

DIARY

Book 547

July 5 - 7, 1942

- A -

	Book	Page
Airplanes		
For autographs, see Financing, Government: War Savings Bonds		
Shipments to British Forces - Kamarck report - 7/6/42..	547	166
Alcohol		
Cuban and Mexican alcohol:		
Irey report - 7/7/42.....		281
Rosenman action reviewed in Irey memorandum - 7/9/42: See Book <u>548</u> , page 198		
Alcohol Tax Unit		
Movement to Fresno discussed by Congressman Gearhart and HMJr - 7/6/42.....		78
a) Sullivan's report.....		82
(See also Book <u>552</u> , page 112)		
Alien Property Custodian		
Amended Executive Order issued July 6, 1942.....		92
a) Rosenman and HMJr discuss.....		89
b) Duffield-HMJr conversation - 7/7/42.....		267
Allied Record Manufacturing Company		
Procurement award discussed in Mack memorandum - 7/6/42..		139
Amalgamated Sugar Company		
Office of Price Administration accuses in connection with sugar rationing - 7/6/42.....		153
American Heroes Day		
See Financing, Government: War Savings Bonds		
Appointments and Resignations		
Mack, Clifton E. (Director of Procurement): Transfer to position of Chief Procurement Officer for Army Air Corps at Wright Field, Dayton, Ohio, discussed by HMJr, Bell, Graves, and Thompson - 7/6/42.....		66
a) Mack declines job - 7/8/42: Book <u>548</u> , page 103		
Argentina		
See Latin America		

- B -

Bank of America		
New branch for Los Angeles rejected for third time - 7/6/42.....		140
Bioff, William		
See Tax Evasion		
Business Conditions		
Haas memorandum on situation, week ending July 4, 1942 - 7/6/42.....		141

- C -

Cuba		
See Latin America		

	Book	Page
Davis, Elmer (Office of War Information)		
See Financing, Government		
Debt Moratorium		
See Revenue Revision		
Deferments, Military		
Foley, Edward H., Jr.: Attitude discussed by HMJr and Greenbaum - 7/7/42.....	547	205
a) Letter from Draft Board explaining Foley status - 7/16/42: See Book 550, page 26		
Duffield, Eugene S. (Wall Street Journal)		
HMJr discusses with Duffield Alien Property decision - 7/7/42.....		257

Financing, Government

\$2 billion announced; 2 1/2%'s to be reopened late in July or early in August for <u>August financing</u> ; Bell discusses possibility of 2 issues--a note and a bond--at conference of representatives of Treasury and Federal Reserve - 7/6/42.....		5
a) HMJr-Rouse conversation.....		11,76,83
b) Calendar of direct and guaranteed bonds, notes, and certificates, as of July 1, 1942.....		22
c) Treasury bills, June 17 and June 24, July 1 and 8.....		29
d) HMJr checks with Early on Army and Navy situation.....		30
e) Elmer Davis--HMJr conversation.....		35
f) Recommendations of Discount Corporation, Devine, etc. - 7/7/42.....		207
g) Conference; present: HMJr, Bell, Haas, Buffington, Murphy, Baker, and Mills - 7/7/42.....		212
1) Conversation with Rouse.....		213
2) Murphy recommends single 2 1/2% issue.....		221
3) Mills recommends 2 3/4% issue.....		225
4) Miss Tully asked to make appointment with FDR before telegrams go out.....		228
5) Edward E. Brown--HMJr conversation.....		231
h) Federal Reserve group joins Treasury group.....		235
1) Rouse-HMJr conversation.....		238,243
i) \$2 billion cash subscription, 2 1/2% Treasury Bonds, 1949-51, authorized by FDR.....		252
1) Federal Reserve Banks informed.....		253
j) Rouse-HMJr conversation on reception of issue - 7/8/42: Book 548, pages 24, 30, 44, 80, 151, and 155		
k) Closing of subscription books - 7/9/42: Book 548, page 128		
1) Setting of pattern: 7-9 years, 2 1/2%, for short-term money, and 20 years and over, 2 3/4%, for long-term money explained to 9:30 group by HMJr - 7/10/42: Book 548, page 222		
m) Subscription figures and basis of allotment - 7/11/42: Book 549, pages 1 and 281		
n) 200 largest banks - subscriptions - 7/20/42: Book 551, page 151		

- F - (Continued)

	Book	Page
Financing, Government (Continued)		
War Savings Bonds:		
HMJr's future trips for awards, etc., discussed by HMJr, Graves, Kuhn, Gamble, and Odegard - 7/6/42... (See also Poughkeepsie rally: Book 546)	547	38
Heroes (American) Day, July 17, 1942:		
Cities participating.....		111
a) Retail leader for each community discussed in Gamble memorandum.....		112
b) Special radio programs.....		115
c) Harriet Elliott memorandum.....		274
d) Cities participating - 7/15/42: See Book 549, page 282		
e) Report on progress of plans - 7/17/42: Book 550, page 249		
f) Reports from State Administrators and local Retail Chairmen on progress - 7/20/42: Book 551, page 166		
Autographing of Airplanes: Kuhn memorandum - 7/6/42..		116
Payroll Savings Plan: Railroad participation reported by Houghteling - 7/6/42.....		118
Sales for first 5 days of May, June, and July, 1942 - 7/6/42.....		127
Foley, Edward H., Jr. See Deferments, Military		

- G -

Gaston, Herbert E. Arrangements for work during absence in Minneapolis - 7/6/42.....		102
Gearhart, Bertrand W. (Congressman, California) See Alcohol Tax Unit		
Gold See Latin America: Cuba " U.S.S.R.		

- H -

Heroes (American) Day, July 17, 1942 See Financing, Government: War Savings Bonds		
Hopkins, Harry HMJr congratulates on engagement - 7/5/42.....		2

- I -

Inflation See Revenue Revenue: Debt Moratorium		
---	--	--

- J -

Japan For Tokyo raid, see Speeches by HMJr		
---	--	--

- L -

	Book	Page
Latin America		
Argentina: Control measures taken supplementing those taken by United States over dollar notes - 7/6/42..	547	173
Cuba:		
See also Alcohol		
Gold Agreement signed - 7/6/42.		173
Mexico: See Alcohol		
Lend-Lease		
Dollar Relief on British Contracts: White drafts two letters to Chancellor of the Exchequer - 7/6/42....		157

- M -

Mack, Clifton E. (Director of Procurement)		
See Appointments and Resignations		
Mexico		
See Alcohol		
Military Reports		
British operations - 7/5/42, etc.....		3,201,287
Kamarck summaries - 7/6-7/42.....		203,288

- P -

Procurement Division		
Discussion of reassignment of functions by HMJr, Bell, Graves, and Thompson in connection with possible reassignment of Mack - 7/6/42.....		66

- R -

Revenue Revision		
Repayment of debts under high tax rates: Treasury position discussed by Ransom and HMJr - 7/6/42.....		131
(See also Book 548, page 75)		
a) Kuhn-HMJr conversation: Book 548, page 77		
b) Treasury release: Book 548, page 78		
c) Ransom's letter of appreciation: Book 548, page 79		
d) Blough memorandum on deducting from net income not to exceed \$1000 for debt repayment - 6/30/42: Book 555, page 221		
Rosenman, Samuel - Judge		
Joke about a bird and a man - 7/7/42.....		271

- S -

Sauter, James E.		
Auditor for RCA account - Graves' report on earnings for 1938 and 1939 - 7/6/42.....		136

- S - (Continued)

	Book	Page
Speeches by HMJr		
Talk at Walter Reed Hospital when soldiers participating with General Doolittle in raid over Japan were decorated - 7/6/42.....	547	53,63
a) Presentation ceremony.....		55
1) HMJr describes to Bell, Graves, and Thompson.....		66
Stabilization Fund		
Report for May and June, 1942 - 7/7/42.....		280
Sugar		
See Amalgamated Sugar Company		

- T -

Tax Evasion		
Bioff, William: Status of case reported by Helvering - 7/6/42.....		134
Taxation		
See Revenue Revision		
Tokyo Raid		
See Speeches by HMJr		

- U -

U. S. S. R.		
Gold Purchase Agreement: Review of situation since signing on January 3, 1942 - 7/6/42.....		170
United States flyers in Russia discussed by HMJr and General Doolittle - 7/7/42.....		261
United Kingdom		
See Lend-Lease		

- W -

War Savings Bonds		
See Financing, Government		

Treasury Department

TELEGRAPH OFFICE

COPY

WUE25 36 NT GOVT COLLECT

TDWD BEACON NY JUL 5 1942
1942 JUL 6 AM 8 38

HAROLD GRAVES, DLR 830A

OFFICE OF THE SECRETARY OF THE TREASURY

I SUGGEST THAT FOR THE WEEK PREVIOUS TO JULY 17TH THE
TREASURY STAR PARADE BE DEVOTED TO BOOSTING THE RETAIL
STORES SALES ON JULY 17TH PLEASE SPEAK TO ME ABOUT THIS.

COPY TO MRS KLOTZ

HENRY MORGENTHAU JR

834A JUL 6.

Treasury Department

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COPY TO MRS KLOTZ

HENRY MORGENTHAU JR

834A JUL 6.

2

July 5, 1942

Telegram of congratulations sent from the Farm.

Mr Harry Hopkins 7-5-42
White House
Wash,

Our very heartiest
congratulations
and best wishes
on your engagement.

Hope we will have
the pleasure of
meeting your fiancée
very soon. You both
dine with us either
Wed. or Thursday
night informally
in Washington.

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 229

Information received up to 7 A.M., 5th July, 1942.

1. NAVAL

4th. Outward convoy to RUSSIA was attacked by aircraft in the early morning north of BEAR ISLAND and a United States ship (7,000 tons) was torpedoed and later sunk by our forces. In the evening, owing to threat from enemy surface ships, the convoy was ordered to scatter and make for Russian ports.

2. MILITARY

EGYPT. 3rd. In the morning, enemy forces, mostly Italian, supported by tanks and artillery, advanced southwards in the direction of BAB EL QATTARA. The attack was repulsed by the New Zealand Division who captured 28 guns, 300 prisoners and 100 mechanical transport. In the afternoon, an attack, strongly supported by field and medium artillery and with 40 German tanks, developed upon our positions south of EL ALAMEIN. United Kingdom First Armoured Division, supported by artillery destroyed 3 tanks and forced the enemy to withdraw. During the course of the day, we probably destroyed a total of 24 tanks. Captured or destroyed 44 enemy field and medium guns, besides about 40 medium machine guns, and took about 300 prisoners, mostly Italian. Operations were supported throughout by an outstanding effort by the Royal Air Force.

On the morning of the 4th, a movement of enemy tanks in the direction of EL ALAMEIN was being engaged by our forces.

RUSSIA. The German offensive in the KURSK sector is making progress.

3. AIR OPERATIONS

WESTERN FRONT. 4th. Twelve Bostons, 6 of them manned by United States crews, attacked three aerodromes in HOLLAND. Three aircraft are missing, two of them U.S. manned.

EGYPT. 3rd. Our air activity was continuous and involved 155 Bomber and 524 Fighter sorties. During offensive patrols over the battle area, our Fighters intercepted three escorted dive-bomber attacks, shooting down 15 Junkers 87 (probably destroying four others) and eight Fighters (probably destroying three others), a further 14 enemy aircraft were damaged. Our losses were twelve Fighters, three Pilots safe. Five more enemy aircraft were destroyed and six damaged on the ground at SIDI BARRANI.

3rd/4th. About 100 bombers attacked enemy concentrations in the battle area.

MEDITERRANEAN. Eleven aircraft attacked a heavily escorted south-bound convoy in SOUTH IONIAN SEA. Two hits are claimed and several near misses.

MALTA. Between 3.30 p.m. 3rd and 1. p.m. 4th 42 enemy aircraft attacked. TAKALI Aerodrome was rendered temporarily unserviceable and the signals maintenance section at LUQA was destroyed. Five enemy aircraft were shot down.

4. GERMAN AIR FORCE

Bombers in SICILY have been increased to 130 by the arrival of about 45 Junkers 88 from Western Europe and may further increase by another 20 during next week.

5. GERMANY

The Reichsstatthalter of HAMBURG has been appointed Reich Commissioner for sea shipping and given unlimited powers for the regulation of sea transport, administration of ports and merchant shipping. He immediately proclaimed a state of emergency in all German ports. This appointment is presumably due to German shipping losses.

6. BALKANS.

Passenger traffic was resumed between BULGARIA and TURKEY on the 17th June over the re-opened MARITSA BRIDGE. There is no indication that goods traffic has yet been resumed, and it appears that the Turks will not allow their wagons to cross the frontier, thus necessitating reloading.

July 6, 1942
11:00 a.m.

FINANCING

Present: Mr. Bell
Mr. Buffington
Mr. Haas
Mr. Murphy
Mr. Baker
Mr. Piser
Mr. Mills
Mr. McKee
Mr. Ransom
Mr. Szymczak

H.M.JR: Well, Dan, how does the situation look this morning?

MR. BELL: Well, I guess you noticed we announced that it would be two billion dollars and that we would reopen the two and a half's late in July or the first part of August for the August financing.

We have discussed it a little in our office, and I think it is a question of whether we want a two for the entire amount or between the two and a note. There is some feeling that we ought to have a two and an eighth.

I just talked to Bob Rouse, and he feels that a two percent bond will go for the entire amount, although I don't think he would feel badly about it if there were two issues, a note and a bond.

H.M.JR: Has somebody got - show me my spaces, George.

(Mr. Haas handed a chart to the Secretary.)

- 2 -

MR. BELL: I have got one.

(Mr. Bell handed a chart to the Secretary.)

MR. BELL: Two, '49-'51, would fall here. That is the call date; this is the maturity date (indicating on chart), and you see--

H.M.JR: When was the last two we got out?

MR. BELL: That was this one, September. This would go to December.

H.M.JR: That is pretty close, isn't it?

MR. BELL: Yes, but you would have three of them, June, September, and December.

H.M.JR: All twos?

MR. BELL: All twos, yes, sir. Now, we have got a two '51-'55, haven't we - yes, small amounts. That is '49-'51. This is the year, and that is just put there to show the maturity date (indicating).

H.M.JR: How does that show up here (indicating on Mr. Haas' chart)?

MR. BELL: That is the June, and here is the September and the December, two callable issues, the three and an eighth, and the two and a half, '49-'52.

H.M.JR: This would put another one where?

MR. BELL: This would put another one right there (indicating).

MR. BELL: And you would have this period, December, June, call it there. Your note issue would probably fall--

H.M.JR: Are they talking about a note issue, too?

MR. BELL: If you have a note issue, too, one and a quarter percent, it probably would fall here (indicating).

H.M.JR: If we don't fill this space this time, we will be filling it sometime.

MR. McKEE: If you don't fill it now, you are not going to fill it, because you are going to lose your length of maturity. I think you had better take it when you can get it.

MR. SZYMCZAK: You mean on the two percent?

MR. McKEE: Yes.

H.M.JR: It makes a kind of a pattern.

MR. SZYMCZAK: That is right.

MR. BELL: I think Bob Rouse felt this would help the market to stretch this out, then you would have three twos right along, running right along, to show that there was some fluctuation with market as long as the premium was sixteen thirty-seconds, and that you stretch it out a little on this in order to lessen that premium a little.

MR. McKEE: That is helpful to keep them all in line, isn't it?

MR. BELL: Yes. Now, Baker feels that that two percent market is a bad market - ought to step out into the two and an eighth percent market. I would like to see it go - the boys say you can't stretch it - to March 15, '50.

MR. SZYMCZAK: On a two and an eighth?

MR. BELL: On a two. That is only three months later.

- 4 -

MR. McKEE: We may be able to do that for you in September.

MR. BELL: That is a vacant space, too, in March '50.

MR. RANSOM: What is the objection to that, Dan?

MR. BELL: They feel it is a little thin, I think. Don't you, Henry?

MR. MURPHY: It would be about twelve thirty-seconds, we feel, a premium of sixteen for December, and it would knock off about four for March. I think it could be done.

MR. HAAS: You wouldn't want to make it quite that thin if you are going to put it all in one, would you?

MR. RANSOM: Why not, George?

MR. HAAS: Well, the fact - I mean, this would be the first two-billion-dollar issue, and it would be a little bit more conservative not to cut your premium too much. It is only sixteen in December.

MR. McKEE: Personally, I would favor a two, December, and size, maturity and chronological order with what you have been doing, you get their minds fixed on a two percent. I think you are going to gain momentum in your own behalf, as a pattern of rates.

MR. BELL: Is the Board in favor of all one issue this morning?

MR. SZYMCAK: Well, I think the majority is.

MR. McKEE: Marriner told me Saturday that he was for the two. Did he check with you, Mr. Secretary?

H.M.JR: Not since I have seen him.

- 5 -

MR. RANSOM: He talked to me, John. He is in favor of one issue.

MR. SZYMCAK: A two percent?

MR. RANSOM: Yes.

H.M.JR: Piser, you are very quiet.

MR. PISER: Well, I haven't changed from my views of the other day for one issue, an issue of two and an eighth rather than twos.

MR. BELL: You would rather have two and an eighth than two? Why, do you feel the two percent market is a little thin?

MR. PISER: That is one reason. Another is the concentration of call dates where you already have two and a quarter billion callable, and I think there is a danger in putting an additional two billion dollars on that date in that bank now of a substantial amount of issues that are already callable there, and they may be a little hesitant to take on more issues. I think there is also the possibility that the market may figure that the Treasury will not call the entire four and a half billion beyond that date and may price the new issue on the basis of March or June 1950, in which case it would have a very small premium.

So I think there is a danger in putting the two percent bond callable on that date.

MR. RANSOM: I think there is a definite advantage in having as small a premium as you can, however--

H.M.JR: I don't think there is certainly a bank in the country but what will take its limit.

MR. RANSOM: I would make it just as thin as I could.

- 6 -

H.M.JR: I don't think there is a bank in the country but what will take the limit.

MR. McKEE: I agree with that.

H.M.JR: They haven't got an excuse.

MR. McKEE: It is their kind of paper. It is within the limitations and everything else.

MR. RANSOM: There might be some danger in it, but I think it is outweighed by the advantage of not going to two and an eighth.

H.M.JR: Let me see what Rouse says. Have you talked with Rouse as to when you want to do it?

MR. BELL: No, I did not. I have given some thought to the suggestion that we announce it - we give out the terms on Wednesday, announce it on Thursday. I don't like that very well.

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

July 6, 1942.
11:13 a.m.

HMJr: Hello.

Operator: Mr. Rouse.

HMJr: Hello.

Robert Rouse: Good morning, sir.

HMJr: You're on the loud-speaker. Members of the Fed. Board are here in the Treasury.

R: I see.

HMJr: And I wondered if you'd care to say how you feel this morning before....

R: Well, I - since I came in this morning, I've done a little checking. I talked to some of the dealers....

HMJr: Yes.

R: ...and I talked with some of the banks, and I don't find that the situation is any different than that we discussed on Friday morning.

HMJr: Yeah.

R: There's a variety of opinions, of course. In general, it's - the markets are unchanged and you get, as I say, a variety of opinions. Chase - the chap at the Chase suggests that you might save some money and do a five-year one and five-eighths. Bob Garner I was talking with in another matter, and he thought on \$2 billion dollars you should split it, and Hollingsworth at the Central Hanover - number one suggestion would be a reopening of the two and a quarters of fifty-two five at par - and he pointed out at the same time that there'd be no - nothing with the limits removed from the subscriptions; that you didn't accomplish anything by having two issues. He admitted, however, that you did accomplish it as something if people were not forced into a short-term issue. He was thinking

- 2 -

R: in terms of aggregate subscriptions....
(cont.)

HMJr: Yeah.

R:and percentage of allotments. So, in general, it boils down - I think the general banking opinion here is somewhat divided as between an opening - splitting the issue and doing the entire \$2 billion dollars with one, and I think they'd be perfectly happy with either.

HMJr: Well, I think the majority of the opinion here is - it isn't unanimous but the majority is for one \$2 billion dollar issue, 2%, December '49.

R: Well, I - Miller and I individually feel that way here....

HMJr: Yeah.

R:that it would simplify our - our market problem and would work out perfectly satisfactorily all around.

HMJr: Well, supposing you test on that basis, say....

R: Well, I - in each of these three cases, the three banks I talked to, I did and I - in the case of the Chase and the Guaranty I think they'd be - they'd go along with that perfectly well and be glad to see it. Central Hanover thought we'd have a few many - too many two's. They thought a two and an eighth would be a little more satisfactory if we're going to do it all with one issue and a new issue.

HMJr: Well, the point that somebody pointed out here was that if we wanted to do a two now in December '49, the time to do it was now.

R: Yeah. I haven't talked with Chris Devine this morning. He's not in. He was delayed somewhere, but I did have a talk with him last week and his feeling then, and I - and nothing has happened to change it I'm reasonably sure - was for the two of December fifty-one forty-nine....

- 3 -

HMJr: Well....

R:all in one issue. And I got the same thing this morning from Chicago too.

HMJr: I'll be talking - will you be there around four-thirty?

R: Yes, I'll be here.

HMJr: I'll - I'll call you back then.

R: Fine.

HMJr: And then you'll know more. Wait a minute.
(Talks aside)

John
McKee: Has there been any trading in that registered issue this morning?

R: I haven't heard. Who's this? John?

M: Yeah.

R: No, I haven't heard of any.

M: Is there any quotations on it?

R: Well, I know there's at least a par bid. I have - I have been on the phone ever since I got in, John, talking with different people - in respect to this financing....

M: Uh huh.

R:and I had made sure that there would be bids available....

M: Uh huh. Well, that's good.

R:but I didn't - haven't checked to see if there was any trading. Metropolitan Life was interested in it, the announcement this morning

- 4 -

R: (cont.) of the Treasury, and wanted to know if it was official, and I told them I thought they could rely on it. It was a news release....

M: Uh huh.

R:which, of course, would affect their subscription to a new issue. But, as far as any actual trading, nobody's looking for any to speak of. It will just be somebody, an odd individual who might be trying to test it out to see if there was a market, because the bulk of the people that bought those bought them to hold.

M: Well, you'll watch it today, won't you, Bob?

R: Yes. Oh, it's being watched closely, I know.

M: All right.

R: And if there was anything in it that indicated either any amount or anything other than par or a slight premium, I would have heard about it.

M: Uh huh. All right, Bob.

R: Fine, John.

M: Goodbye.

