividends in order to survive. I have steadfastly supported your Administration from the beginning, and I always thought your policies were most just, but I cannot understand the above-mentioned situation.

"A Disgusted Taxpayer", Jersey City, N.J. Today I went to the office of the Internal Revenue, Cashier's Window, to purchase an Auto Use Stamp. I was told they did not sell stamps of this nature this time -- that nobody told them to sell them, and therefore they did not ask of the main office at Newark, N.J., about them. Both clerks were sitting back in their chairs doing nothing. I did not purchase the stamp and do not intend to as I have witnesses to prove that I went to the designated office and could not get one. Thousands of others in this city had the same experience. Maybe somebody is responsible for this condition, but in my estimation the office should close up, as they will not take income taxes either, unless by check or money order. What are these two clerks being paid for -- to sit back and await the clock to hit five?

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○ The Secretary referred the ribbon copy of this to Mr. Paul on 7/31.

8/5/42

nmc

HM Jr said he did not want to do anything further about this.

JUL 3 - 1942

Mr. White

Mr. Foley

I have considered the legality from the standpoint of the Treasury Department of certain proposals made by Fowler Harper of the War Manpower Commission designed to keep out of circulation a wage increase to be granted to the workers in "Little Steel" and future wage increases granted to other workers. Mr. Harper has presented two alternative proposals (1) that the amount of the wage increases be paid to the workers in non-negotiable Government bonds redeemable only after the close of the war; (2) that the amounts of the wage increases be deducted along with Social Security taxes and placed on deposit with the Treasurer of the United States to the credit of the individual workers receiving the increases.

The first proposal is legally feasible. The second proposal can be worked out with the concurrence of the Comptroller General, but upon a somewhat different basis from that outlined by Mr. Harper.

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With respect to the first proposal, to pay wage increases in the form of Government bonds, the provisions of the Second Liberty Bond Act, as amended, are sufficiently flexible to permit the issue, with the approval of the President, of non-negotiable bonds redeemable only after the close of the war and bearing other terms and conditions of issue, redemption, and interest not exceeding 4-1/4 per centum per annum as the Secretary of the Treasury may prescribe at or before the issue. These provisions are flexible enough to permit a bond to be devised which would meet the needs of this situation.

The second proposal, that the amounts of the wage increases be placed on deposit with the Treasurer of the United States to the credit of the individual workers and so held until the close of the war would, in effect, require the Treasurer to act as a private banker. There is no general statutory provision authorizing the Treasurer of the United States to accept for deposit moneys other than those which are public or quasi-public in nature. Accordingly, if the Treasurer did accept these moneys for deposit, he would be acting without

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statutory authority and in a private capacity, and thus would expose himself to the liabilities of a private stakeholder which it might be unfair to ask him to assume. This procedure might also involve difficulties in the way of providing for administrative expenses since the Comptroller General might hold that existing appropriations would not be available for meeting these expenses.

In lieu of placing the amounts of the wage increases on deposit with the Treasurer of the United States, it would seem appropriate to regard these funds as moneys received by the Government as trustee and actually cover them into the Treasury to the credit of a trust fund account which would be established under the provisions of the Permanent Appropriation Repeal Act, 1934. The concurrence of the Comptroller General would be necessary in the establishing of a trust fund account. If such a trust fund account were established the amounts credited to it would be disbursed in the same manner as are all appropriated funds.

Regardless of whether the funds were placed on deposit with the Treasurer or credited to a trust fund

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account, it would be necessary to secure the enactment of legislation before any interest could be paid on them.

(Signed) E. H. Foley, Jr.
General Counsel.

GFR:fsg:6/25/42

Out BFR 7-3-42

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1942.

TO Secretary Morgenthau
FROM H. D. White
Subject: Silver

There is appended a list of inquiries from foreign governments for silver for coinage that have already been presented to the Treasury. Doubtless, as time goes on, more will be forthcoming. Should arrangements be made whereby the United States could lend silver to friendly governments for coinage and necessary war purposes, the number of countries that might take advantage of the opportunity would be increased. We may be able to lend from 50 to 100 million ounces per year during the war.

Legislation could be obtained giving the Treasury authority to lend silver to foreign governments.

If, however, you desire to avoid seeking new legislation, it is possible for the loans to be made by the Administration. The Legal Division informs us that the Lend-Lease Administration does have the authority to "lend-lease" silver to certain governments.

One way that silver could be made available without direct intervention of the Treasury is as follows: The Lend-Lease Administration could present silver certificates to the Treasury for redemption in silver dollars (we have about 480 million silver dollars on hand). The Lend-Lease Administration could then lend the silver (either in form of dollars or bullion) under such terms as Lend-Lease sees fit to make. To satisfy the Silver Committee the terms could require a return of an equivalent amount of silver after the emergency.

The foreign governments would eventually return an equivalent amount of silver to the Lend-Lease authorities. The Lend-Lease authorities could then turn that silver over to the Treasury under one of several arrangements. Lend-Lease could turn the silver over to the Treasury at zero cost, or could sell it to the Treasury at market price, or if it be desired not to end up with an increase in Treasury seigniorage, the Lend-Lease Administration could turn the silver over to the Treasury at 1.29 an ounce.

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The final step in this transaction would be for the Treasury to remonetize silver equivalent to the amount originally redeemed. If it be desired to have the Lend-Lease Administration lend the silver without requiring the Treasury to add to its borrowing for that purpose, the Treasury could of course monetize enough silver to make up for the silver certificates redeemed. This latter step would also have the advantage of leaving the monetary and banking situation unchanged.

Notwithstanding the fact that such action would be wholly legal, you would probably wish to obtain the President's approval.

Requests for Silver CoinageAustralia

The Australian Government placed orders with the Federal Reserve Bank of New York on April 17, May 9, and June 13 for silver for coinage purposes aggregating approximately 3.37 million ounces. So far the Federal Reserve Bank has purchased in the open market about 2,450,000 ounces of silver of which 501,000 ounces were purchased from the Philippine Government. There remain some 920,000 ounces yet to be purchased.

Dominican Republic

In April the Dominican Republic placed an order through the National City Bank of New York for the purchase of approximately 246,000 fine ounces of silver. The National City was unable, however, to acquire any silver in the open market and so advised the Dominican Government. The Dominican Government replied that it was in urgent need of the silver for coinage purposes and inquired whether it could not be borrowed from the United States Treasury.

Iran

On June 10 the Iranian Government inquired informally about the purchase of \$1 million worth of silver bars (2,850,000 ounces) from the United States Government for coinage purposes. On June 19 the State Department replied to the American Legation in Iran that Iran might find it extremely difficult to purchase any large amount of silver in the open market and that the Treasury Department does not at present have the legislative authority to sell the silver which it holds.

Ecuador

Ecuador has approached Mexico concerning the purchase of 2,300,000 ounces of silver for coinage purposes. It is believed that Mexico will execute this order. This directly affects the New York market since the Mexican supply is, of course, reduced by whatever amount of silver is used for the execution of this order.

Great Britain

Great Britain uses approximately 2-1/2 million ounces a month for coinage purposes and a little more than one-half million a month for war purposes. They have enough stocks to supply their coinage needs to October.

El Salvador

El Salvador has just requested to purchase from the Treasury 831,000 ounces of silver.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE JUL 3 - 1942

TO Secretary Morgenthau
FROM Mr. Foley

You have requested my opinion whether any part of the silver held by the Treasury may be transferred to the United Kingdom for coinage purposes.

Attached is a memorandum which indicates that "free silver" may be transferred to the United Kingdom for coinage purposes by direction of the President pursuant to the Lease-Lend Act (Act of March 11, 1941, c. 11, 55 Stat. 31 (U.S.C. title 22, secs. 411 - 422)).

E. H. Foley
General Counsel

MEMORANDUM

Re: Authority to supply the United Kingdom with "free silver" for coinage purposes.

There is authority for the transfer of "free silver" to the United Kingdom for coinage purposes^{1/} in the Lease-Lend Act (Act of March 11, 1941, c. 11, 55 Stat. 31 (U.S.C. title 22, sec. 412)).^{1a/} Section 3(a) of that Act provides in part:

"(a) Notwithstanding the provisions of any other law, the President may, from time to time, when he deems it in the interest of national defense, authorize the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government--

(1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article

^{1/} As an alternative to the transfer of "free silver" for coinage purposes it may be possible to transfer "free silver" to the United Kingdom for direct use in the manufacture of defense articles, thus releasing silver now consumed by such production for use in coinage.

^{1a/} A possible alternative authority exists in the Joint Resolutions declaring war, all of which directed the President "to employ * * * the resources of the Government to carry on war* * *." See, e.g., Joint Resolution of December 8, 1941, c. 561, 55 Stat. 795.