R: Goodbye.

- 7 -

H.M.JR: I think he has got to do a little bit more checking. Don't you think so? Did you say anything, Henry?

MR. MURPHY: No.

H.M.JR: Do you want to say something?

MR. MURPHY: Yes, I have already said it.

H.M.JR: Say it again.

MR. MURPHY: Yes, I would agree with the majority sentiment here.

H.M.JR: How about you, Dan?

MR. BELL: I think we have got to think a little more about it, although I think it is going towards the two.

H.M.JR: We have got at least all day tomorrow to think about it. Let's talk a minute, I mean, if we get the thing settled tomorrow night, your thought was to - you know, if we put it in the papers, do anything different, then immediately they criticize us.

MR. BELL: I would like to send it out tomorrow afternoon if we could make the decision around noon - send it out tomorrow afternoon for opening Wednesday morning and leave it open Thursday, Thursday night. That is what we established the last time. I think it was well received. I think if we announce the terms and then say that it is going to be open tomorrow for one day it looks kind of funny.

H.M.JR: You are saying have it in the newspapers Wednesday morning open for subscription Wednesday and Thursday?

MR. BELL: Yes, announce it at that time, it will be

- 8 -

open two days.

H.M.JR: It gives the people a chance. They can talk it over and they can't say we are rushing them.

MR. McKEE: Your first release then will be Wednesday morning?

MR. BELL: Yes.

MR. RANSOM: There is no serious objection to that, is there?

MR. BELL: It was suggested the other day, Ronald, that we give out the terms Wednesday morning, and allow the terms to simmer throughout the banking system Wednesday, but the books wouldn't be open until Thursday, then we close Thursday night. It seems to me that if we are going to announce the terms on Wednesday we might as well get the advantage of being open on Wednesday, also.

MR. McKEE: The thought on that, Ronald, was the fact that the big boys wait until the last day, no matter how long you leave the books open.

MR. RANSOM: It seems to me it has the advantage of giving everybody a better opportunity than if you just give it one day.

H.M.JR: I think - take some of the smaller banks, unless they have - they don't have a Dow-Jones--

MR. RANSOM: They don't work that way, Mr. Secretary.

MR. McKEE: And the fellow that is running a bank has to go to a funeral in the morning and it is noon before he gets the mail open, or afternoon. Three o'clock passes - you get in the west, you know what the time changes are.

MR. BELL: The last one worked very well, I thought.

H.M.JR: Can we use the Victory Fund Committees on this, Dan?

- 9 -

MR. BELL: We can, but I don't know where they sell the bonds. Do you, George?

MR. BUFFINGTON: No, they might increase the distribution a little bit in some of the banks that Mr. McKee is speaking of who haven't been accustomed to operating quickly in getting to these one-day offerings.

H.M.JR: My inclination - I think that it would kind of gum the works up. I don't think it will be fair to them, just irritate them to have a lot of people calling them up. I think he would rather wait until we open this tap issue now.

MR. McKEE: I would see no harm in it as a matter of advising them what this issue is and keeping them up to date with the Treasury's program. I don't know--

MR. SZYMCAK: You mean just letting them know?

MR. McKEE: Putting them on the mailing list of the Federal Reserve Banks.

MR. RANSOM: Mr. Secretary, I am a little bit out of touch with that committee and what it is supposed to do, but it doesn't seem to me from anything I have understood that that is what it was supposed to do. I think if you project that into it you may cause more confusion than otherwise would be the case.

H.M.JR: But you are here to talk things over. I wanted to raise the point.

MR. RANSOM: I see no objection, as John suggests, to putting them on the mailing list, but most of them are on the mailing list anyhow.

H.M.JR: Then he does know.

MR. MURPHY: Would you want the issue open a third day for twenty-five thousand dollar allotments?

- 10 -

H.M.JR: No, two days is enough.

George, you think it over. You let me know what you want to do with your boys to keep them happy. Are they on the mailing lists?

MR. BUFFINGTON: All these members will get all mailings from the Fed.

MR. McKEE: Have they been circulated on the information released as to the open-end issue coming out again?

MR. BUFFINGTON: No, they have not.

MR. BELL: That was just announced this morning.

MR. McKEE: I think that would be a good thing to get to them all.

MR. RANSOM: That was announced this morning, Dan?

MR. BELL: Yes.

H.M.JR: Eccles was anxious that they do that.

MR. McKEE: I would give them that information.

MR. BUFFINGTON: If that two and a half is opened later this month with the increase--

H.M.JR: I wouldn't say this month - we didn't say this month, did we?

MR. BELL: We said probably the latter part of July.

H.M.JR: Was it written out, what you gave to the press?

MR. BELL: Yes.

H.M.JR: Why not get what Bell sent out and get that to your boys right away?

- 11 -

MR. BELL: I gave it out at nine-thirty this morning. I understood you want it on the market.

H.M.JR: You did the right thing.

MR. BUFFINGTON: I don't think they can do a particularly good job on the two and a half's.

H.M.JR: On the two and a half's?

MR. BUFFINGTON: No, sir, the F and G's - many sales in May on the F and G's resulted in the work they did on the two and a half, and with your limit being increased in July it is my belief, from talking with a member of the Victory Fund Committee Executive Managers, that you will get many of the people on the F and G's even in August. You will probably restrict your sales on the two and a half pretty much to the insurance companies. The individual would much rather have the F and G. Many of the sales made in the Chicago district on F and G's were a result of the solicitations on the two and a half's.

H.M.JR: Well--

MR. McKEE: That was the only reference I saw.

H.M.JR: That wouldn't make me mad, but anyway, talk it over with Dan, will you, what you want to send out.

Then I would like the Federal Reserve Board - I would like to request them, if they would, to restudy our tax anticipation notes, both as to the amounts and as to the rates. The suggestion has been made that the A tax anticipation amounts - the amount should be increased, and the amount ought to be - the interest rates should be brought in line. So if you gentlemen would have some recommendation, and George, would you put your staff on it?

MR. McKEE: You want the ceiling on the A and

- 12 -

the rates adjusted?

H.M.JR: Studied - I am not saying we do it. But the suggestion has been made on the A, increase it to twelve thousand, and on the B the rates - but study the whole thing. How long have we had them out now?

MR. BELL: A year this August.

H.M.JR: A year this August. I think it should be reexamined. I would like the advice of the Board on it.

George, you do the same.

MR. RANSOM: How soon would you like that, Mr. Secretary?

H.M.JR: Oh, whenever it is convenient.

MR. RANSOM: Shortly?

MR. SZYMCAK: After this financing.

MR. McKEE: By the time the tax bill is passed or before? (Laughter)

MR. RANSOM: Why indefinitely postpone it, John?

H.M.JR: I would like to talk in realities. I would say a week.

MR. BELL: We haven't sold so many A's, but we sold four hundred million tax notes in June, which is unusual in a tax month. We sold about a hundred and fifty million in March, as I recall.

H.M.JR: I would like that restudied.

Would it bother you to come back again at eleven tomorrow?

- 13 -

MR. RANSOM: Not at all.

MR. McKEE: If we can be of any use.

H.M.JR: It helps me.

Wait a minute, let me see my schedule.

MR. BELL: Ten-twenty is your last one.

H.M.JR: Just so that I won't keep them waiting, let's say eleven-fifteen tomorrow. Is that all right?

MR. RANSOM: Yes.

H.M.JR: And if you get any ideas between then and now will you call me, please?

MR. RANSOM: Yes.

Calendar of Direct and Guaranteed Bonds, Notes and Certificates 1/

July 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues 2/			
		Direct	Guaranteed	First callable		Final maturities	
				Direct	Guaranteed	Direct	Guaranteed
1942-Jan.							
Feb.							
Mar.							
Apr.							
May							
June							
July							
July							
Aug.							
Sept. 15	Note 2% -----	342					
Oct. 15	RFU 7/8% -----		320(T)				
Nov. 1	Certificates 1/2% -----	1,507(T)					
Dec. 15	Note 1-3/4% -----	232					
	Total	2,081	320				
1943-Jan.							
Feb. 1	Certificates 5/8% -----	1,588(T)					
Mar. 15	Note 3/4% -----	66(T)					
Apr.							
May 1	CCC 3/4% -----		289				
June 15	Note 1-1/8% -----	629					
June 15	Bond 3-3/8% (1943-47)			454			
July 15	RFU 1-1/8% -----		324(T)				
Aug.							
Sept. 15	Note 1% -----	279					
Oct. 15	Bond 3-1/4% (1943-45)				1,401		
Nov.							
Dec. 15	Note 1-1/8% -----	421					
	Total	2,983	613	1,855			
1944-Jan.							
Feb. 1	USHA 1-3/8% -----		114				
Mar. 15	Note 1% -----	515					
Mar. 15	FFMC 3-1/4% (1944-64)				95		
Apr. 15	Bond 3-1/4% (1944-46)			1,519			
Apr. 15	RFU 1% -----		571(T)				
May 1	HOLC 3% (1944-52)				779		
May 15	FFMC 3% (1944-49)				835		
June 15	Note 3/4% -----	416					
July							
Aug.							
Sept. 15	Note 1% -----	283					
Sept. 15	Note 3/4% -----	635(T)					
Oct.							
Nov.							
Dec. 15	Bond 4% (1944-54)			1,037			
	Total	1,849	685	2,556	1,709		
1945-Jan.							
Feb. 15	CCC 1-1/8% -----		412(T)				
Mar. 15	Note 3/4% -----	718					
Apr.							
May							
June 1	HOLC 1-1/2% (1945-47)				755		
July							
Aug.							
Sept. 15	Bond 2-3/4% (1945-47)			1,214			
Oct. 15	Bond 3-1/4% (1943-45)					1,401	
Nov.							
Dec. 15	Bond 2-1/2% -----	541					
Dec. 15	Note 3/4% -----	531(T)					
	Total	1,790	412	1,214	755	1,401	

1/ Taxable issue.

2/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

3/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds, Notes and Certificates 1/

July 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues 2/			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1946-Jan. 1	Conversion 3% -----	16					
Feb.							
Mar.15	Note 1% -----	503(T)					
Mar.15	Bond 3-3/4% (1946-56) -----			489			
Apr.15	Bond 3-1/4% (1944-46) -----					1,519	
May							
June15	Bond 3% (1946-48) -----			1,036			
June15	Bond 3-1/8% (1946-49) -----			819			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.15	Note 1-1/2% -----	1,119(T)					
	Total	1,638		2,344		1,519	
1947-Jan. 1	Conversion 3% -----	13					
Feb.							
Mar.							
Apr.							
May							
June 1	HOLC 1-1/2% (1945-47) -----					454	755
June15	Bond 3-3/8% (1943-47) -----						
July							
Aug.							
Sept.15	Bond 2-3/4% (1945-47) -----					1,214	
Oct.15	Bond 4-1/4% (1947-52) -----			759			
Nov.							
Dec.15	Bond 2% -----	701					
	Total	714		759		1,668	755
1948-Jan.							
Feb.							
Mar.15	Bond 2% (1948-50) -----			1,115(T)			
Mar.15	Bond 2-3/4% (1948-51) -----			1,223			
Apr.							
May							
June15	Bond 3% (1946-48) -----					1,036	
July							
Aug.							
Sept.15	Bond 2-1/2% -----	451					
Oct.							
Nov.							
Dec.15	Bond 2% (1948-50) -----			571			
	Total	451		2,909		1,036	
1949-Jan.							
Feb.							
Mar.							
Apr.							
May 15	FFMC 3% (1944-49) -----						835
June15	Bond 3-1/8% (1946-49) -----					819	
June15	Bond 2% (1949-51) -----			1,014(T)			
July							
Aug.							
Sept.15	Bond 2% (1949-51) -----			1,292(T)			
Oct.							
Nov.							
Dec.15	Bond 3-1/8% (1949-52) -----			491			
Dec.15	Bond 2-1/2% (1949-53) -----			1,786			
	Total			4,583		819	835

T Taxable issue.

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds, Notes and Certificates ^{1/}

July 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues ^{2/}			
		Direct	Guaranteed	First callable		Final maturities	
				Direct	Guaranteed	Direct	Guaranteed
1950-Jan. Feb. Mar. 15 Apr. May June July Aug. Sept. 15 Oct. Nov. Dec. 15	Bond 2% (1948-50)					1,115(T)	
	Bond 2-1/2% (1950-52)			1,186			
	Bond 2% (1948-50)					571	
	Total			1,186		1,686	
1951-Jan. Feb. Mar. 15 Apr. May June 15 June 15 July Aug. Sept. 15 Sept. 15 Oct. Nov. Dec. 15 Dec. 15	Bond 2-3/4% (1948-51)					1,223	
	Bond 2% (1949-51)					1,014(T)	
	Bond 2-3/4% (1951-54)			1,627			
	Bond 3% (1951-55)			755			
	Bond 2% (1949-51)					1,292(T)	
	Bond 2-1/4% (1951-53)			1,118			
	Bond 2% (1951-55)			510(T)			
	Total			4,010		3,529	
1952-Jan. Feb. Mar. 15 Apr. May 1 June 15 July Aug. Sept. 15 Oct. 15 Nov. Dec. 15	Bond 2-1/2% (1952-54)			1,024(T)			
	HOLD 3% (1944-52)						779
	Bond 2-1/4% (1952-55)			1,501(T)			
	Bond 2-1/2% (1950-52)					1,186	
	Bond 4-1/4% (1947-52)					759	
	Bond 3-1/8% (1949-52)					491	
	Total			2,525		2,436	779
1953-Jan. Feb. Mar. Apr. May June 15 July Aug. Sept. Oct. Nov. Dec. 15 Dec. 15	Bond 2% (1953-55)			725			
	Bond 2-1/2% (1949-53)					1,786	
	Bond 2-1/4% (1951-53)					1,118	
	Total			725		2,904	

T Taxable issue.

^{1/} Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.^{2/} Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds, Notes and Certificates 1/

July 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues 2/			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1954-Jan. Feb. Mar.15 Apr. May June15 June15 July Aug. Sept. Oct. Nov. Dec.15	Bond 2-1/2% (1952-54)					1,024(T)	
	Bond 2-3/4% (1951-54)					1,627	
	Bond 2-1/4% (1954-56)			681			
	Bond 4% (1944-54)					1,037	
	Total			681		3,688	
1955-Jan. Feb. Mar.15 Apr. May June15 June15 July Aug. Sept.15 Oct. Nov. Dec.15	Bond 2-7/8% (1955-60)			2,611			
	Bond 2% (1953-55)					725	
	Bond 2-1/4% (1952-55)					1,501(T)	
	Bond 3% (1951-55)					755	
	Bond 2% (1951-55)					510(T)	
	Total			2,611		3,491	
1956-Jan. Feb. Mar.15 Mar.15 Apr. May June15 July Aug. Sept.15 Oct. Nov. Dec.	Bond 3-3/4% (1946-56)					489	
	Bond 2-1/2% (1956-58)			1,449(T)			
	Bond 2-1/4% (1954-56)					681	
	Bond 2-3/4% (1956-59)			982			
	Total			2,431		1,170	
1957-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.							
	Total						

1/ Taxable issues.
Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

26
Calendar of Direct and Guaranteed Bonds, Notes and Certificates 1/

July 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues 2/			
				First callable		Final maturities	
		Direct	Guaran- teed	Direct	Guaran- teed	Direct	Guaran- teed
1958-Jan. Feb. Mar. 15 Apr. May June 15 July Aug. Sept. Oct. Nov. Dec.	Bond 2-1/2% (1956-58) -----					1,449(T)	
	Bond 2-3/4% (1958-63) -----			919			
	Total			919		1,449	
1959-Jan. Feb. Mar. Apr. May June July Aug. Sept. 15 Oct. Nov. Dec.	Bond 2-3/4% (1956-59) -----					982	
	Total					982	
1960-Jan. Feb. Mar. 15 Apr. May June July Aug. Sept. Oct. Nov. Dec. 15	Bond 2-7/8% (1955-60) -----					2,611	
	Bond 2-3/4% (1960-65) -----			1,485			
	Total			1,485		2,611	
1961-Jan. Feb. Mar. Apr. May June 1 July Aug. Sept. Oct. Nov. Dec.	Panama 3% -----	50					
	Total	50					

T Taxable issue.

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds, Notes and Certificates ^{1/}

July 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues ^{2/}			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1962-Jan. Feb. Mar. Apr. May June 15 July Aug. Sept. Oct. Nov. Dec.	Bond 2-1/2% (1962-67)			882(T)			
	Total			882			
1963-Jan. Feb. Mar. Apr. May June 15 July Aug. Sept. Oct. Nov. Dec.	Bond 2-3/4% (1958-63)					919	
	Total					919	
1964-Jan. Feb. Mar. 15 Apr. May June July Aug. Sept. Oct. Nov. Dec.	FFMC 3-1/4% (1944-64)						95
	Total						95
1965-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec. 15	Bond 2-3/4% (1960-65)					1,485	
	Total					1,485	

T Taxable issue.

^{1/} Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.^{2/} Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds, Notes and Certificates ^{1/}

July 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues ^{2/}			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1966-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.							
	Total						
1967-Jan. Feb. Mar. Apr. May June 15 July Aug. Sept. 15 Oct. Nov. Dec.							
	Bond 2-1/2% (1962-67)					882(T)	
	Bond 2-1/2% (1967-72)			2,716(T)			
	Total			2,716		882	
*	*	*	*	*	*	*	*
1972-Sept. 15	Bond 2-1/2% (1967-72)					2,716(T)	

^T Taxable issue.^{1/} Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.^{2/} Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

TREASURY BILLS

	<u>July 8</u>	<u>July 1</u>	<u>June 24</u>	<u>June 17</u>
Amount offered	\$300 M	\$300 M	\$300 M	\$300 M
Bids tendered	646 ✓	671 ✓	710	801
Low rate	0 3/4	0 2/4	.275%	0 1/4
High rate372%	.368%	.368	.368%
Average rate365 ✓	.360 ✓	.362	.365
Amount in New York	\$173 M	\$200 M	\$157 M	\$151 M
Amount in Chicago	38	34	79	23
Amount in San Francisco ..	16	12	13	16
Amount in balance of country	73	54	51	110

- 1/ \$10,000 bid at 99.975; next low rate 0.277%
- 2/ \$1,000,000 bid at 99.991; next low rate 0.237%
- 3/ \$60,000 bid at par; \$5,000 at 99.940; \$10,000 at 99.935;
next low rate 0.297%.

July 6, 1942

July 6, 1942.
11:38 a.m.

HMJr: Hello.

Operator: There you are.

HMJr: Steve?

Steve
Early: Yes, Henry.

HMJr: How are you?

E: All right, thank you.

HMJr: Steve, I want a little help and a little advice. If our plans go through, on Wednesday and Thursday we'll be in the market for \$2 billion dollars which, incidentally, is the biggest one yet.

E: Uh huh.

HMJr: Now what I was wondering is this - if there's something other than "spot" news, supposing the Army or Navy knows something which they've been holding back, see?

E: Yeah.

HMJr: Couldn't it be arranged that they didn't just have to give it out on that - one of those two days?

E: (Laughs) No. Henry, here's my advice on it....

HMJr: Yeah.

E:and I think it could be arranged.

HMJr: Yeah.

E: I think, however, that since we now have an office....

HMJr: Yeah.

- 2 -

E:of the Director of War Information....

HMJr: Yeah.

E:with all the authority and power in the world given to him by Executive Order....

HMJr: Yeah.

E:that he is your man.

HMJr: I see. Well, that's what I wanted to know.

E: Yeah, I'd talk to Elmer Davis about it, and I think you'll - I'm sure you'll find him co-operative.

HMJr: But normally I'd go to you, you see?

E: That's right. That's right.

HMJr: But I - you think I ought to talk to him.

E: Yes, I do, because he is the control on that.

HMJr: Well, he can control maybe the others, but you might control the President.

E: Well, I - I'll do my bit over here.

HMJr: Would you do your bit with the President?

E: Yes, oh, yes. But what I was thinking about was the - the rest of the - the Government, and outside of the President, Davis is your news controller.

HMJr: Well, I....

E: He's your czar.

HMJr: I know.

E: Yeah.

HMJr: Well....

E: (Laughs)

- 3 -

HMJr: A lot of (laughs) - a lot of these things are set up and they're beautiful on paper....

E: I know.

HMJr:but you can often call up a friend and get much further.

E: Oh, I'll do that. I'll - I'll put in an oar here.

HMJr: Well, if you'll put in with the boss....

E: Yeah.

HMJr:I mean it's just that there's something....

E: Yeah.

HMJr:bad and....

E: Yeah.

HMJr:they were holding it for a month, don't let them just break it on Wednesday....

E: Between now and Thursday.

HMJr: What?

E: Between now and Thursday.

HMJr: Pardon?

E: I say, between now and Thursday.

HMJr: No, well....

E: Yeah.

HMJr: Yeah, between now and Thursday night.

E: Yeah, yeah. All right, then....

HMJr: In other words, I need all the help I can get.

E: Yeah.

HMJr: Well, now we'll....

E: I'll - I'll do my part over here. You put in a phone call and talk to Elmer.

HMJr: I'll....

E: You'll find him thoroughly cooperative, I'm sure.

HMJr: I'll do that right away.

E: Right, sir.

HMJr: There's - the thing is I - I - if they want anything bad, let them announce it on Friday.

E: Yeah, okay (laughs)

HMJr: See?

E: All right.

HMJr: I mean if they've got something bad, let them announce it on Friday.

E: Yeah. All right. I'll tell you the picture, I think, as far as I can see it at the present time, it looks pretty good.

HMJr: Yeah, I think so.

E: Between now and - and through Thursday.

HMJr: Right.

E: If the British can hold, we'll be in pretty good shape.

HMJr: That's right.

E: Yeah.

HMJr: Of course, in my business I've got to go through with it anyway.

E: That's right.

HMJr: But I just didn't want a kick in the pants unnecessarily.

- 5 -

E: No. Right.
HMJr: Thank you.
E: You're welcome.
HMJr: Thank you.
E: Goodbye.

July 6, 1942.
11:45 a.m.

HMJr: Hello.

Operator: Elmer Davis.

HMJr: Hello, hello.

Elmer
Davis: Yes, sir.

HMJr: This is Henry Morgenthau.

D: Davis.

HMJr: Mr. Davis, on Wednesday and Thursday I'm going to borrow \$2 billion dollars. Hello?

D: Yes.

HMJr: If there is any war - latent war news--I'm not talking about "spot" news--that they were thinking of announcing, you know?

D: Yes.

HMJr: If you could persuade the various people - I mean unless it's "spot" news--I'd never ask for that--to hold it back until Friday morning, it would help me.

D: Latent stuff.

HMJr: Hello?

D: You say, latent stuff, yes.

HMJr: Well, something, you know there may have been a ship sunk or something we lost, a transport a month ago or something like that and they just get around to announcing it, or some - you know, something which happened....

D: Hold till Friday.

HMJr: Hello?

- 2 -

D: Hold till Friday.

HMJr: Yes.

D: Yeah.

HMJr: Now I talked to Steve Early, and he said he'd take care of the President.

D: I'll - I'll ask the Services then on that point.

HMJr: If - if you would, we - normally before you were in the picture, I'd have to call up about six people myself.

D: Yeah.

HMJr: So having you here is - is a godsend for me.

D: You don't think bad news would - if any happened to be available, would promote the sale?

HMJr: Well, this is regular financing.

D: I see.

HMJr: This is - I got - and this - I got to go to the banks in this case.

D: Uh huh.

HMJr: This - this has nothing to do with my War Bonds.

D: Yeah.

HMJr: This - I've got to go and get the banks to subscribe \$2 billion dollars in two days, and - oh - I - if something broke, it isn't going to spoil it but I've got troubles enough, you know?

D: Yes, surely.

HMJr: And if Frank Knox had lost a battle-ship or the War Department a troop-ship or something a month or two ago, and they just thought, "Well, we'll tell the public about it now"....

D: Yeah.

- 3 -

HMJr:I don't think it would make a hell of a lot of difference if they waited a day or two.

D: Yes.

HMJr: Is that right?

D: Surely.

HMJr: Is my request a fair one?

D: I think it is, absolutely.

HMJr: All right.

D: Anything like that for release Friday morning. Would that do, if they had it?

HMJr: That's - that's all right, as long as they can hold it till Friday morning.

D: Fine, thank you.

HMJr: I thank you.

July 6, 1942
11:45 a.m.

WAR BONDS

Present:

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

H.M.JR: I just thought I would have a couple of minutes with you to tell you about the thing up at Poughkeepsie, which Mr. Meyer did extremely well. There was nobody there from the State headquarters. I mean, whatever was done was done by him, and there was nobody there from Washington. I mean he did the whole thing by himself. He got no help, although the State people knew I was going up there.

Knowing that I was coming, the International Business Machines, which has ten thousand employees, and which he said he had made fifteen trips to and made no headway, they worked right straight through so that by the time I got there Saturday they had over ninety percent. Instead of having one they had sixteen. A number of them went over the ten percent, from which he had had none so far. The International Business was just below the ten percent. They said they would get it. They said Saturday morning they had one conscientious objector, and they got him, which made them a hundred percent.

But the point that I am making is - and I introduced each of the sixteen fellows. Each said a little word.

MR. GAMBLE: I read about it in The New York Times.

- 2 -

H.M.JR: The whole thing was handled locally. As I said, there was no one that came up from the State headquarters. I mean, there is usually so much fuss. Maybe it is better not to have any fuss. I mean, when we went to Detroit, the amount of fussing--

MR. KUHN: I know. This is much better.

H.M.JR: This seems to be much better, and the people liked it. In view of the fact that my coming seems to have given a goal to shoot at, I am ready to take on some other place. Remember, I spoke to you about it?

MR. GRAVES: Yes.

H.M.JR: I spoke off and on for half an hour.

MR. KUHN: Just introducing the men?

H.M.JR: I made little speeches, little quips, little remarks here and there, and enjoyed it. I enjoyed it.

MR. GAMBLE: Meyer told me. I talked to him over the phone. He said it was a lift to them, your being there.

H.M.JR: So where are you ready, Harold, because I have got to do a little planning about the time?

MR. GAMBLE: Why wouldn't it be a good plan at these twelve regional meetings that we are going to have to bring in all the honor roll - bring in the firms that are in that particular territory - bring in all of the representatives of the firms that have gone over ninety percent in these regional meetings and have the Secretary appear at one or more of those - as many of them as you would like to attend. We will give you the schedule on them.

- 3 -

H.M.JR: Well, I am getting a little choosy. I don't think ninety percent is good enough.

MR. GAMBLE: Ninety and ten.

H.M.JR: I don't think ~~the~~ ninety is good enough.

MR. KUHN: Wouldn't you like to do it actually at some plant?

H.M.JR: Would you like to hear what they did, because this was - in the first place I didn't say, which I should have, that they had the most amazing stand that you talk from that I ever saw. It must have been especially for Mr. Watson. It looked like the instrument board of a Boeing bomber. It had every instrument painted, down to the last detail of where you put your paper to turn it, which was cork. I had never seen anything like it in my life. They expected Watson, and he didn't show up.

It was actually inside the plant, which was a closed plant where they are making these twenty millimeter anti-aircraft guns, and the company had its own little band, which was good, and then they invited in - they only had five or six people on the stand, and then they had these - I had stressed it so much that in practically every case there was a workman or working woman who represented the plant. It was not the plant's owner. I mean I finally got that over to them. Each person came up. They had time on a little local broadcasting station. I am sure they could have gotten it on the State-wide. At least they had it on the local. Nobody made any arrangements for any hook-up or anything, and these people came up. I was actually in the plant. I don't know what arrangement they had made about the men, but all the men stopped work, about a thousand, and they gathered around in the plant. Afterwards we went over to the company cafeteria and sat down with the men and had lunch.

- 4 -

But it was very, very nice, and I think that that has an advantage over being in a big hall because the men seemed to like it. They seemed to like it.

MR. KUHN: Suppose it were done at a shipyard near Washington? Wouldn't that be a good place?

H.M.JR: What I had in mind was this. After this experience I went through there I don't know whether - take, for instance, Newport shipyards, which is only an hour by air. Down at Norfolk, I don't know what the situation is there, how good it is, I mean. If you told your administrator, "We think we could get Mr. Morgenthau to come down if you could get your plant up to ten percent", or the Camden Shipyards at Philadelphia, or the New York Shipbuilding Company - "We can deliver Mr. Morgenthau if you can get ninety and ten, and you can."

In the case of this one company they went to the employees right straight through the night, all Friday night, in order to get this - Standard Gage.

MRS. KLOTZ: Was that good or bad?

H.M.JR: It was good.

MRS. KLOTZ: Well, I mean on a volunteer basis.
(Laughter)

MR. KUHN: How did the employees take it?

MRS. KLOTZ: I would like to know what compulsory means. (Laughter)

H.M.JR: They seemed to be happy. They gave me a book with every employee's name in it, and certainly the attitude of the people standing around--

MRS. KLOTZ: All night long, I think that is very funny.

- 5 -

MR. KUHN: I mean, you didn't see any surly people around?

H.M.JR: No, no. And I had this man with me, Secret Service man, who mixed with the crowd, and he said they all liked it, and a number of the other people said that they all liked it.

MR. KUHN: I believe you can tell, Mrs. Klotz, if you mingle with the crowd.

H.M.JR: (Reading)

"We Pledge

"Our Hearts to allegiance to our Country
and to our fighting men--

"Our Brains to Out-Think the Axis every
step of the way--

"Our Hands to manufacture munitions to
carry our fighting men to Victory--

"Our Dollars to buy bonds to equip and
aid those men fighting for us."

H.M.JR: I was really quite touched. Everybody's name is in there, and they have their own ten-percent club. And the interesting thing is - another thing which came up - you see, they have got a ten-percent club, and then they had the War Production Advisory Committee, and they both were working together, which I think is interesting. All the men signed it (indicating book).

MR. KUHN: Is that at Poughkeepsie?

H.M.JR: Yes, the War Production and the other, and the other thing which I brought - the Army inspection service is all there, civilians - I mean if we ever wanted any help - Gawd, they just stand around and don't do a thing as far as I could tell - the brass hats.

This is very nice (indicating book). The Army

- 6 -

and Navy people are in every plant in the country.

But I came back - it was very, very good for me. It did a lot for me. So if you men would think about it.

MR. ODEGARD: To what extent, Mr. Secretary, was this a community affair, or was it just a plant affair?

MR. GAMBLE: Sixteen plants represented.

H.M.JR: No. They had three or four banks; they had a railroad brotherhood; they had Standard Gage. It was all the Poughkeepsie area, and the interesting thing is - here this concern went in there, built a new plant, entirely new, and they brought in practically no employees from the outside - everybody from the farms and the community. They had one or two technicians, but outside of that - and the most amusing thing of all was right in the front there was one Negro, and they were ready--

MR. KUHN: In the front row?

H.M.JR: Working, yes, right there at the machine. You fell over him as you came in. So Mrs. Morgenthau said, "How about it, where are the Negroes?" "There is our Negro." They had one. (Laughter)

MR. KUHN: Somebody tipped them off.

H.M.JR: They had one.

MR. GAMBLE: I would like to suggest that if you are willing to give it some time, Mr. Secretary, we not confine it to a single plant. We might make the plant the meeting place.

H.M.JR: No, no, just like this. Take Norfolk or Philadelphia - if you were going to take Philadelphia, for instance, and gave them a week or ten days for the

- 7 -

boys to come in on the volunteer basis.

MR. GAMBLE: Have a drive, that is right.

H.M.JR: And then I could combine that visiting with my Federal Reserve Board directors in Philadelphia and do the whole thing - if necessary take two days.

But anyhow I looked at - Graves gave me his weekly chart on plants. I was surprised, for instance, to find how low Connecticut was on the pay-roll deduction - fifty or sixty percent, or something.

MR. GRAVES: The number of concerns, you mean?

H.M.JR: Yes.

MR. GRAVES: We are concentrating on that.

MR. GAMBLE: It is coming up.

H.M.JR: This thing of Meyer's, I don't think you can improve on the pattern. He only had three days' notice. You announce I am coming and get them up to ninety and ten, and get as many as you can in that community and then go into one plant - I would like to try it again. It was just awfully good for me.

MR. GAMBLE: Don't you think if you did it in connection with these Federal Reserve regional meetings we are having - you could combine that.

H.M.JR: When?

MR. GAMBLE: They will start the end of this month.

H.M.JR: That is a lifetime.

MR. GAMBLE: The end of the month. This is the sixth of July.

- 8 -

H.M.JR: I want to do something right away again.

MR. ODEGARD: Do both. They are not mutually exclusive.

H.M.JR: No. Think it over.

MR. GAMBLE: We can move - there is no reason we can't move it several weeks up. This meeting in Boston Mr. Sullivan is covering on the ninth, that would very well have been a meeting where we could do this, an industrial meeting, pay-roll savings meeting, and we could have tied that in had we suspected we could have had you.

H.M.JR: Have you got a good man down at Norfolk?

MR. GAMBLE: Yes, we have.

MR. KUHN: The great concentration of industry is up around Wilmington and Chester, which is even nearer than Norfolk.

H.M.JR: Well, look, here is Harold Graves and his three right hands, so you fellows get together. I am willing to be used. I want to try it again.

MR. GAMBLE: Can we extend that to include these meetings, or some of these twelve meetings?

H.M.JR: I don't want to be booked more than one meeting at a time ahead. I don't want to be booked for more than one. But I have got to make my plans, one at a time. But I think if it worked here I don't see why you couldn't do it in a bigger plant.

MR. GAMBLE: It is more important that we do it in a bigger place.

H.M.JR: I may stumble, stub my toe, but I would like to try it again. Incidentally, what kind of an insignia do you have?

- 9 -

MR. GAMBLE: They get a bull's eye.

MR. KUHN: It goes down in the corner of their flag.

MR. GAMBLE: Right in the center.

H.M.JR: Will you bring me a flag with the ten percent? I would like to see it. Incidentally, there should be one flying from the Treasury, and I will bet you there isn't.

MR. GRAVES: We will have to take it up with the administrator for the District and see if we can get one. (Laughter)

H.M.JR: I want to see your flag. But what about the Treasury? We are ten percent. Why don't we fly the flag?

MR. GAMBLE: Probably lack the four dollars to buy the flag.

H.M.JR: That is all I have.

You got a couple of telegrams from me, didn't you?

MR. GAMBLE: Yes, sir. May I report on them. Mr. Meyer says they have been moving and that he may have missed this in the excitement of the moving, but see, we sent him on June 27 a copy of this program, the retailers' program.

H.M.JR: He didn't know anything about it.

MR. GAMBLE: Well, in reading his mail - there is a copy. That was the bulletin that went with the two eight-page newspapers that we sent him on June 27. I asked him to wire during the day and confirm the receipt of this so you would know it had gone out.

- 10 -

On the other matter, we have a weekly program on the night of the 16th, a half an hour, on the seventy-one CBS stations, which is going to be dedicated entirely to this program on the 17th. The radio department now is checking to see if they can dub in the commercials on the Star Parade. They have already been made for that week - they have been made through the first of August.

H.M.JR: Why can't we just postpone them and make a new one?

MR. GAMBLE: We have asked about that, making new ones and dubbing in the ones already made, also the use of the forty-six commercials, approximately, which will be our share.

H.M.JR: Wait a minute. You are talking a language - the suggestion I made was that the Star Parade be prior to the 17th, that it be to boost this thing. Now, you tell me that they have been made--

MR. GAMBLE: That is correct.

H.M.JR: Those could all be shoved ahead, and couldn't you make three new ones and make them on Tuesday?

MR. GAMBLE: Either that or dub in one of the other--

H.M.JR: What do you mean by "dub"?

MR. GAMBLE: There is a series of commercials in each one of the transcriptions. They would dub in new copy and use the programs now set.

H.M.JR: But if you had another one of these historic ones, you know, the "Boy on the Burning Deck" and that kind of thing, Horatio Alger stuff, it wouldn't get anybody very much excited about going into it.

- 11 -

MR. GAMBLE: I only checked that, not knowing about making new ones.

H.M.JR: My thought was this, if you can do it. After all, the retail department stores have a lot of clever people. I don't know whether you have got time or not. It is only two weeks off now.

MR. GAMBLE: That is why I checked the dubbing in of new commercial copy.

H.M.JR: Why don't you take a look at the things which they were going to rely on that week? I mean, they might not fit at all.

MR. GAMBLE: That is right.

MR. KUHN: Bill Murray is back in New York from the coast.

H.M.JR: On your commercials, if you haven't, why don't you ask McClintock to write you some good ones for that week? But tie them in. Those might not be fitting at all.

MR. GAMBLE: Well, we will do that. I will give you a report on it later in the day. You see, we have these commercials that go on all other programs, about forty-six of them during the week, and we are going to put the forty-six a week in advance of the 17th.

H.M.JR: Don't you think that in that you might say something about, "You can actually get your bonds at these stores"?

MR. GAMBLE: Yes, sir.

MR. ODEGARD: Wouldn't most of these radio activities be a matter for the local radio station?

- 12 -

MR. GAMBLE: No, not this. These are - you see, the commercials are right in the transcriptions, and there are seven hundred of them now.

H.M.JR: My point is simply this: In doing a lot of stuff out of Washington why not just let's tune it in with a national program? That is all.

MR. ODEGARD: I was thinking that is perfectly true on the national program, but it does seem to me that your more effective promotion is going to be in your local.

MR. GAMBLE: It will be.

H.M.JR: Yes, but supposing we come along with a flood of publicity that whole week that has nothing to do with this thing?

MR. ODEGARD: We ought not to do that.

MR. GAMBLE: That is absolutely right.

MR. KUHN: That is right.

H.M.JR: Until I sent the telegram nobody had thought of that.

MR. GAMBLE: Yes, Mr. Secretary, we had even gotten the thirty-minute special program from Wrigley's.

H.M.JR: Not the Star Parade.

MR. GAMBLE: No, the Star Parade we had not.

H.M.JR: I don't like to be right when somebody else is wrong - I only like to be right when it is original.

But I did enjoy that Poughkeepsie thing very much, to my surprise, and you fellows had better look out. I am going to think I am a speaker.

July 6, 1942

My dear Mr. President:

The Dutchess County War Bonds Committee made excellent arrangements last Saturday for the presentation of certificates to sixteen concerns that had 90% or better participation in the War Savings Pay-roll Deduction Plan.

I am enclosing herewith a copy of the Sunday Courier, which covered this program, as I know how interested you are in local affairs.

Sincerely yours,

(Signed) H. Morgenthau, Jrd

The President,
The White House.

2 clippings from the NY Times
of 7/5/42 also enclosed

Delivered by Secret Service
Agent 3:55 PM 7/6/42.

Morgenthau Praises Firms For War Savings

Official Cites IBM Employees, Working on Holiday

Congratulating 16 industrial, banking and other firms of Dutchess county on their 90 or better percent participation in the war savings payroll deduction plan, in ceremonies at the International Business Machines corporation plant yesterday Secretary of the Treasury Morgenthau said:

"Message to Hitler"

"I do not know of any better message to send back to Mr. Hitler than to tell him about all you men we see here working on the Fourth of July like any other day." Workers of the IBM plant were at their machines at the scene of ceremonies, but were permitted to assemble with the guests of the company at the ceremony program. One feature of the assembly was the playing of martial airs by the new IBM band.

Before presenting certificates of merit to the 16 organizations which were represented, Secretary Morgenthau pointed out that the government is spending a "little over \$1 a day for every man, woman and child in the country" on the war program, and that "we, in the Treasury, have the job for the rest of the year of raising something like four billion, five hundred million dollars."

Secretary Morgenthau was presented with a book containing the names of the IBM employees as participants in the war savings payroll deduction plan. Asserting that he was "more touched than I can say over receiving this book," Mr. Morgenthau called for support of President Roosevelt in the war program asserting that "we have a long hard row ahead of us."

Congratulates Banks

Mr. Morgenthau took occasion to congratulate the banks of the country for their "grand" work in selling bonds and stamps. He did so in citing the Farmers' and Manufac-

turers' National bank for its 100 percent employe participation in the payroll deduction plan. The local bank was the first institution of its kind to be cited at the ceremony. The First National Bank, the Poughkeepsie Trust company and the Vassar bank also won 100 percent employe participation awards.

The Standard Gage company was among two organizations reporting not only 100 percent employe participation but 10 percent of personnel payroll in purchase of war bonds. Secretary Morgenthau noted the country's objective of 10 percent of payroll participation, others of the speakers referring to that goal.

Thomas J. Watson, president of the International Business Machines corporation, who was unable to attend the ceremony on account of illness, sent a telegram to Secretary Morgenthau, asserting that a "great honor" had been conferred on Poughkeepsie by the Treasury head's presence at the ceremonies. Mr. Morgenthau had noted that it was his first experience in presenting the war savings certificates. Mrs. Morgenthau having volunteered her services to take part in a similar ceremony at the Chrysler plant in Detroit.

Mr. Watson's telegram read:

"You have conferred a great honor on our Poughkeepsie community by taking time off from your busy life to attend the ceremony in connection with the United States bonds and savings 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 being honored by you today. These certificates symbolize the united determination of these people to assume their individual responsibility by making the soundest investment in the world and 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.

Richmond F. Meyer, chairman of the Dutchess County War Savings committee was in charge of the program, and Mrs. Lytle Hull, vice chairman of the New York State committee and Senator Bontecou, chairman of the Hudson Valley District No. 8 committee were present for the ceremonies. Fred M. Farwell, resident manager of the IBM plant, introduced Mr. Meyer.

In her message to the assembled group, Mrs. Hull said that the certificate of merit ceremony was the "most fitting" observance of Independence day that she had experienced.

Double Significance

The occasion, she said, "has a double significance for me—first, because the awards are being presented in my own county of Dutchess; and secondly, the awards are

being given in the plant of my friend, Mr. Watson, for whom I have the greatest respect, admiration and affection.

"As a member of the New York State War Savings staff, I am naturally interested in the establishment of payroll allotment plans in industry, although this is somewhat removed from my own department, which concerns itself with women's groups and women's programs.

"I am convinced, however, that the effectiveness of any payroll savings plan depends in no small way upon the degree to which the women in the community understand the war savings program and are in accord with it. The percentage of women actually employed here is very great; yet each man in this organization is a member of some family group which includes women—wives, sisters or mothers. These women as receivers and spenders of family income will have a large voice, if not the deciding voice as to whether the employee will subscribe to the payroll savings plan, and, if so, how much.

"We have discovered in many parts of the country that women, by their enthusiasm or by their indifference, can determine the success or failure of this effort. I should like, therefore, to express my admiration of the splendid job of explanation and instruction which has been done in this community to bring about such magnificent results.

Trend Is Challenge

"Now, more than ever before, we need to enlist behind this program. The distressing reports from the war front are a challenge to each one of us to redouble our efforts in support of our fighting forces.

"As workers and as individuals, we have but one objective—to set higher and ever higher goals for ourselves until we can truly say that our energy and our dollars have been fully mobilized.

"I am sure you are aware of the personal reasons for investing as heavily as possible in war savings. Quite apart from any patriotic considerations, war bonds offer an investment under such advantageous terms that every thoughtful person should welcome the opportunity to secure them. This is attested to be the fact that every business man and every business organization in the country is investing in these securities even beyond the amounts which patriotism would demand of them—if there can be any limit put upon patriotism. At this critical moment, however, and especially on this anniversary of the declaration of the freedom which we are now fighting to maintain, we need no such arguments. It is sufficient for all of us that we are able to serve our country, and by your overwhelming participation in the payroll savings plan, you have certainly demonstrated your eagerness to do so."

Kirk Wasserman Gossett

Charles A. Kirk, vice president in charge of manufacturers of the

IBM organization, welcomed the groups at the plant and made the report that all war production factories of the company, including those at Sudicott, Washington, and Rochester as well as Poughkeepsie had reported 100 percent of employee participation in the payroll deduction plan for purchase of the war bonds.

The 16 concerns which received the certificates and their representatives, in some instances employees, accepting the citations were: the IBM plant, Joseph A. Froyley, employee, speaking for the company; Bedgwick Machine Works, Inc., Joseph Marica, assistant engineer; Ideal Linen Mesh company, Auguste Miller, employee; Poughkeepsie Trust company, Harry C. Welch, trust officer; First National bank, John R. Evans, president; Western Printing and Lithographing company, Robert S. Callender, employee; Gulf Oil company, Stanley Husted, employee; Palikill Machine company, Elaine Wales, employee; International Harvester company, John J. Hanrahan, local manager; Smith Brothers Inc., William W. Smith, 2nd, president; Roe Motors, Floyd O. Roe, president, Maintenance of Wky Employees, Friendship Lodge, 1164, New Hamburg, George E. Reich, secretary-treasurer.