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for the government of any country whose defense the President deems vital to the defense of the United States.

(2) To sell, transfer title to, exchange, lease, lend, or otherwise dispose of, to any such government any defense article, but no defense article not manufactured or procured under paragraph (1) shall in any way be disposed of under this paragraph, except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both. The value of defense articles disposed of in any way under authority of this paragraph, and procured from funds heretofore appropriated, shall not exceed \$1,300,000,000.^{2/} The value of such defense articles shall be determined by the head of the department or agency concerned or such other department, agency or officer as shall be designated in the manner provided in the rules and regulations issued hereunder." (Underscoring supplied.)

The term "defense article" is defined by section 2 of the Act to include:

"(4) Any agricultural, industrial or other commodity or article for defense.

Such term 'defense article' includes any article described in this subsection: Manufactured or procured pursuant to section 3 of this Act, or to which the United States or any foreign government has or hereafter acquires title, possession, or control." (Underscoring supplied.)

^{2/} The Act of December 17, 1941, c. 591, sec. 102, 55 Stat. 813 reduced that amount to \$800,000,000. Defense articles valued at approximately \$478,488,476.03 had been disposed of on May 31, 1942.

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Silver falls within the meaning of the term "*** commodity or article for defense", even though the silver transferred is to be used for coinage purposes. The capacity of the United Kingdom to produce defense articles can not be utilized to its fullest extent without an adequate monetary system which includes a plentiful supply of silver coins. Moreover, if the United Kingdom is unable to obtain silver for coinage purposes from the United States, it will be forced to take either of two steps:

- (1) It will have to draw on its industrial silver market, thus reducing the amount of silver available for the manufacture of defense articles, or
- (2) It will have to use other metals in substitution for silver and will thus reduce the supply of those metals available for the production of defense articles.

Consequently, such a transfer will result in attaining two objectives contemplated by the Lease-Lend Act. First, it will enable the United Kingdom to produce defense

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articles to capacity, and, secondly, it will make available for use in defense articles maximum quantities of strategic metals.

Since the term "defense article" includes silver and by definition also includes "any article * * * to which the United States * * * has * * * title," and since under section 3(a)(1) the Secretary may be authorized by the President to procure any defense article, it is clear that he may be authorized to procure silver out of the monetary stocks of the United States. It is equally clear that pursuant to section 3(a)(2) of that Act "free silver" may be transferred to the United Kingdom in any one of the manners specified therein. Whether the silver be procured under section 3(a)(1) or transferred under section 3(a)(2), the disposition of it to the United Kingdom may be upon such terms and conditions as the President deems satisfactory, and the benefit derived by the United States may be " * * * payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory." Section 3(b) of the Lease-Lend

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Act (Act of March 11, 1941, 55 Stat. 31 (U.S.C. title 22, sec. 412(b))). It will be necessary, however, if transfer is made under section 3(a)(2), to consult with the Chief of Staff of the Army, or the Chief of Naval Operations of the Navy, as required by that section. Further, under either method of disposition, the consent of the President to transfer of the silver by the Government of the United Kingdom will be required in order to permit its use for coins. Section 4 of the Lease-Lend Act (U.S.C. title 22, sec. 413).

The restriction on sale of government property contained in Article 4, section 3 of the Constitution,^{3/} is no impediment to the proposed disposition of silver, since the provisions of the Lease-Lend Act quoted above specifically and in broad terms authorize disposition of such property.

^{3/} That section provides, in part:

"The Congress shall have Power to dispose of and make all needful Rules and Regulations respecting the Territory or other Property belonging to the United States; * * *."

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich

for Mr. Connors

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
June 1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Sales from Feb. 22, 1940 to May 30, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>
Sales from Feb. 22, 1940 to June 6, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau *Chamney*
 FROM Mr. Dietrich *For Miss Chamney*

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
June 1	-	-	-	
2	-	-	-	
3	-	-	-	
4	-	-	-	
5	-	-	-	
6	-	-	-	
	-	-	-	
Sales from Feb. 22, 1940 to May 30, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	
Sales from Feb. 22, 1940 to June 6, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	319,332,979
\$ proceeds of non-vested securities sold May 25, 1942 - May 30, 1942			300,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - May 23, 1942			<u>248,500,000</u>	
\$ proceeds of nonvested securities sold Sept. 1, 1939 - May 30, 1942			<u>248,800,000</u>	<u>248,800,000</u>
			GRAND TOTAL	<u>568,132,979</u>
Jan. 7, 1942 - Cash Dividend on 156 Shares			\$	61
Jan. 9, 1942 - Partial Liquidating Dividend				125
9 Units sold from Aug. 18, 1941 - June 6, 1942 for				42
11 Shares Stock Dividend sold Aug. 18, 1941 - June 6, 1942 for				123
56,007 Rights sold from July 24, 1941 - June 6, 1942 for				102,938

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich
 For Miss Chauncey

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
June 8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Sales from Feb. 22, 1940 to June 6, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>
Sales from Feb. 22, 1940 to June 13, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau
 For James Chauncy

FROM Mr. Dietrich

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
June 8	-	-	-	
9	-	-	-	
10	-	-	-	
11	-	-	-	
12	-	-	-	
13	-	-	-	
<hr/>				
Sales from Feb. 22, 1940 to June 6, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	
Sales from Feb. 22, 1940 to June 13, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	319,332,979
\$ proceeds of non-vested securities sold June 1, 1942 - June 6, 1942			700,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - May 30, 1942			<u>248,800,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - June 6, 1942			249,500,000	
Sales authorized by the Glasgow Control and also all sales paid for in registered sterling will in the future be included in these figures. The item of these up to date is \$300,000, which, added to the above figure makes a total of \$249,800,000:			<u>300,000</u>	<u>249,800,000</u>
			<u>GRAND TOTAL</u>	<u>569,132,979</u>
				\$ 61
Jan. 7, 1942 - Cash Dividend on 156 Shares				125
Jan. 9, 1942 - Partial Liquidating Dividend				42
9 Units sold from Aug. 18, 1941 - June 13, 1942 for				123
11 Shares Stock Dividend sold Aug. 18, 1941 - June 13, 1942 for				102,938
56,007 Rights sold from July 24, 1941 - June 13, 1942 for				

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich ^{For Miss Chauncy}

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
June 15	-	-	-	-
16	-	-	-	-
17	-	-	-	-
18	-	-	-	-
19	-	-	-	-
20	-	-	-	-
	-	-	-	-
Sales from Feb. 22, 1940 to June 13, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>
Sales from Feb. 22, 1940 to June 20, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich
 For Miss Gandy

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
June 15	-	-	-	
16	-	-	-	
17	-	-	-	
18	-	-	-	
19	-	-	-	
20	-	-	-	
	<hr/>	<hr/>	<hr/>	
	-	-	-	
Sales from Feb. 22, 1940 to June 13, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	
Sales from Feb. 22, 1940 to June 20, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	319,332,979
\$ proceeds of non-vested securities sold June 8, 1942 - June 13, 1942			300,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - June 6, 1942			<u>249,800,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - June 13, 1942			<u>250,100,000</u>	<u>250,100,000</u>
		<u>GRAND TOTAL</u>	<u>567,432,979</u>	
Jan. 7, 1942 - Cash Dividend on 156 Shares			\$ 61	
Jan. 9, 1942 - Partial Liquidating Dividend			125	
9 Units sold from Aug. 18, 1941 - June 20, 1942 for			42	
11 Shares Stock Dividend sold Aug. 18, 1941 - June 20, 1942 for			123	
56,007 Rights sold from July 24, 1941 - June 20, 1942 for			102,938	

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich

for Mr. Chauncy

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
June 22	-	-	-	-
23	-	-	-	-
24	-	-	-	-
25	-	-	-	-
26	-	-	-	-
27	-	-	-	-
	-	-	-	-
Sales from Feb. 22, 1940 to June 20, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>
Sales from Feb. 22, 1940 to June 27, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich & Miss Chauncey

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
June 22	-	-	-	
23	-	-	-	
24	-	-	-	
25	-	-	-	
26	-	-	-	
27	-	-	-	
	<u>-</u>	<u>-</u>	<u>-</u>	
Sales from Feb. 22, 1940 to June 20, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	
Sales from Feb. 22, 1940 to June 27, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	319,332,979
\$ proceeds of non-vested securities sold June 15, 1942 - June 20, 1942			200,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - June 13, 1942			<u>250,100,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - June 20, 1942			<u>250,300,000</u>	<u>250,300,000</u>
			<u>GRAND TOTAL</u>	<u>569,332,979</u>
Jan. 7, 1942 - Cash Dividend on 156 Shares				\$ 61
Jan. 9, 1942 - Partial Liquidating Dividend				125
9 Units sold from Aug. 18, 1941 - June 27, 1942 for				42
11 Shares Stock Dividend sold Aug. 18, 1941 - June 27, 1942 for				123
56,007 Rights sold from July 24, 1941 - June 27, 1942 for				102,938