Also, Vassar bank, James Townsend, president; Standard Gage company, Allen L. Quigley Jr., employee; Farmers and Manufacturers National Bank, Spencer W. Ingersoll, employee; and WKIP radio station, Richard McCarthy, announcer.

Karl F. Charter, of the IBM employees, announced that a 16 percent of payroll club had been formed at the local plant and pledged the efforts of the group to enroll as many of the employees as possible.

Meyer Congratulates Press

Mr. Meyer, in discussing features of the war savings campaign in the county, congratulated county newspapers for their cooperation in publicizing the war savings drive. Cited in this connection were the Beacon News, the Eagle-News, the Poughkeepsie New Yorker and the Hudson Valley Sunday Courier. Also cited for its work was the WKIP radio station.

Mr. Morgenthau at one point in the program complimented the IBM organization for its cooperation in providing registration cards used in connection with war savings program. He pointed out that after Pearl Harbor, the cards were being provided at a rate of some 350,000 a day, but that this was not fast enough.

The Treasury head then said that he communicated with Mr. Watson, acquainting him with the problem. The next day, he said, the cards were supplied at the rate of one million a day.

After the program had been concluded those who participated were guests at luncheon in the new cafeteria at the plant. Mrs. Morgenthau accompanied Secretary Morgenthau, and Lyle Hull accompanied Mrs. Hull.

7/6/42

53

Prepared for delivery by HM, Jr at ceremonies at Walter Reed Hospital when the disabled soldiers who participated with Gen. Doolittle in the raid over Japan were decorated. The Secretary decided to speak extemporaneously and his remarks were transcribed from a recording of the broadcast and are also dated 7/6/42.

DRAFT OF SECRETARY MORGENTHAU'S
RADIO TALK ON JULY 6, 1942

These men have been decorated, but decorations will not restore their health nor make up for the pain they have suffered -- for us. The only way we can keep faith with them is to work harder, to save materials, to practice real self-denial, and to put more of our earnings into War Bonds, so that these brave men shall not have suffered in vain.

See page 9 for the Secretary's remarks.

July 6, 1942
1:40 p.m.

PRESENTATION OF DISTINGUISHED FLYING CROSSES AND
PURPLE HEART TO SIX ARMY FLYERS AT A CEREMONY
AT WALTER REED HOSPITAL

MR. FRANK BLAIR: Good afternoon, ladies and gentlemen, this is Frank Blair speaking to you from the solarium of a ward at Walter Reed General Hospital in the Army's great medical center in Washington, D. C.

This occasion is the first ceremony conducted at the hospital for sick and wounded veterans of this World War. Six gallant young men of the Army Air Forces are being decorated by Major General Millard F. Harmon, chief of the air staff of the Army Air Forces.

Five of these men flew with Brigadier General James H. Doolittle in the daring raid on Japan. The sixth went through hell at Pearl Harbor. Most of them are sitting up in hospital chairs this afternoon, and several are well enough to be discharged very shortly, and soon they will be flying again.

Parents and wives of some of the men are looking on proudly and beaming. Now the ceremony is about to get under way. General Harmon has just entered the room and stands facing the veterans. General Doolittle and General Marietta, the commanding officer of the hospital, are at his left. Captain Mollaun, the hospital adjutant, is about ready to read the citation.

CAPTAIN MOLLAUN: Citation for Distinguished Flying Cross. The following officers are cited for extraordinary achievement while participating in a highly destructive raid on the Japanese mainland on April 18, 1942. They

- 2 -

volunteered for this mission knowing full well that the chances of survival were extremely remote, and executed their parts in it with great skill and daring. Their achievement reflects high credit on them and on the military service.

MR. BLAIR: That was Captain Mollaun reading the citation, and now the three Generals are moving over to the wheel chair of Lieutenant Ted W. Lawson of Los Angeles, who was wounded worst of all. His left leg was hurt in a plane crash sometime since the raid, and it had to be amputated. General Harmon leans over the Lieutenant's chair and pins the Flying Cross above his heart. The General is saying something to him; we can't hear what it is, but from the way Lieutenant Lawson is grinning it must be pretty good. Mrs. Lawson is watching from beside the wheel chair, and she is smiling too.

And now to Lieutenant Harold F. Watson of West Hartford, Connecticut. He is a big husky fellow. His right shoulder was hurt. Lieutenant Watson is getting well pretty fast, and General Harmon congratulates him warmly. The General pins the Distinguished Flying Cross above his heart and is about to move on to Lieutenant Charles L. McClure of University City, Missouri. Lieutenant McClure is a good-natured, athletic-looking navigator. Both of his shoulders were hurt, and he says that he'll be as well as new - as good as new - before the year is out.

General Harmon has now reached Lieutenant McClure and is pinning the Distinguished Flying Cross over his heart. That makes three of our six men already decorated, and they're all smiling and very happy.

I notice that General Doolittle is talking to one of the men, and they're both smiling, probably reminiscing.

General Harmon turns now to Lieutenant James M. Parker, Jr., of Livingston, Texas, and Lieutenant Howard A. Sessler of Arlington, Massachusetts. They both had

- 3 -

the same bad break. After sailing through the ack ack over Japan without a scratch, they came down with malaria in Washington.

The last man to get his medal in this ceremony is Second Lieutenant Wallace F. Pickard of Forest Hills, New York. He is getting the Purple Heart for wounds suffered at Hickam Field in Hawaii the day the war began. I think Captain Mollaun has a citation to read.

CAPTAIN MOLLAUN: Citation for the Purple Heart to Wallace F. Pickard, Second Lieutenant, Army Air Forces, for wounds suffered during the attack on Hickam Field, Territory of Hawaii, on December 7, 1941.

MR. BLAIR: Lieutenant Pickard helped rescue three men from a burning supply room before a bomb fragment hit him in the hand. He says that he'll be flying again in a matter of months.

And now let's see if we can't get some of the flyers and their families to talk to you for a moment. Lieutenant Lawson, can you tell us something about the accident in which you were hurt?

LIEUTENANT LAWSON: I'm sorry, sir, but I can't. It might give the Japs an idea of the way in which we came back to the States. The less they know the better off we'll all be.

MR. BLAIR: Well, Lieutenant, have you decided what you want to do when you get out of here?

LIEUTENANT LAWSON: Yes, Mrs. Lawson and I have been thinking a lot about that, of course. I don't want a soft job on somebody's shelf. I think I can do the Army some good in aeronautical engineering. I worked for three years in the shop and in the engineering department at Douglas Aircraft before I went into the Air Corps, and on top of that my type of experience should help. Just give me a real job when I get out of here, and I'll be all right.

- 4 -

MR. BLAIR: Thanks a lot, Lieutenant Lawson. I certainly hope you get that engineering assignment. And now, if you don't mind, I'm going to get the low-down on that Tokyo raid of yours from your wife. Mrs. Lawson, when did you first know that the Lieutenant had raided the Japs.

MRS. LAWSON: We were pretty darn sure about it April 18th, the day they made the raid. The Japs said the bombers were B-25's, you know. We had seen the boys practicing with B-25's before they left, and we knew they didn't go off on a merry chase. After the accident General Doolittle wrote us as soon as he could that his head had been hurt.

MR. BLAIR: It's easy to see that you are terribly proud of your husband, Mrs. Lawson, but I'd like you to tell us exactly how you feel in your own words.

MR. LAWSON: I can't begin to tell you how proud I am. He's getting well now, and that's all that matters.

MR. BLAIR: That's right, now thank you, Lieutenant and Mrs. Lawson.

Now, let's go over to - Lieutenant Watson is sitting with his family. They knocked off the top of that cast yesterday, I understand. How do you feel?

LIEUTENANT WATSON: I'm feeling mighty fine. They knocked off the top of my cast yesterday, and you should see my operation. The Doctor did a neat job, and it won't be many months now before I'll be flying again.

MR. BLAIR: Well, that's great, Lieutenant. What does your family think about your plans to fly some more?

LIEUTENANT WATSON: I'd better let them answer that one. Mother, how do you feel about it.

MRS. WATSON: Well, it's just like this as it has always been, Harold. We want you to do what you want

- 5 -

to do. I knew you wouldn't be happy doing anything else. It's all right with me to "keep'em flying."

MR. BLAIR: Mr. Watson - is he here? Where is Mr. Watson? Does that go for you, too, sir? Do you feel that way about your son's flying?

MR. LAWSON: Of course it does. Hal has been thinking of nothing else since he was eleven years old. Our friends used to think we were a little bit off, letting him do it, but both of us felt that he had the right to choose his own career. I tried a little once to discourage him, but I didn't have much luck. He was thirteen or fourteen years old then and already a big fellow. I told him that flyers had to be small men. But when I took him over to a flying field to prove it, some Army planes were coming in and every man who stepped out of those planes was at least six feet tall or better. I didn't have a chance after that.

MR. BLAIR: Thank you, Mr. Watson.

Now we'd like to hear from the Lieutenant's better-half. What do you think about your husband flying again, Mrs. Watson?

MRS. WATSON: I want him to go wherever he wants to go. As long as he is in a plane, I feel all right. Sometimes I have to keep his dinner warm, and once or twice I had to call in friends to eat it, but I don't worry - honestly, I don't, because he's the best flyer in the world.

MR. BLAIR: I'm sure he is. Thank you very much, Mrs. Watson. Now, I don't think we'll quarrel with you at all about that. I've never flown with him, but he looks like he should be able to fly.

Now if you'll pardon us a minute, we'll talk with Lieutenant McClure and his folks. Lieutenant, you've got a big grin on your face. You must be feeling pretty good.

- 6 -

LIEUTENANT McCLURE: I'm feeling fine, and tell the boys I'll be right back out there swinging the golf clubs pretty soon.

MR. BLAIR: Well now, do you want to get back in the air, Lieutenant?

LIEUTENANT McCLURE: Oh, you bet I do. Now I'm a navigator, but I'd like to pick up pilot training again if I can--

MR. BLAIR: Well now, Lieutenant--

LIEUTENANT McCLURE: ... but that's up to the Army.

MR. BLAIR: I'm sure it is. I'd like to ask your mother what she thinks about that.

MRS. McCLURE: Well, naturally, that's up to him, but if he wasn't flying, it would be something else. When Charlie was a little boy, he wanted to be a fireman. Every once in a while he would say, "Say, mother, how old do I have to be before I get into that firemen school?"

MR. BLAIR: Mrs. McClure, when did you find out that the Lieutenant had been injured?

MRS. McCLURE: Well, General Doolittle wrote us a very nice letter right after the first detail of the raid was announced in Washington. I was worried every minute until I walked into this hospital, but now I feel all right.

MR. BLAIR: Well, you look all right. Tell me, are you proud of your son?

MRS. McCLURE: Yes, I'm proud of Charlie. I'm proud of his achievement, and I'm proud of his courage. I've been proud of Charlie for twenty-five years.

MR. BLAIR: Well now, this is one time a father will have the last word. What do you think of the job your boy did, sir?

- 7 -

MR. McCLURE: Well, naturally, I feel very proud of him and thrilled that he was one of those who took part in such a daring undertaking.

MR. BLAIR: Thank you very much, Mr. McClure.

Now, here is Lieutenant Parker. Lieutenant, what are you doing in the hospital? You don't look sick at all. (Laughter.)

LIEUTENANT PARKER: I wish I knew, sir. I'm dying to get home and see my folks, but the doctor says I'd better stick around until he's sure I'm O.K.

MR. BLAIR: Well now, tell me, just where are your folks?

LIEUTENANT PARKER: They're in Livingston, Texas.

MR. BLAIR: Well, you know there's just a bare possibility they may be listening in to you at this moment. I'm sure you'd like to say something to them. What would you like to say to the folks back home?

LIEUTENANT PARKER: Hello, mother and dad, I'm feeling fine. Give me another week or ten days and I'll be deep in the heart of Texas. (Laughter)

MR. BLAIR: Thank you.

Lieutenant Sessler, you look like you are in the same fix - pretty good.

LIEUTENANT SESSLER: That's right, sir. We both got all the way back to the United States and then came down with malaria. I've been feeling all right for nearly a week, but the doctor says we've got to stay here.

MR. BLAIR: Well, we've told our station in Boston that you'd be on this program, and we asked the station to advise your parents in Arlington so that they'd be listening when you said hello.

- 8 -

LIEUTENANT SESSLER: Hello, mother and dad. I'll be running around Arlington, Mass. in another ten days. I'll sure be glad to get home.

MR. BLAIR: Well, ladies and gentlemen, I think you're as impressed with this ceremony as I am, and I'm sure these men who say they are going to be home in two or three days are - well, they know what they are talking about - they know how they feel and they'll really make it this time.

And now, Lieutenant Pickard, if we don't knock you over getting out of here, will you come over and tell us what happened to you at Pearl Harbor?

LIEUTENANT PICKARD: Be glad to. They got me in the hand, sir, that's all. It was lucky for me that there was a mighty good surgeon out there at the time. He saved my hand, and now the doctors back here are finishing up the job very well.

MR. BLAIR: Mrs. Pickard, is it all right with you for your son to start flying again?

MRS. PICKARD: Surely, because that's what he wants to do. It's been seven months today since he's been in the air, and that's just about to kill him.

MR. BLAIR: Well, thank you very much, Mrs. Pickard, and thank you all, ladies and gentlemen, and you men who fight in the air far from home, you mothers and fathers and wives who watch them go with courage and devotion, you are America's fighting team. You are the team that will win this war.

Ladies and gentlemen, after hearing these men speak to you and tell of their experiences - tell how they were injured, and so forth, I'm sure that there's not a better time in the world to present to you now a man that you all know, Secretary of the Treasury, Henry Morgenthau.

- 9 -

H.M.JR: It has been a most unique privilege to be here at this ceremony and see these men decorated here today. And for those of us who have to stay at home and have nothing else to do - who cannot go out and fight - the least that we can do is to back up these men and millions like them by furnishing the sinews of war and buying your ten percent of War Bonds; and I'm sure if each of you who are hearing me now could have taken part in the ceremony you wouldn't let the sun set without going out and buying your quota.

MR. BLAIR: Thank you, Mr. Secretary.

Secretary of the Treasury, Henry Morgenthau has just spoken to you.

And now, ladies and gentlemen, our time is just about up, but in case you've tuned in late, I'd like to tell you that you've been listening to a broadcast coming to you from the solarium of a ward at Walter Reed Hospital in your Nation's capital. The purpose of this broadcast was to bring you the first-hand description of the ceremony in which six men have received distinction here this afternoon, a ceremony in which Major General Millard F. Harmon, chief of the air staff of the Army Air Corps, gave to five men who were with General Doolittle in his raid on Tokyo, the Distinguished Flying Cross.

One man with us who was at Hickam Field in Hawaii on that fateful day of December 7 received the citation for the Purple Heart. The men who received the Distinguished Flying Cross were First Lieutenant Ted. W. Lawson, First Lieutenant Harold F. Watson, First Lieutenant Charles L. McClure, First Lieutenant James M. Parker, Jr., and Second Lieutenant Howard A. Sessler. Wallace F. Pickard, Second Lieutenant, Army Air Forces, received the citation for the Purple Heart.

These men, ladies and gentlemen, are very proud of their decorations, as well they might be, and I'm sure that every one listening in to my voice now joins me in congratulating these men, and we want these men to know that we're behind them one-hundred percent.

- 10 -

As the Secretary of the Treasury has just told you, the least we can do, those of us who are not in the scrap, is to go out and buy War Bonds and Stamps and buy them to the limit, not just up to the ten-percent quota, but buy just as many War Bonds and Stamps as you can possibly afford. That's the way we will give these men, when they are back on their feet again, the instruments with which to win this war for us. So don't forget, buy your War Bonds and Stamps today.

Your announcer has been Frank Blair, speaking to you from Walter Reed Hospital in your Nation's capital. This broadcast originated through WOL. This is the Mutual Broadcasting System.

July 6, 1942
2:40 p.m.

TRANSFER OF CLIFTON E. MACK

Present:

Mr. Bell
Mr. Graves
Mr. Thompson
Mrs. Klotz

H.M.JR: This is what I asked you people to come in for.

Incidentally, this ceremony that was out at the Walter Reed Hospital was one of the most touching things that I ever participated in. There were four men who had been with Doolittle; one man's leg is gone, his teeth all gone, and he is just as cheerful - he was stroking his hair - I mean they had me in tears most of the time. The mothers and fathers, the wives and the other people were there. And coming in the fellow winks at me like this, and they had this general whatever his name is. He never cracked a smile or anything, but anyway the chief of the air staff was there, whatever that means. It was a very touching thing.

MR. GAMBLE: It apparently wasn't broadcast.

H.M.JR: It was Mutual. They made a mistake. A man by the name of Duffus gave you the wrong information. He got it wrong.

MRS. KLOTZ: I hunted for it.

MR. BELL: They decorated them?

H.M.JR: Yes, it was a very touching thing.

MR. THOMPSON: The men that went over Tokyo?

- 2 -

H.M.JR: Four of them.

Well, I didn't call you in for that, but it was a very touching thing.

Cliff Mack came to me Friday and said that the Air Corps has offered him the position of Chief Procurement Officer for the Air Corps at Wright Field to buy about a billion and a half dollars a month. This isn't a new one because he is forty-four - it is not a question of draft, and so forth. I don't have to ask for a deferment in that.

MR. BELL: He is in the second draft.

H.M.JR: Well, I know, but it will be a long time before they get those boys.

MR. BELL: William Heffelfinger has just been put in 1-A.

H.M.JR: Well now, don't get my mind off what I am talking about. And this is what I thought - I don't want you to think I am doing it under heat or anything, but, after all, the time will come where we will have to maybe ask - I don't know for what - maybe some of the men to be loaned back to us from the Army, but if it affects raising the revenue or the taxes, which is our principal business - I mean, that is our business, I mean, collecting of taxes and raising the money.

So the thought that was going through my head was that I might, unless you people disagree with me - that I might say to Cliff Mack, "Now, Cliff, I can't advise you; you have got to decide. But I want to tell you that I am going to ask you and Norman Thompson to make a study of that part of the procurement which is not strictly Treasury, like Lend-Lease buying, or buying other than maybe for Treasury agencies. I don't know just where to draw the line - look after our own selves. As to looking after somebody else, we will ask the Director of the Budget to give it to another department, but I

- 3 -

can't begin first to find somebody to take your place. I get another man and if he makes good the Army will take him, so it is just going to be a constant process. So why not let's chop off the things which are not strictly - having to do with raising and protecting the revenue? I mean, raising the revenue and protecting the revenue is the Treasury business in war time."

Now, when it comes to some of these other things, my inclination is let's just take the bull by the horns. After all, they are going to have four and a half million men and they are going to be sharp-shooting for our people. Now, if they ask me for Harold Graves, the Air Corps, I would say, "No, I need Harold Graves to raise the money. I don't want to make a general out of him now." Well, I mean if they want to do something like that I would say, "No, I need Harold as head of my War Bonds," or Dan Bell and Norman Thompson. They may want to make Mrs. Klotz a major. (Laughter)

MRS. KLOTZ: I would love it.

H.M.JR: If they decide what the uniforms are. With all of this publicity do you know how many they have? Less than five hundred.

MRS. KLOTZ: What?

H.M.JR: That is all they would take.

MR. GRAVES: Women?

H.M.JR: Women as officers. I mean, all of this publicity, all these people, it is less - there are four hundred and something.

So what do you men think, because I want to see Cliff Mack before I go home?

MR. GRAVES: I am a little out of date. As I recall,

- 4 -

they are buying for Lend-Lease, they are buying for Red Cross, and they are still buying some critical materials, are they not?

MR. THOMPSON: Strategic and critical materials.

H.M.JR: Something for Agriculture, too.

MR. GRAVES: You mean having to do with war?

H.M.JR: Oh, it was the Red Cross, Agriculture for the food and us for the - something for the Red Cross, something for Lend-Lease, and the critical materials. After all, if we still are buying it should go over with whoever is doing the critical--

MR. GRAVES: Much of that is done elsewhere, anyway.

MR. BELL: I suppose - I sign all those contracts, and I don't see one in ten days now.

MR. GRAVES: You mean critical materials?

MR. BELL: Critical materials.

H.M.JR: How about WPA?

MR. GRAVES: We still do that.

MR. THOMPSON: All war agencies other than Army and Navy.

MR. BELL: That is, all the other departments. You do the regular buying which, after all, isn't very big.

MR. GRAVES: We are not doing the buying, simply making the general contracts under which they buy. That would be practical, in my opinion, to do that.

H.M.JR: But keep that part of the thing which is--

- 5 -

MR. GRAVES: Permanent.

H.M.JR: Regular establishments. Yes, I mean, it would be just--

MR. GRAVES: And WPA.

H.M.JR: I would like WPA--

MR. GRAVES: That is our whole field organization, and procurement is practically doing nothing but WPA buying. In other words, we do have the setup for WPA buying.

MRS. KLOTZ: Supposing he doesn't go?

H.M.JR: He told me he wanted to go. He only would not go if I asked him not to. He said, "Mr. Morgenthau, I want to go, but if you ask me not to I won't."

MRS. KLOTZ: Yes, but I was here; I got the feeling--

MR. BELL: He wanted to be asked not to go?

H.M.JR: No. Did you?

MRS. KLOTZ: Yes, that is - no, let me, to be fair to Cliff - they have been bringing pressure to bear and he wanted to show you that. I mean if you thought that that was more important that he would go, but that he would just as soon stay here with you. He just couldn't make up his mind.

H.M.JR: Well, Mrs. Klotz, to be Chief Procurement Officer for the Air Corps at Wright Field where they do all the buying for all the planes for the United Nations, I do consider it more important. I mean, I consider it one of the most important procurement jobs the Government has.

MR. THOMPSON: If you eliminate Lend-Lease or include Lend-Lease--

- 6 -

H.M.JR: Pardon?

MR. THOMPSON: With Lend-Lease - if we retained Lend-Lease it would be just as important.

H.M.JR: Yes, but - no, not when you see what we buy.

MR. GRAVES: He just buys the non-military things.

H.M.JR: The Chief Procurement Officer for the Air Corps, for ourselves and for all of the United Nations, it is a terrifically important job.

MRS. KLOTZ: What happens after the war?

MR. BELL: He will be back.

MRS. KLOTZ: Where?

MR. BELL: He is entitled to come back here.

MR. THOMPSON: He is just taking a war-time job.

MR. BELL: Under the legislation he is entitled to his job back if he goes to an agency that has priority, a war agency.

H.M.JR: What would he come back to?

MR. THOMPSON: Procurement director.

H.M.JR: Who will fill it in the meantime?

MR. BELL: You would have to appoint an acting - or somebody with the understanding they go back.

MRS. KLOTZ: That is my point. Try to hold it open for him.

- 7 -

MR. THOMPSON: They go on furlough.

H.M.JR: I mean, it is opening a whole new field. I tell you what I think I will do. I will tell Cliff just what I told you people, tell him to talk it over with the three of you. How is that? I will have him come over here - it will only take a minute - at four-thirty or four forty-five. It will only take a minute, and then I will tell him Bell will get the two of you together, go to Bell, and talk with him because it is not only his job, but it opens the whole thing up. I mean, if that is going to happen, well then, I would rather do it. Maybe I should do it anyway.

MR. BELL: You mean, follow out your original suggestion?

H.M.JR: I mean, maybe that is the thing to do anyway, or maybe just wait until the Army comes around and tries to take him.

MRS. KLOTZ: I would wait, because you never know when something may happen where you would want to have Procurement do the buying.

H.M.JR: Not the way the Army is going, but I put Cliff Mack in there so that I could sleep nights. I didn't know whether he would be a good procurement officer, but he could smell graft about as far as anybody.

Now, to start all over again, to look for somebody, have that additional worry - the day isn't long enough now to do the things that I have got to do. I mean, if he is going to go, I would just rather say, "O.K., you draw up something, send it over to the President, ask him to relieve us of this responsibility."

MR. THOMPSON: I think if he goes that is the thing to do, reduce the Procurement Division to a peacetime basis.

- 8 -

MRS. KLOTZ: I didn't get the feeling that he wanted to just walk out.

H.M.JR: I did - not walk out, but I got the feeling he was very keen to do this. But he can talk it over with these three men quietly. We can talk about it tomorrow. But I don't want you to think that this is any trick I am playing because I don't play tricks - this isn't something that I am doing to try to keep him. I am going to tell him I think he ought to go to the Air Corps.

MR. BELL: You are going to tell him that?

H.M.JR: Yes, I think it is more important. No, I will say this, "You have got to decide between the two jobs. I think it is more important--"

MR. BELL: I think that is probably right. It is more important.

H.M.JR: It is more - I mean, which is the more important? Well, that is more important. He said he is buying about a couple of hundred million dollars.

MR. GRAVES: A month.

H.M.JR: A month. They are buying a billion and a half out at Wright Field.

MR. BELL: Quite a difference.

MR. GRAVES: And that is military material, and his is non-military.

MRS. KLOTZ: But you are closing the door. I get the feeling you close the door to him. If he changes his mind and wants to stay he won't be very comfortable staying the way you are presenting it to him.

MR. BELL: No, I take it he is leaving it to his discretion, his discretion as to whether he should go. But if he is asking his advice, his advice is that he should take it.

H.M.JR: He asked me to tell him.

MR. BELL: He may ask you can he come back after it is all over. Under the law he is entitled to come back.

H.M.JR: Well, that is being fair. This isn't a shutout. Isn't that what they call it in baseball? Whoever goes in can go in as acting director.

MR. BELL: Yes, or goes in for the duration as director.

H.M.JR: So that is being fair.

MR. BELL: It is just like these other appointments. They are all made for the duration, and anybody who comes back from the Army goes right back to his old job and the others go out.

H.M.JR: So the person who goes in will be acting director, so there is no trick to the thing.

MR. BELL: It doesn't necessarily have to be acting; he could be director, but with the understanding that when Cliff comes back he--

H.M.JR: Mrs. Klotz thought if he was out he was out, and this would be sort of putting--

MRS. KLOTZ: He would have to come back and just take whatever was available.

MR. THOMPSON: Under the law he is entitled to the job.

H.M.JR: Which I am glad of. He has done a fine job, in the first place. In the second place, I am devoted to him.

MR. BELL: A grand fellow. If he goes out there and does that job he may not want to come back. He will be in touch with everybody in the country.

- 10 -

MR. GRAVES: It may kill him.

MRS. KLOTZ: You mean, he may--

MR. BELL: If he does a good job out there, he will be acquainted with every purchasing officer and every big factory in the country, and they will want him.

H.M.JR: Well, listen, fellow, after this war is over as between being with an airplane factory and having a nine thousand dollar civil-service job in the Treasury, give me the Treasury, with the retirement fund and everything else. I mean, if I had to choose, when the war was over, between a nine-thousand-dollar job, civil-service retirement, I would choose the Treasury every time.

Well, thank you for your advice.

July 6, 1942.
3:45 p.m.

Robert
Rouse: Mr. Secretary.

HMJr: Hello, Bob. I thought that I would tell my regular press conference at four o'clock that the financing was going to be two billion and that it would be - be on Wednesday. Hello?

R: Yeah.

HMJr: Is that all right?

R: I think it's fine. Are you going to have the books open two days?

HMJr: Two days.

R: Did you give any more thought to the suggestion that you announce it during the day on Wednesday, then have the books open only on Thursday?

HMJr: No, we don't like that. The Board didn't like it.

R: Well, they're....

HMJr: But I don't have to....

R:you're going to lose the zip, I think.

HMJr: What?

R: You're going to lose - this one day business has a little zip that you lose.

HMJr: Well, I don't have to - I can - I don't have to - I can tell them that it'll be the end of this week. I'd better give them a day though.

R: I'd give them a - say you'd planned to announce it on Wednesday.

HMJr: Yeah, then you can....

R: Then - then you can....

HMJr: We can argue about the other business.

R: Sure.

HMJr: All right.

R: Do you want to talk now about....

HMJr: No, I - I'll call you as I said at four-thirty.

R: All right, fine.

HMJr: Thank you.

78

Mr. Sullivan:

I'd like a prompt reply on this.

H. Morgenthau, Jr.

July 6, 1942.
4:16 p.m.

Operator: Go ahead.

HMJr: Hello.

Congressman
Gearhart: Hello, Mr. Secretary.

HMJr: Hello, Congressman.

G: This is Congressman Gearhart.

HMJr: Yeah, I know.

G: (Laughs) I - Congressman, I - I mean,
Mr. Secretary, I have a little matter on
my mind, impressed and placed there by a
lot of my constituents out our way.

HMJr: Go ahead.

G: You know I live in Fresno.

HMJr: Yes.

G: That's the exact center of California and the
center of the sweet wine industry.

HMJr: Yes.

G: We have heard down in the valley that because
of a shortage in office space in San Francisco
that the Alcohol Tax Unit has been asked to
move out of a certain building it's now in,
and that Mr. Berney, who helps you in matters
of that kind....

HMJr: Yes.

G:is doing his best to find a new place for
it.

HMJr: Yes.

G: Since Fresno's the center of the sweet wine
industry and the center of the stills which
produce the brandy....

- 2 -

HMJr: Yeah.

G:people down our way were hoping we might move it - that the office might be moved down there. I know it will be far more convenient for the vintners.

HMJr: Is there room there?

G: Oh, yes. Fresno is a town of about 100,000 people with many class-A office buildings ranging from ten to twenty stories high.

HMJr: Well, I haven't been there in thirty years so it's grown.

G: Oh, tremendously, yes.

HMJr: I was there thirty years ago. It was a little town.

G: (Laughs) I'll say, thirty years ago it was only about ten or twelve thousand.

HMJr: That's right.

G: And now it's the center of the metropolitan city and of an area of about 600,000 people.

HMJr: What's happened to the Armenian colony that used to be there?

G: Well, it's still there and it's become very American.

HMJr: Is that....

G: It's Americanized very, very quickly.

HMJr: Yeah.

G: And they pride themselves on doing things as Americans do.

HMJr: There's a lot of....

G: There are about ten thousand Armenian families in there.

- 3 -

HMJr: Yeah, that's what there were.

G: Yeah. We count them as very good and very desirable sort of people.

HMJr: Good.

G: So I just wondered if I'd go down and lay the facts....

HMJr: Well, let me look into it....

G: What did you say?

HMJr: Let me look into it and either I or John Sullivan will contact you on it.

G: Well, gee, that will be just fine. It would not be objected to by Mr. Maloney, the head of the office in San Francisco. I'm sure that he'd be delighted to move to Fresno.

HMJr: Well, I'll look into it right....

G: He just won't take the initiative in it because he says that - some of his stenographers might not like it.

HMJr: Well....

G: (Laughs) You know how that is.

HMJr: Yeah. I'll - I'll have Mr. Sullivan look into it.

G: Well, I sure do appreciate it, Mr. Secretary.

HMJr: Thank you.

G: Thank you for calling.

MEMORANDUM

July 6, 1942.

TO: The Secretary
FROM: Mr. Sullivan

JHS

In reference to your telephone conversation with Congressman Gearhart about moving the Alcohol Tax Unit out of San Francisco to Fresno, I am advised by Mr. Birney that there is no intention of moving this office from San Francisco.

Commissioner Helvering advised me that Mr. Berkshire would object to the office being located in Fresno if it were necessary to move out of San Francisco.

Do you wish me to wind this up with Gearhart?

yes please
pmf

July 6, 1942.
4:30p.m.

HMJr: Hello.

Operator: Mr. Rouse. Go ahead.

HMJr: Hello.

Robert Rouse: Hello, Mr. Secretary.

HMJr: Well, what does it look like now?

R: Well, I've talked to a lot of people today, and it - it's a very confusing picture....

HMJr: Yeah.

R:and I'm afraid it might be confusing to you as well as to me.

HMJr: Yeah.

R: There's no clear-cut opinion here....

HMJr: Yeah.

R:or, in general, I think the view is expressed by two-thirds of our local banks that I talked with that a single issue is inadvisable.

HMJr: Inadvisable?

R: Yeah. The opinion is mixed. They, as far as themselves are concerned, generally I think want to - feel they - the bank should stay within the ten-year period.

HMJr: Yeah.

R: Although individually they wouldn't go out beyond it, in some cases.

HMJr: Well, the two percent is within the....

R: Oh, yes, that's within. Now the only coupon that seems to arouse any enthusiasm is the two and a quarter percent coupon....

HMJr: Yeah, yeah.

- 2 -

R:and that reflects the banks outside the city.

HMJr: Yeah.

R: But their vice presidents, in going around and talking to the banks of the country, find that there is a definite interest in more income than which a two and a quarter would provide....

HMJr: Yeah.

R:some of them paying two percent on savings accounts, and so on. When you get to the note issue, the possibility in a split - if the offering were split, the interest centers around a two-year one or, more particularly, I think, discussed is the three-year one and a quarter.

HMJr: Yeah, well, I don't want to do that.

R: Hello?

HMJr: I don't want to do that.

R: Yeah. Well, they all point out too that the note market is - is rather limited in size because of its restriction to New York. The - quite a number of people think - of the dealers, I think more of the dealers than not believe that you could do it all in one issue of bonds, and I think more of them would recommend a two and a quarter than a two.

HMJr: Yeah. Well, we may have to get to the point where we're going to tell them.

R: Well, Miller and I were just discussing it from that angle, and it may well be that you let them decide what you're going to do and tell them.

HMJr: Yeah.

R: But that is - that's the picture here....

HMJr: Well....

R:there's very little interest in a two and an eighth. Usually people would point out the market situation with respect to the two's in

- 3 -

R: 1951-55.
(cont.)

HMJr: Yeah.

R: It's a very small issue, and I don't think it
would represent much of a problem but the -
some of the people are conscious of it.

HMJr: Well, I'm seeing some tomorrow, and you'll be
seeing some more, won't you?

R: Yes, we'll be talking more but chiefly with
these same people....

HMJr: Yeah.

R:and after the thing's jelled overnight.

HMJr: Yeah.

R: But as it stands now, it is a confusing situation.

HMJr: Okay.

R: Fine.

HMJr: Thank you.

R: Right.

July 6, 1942.
4:37 p.m.

HMJr: Hello.

Operator: Mr. Welles.

HMJr: Hello.

Sumner
Welles: Hello, Henry.

HMJr: How are you?

W: I'm fine, thanks.

HMJr: I've been having a South American fiesta over here with Brazil and Cuba....

W: Oh, yes.

HMJr:signing rather meaningless gold memoranda with them.

W: Oh, yes, I remember, Well, good, good.

HMJr: What I'm calling up about - remember I called you up on that question of....

W: Yes, indeed.

HMJr:J. D. C.

W: Yes, indeed.

HMJr: Were you able to look into it?

W: I've taken that up immediately, and I think I'll be in a position to send you, say, a written memorandum on it this afternoon.

HMJr: Well, that will be wonderful. Is there any chance of doing that?

W: I think so.

HMJr: Well, that will be grand.

- 2 -

W: I think so.

HMJr: Those poor people are in a desperate situation.

W: Oh, I know it.

HMJr: Yeah.

W: But I wanted to explore every possibility before sending you any word.

HMJr: Right. Well, thank you, Sumner.

W: Not a bit, Henry. Hope to see you soon.

HMJr: I hear you - I do too - I hear a gentleman walked out on you the other day because he didn't like his table - place at table.

W: (Laughs)

HMJr: What?

W: Yes, I've tried twice to reach him as I told Foley I would speak with him, but each time he was either out or busy.

HMJr: Hmm.

W: And I haven't talked to him, but I will. I'll try again this afternoon.

HMJr: Well, you know in my lifetime that only happened once. It happened to my father in Turkey....

W: Oh, no.

HMJr:when General von Saunders....

W: Oh, yes.

HMJr:who wanted to be placed ahead of the Turkish Cabinet....

W: Yeah, I see.

- 3 -

HMJr:decided to pick my father's embassy as the place to test it.

W: Yes.

HMJr: And, of course, the whole question was whether he, as representing the German Army in Turkey, outranked the Turkish Cabinet.

W: Yes.

HMJr: But that's the only other time I've know it's ever happened. But that was important.

W: Well, I'm particularly sorry to have had a thing of this kind happen, but it's just one of those things.

HMJr: Yeah, well, I think it's bad breeding on his part.

W: It's too bad.

HMJr: I said, bad breeding on his part.

W: I know. I say it's too bad....

HMJr: Yeah.

W:that it did happen.

HMJr: All right. I'll look forward to that memo.

W: All right, Henry.

HMJr: Thank you.

W: Goodbye.

July 6, 1942.
5:17 p.m.

HMJr: Hello.

Operator: He'll be right on. All right, sir.

Judge
Rosenman: Hello.

Operator: Secretary Morgenthau.

HMJr: Hello.

R: Henry?

HMJr: Yes.

R: I suppose you've heard, but if not I want to report to you. This God damn thing's been signed.

HMJr: You don't mean it?

R: Yes.

HMJr: When you mean "this God damn thing," you mean that God signed it. (Laughs)

R: That what?

HMJr: That God signed it.

R: Yes, right.

HMJr: No.

R: God damned it and signed it.

HMJr: He did sign it.

R: Yeah, so it's signed. I guess I'll try to get it released for tomorrow afternoon....

HMJr: Oh, wonderful!

R:released for tomorrow.

HMJr: All strictly kosher?

- 2 -

R: Everything is kosher now. You're all right.

HMJr: Well, we'll have to have a party now.

R: Yeah, invite Crowley, will you? (Laughs)

HMJr: (Laughs)

R: I told him you loved him, so you'd better invite him.

HMJr: Did you really say so?

R: Yeah.

HMJr: Did the President know that he got up and left the table?

R: No, gosh. I showed him these two letters, one saying you were happy and the other saying Crowley was, and he said, "It just can't be true."

HMJr: Did Crowley write a letter saying he was happy?

R: Yeah....

HMJr: He did?

R:Markham did for him.

HMJr: Well - I didn't write any letter.

R: Sure, Foley did for you.

HMJr: Oh. What other comment did he make?

R: That's all. He said, "Fine." Oh, yeah (laughs) we used the word "vest" in here and "cloak" in the statement, you know.

HMJr: Yeah.

R: He said, "This is just like the clothing business."

HMJr: (Laughs) It's like Bill Bullitt. I was saying to him about all these kings coming. He said, "Well, they've got to work at it just like you do at the cloak and suit business."

- 3 -

R: (Laughs) That's very funny.

HMJr: When am I going to see you and have some gossip?

R: All right, I suppose you won't invite me around now until you've got another job to do.

HMJr: I said, when am I going to see you?

R: Well, I'm....

EXECUTIVE ORDER

**AMENDING EXECUTIVE ORDER NO. 9095
ESTABLISHING THE OFFICE OF ALIEN
PROPERTY CUSTODIAN AND DEFINING ITS
FUNCTIONS AND DUTIES AND RELATED MATTERS.**

By virtue of the authority vested in me by the Constitution, by the First War Powers Act, 1911, by the Trading with the enemy Act of October 6, 1917, as amended, and as President of the United States, it is hereby ordered as follows:

Executive Order No. 9095 of March 11, 1942, is amended to read as follows:

1. There is hereby established in the Office for Emergency Management of the Executive Office of the President the Office of Alien Property Custodian, at the head of which shall be an Alien Property Custodian appointed by the President. The Alien Property Custodian shall receive compensation at such rate as the President shall approve and in addition shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties. Within the limitation of such funds as may be made available for that purpose, the Alien Property Custodian may appoint assistants and other personnel and delegate

to them such functions as he may deem necessary to carry out the provisions of this Executive Order.

2. The Alien Property Custodian is authorized and empowered to take such action as he deems necessary in the national interest, including, but not limited to, the power to direct, manage, supervise, control or vest, with respect to:

- (a) any business enterprise within the United States which is a national of a designated enemy country and any property of any nature whatsoever owned or controlled by, payable or deliverable to, held on behalf of or on account of or owing to or which is evidence of ownership or control of any such business enterprise, and any interest of any nature whatsoever in such business enterprise held by an enemy country or national thereof;
- (b) any other business enterprise within the United States which is a national of a foreign country and any property of any nature whatsoever owned or controlled by, payable or deliverable to, held on behalf of or on account of or owing to or which is evidence of ownership or control of any such business enterprise, and any interest of any nature whatsoever in such business enterprise held by a foreign country or national thereof, when it is determined by the Custodian and he has certified to the Secretary of the Treasury that it is necessary in the national interest, with respect to such business enterprise, either (i) to provide for the protection of the property, (ii) to change personnel or supervise the employment policies, (iii) to liquidate, reorganize, or sell, (iv) to direct the management in respect to operations, or (v) to vest;
- (c) any other property within the United States owned or controlled by a designated enemy country or national thereof, not including in such other property, however, cash, bullion, moneys, currencies, deposits, credits, credit

instruments, foreign exchange and securities except to the extent that the Alien Property Custodian determines that such cash, bullion, moneys, currencies, deposits, credits, credit instruments, foreign exchange and securities are necessary for the maintenance or safeguarding of other property belonging to the same designated enemy country or the same national thereof and subject to vesting pursuant to section 2 hereof;

- (d) any patent, patent application, design patent, design patent application, copyright, copyright application, trademark or trademark application or right related thereto in which any foreign country or national thereof has any interest and any property of any nature whatsoever (including, without limitation, royalties and license fees) payable or held with respect thereto, and any interest of any nature whatsoever held therein by any foreign country or national thereof;
- (e) any ship or vessel or interest therein, in which any foreign country or national thereof has an interest; and
- (f) any property of any nature whatsoever which is in the process of administration by any person acting under judicial supervision or which is in partition, libel, condemnation or other similar proceedings and which is payable or deliverable to, or claimed by, a designated enemy country or national thereof.

When the Alien Property Custodian determines to exercise any power and authority conferred upon him by this section with respect to any of the foregoing property over which the Secretary of the Treasury is exercising any control and so notifies the Secretary of the Treasury in writing, the Secretary of the Treasury shall release all control of such property, except as authorized or directed by the Alien Property Custodian.

- 4 -

3. Subject to the provisions of this Executive Order, all powers and authority conferred upon me by sections 3(a) and 5(b) of the Trading with the enemy Act, as amended, are hereby delegated to the Secretary of the Treasury or any person, agency, or instrumentality designated by him; provided, however, that when any property or interest, not belonging to a foreign government or central bank, shall be vested by the Secretary of the Treasury, such property or interest shall be vested in, and dealt with by, the Alien Property Custodian upon the terms directed by the Secretary of the Treasury. Except as otherwise provided herein, this Executive Order shall not be deemed to modify or amend Executive Order No. 8389, as amended, or the President's Proclamation of July 17, 1941, or Executive Order No. 8839, as amended, or the regulations, rulings, licenses and other action taken thereunder, or in connection therewith.

4. Without limitation as to any other powers or authority of the Secretary of the Treasury or the Alien Property Custodian under any other provision of this Executive Order, the Secretary of the Treasury and the Alien Property Custodian are authorized and empowered, either jointly or severally, to prescribe from time to time, regulations, rulings, and instructions to carry out the purposes of this Executive Order. The Secretary of the Treasury and the Alien Property Custodian each

shall make available to the other all information in his files to enable the other to discharge his functions, and shall keep each other currently informed as to investigations being conducted with respect to enemy ownership or control of business enterprises within the United States.

5. The Alien Property Custodian is authorized to issue appropriate regulations governing the service of process or notice upon any person within any designated enemy country or any enemy-occupied territory in connection with any court or administrative action or proceeding within the United States. The Alien Property Custodian also is authorized to take such other and further measures in connection with representing any such person in any such action or proceeding as in his judgment and discretion is or may be in the interest of the United States. If, as a result of any such action or proceeding, any such person obtains, or is determined to have, an interest in any property (including money judgments), such property, less an amount equal to the costs and expenses incurred by the Alien Property Custodian in such action or proceeding, shall be subject to the provisions of Executive Order No. 8389, as amended, provided, however, that this shall not be deemed to limit the powers of the Alien Property Custodian under section 2 of this Order; and provided further, that the Alien Property Custodian may vest an amount of such property equal to the costs and expenses incurred by the Alien Property Custodian in such action or proceeding.

6. To enable the Alien Property Custodian to carry out his functions under this Executive Order, there are hereby delegated to the Alien Property Custodian or any person, agency, or instrumentality designated by him all powers and authority conferred upon me by section 5(b) of the Trading with the enemy Act, as amended, including, but not limited to, the power to make such investigations and require such reports as he deems necessary or appropriate to determine whether any enterprise or property should be subject to his jurisdiction and control under this Executive Order. The powers and authority conferred upon the Alien Property Custodian by Executive Order No. 9142 shall be administered by him in conformity with the provisions of this Executive Order.