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich

FOR MR. CHAUNOR

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
June 29	-	-	-	-
30	-	-	-	-
July 1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Sales from Feb. 22, 1940 to June 27, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>
Sales from Feb. 22, 1940 to July 4, 1942	<u>9,847,610-1/6</u>	<u>281,858,763</u>	<u>45,648,016</u>	<u>37,474,216</u>

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1942

TO Secretary Morgenthau *Miss Chaunoy*

FROM Mr. Dietrich

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
June 29	-	-	-	
30	-	-	-	
July 1	-	-	-	
2	-	-	-	
3	-	-	-	
4	-	-	-	
	<u>-</u>	<u>-</u>	<u>-</u>	
Sales from Feb. 22, 1940 to June 27, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	
Sales from Feb. 22, 1940 to July 4, 1942	<u>281,858,763</u>	<u>37,474,216</u>	<u>319,332,979</u>	319,332,979
\$ proceeds of non-vested securities sold June 22, 1942 - June 27, 1942			400,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - June 20, 1942			<u>250,300,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - June 27, 1942			<u>250,700,000</u>	<u>250,700,000</u>
			<u>GRAND TOTAL</u>	<u>570,032,979</u>
Jan. 7, 1942 - Cash Dividend on 156 Shares			\$	61
Jan. 9, 1942 - Partial Liquidating Dividend				125
9 Units sold from Aug. 18, 1941 - July 4, 1942 for				42
11 Shares Stock Dividend sold Aug. 18, 1941 - July 4, 1942 for				123
56,007 Rights sold from July 24, 1941 - July 4, 1942 for				102,938

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

July 3, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended June 24, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

A

inc/7/6/42

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose weekly Statement No. 58, covering
Aircraft Flight Delivery as at June 30, 1942.

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

July 3, 1942.

Gen Henry Hagenhaw, Jr.
 CONFIDENTIAL REPORT
 F. NO. D-55

JULY 1, 1942

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 58
 (Covering Movements through June 30, 1942)

1. B-17G -- Boeing Contract A-5077

20 DELIVERED TO U.K. 2

2. LIBERATOR TYPES off B.A.C. Contracts

(A) B-24 -- Consolidated Contract A-5068

6 DELIVERED TO U.K. (assigned to ferry service)

(B) LIBERATOR I -- Consolidated Contract F-677

19 DELIVERED TO U.K.

1 under repair

20

(C) LIBERATOR II -- Consolidated Contract F-677

(a) Never Taken by U.S.A.A.F.

56 DELIVERED TO U.K.

5 DELIVERED TO M.K. (1 crashed in Africa)

1 in ferry service (delivered to Montreal)

3 at Montreal

65

(b) Taken by U.S.A.A.F. and Returned on Rent

14 DELIVERED TO U.K.

3 in ferry service (delivered to Montreal)

3 at Montreal

2 at Detroit

2 to be returned

6 retaken by U.S.A.A.F.

44 kept by U.S.A.A.F.

74

3. HUDSON V (LONG RANGE) -- Lockheed Contract A-1749

174 DELIVERED TO U.K.

39 DELIVERED TO DEBERT

4 at Montreal (for Debert)

1 at Montreal

2 under repair

5 crashed (2 in U.S.; 3 after export)

225*

*Excluding one crash written off by contract amendment.

SUPPLEMENTARY (not included in table at end of report)

SHORT RANGE HUDSON V OFF A-1279

168 DELIVERED TO U.K. (by sea)

6 DELIVERED TO NEW ZEALAND (by sea)

1 flight delivered to Canada (for training)

1 returned from Canada for repair

6 lost at sea

182*

*Excluding one crash written off by contract amendment.

4. HUDSON III OFF B.A.C. Contracts

(A) Lockheed Contract A-67 (LONG RANGE)

46 DELIVERED TO U.K.

1 crashed (after export)

50*

*including "Gift Plans"

SUPPLEMENTARY (not included in table at end of report)

SHORT RANGE HUDSON III OFF A-67

29 DELIVERED TO U.K. (by sea)

1 Resident at Lockheed plant

30

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 28
(Covering Movements through June 30, 1942)

4. ~~WORLDWIDE OFF U.S.A.A.F. Contracts - Cont.~~

(b) ~~Continental Contract A-114 (LONG RANGE)~~

211 DELIVERED TO U.S.

4 at Montreal

1 at Detroit

20 for U.S.A.A.F. Familiarisation Program (including 1 known crash)

9 crashed (after export)

249*

*Excluding two crashes written off by contract amendment.

SUPPLEMENTARY (not included in table at end of report)

30 (LONG RANGE) DELIVERED TO NEW ZEALAND (by sea)

71 (SHORT RANGE) DELIVERED TO U.K. (by sea)

5. VENTURAS

(A) Off Vega Contract A-344

(a) LONG RANGE

80 DELIVERED TO U.K.

2 in Iceland

4 at Goose

2 at Gander

5 en route Gander

16 DELIVERED TO PENNFIELD RIDGE

31 at Montreal

1 en route Montreal (Toronto)

8 departed Miami

84 at Detroit (including 27 for West Palm Beach)

23 at West Palm Beach

2 en route West Palm Beach

1 at Wright Field

8 crashed (1 in U.S.; 7 after export)

267

(b) SHORT RANGE

4 DELIVERED TO PENNFIELD RIDGE

8 at Montreal

1 at Detroit

1 en route Detroit

2 at West Palm Beach

2 at Long Beach

18

SUPPLEMENTARY (not included in table at end of report)

10 (SHORT RANGE) DELIVERED TO U.K. (by sea)

(B) Off Vega Contract A-1748 (LONG RANGE)

2 DELIVERED TO U.K.

1 in Iceland

3 at Goose

2 at Gander

17 at Montreal

46 at Detroit

1 en route Detroit

2 at Anacostia

9 taken by U.S.A.A.F.

83

6. FLYING BOATS

(A) Off B.A.C. Contracts

(a) A-2587

7 DELIVERED TO U.K.

(b) F-210

38 DELIVERED TO U.K.

1 DELIVERED TO AUSTRALIA

1 DELIVERED TO SINGAPORE

40

(c) A-37

42 DELIVERED TO U.K.

8 DELIVERED TO SINGAPORE

8 at Dartmouth

1 at Bermuda

59

U. S. SECRET - BRITISH MOST SECRET

July 1, 1942

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 52
(Covering Movements through June 30, 1942)

6. FIVE SEVEN - 72

17 DELIVERED TO AUSTRALIA

1 DELIVERED TO U.K.

18

(e) CAN-78

17 DELIVERED TO U.K.

9 DELIVERED TO AUSTRALIA

1 in Bermuda

2 crashed (after export)

29

SUPPLEMENTARY (not included in table at end of report)
7 DELIVERED TO CANADA

(B) Off Land-Lease Contracts B.S.G. Requisitions

(a) FBY-1 -- BSG Req. 10772

10 DELIVERED TO U.K.

2 at Montreal

12

(b) FBY-2 -- BSG Req. 7952

26 at Elizabeth City

7. LOGSTARS

(A) C-59 -- L/L Contract AG-53, BSG Req. 1049

7 departed Miami or West Palm Beach

3 taken by U.S.A.A.F.

10

(B) C-60 -- L/L Contract AG-53, BSG Req. 1049

13 departed Miami or West Palm Beach

2 at West Palm Beach

15

(C) Reassigned C-60 (Army Release)

3 en route West Palm Beach (Dallas for modification)

(D) Lois -- L/L Contract AG-1039, BSG Req. 3235

8 en route West Palm Beach (Dallas for modification)

8. WAGON OFF LEAD-LEASE CONTRACTS

(A) MISSION III - A off AG-5

119 DELIVERED TO DEBERT

6 en route Debert

4 at Montreal

6 at Montreal for Debert

2 at Ottawa

1 at Detroit for Debert

5 under repair

2 at Long Beach

32 for China

20 diverted to U.S. Navy

153 taken by U.S.A.A.F.

6 crashed (5 in U.S.; 1 after export)

356

SUPPLEMENTARY (Not included in table at end of report)
49 DELIVERED TO AUSTRALIA (by sea)
12 DELIVERED TO NEW ZEALAND (by sea)

JULY 1, 1942

LOCATION OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 52
(Covering Movements through June 30, 1942)8. HUDSONOFF LEASE-LEASE CONTRACTS - Cont.(B) HUDSON III - A off AC-151

161 DELIVERED TO U.K.
 2 at Gander
 10 at Montreal
 2 at Detroit
 1 en route Detroit
 1 at Long Beach
 2 for China
11 crashed (3 in U.S.; 8 after export)
 210

SUPPLEMENTARY (not included in table at end of report)

45 DELIVERED TO AUSTRALIA (by sea)
 42 DELIVERED TO NEW ZEALAND (by sea)
 1 crashed (on acceptance flight)

(C) HUDSON VI Off AC-471

25 DELIVERED TO U.K.
 1 in Iceland
 2 at Gander
 1 en route Gander
 8 at Montreal
 10 departed Miami
 1 at Miami
 8 at Miami (for training)
 27 at West Palm Beach
 4 at Detroit
 1 at Wright Field
 5 at Long Beach
1 crashed (after export)
 94

SUPPLEMENTARY (not included in table at end of report)

4 at Alhambra to be shipped .

(D) HUDSON VI Off AC-908

1 at Montreal
 3 departed Miami
 22 at Detroit
 1 en route Detroit
 9 at West Palm Beach
3 taken by U.S.A.A.F.
 39

9. DOUGLAS TRANSPORTS off BSC Requisitions(A) C-53 off BSC REQ. 1050

11 departed Miami

(B) C-47 off AC-167, BSC REQ. 2489

1 departed West Palm Beach

10. B-17E (Army Release)

14 DELIVERED TO U.K. (modified)
 2 at Gander (modified)
 8 at Montreal (modified)
 12 at Detroit (modified)
 2 at Wright Field (modified)
 11 at Chayenne (modification center)
12 taken back by U.S.A.A.F.
 61

U. S. SECRET - BRITISH MOST SECRET

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 58
(Covering Movements through June 30, 1942)

11. B-24D (Army Release)

- 10 DELIVERED TO U.K. (unmodified)
- 27 DELIVERED TO U.K. (modified)
- 1 at Montreal (unmodified)
- 6 at Montreal (modified)
- 18 at LeGuardia Field (modification center)
- 10 en route LeGuardia Field
- 2 taken back by U.S.A.A.F.
- 2 crashed (unmodified) (1 en route modification center;
1 after export)
- 1 crashed (modified) (after export)
- 77

12. B-25B (Army Release)

- 3 DELIVERED TO U.K. (modified)
- 7 DELIVERED TO FENFIELD RIDGE (modified)
- 7 at Montreal (modified)
- 6 at Detroit (modified)
- 23

13. B-25C (Army Release)

- 17 DELIVERED TO U.K. (modified)
- 1 at Goose (modified)
- 16 at Gander (modified)
- 26 at Montreal (modified)
- 37 at Detroit (modified)
- 1 at St. Paul (modification center)
- 37 taken back by U.S.A.A.F. (June)
- 29 taken back by U.S.A.A.F. (April)
- 164

14. B-26A (Army Release)

- 2 at Montreal (modified)
- 1 at Detroit (modified)
- 8 at Miami (modified)
- 5 at West Palm Beach (modified)
- 29 at Nashville (modified)
- 23 at Omaha (modification center)
- 1 en route Omaha
- 2 crashed (1 en route Omaha; 1 at Omaha)
- 71

AIRFRAMES DIVISION
PLANNING AND PRODUCTION DEPARTMENT
BRITISH AIR COMMISSION
WASHINGTON, D.C.

JULY 1, 1942

U. S. SECRET - BRITISH MOST SECRET

Regraded Unclassified

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose Statement No. 40 - Aircraft Despatched
- for week ended June 30, 1942.

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

July 3, 1942.

MOST SECRET

STATEMENT NO. 40AIRCRAFT DESPATCHED FROM THE UNITED STATES WEEK
ENDED JUNE 30th, 1942.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	FLIGHT DEL'D	
				BY AIR	FOR USE IN CAN
<u>BOEING</u>					
B 17E	U.K.	Canada en route			8
Boston III	U.K.	U.K.	1		
<u>CONSOLIDATED</u>					
B 24 D	U.K.	Canada en route			2
<u>CURTISS</u>					
Kittyhawks IA	Middle East	Port Sudan		12	
<u>DOUGLAS</u>					
C 53 Dokato II	Middle East	Middle East			1
C 47 Dokato I	"	"			1
<u>GRUMMAN</u>					
Martlett II	U.K.	U.K.		1	
<u>LOCKHEED</u>					
A 29A AC 151	U.K.	Canada en route			2
A 28 Hudson VI	South Africa	South Africa			3
" "	U.K.	Canada en route			1
A 28 Hudson VI A	South Africa	South Africa			10
Ventura	U.K.	Canada en route			28
<u>GLENN MARTIN</u>					
Baltimore	South Africa	Capetown		12	
<u>NORTH AMERICAN</u>					
B 25 C	U.K.	Canada en route			25
Mustang	U.K.	U.K.	32		
<u>STEARMAN</u>					
PT 27	Canada	Canada			36
<u>TOTALS</u>			58	81	36

British Air Commission
July 3rd, 1942.

PMW

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

Buenos Aires

Dated July 3, 1942

Rec'd 10:10 a.m.

Secretary of State,
Washington.

1304, July 3, 9 a.m.

FOR THE TREASURY DEPARTMENT.

240 bid 245 offered yesterday. Turnover estimated at \$2000 sellers being exchange houses. There is little buying interest. Probably \$5000 available at current prices.

ARMOUR

PEG

LSH

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

Buenos Aires

Dated July 3, 1942

Rec'd 7:18 p.m.

Secretary of State,

Washington,

1314 July 3, 9 p.m.

FOR TREASURY DEPARTMENT

235 bid 245 offered. Turn over estimated
at \$25000.

Charge Treasury Department

ARMOUR

NK

TELEGRAM SENT

ELP

GRAY

July 3, 1942.

Midnight.

AMEMBASSY,

RIO DE JANEIRO (BRAZIL)

1775

The Treasury proposes to sign the stabilization agreement with Brazil on July 6 at which time the following press release will be issued:

"The Secretary of the Treasury, Henry Morgenthau, Jr., and Minister Fernando Lobo, Charge d'Affaires of the United States of Brazil in Washington, today signed an agreement extending to July 15, 1947 the stabilization agreement entered into five years ago.

"Under this agreement, as extended today, the United States will make dollar exchange available to the Government of the United States of Brazil for the purpose of stabilizing the Brazilian milreis-United States dollar rate of exchange up to a total amount of \$100,000,000 and will sell gold to the United States of Brazil at such times and in such amounts as the Brazilian Government may request, also to a total amount of \$100,000,000. In the agreement as originally drafted

these two

-2-#1775, July 3, midnight to Rio de Janeiro.

these two amounts were \$60,000,000.

"The extension of this agreement between the treasuries of the United States of America and the United States of Brazil and the increase in the facilities made available to Brazil under the agreement are a further evidence of the close and friendly relations existing between the two countries and constitute an assurance of continued cooperation between the two treasuries. The friendship and understanding symbolized by this and other agreements with our great sister republic in South America promise much for both a joint attack on the problems of the war and a solution for our common problems in the peace."

The foregoing is sent to you for your information and not REPEAT NOT for release to the press in Brazil.

HULL
(FL)

FD:GL:BM

RA

EO

DEPARTMENT OF STATE
WASHINGTONIn reply refer to
FA 393.113 Fox, A. Manuel

July 3, 1942

Dear Mr. Secretary:

I find that, at the request of Mr. Chester A. Allen, about whom you wrote me on June 29, 1942, five sets of copies of the two telegrams from the American Embassy at Chungking, China, concerning the death and burial of A. Manuel Fox, were authenticated under the seal of this Department and forwarded to Mr. Allen on July 1, 1942.

The Department has been glad to cooperate in this manner and hopes that the authentications will be sufficient for Mr. Allen's purposes.

Sincerely yours,

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.

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Y

190

INCOMING CABLEGRAM

July 3, 1942

Chungking, July 3, 1942

Federal Reserve Bank of New York

New York

No. 17

Your cable No. 21 We confirm

The Central Bank of China

rs

copy:kma:7/7/42

C
O
P
Y

191

OUTGOING CABLEGRAM

June 30, 1942

Central Bank of China

Chungking

No. 21

With reference to your cable number 16 requesting a further extension of the arrangement between us for purpose of supplying Republic of China with dollar exchange the Secretary of the Treasury has authorized us as fiscal agent of the United States to modify further paragraph 6 of our letter of July 14, 1937, as modified, by deleting "June 30, 1942" wherever such words and figures appear in such paragraph as modified and inserting in lieu thereof "December 31, 1942". Please confirm your agreement to such modification of the arrangement.