7. In the exercise of the authority herein delegated, the Alien Property Custodian shall be subject to the provisions of Executive Order No. 8839 of July 30, 1941, and shall designate a representative to the Board of Economic Warfare in accordance with section 6 thereof.

8. All records and other property (including office equipment) of the Treasury Department which are used primarily in the administration of powers and duties to be exercised by the Alien Property Custodian, and such personnel as is used primarily in the administration of such powers and duties and which was hired

- 7 -

by the Treasury Department after September 1, 1941 (including officers whose chief duties relate to the administration of such powers and duties), as the Secretary of the Treasury and the Alien Property Custodian shall jointly certify for transfer, shall be transferred to the Office of the Alien Property Custodian. In the event of disagreement concerning the transfer of any personnel, records, or property, the determination shall be made by the Director of the Bureau of the Budget, pursuant to the formula here prescribed. Any personnel transferred pursuant to this Executive Order shall be transferred without loss of such Civil Service status or eligibility therefor as they may have.

9. This Executive Order shall not be deemed to modify or amend Executive Order No. 8843 of August 9, 1941, and the regulations, rulings, licenses and other action taken thereunder. Any and all action heretofore taken by the Secretary of the Treasury or the Alien Property Custodian, or by any person, agency, or instrumentality designated by either of them, pursuant to sections 3(a) and 5(b) of the Trading with the enemy Act, as amended, or pursuant to prior Executive Orders, and any and all action heretofore taken by the Board of Governors of the Federal Reserve System pursuant to Executive Order No. 8843 of August 9, 1941, are hereby confirmed and ratified.

- 8 -

10. For the purpose of this Executive Order:

- (a) The term "designated enemy country" shall mean any foreign country against which the United States has declared the existence of a state of war (Germany, Italy, Japan, Bulgaria, Hungary and Rumania) and any other country with which the United States is at war in the future. The term "national" shall have the meaning prescribed in section 5 of Executive Order No. 8389, as amended, provided, however, that persons not within designated enemy countries (even though they may be within enemy-occupied countries or areas) shall not be deemed to be nationals of a designated enemy country unless the Alien Property Custodian determines:
- (i) that such person is controlled by or acting for or on behalf of (including cloaks for) a designated enemy country or a person within such country; or (ii) that such person is a citizen or subject of a designated enemy country and within an enemy-occupied country or area; or (iii) that the national interest of the United States requires that such person be treated as a national of a designated enemy country. For the purpose of this Executive Order any determination by the Alien Property Custodian that any property or interest of any foreign country or national thereof is the property or interest of a designated enemy country or national thereof shall be final and conclusive as to the power of the Alien Property Custodian to exercise any of the power or authority conferred upon me by section 5(b) of the Trading with the enemy Act, as amended.
- (b) The term "business enterprise within the United States" shall mean any individual proprietorship, partnership, corporation or other organization primarily engaged in the conduct of a business within the United States, and any other individual proprietorship, partnership, corporation or other organization to the extent that it has an established office within the United States engaged in the conduct of business within the United States.

- 9 -

11. The Secretary of the Treasury or the Alien Property Custodian, as the case may be, shall, except as otherwise agreed to by the Secretary of State, consult with the Secretary of State before vesting any property or interest pursuant to this Executive Order, and the Secretary of the Treasury shall consult with the Secretary of State before issuing any Order adding any additional foreign countries to section 3 of Executive Order No. 8389, as amended.

12. Any orders, regulations, rulings, instructions, licenses or other actions issued or taken by any person, agency or instrumentality referred to in this Executive Order, shall be final and conclusive as to the power of such person, agency or instrumentality to exercise any of the power or authority conferred upon me by sections 3(a) and 5(b) of the Trading with the enemy Act, as amended; and to the extent necessary and appropriate to enable them to perform their duties and functions hereunder, the Secretary of the Treasury and the Alien Property Custodian shall be deemed to be authorized to exercise severally any and all authority, rights, privileges and powers conferred on the President by sections 3(a) and 5(b) of the Trading with the enemy Act of October 6, 1917, as amended, and by sections 301 and 302 of Title III of the First

War Powers Act, 1941, approved December 18, 1941.

No person affected by any order, regulation, ruling, instruction, license or other action issued or taken by either the Secretary of the Treasury or the Alien Property Custodian shall be entitled to challenge the validity thereof or otherwise excuse his actions, or failure to act, on the ground that pursuant to the provisions of this Executive Order, such order, regulation, ruling, instruction, license or other action was within the jurisdiction of the Alien Property Custodian rather than the Secretary of the Treasury or vice versa.

13. Any regulations, rulings, instructions, licenses, determinations or other actions issued, made or taken by any agency or person referred to in this Executive Order, purporting to be under the provisions of this Executive Order or any other proclamation, order or regulation, issued under sections 3(a) or 5(b) of the Trading with the Enemy Act, as amended, shall be conclusively presumed to have been issued, made or taken after appropriate consultation as herein required and after appropriate certification in any case in which a certification is required pursuant to the provisions of this Executive Order.

THE WHITE HOUSE,

Franklin D. Roosevelt

July 6 - 1942

July 6, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

I am leaving this evening at 5:45 for Minneapolis. The Secret Service will be able to reach me at any time. I expect to return for duty (unless called earlier) on Monday, August 3. I plan to return to Washington on Friday, July 31.

Subject to your approval my work will be handled as follows:

Mr. Rose will be in charge of the office and will handle mail and inquiries and general routine. On political matters he will consult, when necessary, the political committee, consisting of Mr. Sullivan, Mr. Foley, and Mr. ~~Thompson~~ *Thompson* Helvering. He will be available to report to you on the status of any matters you left with me. (10)

Mr. Sullivan will take care of my "Assistant Secretary" signatures.

Mr. Cairns will discuss with Mr. Johnson and Mr. Anslinger matters of Customs and Narcotics policy, as well as of law, that may come up in my absence. He will also represent me on all censorship matters.

Mr. Irey will report to you directly, unless otherwise ordered, any important investigational matters.

Mr. Harney, Assistant Commissioner of Narcotics, who is acting as Assistant Coordinator, is handling the special inquiry you assigned to me at the request of Mr. Graves. I shall ask him to report on this to Mr. Thompson.

Mr. Johnson will be available to report to you at any time, either directly or through Mr. Rose, on Customs matters.

Chief Wilson will take up with Mr. Irey matters that he would normally discuss with me.

- 2 -

Mr. O'Connell is my alternate on the Attorney General's Committee on Investigations. I have given him full authority to act.

Captain Webster of Coast Guard will represent me on the Board of War Communications as alternate member and Commander Mauerman as Secretary.

WCB

BRITISH JOINT STAFF MISSION
OFFICES OF THE COMBINED CHIEFS OF STAFF
WASHINGTON

AIR STAFF

6th July, 1942.

Dear Mr. Morgenthau,

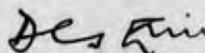
I am most grateful for your letter of July 3rd and delighted to hear that the tour of the young British and American fighting men has been such an unqualified success.

I shall transmit your letter to Air Chief Marshal Sir Charles Portal and am sure that he and the other British Chiefs of Staff will be most gratified to know that the selections from the British services have proved so satisfactory. Such a tour is undoubtedly a great test of personality and fibre and they will be pleased to know that such a diversity of ranks has stood that test so well.

Let me assure you once more that the British Chiefs of Staff have fully appreciated the value of this tour as an opportunity of bringing the British Services into closer touch with the American people and are most grateful to you for the invitation and for the thorough organisation and generous hospitality which have contributed so largely to the success of the tour.

May I ask you to convey our thanks to Mr. Kuhn and Mr. Charles Gilchrist who did so much personally for our men.

Yours sincerely,



D.C.S. Evill,
Air Marshal.

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

*ack is dated
and filed 7-10*

July 6, 1942

Dear Mr. Swing:

Ferdie Kuhn has shown me the text of your broadcast to England in which you spoke with such warmth and understanding about the war heroes' tour.

I feel that you have done a real service in helping the British people to distinguish between the true and the false in American attitudes toward them.

This is just to tell you of my deep appreciation and to congratulate you on a wonderful job.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Raymond Gram Swing,
Hotel Roosevelt,
2101 16th Street, N.W.
Washington, D. C.

Copies to Thompson

(NMC)

FK/cgk

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 30, 1942

TO Secretary Morgenthau.
FROM Ferdinand Kuhn, Jr.



You may be interested in these pages from Raymond Swing's latest fortnightly broadcast to England, in which he told the British public of our welcome to the war heroes. Swing has the largest public of any broadcaster in England, and what he said was heard by about eight million listeners.

Please write a letter for ^{F.K.} me to sign to ^{see 7-6} secure in this broadcast it is wonderful

... On the subject of American attitudes toward the British something should be said about the experience of the visiting British heroes, now touring the United States as guests of the government, along with some of our ^{own} own men. This has been a revealing experience, and British people, if they could have witnessed the enthusiasm of the crowds, would have felt assured about the warmth of American feeling. Fifteen persons are making the tour, ten of them from Britain. These visitors are all men of action and of distinguished services. They are young men, they have no histrionic talent to speak of, but wherever they have appeared they have registered something far greater than could have been achieved by the highest polish of appearance and rhetoric. They have symbolized deeds and exalted courage and done so with simplicity and directness and the most winning modesty.

Wherever the party has stopped, there has been first a great parade, then a press conference, some entertainment of a formal kind, and finally a mass meeting. At the meeting, the visitors would stand in line, and the chairman would read, one after the other, the brief citation of what each man has done, whereupon he would respond with a few words.

- 2 -

In every instance the response of the huge crowds was explosive and deeply moving. Few persons could have taken part in those meetings, or have seen the parades, who did not have a quick, heart-catching sense of being partakers of a moment in history, a great moment, when the war ceased to be something read in a newspaper or heard over the radio, and became living in terms of individuals who had made great individual contributions.

Today the tour is drawing to its close on the Pacific Coast after having crossed the continent. Everywhere the reception has been excitingly warm hearted. Everywhere the parades have jammed the streets and crowded the largest auditorium. The people responded to the visits with delight and gratitude. They are people who have been following the war with rapt attention, but now the war was bringing to them some of its outstanding personalities. The plan was first conceived at a time when our vast continent was bound to be thinking of the war somewhat abstractly, and it was promoted to provide background for the campaign to stimulate the purchase of government war bonds.

At no moment during the tour was a distinction drawn between American and British. The tour was called a United Nations tour. When the heroes stood impressively in their

- 3 -

line across the platforms of packed auditoriums, the Americans were not introduced separately, as a play on local emotions, but a man was cited for his bravery at St. Nazaire, then a man for bravery in the Java Sea, then another for his part in the raid at Augsburg, and another for bringing down Japanese planes at Pearl Harbor and so on. And when the men rode in the parade, they were paired not as nationals but as companions. So the enthusiasm which was evoked--and you can believe me that it was thunderous--it was for the individuals first and for the common effort next. And one had a sense of merger in collaboration. You may have heard about the warmth of the New York welcome. But this warmth has not been localized. And a remarkable fact about this tour is that the two high spots were, of all places, Boston and Milwaukee. Boston turned out a crowd of seven hundred thousand, the third largest in its history. And Boston has ranked as one of the most apathetic cities to the war, and to the British in particular, because it has such a large Irish population. But the crowd in Boston was the largest of the entire tour. Milwaukee, in Wisconsin, has one of the largest populations in this country of German descent. Here the mass meeting was sponsored and presided over by men of German ancestry and

- 4 -

bearing Germanic family names. And here the enthusiasm was second only to Boston.

If two men stand before an American crowd, and one of them is an American who has taken part in the bombing of the Japanese in the Philippines in a historic flight from Australia, and the other is an English aviator who has had a part in destroying a vital factory at Augsburg, and the ovation is the same for each of them, that bespeaks more than courtesy to the British pilot. There is a sense of common effort in a joint enterprise. And it is well to remember this tour, as having tested the core of American emotions, when the evidences appear of criticism over some specific issue. The one does not deny the other. The deeply-felt emotions do not preclude the frankest and most searching inquiry in the days of bad news, and the critical inquiry does not record a congealing of the deeper emotions...

approved 7-11-42

CITIES THAT WE KNOW NOW FROM OUR REPORTING SYSTEM ARE GOING TO ENDEAVOR TO HAVE AN ALL-OUT ON AMERICAN HEROES DAY, JULY 17.

RICHMOND

NEW ORLEANS

BOISE

KANSAS CITY ?

OMAHA

ST. LOUIS

DENVER

TRENTON

HARTFORD

BUFFALO

NEW HAVEN

CINCINNATI

SOUTH BEND

CLEVELAND

TERREHAUTE

COLUMBUS

BOSTON

OKLAHOMA CITY

BIRMINGHAM

SCRANTON

JAMAICA, L.I.

PROVIDENCE

TOLEDO

PEORIA

INDIANAPOLIS

CHICAGO

DEMOINES

SIOUX CITY

WICHITA

LOUISVILLE

DETROIT

DULUTH

TULSA

LANCASTER

JACKSONVILLE

TREASURY DEPARTMENT

112

INTER OFFICE COMMUNICATION

DATE July 6, 1942

TO THE SECRETARY
FROM TED R. GAMBLE

As I previously mentioned to you, our biggest concern about the July 17 American Heroes Day is the retail leader in each community. They have done some splendid work in different sections of the country, but they have not had a closely knit organization and we have been working to try to get responsibility for these days effectively decentralized so far as the retailers are concerned.

I assured Major Hamm and his Executive Committee that your making available bonds to many of their outlets was occasioned by your concern and interest in the success of the July 17 celebrations. I told him further that it would be highly desirable if they would set aside some of their collateral activities and concentrate on the success of this day.

I asked Hamm to make a further poll of retailers in the country and in answer to this I have received the attached wire from him.

You will probably be receiving direct wires from all parts of the country in connection with this retailer activity. I would appreciate it if you would have them referred to my office so that I can keep a check on them.

STARTS (44) INDICATED

TELEPHONE YOUR TELEGRAM TO POSTAL TELEGRAPH

Form 181

Postal Telegraph

THIS IS A FULL RATE MESSAGE. CABLE-GRAM OR RADIOGRAM UNLESS OTHERWISE INDICATED BY SYMBOL IN THE PREAMBLE OR BY THE ADDRESSEE OF THE MESSAGE. SYMBOLS DESIGNATING SERVICE SELECTED ARE OBTAINED IN THE COMPANY'S TARIFFS OR HANDBOOKS WHICH OFFICES AND CHARGES WILL BE INDICATED THEREIN.

LA590 WNC287 RXGR106N 205/204 1 EXTRA GOVT (RUSH) CNT

X S GR NEWYORK NY 5 430P

MR TED GAMBLE, WAR SAVINGS STAFF 709-12 1942 JUL 3 PM 5 12
UNITED STATES TREASURY DEPARTMENT WASHINGTON DC

HAVE JUST SPOKEN WITH LEW HAHN, THE MANAGING DIRECTOR OF NATIONAL RETAIL DRY GOODS ASSOCIATION, 101 WEST 31 STREET, NEWYORKCITY, CHICKERING 4-7313 X ALSO WITH DICK MEYBOHM WHO IS IN CHARGE OF SALES PROMOTION THERE AND THE MAN BEING HELD RESPONSIBLE FOR OUR TELEPHONE CHECK-UP X MEYBOHM'S PROGRAM IS TO MAKE ABOUT FIVE HUNDRED TELEPHONE CALLS STARTING WITH ONE HUNDRED FIFTY LOCAL RETAIL DRY GOODS ASSOCIATIONS X THESE WILL BE FOLLOWED BY CALLS TO ONE HUNDRED FIFTY RETAIL TRADE BOARDS OF LOCAL CHAMBERS OF COMMERCE X THESE WILL BE FOLLOWED BY TWO HUNDRED CALLS TO LEADING MERCHANTS IN OTHER CITIES X IN EACH CASE HE IS ASKING THEM TO SEND A WIRE DIRECT TO SECRETARY MORGENTHAU INDICATING THEIR OBSERVANCE OF "AMERICAN HEROES DAY" AND STIPULATING THEIR QUOTA X HE IS SUGGESTING THAT THEIR QUOTA BE NOT LESS THAN TEN DOLLARS PER CAPITA OF POPULATION X IN ADDITION MEYBOHM WILL MAKE AN INTENSIVE STUDY OF THE FOLLOWING THREE STATES MASSACHUSETTS, OHIO AND MICHIGAN CONTACTING AS MANY CITIES AND TOWNS AS POSSIBLE X HE WILL MAKE DAILY REPORTS BY WIRE TO YOU OR PERSONALLY X I HAVE ALSO TOLD HIM THAT HE NEED NOT HESITATE TO CALL YOU ON THE TELEPHONE IF NECESSARY

CORDIALLY-

BENJAMIN H NAMM CHAIRMAN RETAIL ADVISORY COMMITTEE



TREASURY DEPARTMENT
WASHINGTON

114 ✓

July 6, 1942

MEMORANDUM FOR THE SECRETARY

Attached is a list of the programs on which we are planning to have special copy used for the American Heroes Day on July 17. The earliest that we could possibly get transcription mailings to radio stations on any change in the Treasury Star Parade would be July 13. Air Express charges would amount to \$1700.00. We have decided, therefore, to send special announcements to each station in the country for tie-in before and after the Treasury Star Parade Program, which copy will be in their hands by not later than July 10.

You might be further interested to know that on the night of July 16 we have a special Navy program of the Wrigley Company dedicated to the American Heroes Day. This is a thirty-minute program and will be heard over the 71 stations of the Columbia Broadcasting System.

Ted R. Gamble



PROGRAMS TO PROMOTE "AMERICAN HEROES DAY"
AND "RETAILERS FOR VICTORY"

BLUE NETWORK

<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>PROGRAM</u>
Monday	July 13	1:45 - 2:15 P.M.	Hotel Taft
Tuesday	July 14	9:30 - 10:00 P.M.	This Nation At War
Wednesday	July 15	8:15 - 8:30 A.M.	Pages of Melody
Wednesday	July 15	2:45 - 3:00 P.M.	Jack Baker
Friday	July 17	9:30 - 9:45 A.M.	Breakfast Club
Friday	July 17	2:30 - 2:45 P.M.	Jas. G. MacDonald
Friday	July 17	9:30 - 9:45 P.M.	Dinah Shore

COLUMBIA BROADCASTING SYSTEM

Monday	July 13	9:30 - 9:45 A.M.	Four Clubmen
Monday	July 13	2:45 - 3:00 P.M.	Pepper Young
Tuesday	July 14	1:15 - 1:30 P.M.	Woman in White
Wednesday	July 15	11:45 - 12:00 A.M.	Aunt Jenny
Wednesday	July 15	8:30 - 9:00 P.M.	Dr. Christian
Wednesday	July 15	10:00 - 10:30 P.M.	Great Moments in Music
Thursday	July 16	1:45 - 2:00 P.M.	The Geldbergs
Friday	July 17	2:30 - 2:45 P.M.	We Love and Learn
Friday	July 17	7:15 - 7:30 P.M.	Dear John

MUTUAL BROADCASTING SYSTEM

Monday	July 13	1:35 - 1:45 P.M.	Bobby Peters Orchestra
Tuesday	July 14	5:15 - 5:30 P.M.	Man With A Band
Wednesday	July 15	2:30 - 3:00 P.M.	Camp Grant In Review
Wednesday	July 15	4:15 - 4:30 P.M.	Walter Compton
Thursday	July 16	12:30 - 1:00 P.M.	Navy Band
Thursday	July 16	8:00 - 8:30 P.M.	Sinfonietta
Friday	July 17	12:15 - 12:30 P.M.	Sustaining
Friday	July 17	4:30 - 4:45 P.M.	Description of Races

NATIONAL BROADCASTING CO.

Monday	July 13	9:45 - 10:00 A.M.	Music Room
Monday	July 13	3:30 - 3:45 P.M.	Pepper Young
Tuesday	July 14	9:15 - 9:30 A.M.	Hank Lawson
Tuesday	July 14	5:30 - 5:45 P.M.	Three Sens Trio
Wednesday	July 15	6:00 - 6:25 P.M.	Navy Band
Friday	July 17	1:15 - 1:45 P.M.	Sketches In Melody
Friday	July 17	8:30 - 9:00 P.M.	Information Please

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 6, 1942.

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

Here is a new wrinkle in War Bond promotion, approved by the Army Air Corps. If you like it, you might wish to send a letter to Mr. J. M. Kindelberger, President of North American.

J.K.



You CAN AUTOGRAPH THIS BOMBER!

Every few minutes (our enemies would like to know *exactly* how often), another airplane is completed at one of North American Aviation's great plants.

Sometimes, one of our workers gives it a personal finishing touch. He paints on the fuselage a single parting word—"Tokio," "Berlin" or maybe just his own initials.

We want you to be as proud of these planes as we are at North American. We'd like to put your name on one of these planes because you're helping to pay for it by buying War Bonds, and by paying taxes.

Here's how you can autograph one of the planes pictured above: Mail us a penny postcard, with your name and the serial number of the next War Savings Bond you buy. Address North American Aviation, Dept. B, Inglewood, Calif. We'll write your name on a plane destined to squash the Axis.

Perhaps your name will go on a North American

B-29 Bomber like the first Army plane that sank a U-boat in the Atlantic, and first carried the war to Tokio.

Perhaps your name will fly with a deadly North American fighter, like those that have downed Messerschmitts over Europe and Jap Zero fighters across the Pacific.

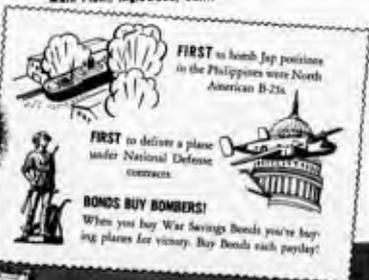
We want you to feel the same glow of pride we feel, every time another plane rolls off the pro-

duction line. We want you to be a member of North American's team.

You are the men and women we're working for, because you are the United States of America—130,000,000 strong... fighting, saving, and working together to do the most worthwhile job in history.

NORTH AMERICAN AVIATION, INC.
Main Plant, Inglewood, Calif.