FEDERAL RESERVE BANK OF NEW YORK

rs

copy:kma:7/7/42

192

Treasury Department
Division of Monetary Research

○ Date..... July 6.....1942

To: Miss Chauncey

From: Mr. Southard

Need not be brought to the
Secretary's attention.

From: London

Dated: July 3, 1942

Secretary of State,
Washington.

3703

URGENT CONFIDENTIAL

The following question will be put in the House of Commons on Tuesday, July 7 QUOTE Mr. Molson to ask the Parliamentary Secretary to the Ministry of Economic Warfare whether he is aware that American banks in France have been invited to participate in a credit bank for the rehabilitation of the European economy, which would finance the production of enemy war material; and whether he will request the American Government to forbid their bank to take part in this project. UNQUOTE.

The following reply is planned: QUOTE Have seen a report in the press to this effect and have instituted inquiries on the matter. The report is doubtless receiving the attention of the United States Government who will I am sure take all possible steps to prevent institutions under their control assisting the Axis. UNQUOTE.

Meanwhile the Ministry would greatly appreciate any information that can be given the Embassy by July 6 regarding any measures our Government may be taking.

The London Times of June 26 reported that QUOTE all American banks and business houses in France have been circularized and invited to take part in the creation of a great international credit bank ostensibly for the purpose of repairing the material damage caused by the war and of rehabilitating European economy of the capital, 45 percent will be French, 35 percent reserved for French American Banking Corporation and 20 percent for the Berlin branch (now under enemy control) of an American banking firm which has been frequently associated with the Bank of Indo China in financing the German and Italian war economy. This firm in particular did much to develop industries round Milan and Turin. UNQUOTE.

INFORM TREASURY AND BOARD OF ECONOMIC WARFARE

(Rec'd by telephone July 6, 1942 from Mr. Livesey's Office)

lc

C
O
P
YDEPARTMENT OF STATE
WASHINGTONIn reply refer to
FF 811.51/4220

July 3, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits for his information a copy of air-mail despatch no. 2912, dated May 29, 1942, from the American Legation at Guatemala, together with its enclosures, a copy of a Decree of May 28, 1942, and the English translation thereof, concerning the extension of controls to cover currency transactions.

Enclosure:

Despatch no. 2912, dated
May 29, 1942, from the
American Legation, Guatemala.

Copy:ime:7/6/42

811.51/4220

C
O
P
YLEGATION OF THE
UNITED STATES OF AMERICA

No. 2912

Guatemala, May 29, 1942.

AIR MAIL

Subject: Extension of Controls to Cover
Transactions in Currency.The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Department's circular telegram of May 18, 4 p.m., 1942, informing the Legation that the Treasury Department was then about to amend General Ruling Number 5, issued under Executive Order Number 8389, in such manner as to extend its controls over the importation of securities so as to cover the importation of currency. The purport of this telegram having been discussed with the Minister for Foreign Affairs on May 19 and a memorandum having been left with him, furnishing the substance of the telegraphic message, the Guatemalan Government has given effect to cooperative measures through a decree dated May 28, 1942. The text of this decree as it appeared in the local press of last evening, and which is self-explanatory, is appended hereto in copy and translation.

1/2

Respectfully yours,

FAY ALLEN DESPORTES.

Enclosures:

1. Copy of Decree of May 28, 1942.
2. Translation thereof.

851.5/851

HLW:lev

(In quintuplicate)

Copy sent to the Division
of Commercial Affairs.

Copy:imc:7/6/42

COPY

Enclosure No. 2 to Despatch No. 2912 of May 29, 1942 from
the American Legation at Guatemala.

TRANSLATION

Source: Copy of Decree as published
in "El Liberal Progresista"
Guatemala, May 28, 1942.

Jorge Ubico, President of the Republic, in pursuance of the powers conferred upon him by Subparagraph 23 of Article 77 of the Constitution; and for the purpose of preventing that the governments of countries with whom Guatemala is in a state of war may eventually utilize in the Republic, through neutral persons of Europe and other continents, United States currency which may have been obtained in territories occupied by their armies,

Decreases:

Article 1. Importations of currency of the United States of America proceeding from any country which may not be of the American continent, are forbidden.

Article 2. There will not be included in the effects of the foregoing article the reasonable amounts of bills or currency carried by travelers in proportion to their station and economic position.

Article 3. Exportation of currency of the United States of America may be carried out only through the Banco Central of Guatemala, with the exception of the quantities which may be carried by travelers under the conditions to which the above article refers.

Article 4. Infraction of the present law will be punished as unlawful action in conformity with Article 408 of the Customs Code.

Article 5. The present law will become effective the day following its publication in the Official Gazette and a report thereof will be furnished the National Legislative Assembly at its next ordinary sessions.

Given at the Government House; in Guatemala, on the 28th day of May, 1942.

(S) Jorge Ubico

Secretary of State in the Office of Hacienda and Public Credit,

(S) J. Gonzales Campo.

Translated by: KW
Copied by: LCV

Copy:imc:7/6/42

AHC
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (BR)

Mexico City

Dated July 3, 1942

Rec'd 1:30 a.m.; 4th

Secretary of State,
Washington.

779, July 3, 8 p.m.

Reference Embassy's telegram No. 771, July 2,
7 p.m., regarding efforts of American agents to
buy silver in Mexico. American silver producers
here are anxious to take advantage of present high
bids if their entire output is not essential to
United States war efforts. Three companies mentioned
in previous telegram produce over 90% of total sil-
ver mined in Mexico. While not adverse to receiving
better prices for their product they would prefer
continuance of an orderly market for Mexican silver.
Present market demand here is firm and would probably
absorb several million ounces monthly for export to
American silversmiths. Please wire Department's atti-
tude towards permitting companies accepting such
business.

Air mail report follows.

MESSERSMITH

RR

COPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 227

Information received up to 7 A.M., 3rd July, 1942.

1. NAVAL

MURMANSK was again heavily bombed by enemy aircraft on the 1st. The commercial port was set on fire and the town which is practically destroyed was still burning on the evening of the 2nd.

2. MILITARY

EGYPT. It is now confirmed that late on the 1st the position of 18th Indian Infantry Brigade, 15 miles south southwest of EL ALAMEIN was captured by the enemy. Early on 2nd there were signs that a general attack on the EL ALAMEIN position was developing.

MOZAMBIQUE CHANNEL. PAMANZI in MAYOTTE ISLAND was occupied on the 2nd without resistance by U.K. and East African troops. The wireless station is in working order.

3. AIR OPERATIONS

WESTERN FRONT. 2nd. 5 Mosquitos (2 of which are missing) bombed FLensburg ship building yards damaging buildings at the adjacent gas works.

2nd/3rd. 370 aircraft were despatched - BREMEN 325 (12 missing); aerodromes 24 (1 missing); anti-shipping 21.

Preliminary reports indicate that weather over BREMEN was favourable except for ground haze. Several good fires were started in the target area in addition to widespread and scattered fires to the west and northwest. Coastal Command aircraft claim to have sunk one ship in convoy off the FRISIAN ISLANDS and to have damaged another.

EGYPT. On the 1st and 2nd our aircraft inflicted considerable damage on enemy ground forces in the forward area. Aerodromes at SIDI BARRANI, FULA and EL DABA were attacked. 9 enemy aircraft were destroyed on the ground and 13 damaged. Enemy fighter opposition increased. One was destroyed in the air and another damaged. Five of our fighters are missing.

MALTA. Between 1545/1st and 1115/2nd in the course of eight attacks, about 100 aircraft operated against the Island. Our fighters destroyed 7, probably destroyed 5 and damaged 11. Four of them are missing.

BRITISH JOINT STAFF MISSION
OFFICES OF THE COMBINED CHIEFS OF STAFF
WASHINGTON

4th July, 1942.

Dear Mr Secretary

In the absence of our Ambassador, who has left for a visit to England, your kind letter to him of July 3rd has been handed to me.

I need not tell you how greatly your letter is appreciated by us here and how greatly it will be appreciated in England where I am sending it.

These young British fighting men have had a wonderful tour. They have made lasting friendships with the American heroes who were their companions on the tour. They will never forget the kindness which they have received throughout the United States. I much hope that they will be able to tell our countrymen how wonderful and how spontaneous that kindness has been. They will not only tell of kindness received but they will, as you say, be able to tell of the solidarity of the American people and their determination to win this war.

May I on behalf of the British community in the United States thank you for organizing the tour and congratulate you on its success.

Yours sincerely
J. E. Dill

The Honble. Henry Morgenthau,
The Secretary of the Treasury,
Washington.

LOUIS LUDLOW
12TH DISTRICT INDIANACOMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.

July 4, 1942.

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

Dear Mr. Secretary:

Many thanks for your gracious letter of July 2.
I think Mr. Graves is doing a splendid, efficient job with
his organization and I would like, whenever possible,
to lend a helping hand.

Very sincerely,

Louis Ludlow.

JUL 2 1942

Dear Mr. Ludlow:

I want to thank you on behalf of every member of the Treasury staff working on our war bond campaign for the statements which you made on the floor of the House on Monday in connection with the appropriation for that activity for the next fiscal year.

Your cooperation is particularly appreciated at this time when all of us are working so hard to make the campaign a complete success.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Hon. Louis L. Ludlow,
House of Representatives.

Copies
to Mr. Thompson

LJB:ims
6/30/42

Wmc

else, whether it applies or not, and copy it. That makes yardage.

Mr. CRAWFORD. Then they proceed to ask you for appropriations to provide for these thousands of attorneys to be set up in the various local board headquarters to try and interpret those complicated regulations when people come in and say, "Just what does this language mean?" Is that not about the situation?

Mr. TABER. It is. I am going to give the gentleman an illustration. The War Powers Board with John Lord O'Brien, one of the ablest lawyers in America, probably, as the chief counsel, with all the responsibilities that they have to meet, with all the things that they have to follow up in connection with priorities and all that sort of thing, has a staff of 129 lawyers, whereas this outfit, with minor responsibility and minor work as compared with the War Powers Board is asked to employ 1,000 attorneys.

Mr. CRAWFORD. May I get the gentleman's judgment on this: Assuming 1,000 paid employees and 2,000,000 volunteer workers, as set forth in the bill, with 5,600 or 5,700 attorneys, would it proceed to administer the prices of 5 groups of commodities, what kind of chaotic situation will we have when we have to have into the control of 50, 300, or 1,000 commodity groups with, say, 250,000 employees and with maybe 25,000 or 30,000 lawyers?

Mr. TABER. There will not be anybody left to go into the Army.

Mr. CRAWFORD. That is the general direction in which it appears to me we are moving.

Mr. TABER. I am afraid the gentleman is correct. I do not believe this Congress is going to stand for letting the bars down like that. I yield to the gentleman from Michigan [Mr. HOFFMAN].

Mr. HOFFMAN. I went home last week over the week end, and I came in contact with a company in one of my home towns there that was manufacturing universal joints. They have had their stenographers working for a week and a half on some form that was sent to them. After they got it out and finished, which put them to considerable expense, then they had a directive that the folks up here in Washington would not need it.

Do those lawyers decide that, or what sort of a crackpot down there figured that out?

Mr. TABER. I do not know. If it related to priorities it would come under the War Production Board. If it related to rationing or anything of that kind, it would come under Mr. Henderson.

Mr. HOFFMAN. It related to prices.

Mr. TABER. That would come under Henderson.

Mr. HOFFMAN. Which would this one come under? The Detroit Free Press carries an article about a major who is down in one of the clubs drunk, and he orders a private out. Then finally he finds that the private outranks him, he did not happen to be a private at all, he just had on some old clothes, so the major had to get out. That same major up there just fired a technical man who has been giving us something between \$40,000,000 and \$50,000,000 worth of produc-

tion over in that little southwestern section. How can I get at that fellow and get that major fired?

Mr. TABER. That ought to go to the Secretary of War.

Mr. HOFFMAN. I thank the gentleman.

[Here the gavel fell.]

Mr. TABER. Mr. Chairman, I yield myself 1 additional minute.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Texas.

Mr. PATMAN. About the selection of the personnel, in fairness to the Office of Price Administration, is it not a fact that the personnel are selected through the civil service?

Mr. TABER. I do not see how they could ever pick up so many derelicts from the W. P. A. if they are selected that way.

Mr. PATMAN. Is it not a fact that they are selected from the Civil Service?

Mr. TABER. If they are, I do not see how they could pick up so many derelicts. I would not want to answer that, but I do not see how they could be.

Mr. COOLEY. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield to the gentleman from North Carolina.

Mr. COOLEY. I may say to the gentleman from Texas that I just had a long-distance telephone call this afternoon from Raleigh, N. C., from a young lady who has a civil-service rating and has passed the civil-service examination. She applied to the O. P. A. for a job and was told by the person in charge of personnel that that agency was not under civil service.

Mr. PATMAN. The printed hearings on this bill disclose that the Civil Service Commission passed on every one of them.

Mr. TABER. Maybe they passed on them, but it was noncompetitive. The Civil Service Commission simply passes the employees with the lowest possible rating.

[Here the gavel fell.]

Mr. CANNON of Missouri. Mr. Chairman, I yield 15 minutes to the gentleman from Indiana [Mr. LUDLOW].

(Mr. LUDLOW asked and was given permission to revise and extend his remarks in the Record.)

Mr. LUDLOW. Mr. Chairman, I have asked for this allotment of time in order that, if possible, I may give the House and the country somewhat of a picture of the organization for the sale of war securities; how that organization operates, and the results that are being obtained in this gigantic sales campaign. The bill that is presently before us carries \$12,000,000 to maintain and expand that organization during the next fiscal year, which is part of the appropriation of \$45,000,000 under the title of "Expenses of Loans."

In the first place, I would like to pay a tribute to Harold N. Graves, assistant to the Secretary of the Treasury, who has general over-all charge of the sale of Government securities, to raise the funds that are so vitally necessary for winning the war. I do not believe it would have been possible to have entrusted this task

of monumental importance to more competent hands. Mr. Graves' judgment is sound, his vision is clear, and his industry is indefatigable. He is a genius for details and knows everything that is going on in every branch and ramifications of his vast organization. He came to this difficult task splendidly equipped with long experience in governmental operations and with intimate knowledge of the personnel and functions of the public services. He is a born organizer whose feet are always on the ground.

He started out with the promise that the raising of the multiplied billions necessary to win the war will require a maximum of volunteer effort and cooperation far beyond anything that has ever been known in this country. It was his conception—and I think an eminently sound one—that if the campaign to finance the war is to be put over successfully it must be the willing, patriotic people of America who will do it. It was a nation's job, and about all that could be expected of a paid organization and all that could be done by it would be to devise the plans and give direction to the effort.

Both in the purchase of bonds by the public and in the campaign for selling them to the public the volunteer principle is being invoked with amazing success. Literally millions of people are helping by their personal services to sell the bonds, without receiving one cent of compensation for their efforts. These volunteer workers include 370,000 persons who are serving as members of State, local, and county committees without pay. The newspapers, the magazines, and the radio had most generously contributed their part gratis and Mr. Graves' staff estimates that in the 11 months of the fiscal year just ending, the bond sales campaign has received \$65,000,000 worth of free publicity. It is estimated that 25,000 persons are giving their full time to the sale of War bonds without pay from the Treasury. The banks which serve Mr. Graves' organization as issuing agents, are employing at their own expense an equivalent of 20,000 persons to do that particular job.

Having made voluntary service the keystone of his organization, Mr. Graves came before us in an anomalous attitude in marked contrast with the usual efforts of Government chiefs to get all of the personnel that could possibly be extracted from an unwilling Appropriations Committee. On page 149 of the hearings there is a bit of interesting testimony on this point which I quote:

Mr. Ludlow. It is your theory, is it not, which you are building your organization—and I think very wisely—that you do not need a large paid personnel?

Mr. Graves. That is right.

Mr. Ludlow. And you do not contemplate a large paid personnel?

Mr. Graves. We do not want it.

Mr. Ludlow. You have enough paid men to help provide the administration of it and to serve as a liaison with the volunteer organization?

Mr. Graves. That is right.

Mr. Ludlow. That is the conception of your organization?

Mr. Graves. That is right.

Mr. Ludlow. I think that is a very wise plan, and it is in direct contrast, I think I

side who commend him for his presentation and who are duly appreciative of the way in which he is presenting this matter on behalf of the Treasury.

Mr. LUDLOW. I thank my friend from Pennsylvania for his kindness, and I appreciate the attendance on the minority side of the House, but also wish to say that the attendance on the majority side, while somewhat diminutive, is very high in quality. I do appreciate very much the opportunity afforded me of preaching the real gospel to such a fine representation on the minority side.

Mr. YOUNG. Mr. Chairman, will the gentleman yield?

Mr. LUDLOW. Yes.

Mr. YOUNG. I also desire to compliment the gentleman from Indiana on his splendid presentation, and also express regret that there are not more Members here on both sides of the House. Of course, it is about a quarter after 7 o'clock in the evening, and we have had a very hard day.

Mr. DITZER. Mr. Chairman, will the gentleman yield further?

The CHAIRMAN. The time of the gentleman has expired.

Mr. DITZER. I hope the gentleman from Missouri will yield the gentleman from Indiana 2 additional minutes.