NORTH AMERICAN
Sets the Pace



JOIN THE ARMY OR NAVY AIR FORCE



FIGHTERS



TRAINERS



☆ For the United Nations, B-29 ("The Mitchell") ☆ For U.S. Army and RAF, "Mustang" ☆ For U.S. Army, AT-6A... For U.S. Navy, SNJ-3... For RAF, "Harvard" ☆

Ad. No. 2 P. O. No. S2-395
Saturday Evening Post
Collier's

One Page, Bleed
August 8, 1942
August 15, 1942

Advertisement prepared by
BATTEN, BARTON, DURSTINE & OSBORN, INC.

Regaded Unclassified



TREASURY DEPARTMENT

WASHINGTON

DEFENSE SAVINGS STAFF

July 6, 1942

TO: The Secretary of the Treasury

FROM: James L. Houghteling

I think you will be interested in the attached record of Pay Roll Savings participation on 90 American railroads, showing the increased participation which has been secured largely through the work of joint committees of Management and Labor. As far as we can figure the average allotments they are running slightly above 5%, but the reports of joint committees indicate a steady increase in this factor.

In none of the attached figures is any allowance made for the considerable number of railroad employes who a number of years ago adopted the practice of buying U. S. Savings Bonds through their banks and who have been reluctant to change over into the Pay Roll Savings Plan. The Brotherhood of Locomotive Engineers and the Order of Railway Conductors are especially attached to the bank deposit plan for buying bonds.

FOR DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

Railroad Industry

Summary of Operation of Payroll Savings Plans in Companies Reporting
to the Treasury during May and June 1942

Name of Company	Month for which report was rendered	Number of employees	Number of employees participating	Percentage of employees participating
*The Pennsylvania Railroad Co	April	161,260	65,548	40.6
	June 15	160,674	130,664	81.3
*New York Central System	April	121,697	25,906	21.3
	June 15	130,223	105,196	80.8
*Southern Pacific Company	April	60,200	15,200	25.2
	June 15	60,600	36,932	60.9
*Baltimore and Ohio	April	57,783	31,889	55.2
	June 15	57,783	37,525	64.9
Union Pacific R. R.	May	53,000	38,175	72.0
	June 15	51,550	41,364	80.2
*The Atchison Topeka & Santa Fe Ry. System	May	52,876	21,096	39.9
	June 15	52,876	23,321	44.1
Southern Railway System	April	40,021	10,830	27.1
	June 15	40,021	25,613	64.0
*Illinois Central System	April	37,807	24,000	63.5
	June 15	36,994	33,298	90.0
*Chicago, Milwaukee, St. Paul & Pacific	April	32,642	16,182	49.6
	June 15	30,350	21,788	71.8

Name of Company	Month for which report was rendered	Number employees	Number of employees participating	Percentage of employees participating
Missouri Pacific Lines	April	32,000	7,178	22.4
	June 15	35,934	31,635	88.0
Chesapeake & Ohio Lines	April	28,952	3,469	12.0
	June 15	25,057	24,343	97.2
*Chicago & Northwestern Line	May	28,100	9,420	33.5
	June 15	28,090	19,491	69.4
*Chicago, Burlington & Quincy R. R. Co.	May	26,454	21,321	80.6
	June 15	No report available		
Great Northern Railway	May	25,622	10,711	41.8
	June 15	No report available		
New York, New Haven & Hartford R. R. Co.	May	23,809	12,819	53.8
	June 15	23,809	14,604	61.3
Erie Railroad Co.	April	23,614	15,180	64.3
	June 15	No report available		
Rock Island Lines	April	22,887	5,999	26.2
	June 15	No report available		
Norfolk & Western Railway Co.	May	21,778	18,196	84.9
	June 15	22,228	18,292	82.3
Northern Pacific Railway	April	21,271	2,122	10.0
	June 15	23,878	8,132	34.1
*Reading Company	May	19,500	10,235	52.5
	June 15	19,722	12,313	62.4

121

Name of Company	Month for which report was rendered	Number of employees	Number of employees participating	Percentage of employees participating
Seaboard Airline Ry. & Subsidiaries	May	17,809	8,709	48.9
	June 15	No report available		
*Atlantic Coast Line R. R. Co.	May	16,937	5,017	29.6
	June 15	16,937	8,026	47.4
*Texas & New Orleans Railroad Co.	April	16,503	5,623	34.1
	June 15	No report available		
St. Louis-San Francisco Ry. Co.	May	16,186	13,022	80.5
	June 15	No report available		
*Boston and Maine Railroad	April	14,920	12,764	85.5
	June 15	14,577	14,139	97.0
Delaware, Lackawanna & Western R. R. Co.	April	14,820	7,300	49.3
	June 15	14,810	10,705	72.3
New York, Chicago & St. Louis R. R. Co.	April	12,490	2,200	17.6
	June 15	No report available		
Lehigh Valley Railroad Co.	May	11,984	4,040	33.7
	June 15	No report available		
Central Railroad of New Jersey	May	11,500	6,180	53.7
	June 15	11,500	6,475	56.3
Wabash Railway Co.	April	11,372	3,349	29.4
	June 15	No report available		
Canadian National Railways	April	10,814	2,981	27.6
	June 15	No report available		

122

Name of Company	Month for which report was rendered	Number of employees	Number of employees participating	Percentage of employees participating
Missouri-Kansas-Texas Railroad Co.	April	9,812	6,536	66.6
	June 15	No report available		
*The Delaware & Hudson Railroad Corp.	May	9,434	2,296	24.3
	June 15	No report available		
*Texas & Pacific Railway Co.	May	8,731	3,686	42.2
	June 15	8,318	5,322	64.0
St. Louis Southwestern Railway Lines	May	7,750	1,288	16.6
	June 15	No report available		
Sault Ste. Marie Railway	April	7,539	6,135	81.4
	June 15	8,374	7,599	90.7
*Western Pacific Railroad Co.	April	6,779	902	13.3
	June 15	5,919	4,834	81.7
Nashville, Chattanooga & St. Louis Ry.	April	6,600	662	10.0
	June 15	6,700	2,754	41.1
Pere Marquette Railway Co.	April	6,457	2,380	36.9
	June 15	6,654	4,987	74.9
*Elgin, Joliet & Eastern Railway Co.	April	6,100	3,160	51.8
	June 15	6,423	5,589	87.0
*The Alton Railway Co.	May	5,821	4,010	68.9
	June 15	No report available		
Central of Georgia Railway Co.	April	5,470	2,565	46.9
	June 15	5,470	2,565	46.9
Chicago, Saint Paul, Minneapolis & Omaha Ry. Co.	April	4,900	616	12.6
	June 15	No report available		

Name of Company	Month for which report was rendered	Number of employees	Number of employees' participating	Percentage of employees participating
Duluth, Missabe & Iron Range Ry. Co.	May	4,659	2,116	45.4
	June 15	4,650	3,298	70.9
Western Maryland Railroad	May	4,636	4,576	98.7
	June 15	4,636	4,593	99.1
*Chicago & Eastern Illinois Railroad	May	4,585	3,560	77.6
	June 15	No report available		
*Chicago Great Western Railway	May	4,500	2,300	51.1
	June 15	No report available		
Wheeling & Lake Erie Ry. Co.	May	4,306	3,962	92.0
	June 15	4,306	4,140	96.1
*Terminal Railroad Assn. of St. Louis	April	4,233	348	8.2
	June 15	4,816	2,314	47.8
Maine Central Railroad Co.	May	4,206	3,611	86.6
	June 15	4,405	3,478	79.0
*Kansas City Southern Railway Co.	April	4,190	2,042	48.7
	June 15	No report available		
Los Angeles Railway Co.	May	4,043	2,433	60.2
	June 15	No report available		
Washington Terminal Company	May	3,677	2,730	74.2
	June 15	No report available		
Richmond, Fredericksburg, Potomac R. R.	May	3,662	590	16.1
	June 15	No report available		
The Western Railway of Alabama	April	3,292	664	20.2
	June 15	No report available		

124	Name of Company	Month for which report was rendered	Number of employees	Number of employees participating	Percentage of employees participating
	The Virginian Railway Company	May	3,250	1,809	55.7
		June 15	No Report available		
	Union Railroad Co.	April	3,214	1,442	44.9
		June 15	3,218	1,465	45.5
	Florida East Coast Railway	May	2,843	2,045	71.9
		June 15	3,150	2,066	65.6
	Spokane, Portland & Seattle Ry. Co.	April	2,760	1,448	52.5
		June 15	No report available		
	Minneapolis & St. Louis Railway	May	2,700	2,418	89.6
		June 15	No report available		
	Louisiana & Arkansas Railway Co.	April	2,417	1,625	67.2
		June 15	No report available		
	*Chicago, Indianapolis & Louisville R. R.	May	2,181	1,286	59.0
		June 15	2,101	1,382	65.8
	K. C. Terminal Railway Co.	May	1,642	400	24.4
		June 15	No report available		
	Norfolk & Southern Railroad	May	1,600	298	18.6
		June 15	No report available		
	*The Belt Ry. Co. of Chicago	May	1,600	1,151	71.9
		June 15	1,604	1,162	72.4

Name of Company	Month for which report was rendered	Number of employees	Number of employees participating	Percentage of employees participating
Atlanta, Birmingham & Coast R. R. Co.	May	1,600	262	16.4
	June 15	1,600	375	23.4
Illinois Terminal Railroad Co.	May	1,584	1,108	70.0
	June 15	No report available		
Banger & Arroostook Railroad	May	1,538	800	52.0
	June 15	1,341	848	63.2
*Fort Worth & Denver City Railway Co.	April	1,477	876	59.3
	June 15	1,533	1,285	83.8
Cincinnati Union Terminal Co.	May	1,450	1,081	74.6
	June 15	1,450	1,060	73.1
*Colorado & Southern Railway Co.	April	1,342	661	49.3
	June 15	No report available		
Climchfield Railroad Co.	May	1,326	711	53.6
	June 15	1,326	718	54.1
Canadian Pacific Railway Co.	May	1,308	270	20.6
	June 15	No report available		
*Chicago & Western Indiana R. R. Co.	May	1,250	1,135	90.8
	June 15	1,260	1,150	91.3
*Rutland Railroad Co.	May	1,221	593	48.6
	June 15	1,221	823	67.4
Tennessee Central Railway Co.	April	1,118	282	25.2
	June 15	1,086	970	89.3
Northern Pacific Terminal Co.	April	1,051	365	34.7
	June 15	No report available		

126

Name of Company	Month for which report was rendered	Number of employees	Number of employees participating	Percentage of employees participating
Chicago & Illinois Railroad Co.	May	1,039	948	91.2
	June 15	1,120	990	88.4
Ann Arbor Railroad Co.	April	1,022	345	33.8
	June 15	No report available		
Pacific Fruit Express	June 15	3,840	2,860	74.5
Grand Trunk Western	June 15	7,655	3,016	39.4
Central Vermont	June 15	1,570	1,189	75.7
Bessemer & Lake Erie	June 15	3,058	1,321	43.2
Louisville & Nashville	June 15	31,000	20,739	66.9
Kentucky & Indiana Terminal	June 15	1,105	438	39.6
Chicago North Shore & Milwaukee	June 15	1,318	620	47.0
Railway Express Agency	June 15	45,582	41,187	90.4
Missouri-Kansas-Texas Lines	June 15	10,331	8,007	77.5
Washington Terminal Co.	June 15	3,656	2,837	77.0
New York, Chicago & St. Louis R. R. Co.	June 15	12,930	9,938	76.0
Chicago, St. Paul, Minn. & Omaha Ry Co.	June 15	5,661	5,281	93.0
Total for companies reporting in April and May		1,224,523	523,518	42.8
Total for companies reporting as of June 15		1,078,038	787,056	73.0

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
3	27,277	79,964	67,046	72,048		119.3

July 6, 1942.

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

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

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

UNITED STATES SAVINGS BONDS - SERIES E

Comparison of 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	\$ 15,821	\$ 15,821	\$ 19,834	\$ 12,679		79.8%
2	14,880	30,701	27,841	24,263		110.3
3	16,822	47,523	40,811	46,532		116.4

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

July 6, 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 necessary
add to totals.

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
3	10,455	32,441	26,235	25,516		123.7

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

July 6, 1942.

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

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

Sales of United States Savings Bonds
From July 1 through July 3, 1942
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

Date	Series E				Series F and G				Total			
	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales
	Daily	July 1 to Date	July 1 to Date	to Date as % of Quota	Daily	July 1 to Date	July 1 to Date	to Date as % of Quota	Daily	July 1 to Date	July 1 to Date	to Date as % of Quota
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	16.8	47.5	73.0	65.1	10.5	32.4	50.6	64.0	27.3	80.0	123.6	64.7
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	
22			425.9				231.8				657.7	
23			451.1				247.0				698.1	
24			477.5				260.1				737.6	
25			503.8				270.7				774.5	
27			525.0				279.5				804.5	
28			562.7				295.1				857.8	
29			577.2				304.3				881.5	
30			601.3				322.1				923.4	
31			625.8				337.5				963.3	
			650.0				350.0				1,000.0	

July 6, 1942.

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

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

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

July 6, 1942

Dear Mr. Ransome:

This is to acknowledge your letter of July 3, 1942, pointing out that the memorandum on the repayment of debts under high tax rates which Mr. Toul submitted at the request of the Ways and Means Committee on June 22, 1942, has given rise to some misunderstanding with respect to the Treasury's position. I regret that some of the newspapers have misinterpreted this memorandum to indicate a position contrary to the President's national economic policy on the same subject as stated in his message to Congress on April 27th.

As you point out, the memorandum was merely intended to present to the Committee a discussion of the various phases and complexities of the problem. It was not intended as a statement of policy. As a matter of fact, the memorandum was not prepared with the view to issuance to the general public, but rather for the private Executive Session of the Ways and Means Committee. After it was given to that Committee it was released by someone to one of the newspapers, following which it became necessary for the Treasury to make a general release.

To clarify the point developed in the last paragraph, the memorandum (a copy of which is attached) was subsequently released to the press with a prefatory note which read as follows:

"It should be emphasized that this memorandum does not contain any recommendations of the Treasury but was submitted merely for the information of the Committee in response to

Photostat File to NMC
Orig. File to Thompson

- 2 -

questions relating to various subjects, particularly the debt problem. It is merely a staff study and does not incorporate any policy decisions."

In view of the misunderstanding of the Treasury's position which has arisen, it may be necessary to make a further clarifying statement. I understand that you are having a luncheon meeting with Mr. Paul, and the two of you can then discuss this phase of the matter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Ronald Ransom,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

LS:FD:ec



OFFICE OF THE ATTORNEY GENERAL

July 1, 1948

Dear Henry:

Randolph Paul fully protected the Treasury's position regarding the memorandum dated June 22, 1948 submitted at the request of the Ways and Means Committee of the House of Representatives on the repayment of debts under high tax rates. It is clear at the beginning of this memorandum that it was submitted merely for the information of the Committee in response to questions and that it did not incorporate any policy decisions. A number of the papers seem to have made the Treasury's position equally clear in connection with the memorandum, but some of them did not, and there is a feeling, which I am afraid is growing, as to just where the subject matter of this memorandum fits into the President's national economic policy as stated in his message to Congress on April 27, especially the seventh point relating to the payment of debt as an anti-inflationary measure.

It has been most heartening to have your full and helpful cooperation in connection with our responsibilities in restraining consumer credit and in our effort to get personal debt repaid, so that I know you will appreciate our position when we are advised of the concern of those endeavoring to get their debtors conscious of the President's program. This concern on the part of the registrants under Regulation W is related to widespread publicity given in the press to the memorandum, and it has been suggested to us that it is important that there be no misunderstanding about the Government's position on this subject.

Some news stories apparently interpret the memorandum as a suggestion that debtors should cease their payments. Of course this is a strained and incorrect interpretation, but I felt that the matter should be called to your attention and the hope expressed that in some way the Treasury may emphasize its position regarding the policy involved in the memorandum.

Sincerely,

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



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Paul

OFFICE OF THE VICE CHAIRMAN

July 3, 1942

Dear Henry:

Randolph Paul fully protected the Treasury's position regarding the memorandum dated June 22, 1942 submitted at the request of the Ways and Means Committee of the House of Representatives on the repayment of debts under high tax rates. It is clear at the beginning of this memorandum that it was submitted merely for the information of the Committee in response to questions and that it did not incorporate any policy decisions. A number of the papers seem to have made the Treasury's position equally clear in connection with the memorandum, but some of them did not, and there is a feeling, which I am afraid is growing, as to just where the subject matter of this memorandum fits into the President's national economic policy as stated in his message to Congress on April 27, especially the seventh point relating to the payment of debt as an anti-inflationary measure.

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Sincerely,

Ronald Ransom
Ronald Ransom

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



OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

GC:E:LAD

TREASURY DEPARTMENT
WASHINGTON

JUL ~6 1942

MEMORANDUM FOR THE SECRETARY:

In re: William Bioff v. Commissioner
B.T.A. Docket No. 111249

The following case is now pending before the Bureau of Internal Revenue:

1. William Bioff v. Commissioner, B.T.A. Docket No. 111249, for the redetermination of a deficiency in income tax in the amount of \$9,200.56, plus \$4,600.28 fraud penalty, for the year 1938. Although a petition was filed by the taxpayer it has not as yet been accepted by the Board because of the failure to pay the \$10 filing fee. An order to show cause has been issued, returnable July 15.

Under the authority of paragraph 12 of Mimeograph Coll. No. 4960 R.A. No. 1014, approved by you under date of September 14, 1939, the foregoing case has been excepted from the decentralization procedure for reasons stated in the memorandum of withdrawal, a copy of which is herewith attached.

Wm. P. Hevering
Commissioner.

Enc.
Mem.

GC:ELAD

JUL 6 1942

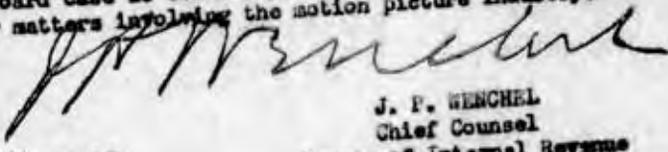
MR. COMMISSIONER:

In re: William Bioff v. Commissioner
B.T.A. Docket No. 111249

1. William Bioff v. Commissioner, B.T.A. Docket No. 111249, for the redetermination of a deficiency in income tax in the amount of \$9,200.56, plus \$4,600.28 fraud penalty, for the year 1938. Although a petition was filed by the taxpayer it has not as yet been accepted by the Board because of the failure to pay the \$10 filing fee. An order to show cause has been issued, returnable July 15.

This office recommends withdrawing the foregoing case, now docketed before the Board of Tax Appeals, from the jurisdiction of the Staff Field Division at Los Angeles, California. The disposition of this case may then be had under our joint direction pursuant to the provisions set forth in "Functions and Jurisdictions of the Field Divisions of the Technical Staff" dated September 14, 1939.

This recommendation is made for the following reasons: the taxpayer is now under indictment for attempting to defeat and evade his income taxes for the years 1936 and 1937, arising from the failure to report certain income alleged to have been received from Joseph M. Schenck of 20th Century Fox Film Corporation. The income alleged to have been omitted by the taxpayer from his 1938 return is that allegedly received in connection with extortion payments received from a number of motion picture producing companies and individuals, including Joseph M. Schenck. Investigation is now proceeding with respect to the tax liabilities of these various companies in connection with extortion payments made during a period of several years, including the year 1938. The interests of the Government will be best served if the above described Board case is centrally administered along with a number of other matters involving the motion picture industry.


 J. F. WENCHEL
 Chief Counsel
 Bureau of Internal Revenue

APPROVED: JUL 6 1942

(Signed) Guy T. Helvering

Commissioner



TREASURY DEPARTMENT
WASHINGTON

July 6, 1942

MEMORANDUM FOR THE SECRETARY:

You asked the other day for certain information about Mr. James Sauter.

I find that R. C. A. has retained the firm of Blackett, Semple, and Hummert, and that Sauter is assigned by the firm to handle the R. C. A. account.

I attach a memo about Sauter's tax returns, showing his income for the years 1938 and 1939.

GRAVES.
SA



SAUTER, JAMES E.

1940 return is with Revenue Agent in Charge of 3d New York District, for routine examination.

1939 Total income was.....	\$53,502.77
Net income.....	49,220.67
Tax.....	9,194.78
Salary as "radio executive".....	10,027.77
Dividends from "Air Features, Inc.," and Feature Artists.....	43,125.00
 1938 Total income.....	 \$18,495.91
Net income.....	15,911.18
Tax.....	1,222.45
Salary.....	8,412.28
Dividends from "Air Features, Inc.," and "Feature Artists".....	12,000.00
Interest.....	262.50

TREASURY DEPARTMENT

[Handwritten scribble] 138 ✓

INTER OFFICE COMMUNICATION

DATE July 6, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

The attached report from Mr. Mack will explain the circumstances of the recording contract that was mentioned to you at the broadcast with Speaker Rayburn last week.

This was entirely a Procurement award, made on a lowest bid basis. Mr. Callahan had tried hard to have the award made to the N.B.C. recording service, but Procurement ruled otherwise.

[Handwritten initials] F.K.

achment



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

July 3, 1942

MEMORANDUM FOR THE ASSISTANT TO THE SECRETARY, MR. KUHN

Re: Award Allied Record Manufacturing Company

Reference is made to your request for a report in regard to the award of contract to the Allied Record Manufacturing Company.

Award was made to the Allied Record Manufacturing Company for recording and transcription service for the period September 1, 1941 to August 31, 1942. The accepted bid was the lowest bid received on the basis of the evaluation of bids as set forth in the advertisement.

The award was protested to the Secretary of the Treasury by the National Broadcasting Company, Incorporated, letter August 22, 1941. A protest was also filed with the Comptroller General of the United States.

The National Broadcasting Company, protesting bidder, was advised in letter of September 10, 1941 that in view of the protest filed with the Comptroller General no further action would be taken by the Treasury Department.

The Comptroller General advised the National Broadcasting Company under date of January 13, 1942 that there was no proper basis for questioning the conclusion of Procurement Division of the Treasury Department that the bid of the Allied Record Manufacturing Company was the most advantageous to the Government.


Clifton E. Mack
Director of Procurement





TREASURY DEPARTMENT

COMPTROLLER OF THE CURRENCY

WASHINGTON

ADDRESS REPLY TO
COMPTROLLER OF THE CURRENCY

July 6, 1942

MEMORANDUM

To: Secretary Morgenthau
From: Mr. Delano

We are in receipt of an application for a branch of the Bank of America N. T. & S. A. to be located at 14528 Ventura Boulevard, Sherman Oaks, Los Angeles, California. Similar applications by the Bank of America for a branch at this location have twice been received and twice rejected. There has been no essential change in the situation. This community already has adequate banking facilities and the establishment of the proposed branch would materially affect pioneer banking institutions now operating in adjacent territory.