Mr. CANNON of Missouri. Mr. Chairman, I yield 3 additional minutes.

Mr. DITZER. Mr. Chairman, will the gentleman yield?

Mr. LUDLOW. I will.

Mr. DITZER. Despite how late it may be, despite how arduous are our tasks during the day, and no matter what time we put in, I should hardly feel that to be any excuse for failing to sit at the feet of the distinguished gentleman from Indiana, to drink in the wisdom that he is giving us, and I hardly feel that is an excuse for the unappreciative attendance on the part of the majority, who by their absence are missing a real treat. I cannot think of anything that will condone for the failure of the majority to appreciate the contribution that is being made.

Mr. LUDLOW. Mr. Chairman, I again express my thanks to my dear friend the distinguished gentleman from Pennsylvania, whose kindness touches me very much, and I again make the observation that while the attendance on the majority side is, indeed, somewhat attenuated, nevertheless, it is of a very superlative quality.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. LUDLOW. Yes.

Mr. CRAWFORD. In the gentleman's own judgment, does he feel that the sales of War bonds are running as heavy as they should in this country with our national income, and involved in a war as we are at the present time?

Mr. LUDLOW. I have no hesitation in saying that I do not think they are. I think the sales should run much higher. I think with the additional appropriation that is being given to Mr. Graves' excellent organization in this bill he will see to it that they do run much higher.

The CHAIRMAN. The time of the gentleman from Indiana has again expired.

Mr. DITZER. Mr. Chairman, I yield 20 minutes to the gentleman from Massachusetts (Mr. WIGGLESWORTH).

Mr. WIGGLESWORTH. Mr. Chairman, I ask unanimous consent to revise and extend my remarks in the Record.

The CHAIRMAN. Is there objection? There was no objection.

Mr. WIGGLESWORTH. Mr. Chairman, this bill carries a total of \$1,830,000,000, or thereabouts, which is \$36,000,000 or thereabouts under the Budget estimates.

The principal items are as follows: For the War Shipping Administration, \$1,100,000,000; for 12 agencies under the Office for Emergency Management, including War Production Board, \$274,000,000; for the Treasury, \$156,000,000, which includes \$150,000,000 for the Smaller War Plants Corporation; for the President's emergency fund, \$100,000,000; for the Office of Price Administration, \$95,000,000.

The bill covers 18 of the newer set-ups in the Government, many of them organized pursuant to Executive order. It is impossible in the time available to even scratch the surface in the way of a thoroughgoing discussion of this bill. All that is possible is to refer to a few of the more important agencies and some of the evidence developed in the course of the hearings.

EMERGENCY FUNDS FOR THE PRESIDENT

The bill carries a total of \$100,000,000 for emergency funds for the President. Of course, no one wants to unduly limit the President in time of war in respect to expenditure which is either emergency in character or confidential in character, to the extent that the desired appropriation cannot be properly considered by the Congress.

I submit, however, Mr. Chairman, as I have submitted before on the floor of this House, that expenditures from these funds should and must be limited to war expenditure which is either emergency or confidential in character. To use the funds under other conditions, in my judgment, is indefensible, tending to break down the entire appropriating power of the Congress.

On pages 545-550 of the hearings Members will find a complete list of the allocations of emergency funds which have been granted to the President. They will also find in the hearings reference to pending requests against the unexpended balance of these funds.

I submit, Mr. Chairman, that no one can read these items without coming to the conclusion that the privilege extended by the Congress has been abused and is today threatened with abuse. With Congress in continuous session there is no justification for that abuse. I hope that in the future the expenditure of these funds will be limited strictly to the purposes for which they have been made available by the Congress.

COORDINATION

Mr. Chairman, the gentleman from New York (Mr. TAAR) has said something about the matter of coordination. I want to speak of this in connection with this bill, because the policy of so-called

coordination is reflected in agency after agency provided for in the bill. In my judgment the alleged coordination often times is in fact something very different and quite the reverse of coordination.

My idea of coordination is work done by an individual or a small group which results in the elimination of overlapping between agencies in increasing efficiency and in cutting down the total expenditure by the agencies coordinated.

That does not seem to be the purpose of so-called coordination under present conditions. On the contrary, under present policy when coordination is announced it seems more often than not to involve a huge new organization, superimposed on the old, which fails to eliminate overlappings, which fails to increase efficiency, which fails to reduce total expenditures, and which in fact actually increases the total expenditure of the agencies supposed to be coordinated.

The general idea seems to be to set one agency to do a job; then to set another agency to do somewhat the same job; then to superimpose a third cover agency for the alleged purpose of coordinating the work of the two other agencies, but in fact to duplicate in large measure the work of the two agencies which it is supposed to coordinate.

You will find this general principle again and again in recent reorganization under this administration. It is wasteful, it is inefficient, and runs directly against the announced policy of holding down nonessential expenditure to the minimum.

You will find this general policy reflected, in my judgment, in the Board of Economic Warfare; in the War Manpower Commission; in the Office of Defense Health and Welfare Services; in the Office of Agricultural War Relations; and in other agencies provided for in this and other bills.

BOARD OF ECONOMIC WARFARE

The bill carries \$13,818,000 for the Board of Economic Warfare. This is one of the newer organizations to which I have referred, set up under Executive order.

It appears to me, based on the hearings, that this agency is endeavoring to carry out a perfectly enormous program, not only here but elsewhere throughout the world. It appears to me that a large part of that program is in the impractical world, in the world of dreams, and that a very large part of the program is in respect to fields already covered by other Federal agencies.

The Board of Economic Warfare tells us it has three principal functions. One is the licensing of exports. Of course, somebody has to do that work. The second is programming the development and production of strategic materials needed from abroad. Certainly there are a number of other agencies in that field. The third is supplying the Army and the Navy with economic information. There are many agencies contributing to that objective at the moment.

You will find if you read the hearings that incident to these three objectives

side who commend him for his presentation and who are duly appreciative of the way in which he is presenting this matter on behalf of the Treasury.

Mr. LUDLOW. I thank my friend from Pennsylvania for his kindness, and I appreciate the attendance on the minority side of the House, but also wish to say that the attendance on the majority side, while somewhat diminutive, is very high in quality. I do appreciate very much the opportunity afforded me of preaching the real gospel to such a fine representation on the minority side.

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The CHAIRMAN. The time of the gentleman has expired.

Mr. DITTMER. I hope the gentleman from Missouri will yield the gentleman from Indiana 2 additional minutes.

Mr. CANNON of Missouri. Mr. Chairman, I yield 2 additional minutes.

Mr. DITTMER. Mr. Chairman, will the gentleman yield?

Mr. LUDLOW. I will.

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Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. LUDLOW. Yes.

Mr. CRAWFORD. In the gentleman's own judgment, does he feel that the sales of War bonds are running as heavy as they should in this country with our national income, and involved in a war as we are at the present time?

Mr. LUDLOW. I have no hesitation in saying that I do not think they are. I think the sales should run much higher. I think with the additional appropriation that is being given to Mr. Graves' excellent organization in this bill he will see to it that they do run much higher.

The CHAIRMAN. The time of the gentleman from Indiana has again expired.

Mr. DITTMER. Mr. Chairman, I yield 30 minutes to the gentleman from Massachusetts (Mr. WIGGLESWORTH).

Mr. WIGGLESWORTH. Mr. Chairman, I ask unanimous consent to revise and extend my remarks in the Record.

The CHAIRMAN. Is there objection? There was no objection.

Mr. WIGGLESWORTH. Mr. Chairman, this bill carries a total of \$1,530,000,000, or thereabouts, which is \$95,000,000 or thereabouts under the Budget estimates.

The principal items are as follows: For the War Shipping Administration, \$1,100,000,000; for 12 agencies under the Office for Emergency Management, including War Production Board, \$274,000,000; for the Treasury, \$155,000,000, which includes \$150,000,000 for the Smaller War Plants Corporation; for the President's emergency fund, \$100,000,000; for the Office of Price Administration, \$95,000,000.

The bill covers 18 of the newer set-ups in the Government, many of them organized pursuant to Executive order. It is impossible in the time available to even scratch the surface in the way of a thoroughgoing discussion of this bill. All that is possible is to refer to a few of the more important agencies and some of the evidence developed in the course of the hearings.

EMERGENCY FUNDS FOR THE PRESIDENT

The bill carries a total of \$100,000,000 for emergency funds for the President. Of course, no one wants to unduly limit the President in time of war in respect to expenditure which is either emergency in character or confidential in character, to the extent that the desired appropriation cannot be properly considered by the Congress.

I submit, however, Mr. Chairman, as I have submitted before on the floor of this House, that expenditures from these funds should and must be limited to war expenditure which is either emergency or confidential in character. To use the funds under other conditions, in my judgment, is indefensible, tending to break down the entire appropriating power of the Congress.

On pages 545-550 of the hearings Members will find a complete list of the allocations of emergency funds which have been granted to the President. They will also find in the hearings reference to pending requests against the unexpended balance of these funds.

I submit, Mr. Chairman, that no one can read these items without coming to the conclusion that the privilege extended by the Congress has been abused and is today threatened with abuse. With Congress in continuous session there is no justification for that abuse. I hope that in the future the expenditure of these funds will be limited strictly to the purposes for which they have been made available by the Congress.

COORDINATION

Mr. Chairman, the gentleman from New York (Mr. Tamm) has said something about the matter of coordination. I want to speak of this in connection with this bill, because the policy of so-called

coordination is reflected in agency after agency provided for in the bill. In my judgment the alleged coordination of times is in fact something very different and quite the reverse of coordination.

My idea of coordination is work done by an individual or a small group which results in the elimination of overlapping between agencies in increasing efficiency and in cutting down the total expenditure by the agencies coordinated.

That does not seem to be the purpose of so-called coordination under present conditions. On the contrary, under present policy when coordination is announced it seems more often than not to involve a huge new organization, superimposed on the old, which fails to eliminate overlappings, which fails to increase efficiency, which fails to reduce total expenditures, and which in fact actually increases the total expenditure of the agencies supposed to be coordinated.

The general idea seems to be to set one agency to do a job; then to set another agency to do somewhat the same job; then to superimpose a third even agency for the alleged purpose of coordinating the work of the two other agencies, but in fact to duplicate in large measure the work of the two agencies which it is supposed to coordinate.

You will find this general principle again and again in recent reorganization under this administration. It is wasteful, it is inefficient, and runs directly against the announced policy of holding down nonessential expenditure to a minimum.

You will find this general policy reflected, in my judgment, in the Bureau of Economic Warfare; in the War Mobilization Commission; in the Office of Defense Health and Welfare Services; in the Office of Agricultural War Relations; and in other agencies provided for in this and other bills.

BOARD OF ECONOMIC WARFARE

The bill carries \$13,818,000 for the Board of Economic Warfare. This is one of the newer organizations to which have referred, set up under Executive order.

It appears to me, based on the hearings, that this agency is endeavoring to carry out a perfectly enormous program not only here but elsewhere throughout the world. It appears to me that a large part of that program is in the impractical world, in the world of dreams, and that a very large part of the program is in respect to fields already covered by other Federal agencies.

The Board of Economic Warfare tells us it has three principal functions. One is the licensing of exports. Of course, somebody has to do that work. The second is programming the development and production of strategic materials needed from abroad. Certainly there are a number of other agencies in that field. The third is supplying the Army and the Navy with economic information. There are many agencies contributing to that objective at the moment.

You will find if you read the hearings that incident to these three objectives



TREASURY DEPARTMENT

DEFENSE SAVINGS STAFF

OFFICE OF STATE ADMINISTRATOR

FIRMS AND ORGANIZATIONS RECEIVING CERTIFICATES OF MERIT

FOURTH OF JULY, 1942

Ideal Linen Mesh Company
 Brotherhood of Maintenance of Way Employees
 Fallkill Machine Shop
 Farmer's and Manufacturer's National Bank
 First National Bank, Poughkeepsie
 Gulf Oil Corporation
 International Business Machine Corp. Plant #4
 International Harvester Company
 Poughkeepsie Trust Company
 Roe Movers
 Sedgwick Machine Works
 Smith Brothers Factory, Inc.
 Standard Gage, Inc.
 Vassar Bank
 Western Printing Company, Inc.
 Station W. K. I. P.

CITATIONS

Beacon News

Station WKIP

Poughkeepsie Newspapers

Eagle News

Poughkeepsie - New Yorker

Hudson Valley Courier



Treasury Department

205

TELEGRAPH OFFICE

C O P Y

WUE1 40 GOVT NT COLLECT

TDWD BEACON NY JUL 4 1942 JUL 6 AM 7 54

HAROLD GRAVES, DLR JULY 6TH 830AM

OFFICE OF SECY OF TREAS

MR MYERS CHAIRMAN FOR DUTCHESS COUNTY HAS NEVER HEARD OF
OUR PLANS FOR RETAIL STORES FOR JULY 17TH HOW MANY OTHER
COUNTY CHAIRMAN ARE ALSO WITHOUT THIS INFORMATION PLEASE
INVESTIGATE PROMPTLY AND REPORT TO ME COPY TO MRB KLOTZ

HENRY MORGENTHAU JR

849A.

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

Mexico City
Dated July 4, 1942
Rec'd 8:35 p.m.

Secretary of State,
Washington.

780, July 4, 1 p.m.

Reference Embassy's telegram no. 763, July 4,

1 p.m.

Further talks with Finance Minister and manager of Bank of Mexico indicate they appreciate dangers connected with possible circulation in Mexico of Axis seized currency. Manager of Bank has sympathetic understanding of problems facing Treasury Department in the matter and measures deemed necessary to meet them. He has already written to Federal Reserve Bank of New York for instruction on how to transfer his and other banks currency holdings of approximately \$2,750,000 for examination and credit in accounts there. Border problem also discussed with Finance Minister and Manager of Bank of Mexico who are giving it their joint consideration.

MESSERSMITH

EMB

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

Madrid

Dated July 4, 1942

Rec'd 2:48 a.m., 5th

Secretary of State,
Washington.

857, July 4, 5 p.m.

Following telegram sent to the Legation at
Bern.

Sale of American currency in Spain is no
longer possible therefore Americans must have Swiss
francs Portuguese escudos or travelers checks in
order to buy pesetas at Spanish border for trans-
portation and other expenses within Spain. Please
bring foregoing to the attention of all Americans
leaving your jurisdiction to proceed to or through
Spain.

Repeated to Lisbon, Vichy and Department.

HAYES

MCR

BRITISH MOST SECRET
U.S. SECRET

COPY NO. 13

OPTEL NO. 228

Information received up to 7 a.m. 4th July, 1942.

1. NAVAL.

A photographic reconnaissance of Trondheim showed that TIRPITZ, HIPPER and Destroyers had left their respective berth. The reconnaissance of Narvik was unsuccessful owing to weather. The aircraft carrier GRAF ZEPPELIN, last seen at Gdynia on 2nd June was reported on the 16th to be nearing completion and might be ready for trials in three or four weeks.

2. MILITARY. EGYPT.

2nd. In the morning the enemy massed the bulk of his forces opposite the El Alamein position and from 3 p.m. onwards our troops in this area were subjected to heavy shell fire and dive bombing attacks. The 4th and 22nd Armoured Brigades engaged enemy armoured forces through the afternoon in the area 6 miles south of Olla Amein and the threatened attack did not mature. Towards 5.30 p.m. columns of the 7th Motor Brigade and 2nd New Zealand Division engaged about forty tanks ten miles still further south and late in the evening the enemy was seen to be withdrawing his armour slightly westwards.

RUSSIA.

North-east of Kursk the Germans are attacking on a forty mile front and have advanced at one point to a depth of 25 miles. In a fresh offensive east and north-east of Kharkov the Germans have advanced their line about 15 miles.

3. AIR OPERATIONS. WESTERN FRONT.

2nd/3rd. Bremen. About 510 tons of H.E.

and incendiaries were dropped. Photographs taken on the 3rd show no fresh major damage.

3rd. A coastal command Hudson bombed and set on fire a vessel of about 4,000 tons in convoy off the Frisian Islands. Two JU. 88's which came in at a low altitude dropped bombs in the North Midlands. Both were shot down by Spitfires.

3rd/4th. Six Lancasters laid sea mines off East Denmark. Two are missing.

EGYPT.

2nd. Light bombers and fighter bombers made over two hundred sorties against enemy concentrations and in the evening carried out two heavy raids in support of a counter attack by our ground forces.

2nd/3rd. About 35 Wellingtons bombed enemy concentrations and communications just in rear of the battle area. The operations were successful, many fires were caused and a particularly big explosion at El Daba. Liberators also attacked Tobruk Harbour. Enemy aircraft were active over our landing grounds at Amriya, 10 miles south west of Alexandria and the Alexandria and Suez Canal areas. Sea mines were dropped in the Canal and off Port Said.

MALTA.

Between 4.15 p.m. 2nd and 11 a.m. 3rd about 80 enemy aircraft operated. Our fighters destroyed five and damaged three, A.A. destroyed one. Two Spitfires were lost but the pilots are safe.

4. HOME SECURITY.

Two JU. 88's dropped some bombs in North Derbyshire in daylight yesterday evening damaging plant at a Quarry, they also machine-gunned Chatsworth house.