Disapproval is recommended.

Preston Delano
Preston Delano
Comptroller of the Currency

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE July 6, 1942

TO Secretary Mergenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending July 4, 1942.

Summary

(1) The real test of the price ceiling program will not come until consumers find that stores no longer have ample inventories of goods, but the first indication of a break in retail ceilings appeared last week when the OPA permitted an increase of 2½ cents a gallon in gasoline prices in the Eastern States, and stated that retail prices of canned and dried fruits would be raised by 15 percent or more. These precedents, together with other developments, may offer a grave threat to the effectiveness of the price control program.

(2) Certain other situations also are potentially inflationary: (a) The steel wage rate case, now pending before the War Labor Board, will establish a wage trend that will doubtless be widely followed in industry. (b) Pressure toward raising living costs will become stronger if the House Conference group succeeds in establishing basic crop loans at 100 percent of parity. (c) Reduced supplies of textiles for civilians will put additional upward pressure on retail clothing prices.

(3) Commodity price indexes recently have continued to move within a narrow range. The BLS all-commodity wholesale price index in the week ended June 27 regained the 0.3 point loss of the preceding week and stood at 98.4. The BLS index of basic commodity prices last week rose slightly.

(4) Factory employment and payrolls in May rose to new record highs. Factory payrolls continued to advance more rapidly than employment as a result of increased average earnings.

(5) National income payments in May expanded to an annual rate of \$109.3 billions. This compares with \$108.5 billions in the previous month and \$89.7 billions a year earlier. The purchasing power of national income payments, however, held virtually unchanged, due to a parallel rise in the cost of living.

- - - - -

- 2 -

Retail price ceilings lifted

The price ceiling plan as an aid to inflation control has not yet faced a real test, since the pressure of consumer demand has slackened considerably over the past several months, and stores have continued to carry ample inventories of most goods built up from past production. Some evidence of weakening in the price ceiling structure, however, appeared last week. The Price Administrator announced during the week that retail prices of canned and dried fruits of the 1942 pack could not be maintained at present ceilings, unless prices to growers are fixed at lower prices (which is prohibited by the Price Control Act) or subsidies are granted by Congress. Lacking such controls, he said that retail prices of such fruits must be raised by 15 percent or more. Earlier in the week an increase in the retail price of gasoline amounting to 2½ cents a gallon had been allowed in the Eastern States.

Since these precedents are being established, and since the appropriation requested by the OPA for enforcement of price control measures has been drastically reduced, there is grave danger that the effectiveness of the price ceilings may be seriously weakened. Difficult as their enforcement will be in any case, the difficulties would, of course, become much greater if it should appear that the ceiling plan is breaking down.

It seems quite likely that the failure of the OPA to maintain retail prices may prove a shock to housewives, who had curtailed their buying in recent months when the price ceiling order had apparently removed the threat of higher prices. The direct warning that prices of canned fruits will be raised when the 1942 pack comes onto the market may lead to another buying movement in food stores.

Other developments

Three other situations offering potential inflationary threats were prominent in the news last week: (1) the steel wage rate case, (2) the insistence by the House Conference group on 100 percent of parity loans to farmers, and (3) prospective sharp curtailment in the production of textiles for civilian use.

The decision to be made by the War Labor Board in the steel wage rate case, involving demands for a wage increase of \$1 a day in the Bethlehem, Republic, Youngstown, and Inland steel companies, will establish a wage trend that is expected to be widely followed in the steel industry and in industries generally. A decision will be made soon by the War Labor Board, following last week's report by the Board's fact-finding panel which, in effect, recommended the increase.

- 3 -

The fact-finding panel reported that all four steel companies were able to pay the wage increase, as measured by their incomes before taxes. It was pointed out that most of the wage increase -- 94 percent under the Ways and Means Committee tax proposals -- would be paid by the Treasury in reduced corporation taxes, since the earnings of the four companies are within the scope of the House excess profits tax.

The insistence of the House Conference group that a provision for 100 percent of parity loans for 6 major farm crops be included in the Department of Agriculture appropriation bill, unless the Senate group recedes from its amendment permitting the sale of Government wheat below parity for feeding purposes, is potentially inflationary in that such loans would raise prices of important cost-of-living items. Prices of cotton, wheat, corn and peanuts, now below parity, would be raised by the loans -- wheat by as much as 40 percent.

Such loans would affect not only the prices of cotton goods, flour, bread, and other items made directly from these products, but would also affect the prices of meats, butter, eggs, and other livestock products dependent upon corn and wheat as feedstuffs. While prices of a number of these items are controlled by price ceilings, pressure would nevertheless be exerted on prices, which might require revisions of the ceilings.

Curtaiment in civilian textiles

Price control will be made more difficult in the months ahead by prospective curtaiment in the supplies of textiles and clothing for civilian use. Added to the shortage in woolen goods, which has necessitated various restrictions on the production of civilian clothing, a reduction in civilian supplies of cotton and rayon goods is putting increased pressure on clothing price ceilings. Clothing prices in recent months have risen more rapidly than food prices. The BLS cost-of-living index shows a rise of 10.2 percent in clothing costs from December 15 to May 15, as compared with a rise of 7.5 percent in food prices during that period. Relatively large retail and distributors' stocks of textiles and clothing have helped thus far to prevent an even greater rise.

In cotton goods, a joint survey by the OPA and WPB indicates that at least 50 percent of the production in 1942 will be for military purposes, or A-rated orders, as compared with 20 percent in 1941. This will leave a supply for civilian uses (including various indirect defense needs) which will be

- 4 -

the smallest since the depression year of 1932. The amount available for civilian use in 1942 is estimated at 6,800 million square yards, as compared with 8,073 millions last year and an average of 8,467 millions in the previous five years.

Rayon supplies are being diverted increasingly to war uses. The pinch in civilian rayon goods is likely to make itself felt by August, according to trade comments, this being normally the heavy month of producing fall fabrics. Shipments of civilian goods by some mills are reported already to be as much as 60 percent below last year.

Canadian cost-of-living index under fire

Rural housewives and others in Canada do not believe the Dominion price ceiling has held prices down as the official cost-of-living index reports, according to a digest of complaints from various sources published by the Financial Post of Toronto. It is charged that all price changes are not being reported by storekeepers; that even if prices are nominally unchanged, there has been deterioration in the quality of merchandise, equivalent to an increase in prices; and that fewer bargain sales, and declining stocks of merchandise in "low-priced" stores, result in customers paying substantially more for similar goods than they did during the "base" period.

An unusual delay in publishing the official Canadian cost-of-living index as of June 1 has apparently been associated with an investigation of these criticisms by the Dominion Bureau of Statistics through a survey in some of the larger cities. Reports coming to Ottawa, according to the Financial Post, reveal an amazing unconcern among many retailers on the reporting of price increases. Moreover, the official cost-of-living index does not reflect price movements in rural communities, so that it is quite possible that prices may be rising in village stores in violation of the ceilings. The majority of complaints reported to officials in various parts of the country are concerned primarily with "black market" operations in commodities that are in short supply.

Wholesale price level slightly higher

During the seven weeks' operation of over-all price ceilings only minor fluctuations have occurred in the general wholesale price level. In the week ended June 27, the BLS all-commodity index regained the loss of 0.3 percent of the week before, and at 98.4 the index is still within its range since mid-April.

- 5 -

Basic commodity prices continue rise

Last week the BLS price index of 28 basic commodities rose for the fourth successive week. (See Chart 1.) Led by increases in the prices of cotton and livestock, the index of 8 uncontrolled commodities rose also, reversing a six-week decline which began shortly after the general maximum price regulation was applied.

As a result of light receipts and continued heavy Government pork and lard purchases, and buying by Eastern shippers to meet a strong demand for pork along the Atlantic Seaboard, hog prices reached a new sixteen-year high. Cotton prices were strengthened by mill buying. Although barley and flaxseed prices again were off from their season's high levels, prices of wheat, corn, and butter increased. The index of 20 controlled commodities declined slightly, owing to a substantial decrease in the price of gum rosin, although cottonseed oil and wool prices increased moderately.

Record domestic and world wheat supplies

Wheat prices recently have recovered a little from the decline begun in mid-March, which carried prices to the lowest levels since last October. The slight recovery is attributed by the Department of Agriculture in part to the increase in facilities provided by the Commodity Credit Corporation to store a part of our record supplies, which will permit a larger quantity of 1942 wheat to be placed under loan. The Department believes it likely that more than half of the record carryover on July 1, 1942 will be under Government control or under loans. In addition, if space can be obtained, a quantity approaching half of the new crop may be stored.

In order to increase storage facilities for wheat, the Commodity Credit Corporation has contracted to purchase 100 million bushels of bin space made of non-metals, with deliveries to be completed before July 31. In addition, about 33 million bushels of bin storage was to have been moved by July 1 from Corn Belt States into three spring wheat States and three winter wheat States. Trucks moving these bins have been carrying a return load of feed wheat for storage in the Corn Belt.

As a result of large world crops and restricted trade, a new record in world wheat supplies is expected in 1942. Of interest in this connection is the plan for control of

- 6 -

production and distribution of wheat during and after the war, made public by the State Department last week. The plan constitutes an agreement, effective June 27, for cooperation among the United States, Australia, Canada, United Kingdom, and Argentina, in providing for establishment of an international pool of 100 million bushels of wheat for relief purposes in stricken war areas, and the maintenance or the establishment of controls of production and stocks. It also calls for international price fixing of wheat.

Farm product prices more stable

Average prices received by farmers as of June 15 were practically unchanged from those received in April and in May. This is the most extensive levelling out that has occurred in more than a year. Prices paid by farmers as of June 15 were unchanged from a month earlier. As a net result, prices of farm products averaged 99 percent of parity, the same as in mid-April, and 1 point below that of mid-May. The index of farm wages, which are not included in the index of prices paid, rose 3.4 percent since April, when last reported.

The price movements for farm products as a group and for important individual commodities in the first half of 1942, and in the full years of 1940 and 1941, are shown in Chart 2. Substantial declines occurred in prices for cotton and cottonseed, grains, and dairy products. Fruit prices rose sharply, and prices were higher for chickens, eggs, and meat animals.

Industrial production index at 180

Preliminary estimates of the Federal Reserve Board indicate that the FRB index of industrial production increased 4 points further in June to 180. (See Chart 3.) Last June the index stood at 159, and three years ago, in the pre-war month of June 1939, the index was only 103.

Most of the increase in industrial production in June, of course, was in the machinery, transportation equipment, chemical, and other armament industries. The output of non-durable goods showed little change from the May rate.

Factory employment and payrolls at new highs

Both factory employment and payrolls rose to new peaks in May, although the expansion in payrolls was much sharper than in employment. (See Chart 4.) This tendency has been in evidence over an extended period, in reflection of longer working hours, overtime payments and higher wage rates. Thus, factory payrolls in May were nearly 34 percent above year-earlier levels while employment was only 10 percent higher. Since May 1940, just before the long upswing in the defense program got under way, factory payrolls have nearly doubled while factory employment has increased about one-third.

Despite the wage stabilization feature of the President's anti-inflationary program, demands for wage increases continue. Prominent among these demands are those of the workers in the "Little Steel" companies and automobile workers of General Motors and Ford. An increase in wages of commercial shipyard workers is going into effect during the current month, when wage rates of U. S. Navy Yard civilian workers are raised to conform to increases granted by private yards. It is said that the pay adjustment will add more than \$1,000,000 per week to the pay envelopes of 250,000 civilian employees at U. S. Navy Yards and shore stations.

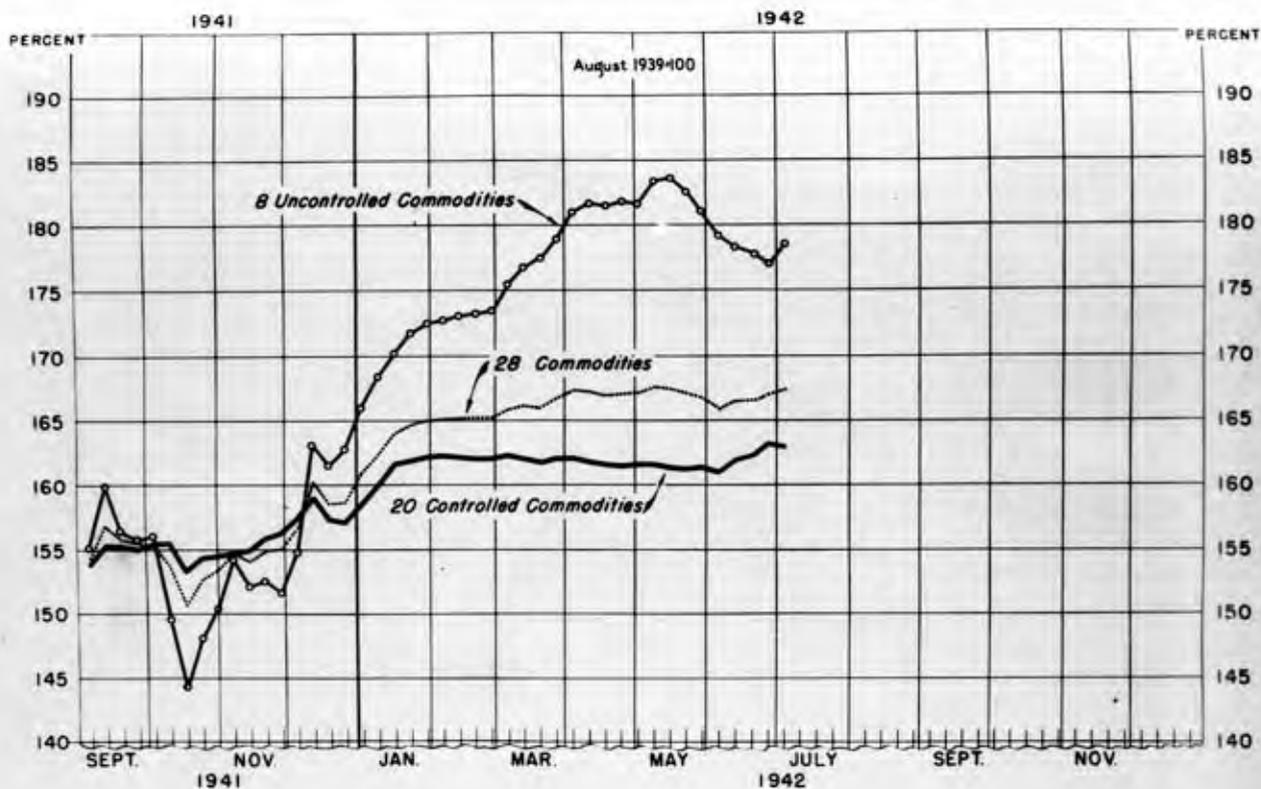
In reflection of the further expansion of factory payrolls, estimated average weekly earnings of factory workers also rose to a new peak in May. (Refer to Chart 4.) By mid-May, weekly earnings were nearly 22 percent above the corresponding period of 1941 and were nearly 48 percent above the levels prevailing in May 1940.

Further rise in national income payments

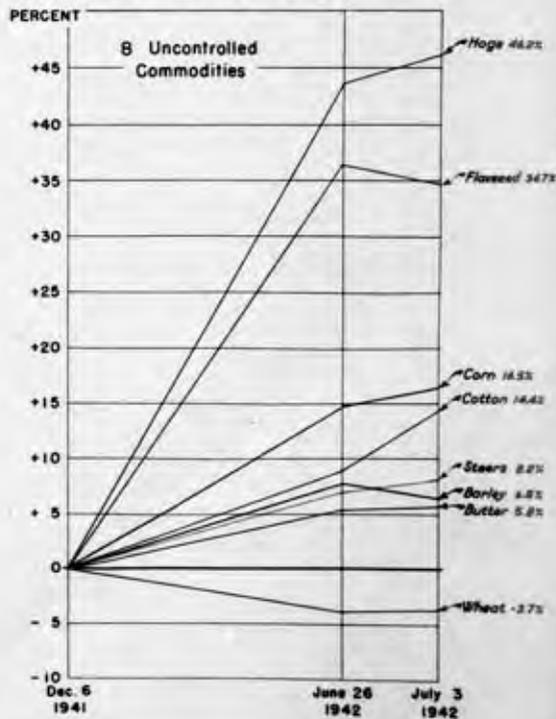
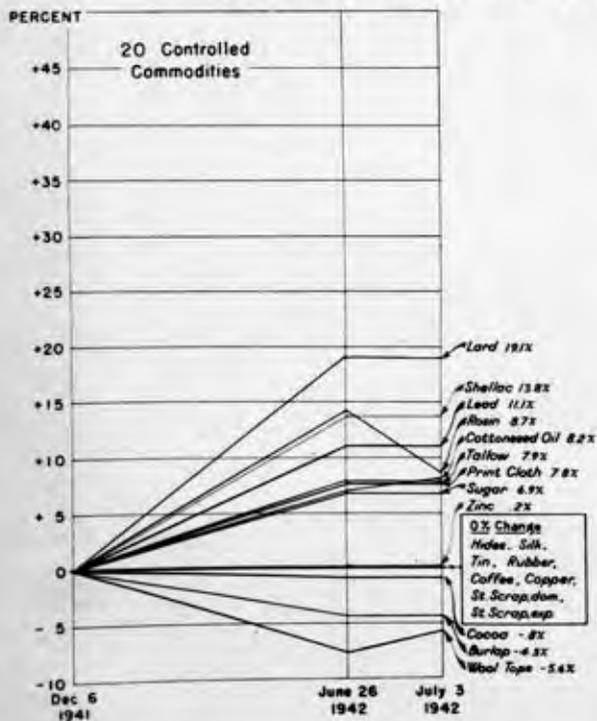
The upswing in salaries and wages has been the dominant factor in the rising tide of national income payments, which reached a new high in May at an annual rate of \$109.3 billions. (See Chart 5.) This compares with \$108.5 billions in the previous month and \$89.7 billions a year earlier. In contrast with the recent record high, national income payments in May 1940 (at the beginning of the defense program) were running at an annual rate of only \$75.2 billions, the expansion during the 2-year period thus amounting to more than 45 percent.

The further moderate gain in income payments during May was accompanied by an increase in living costs of approximately the same proportions. As a result, the estimated purchasing power of national income payments in May was virtually unchanged from the previous month. (Refer to Chart 5.)

MOVEMENT OF BASIC COMMODITY PRICES

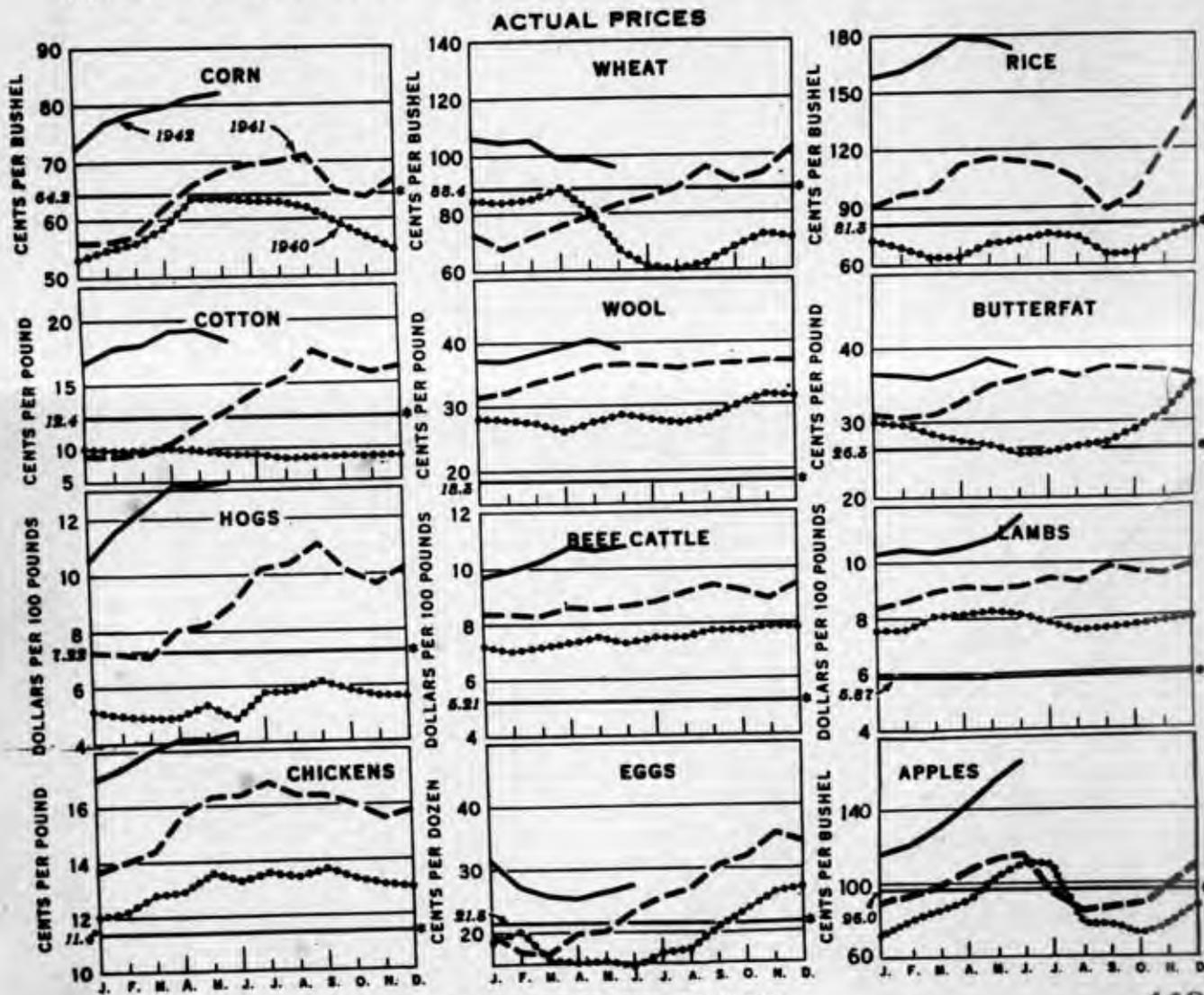
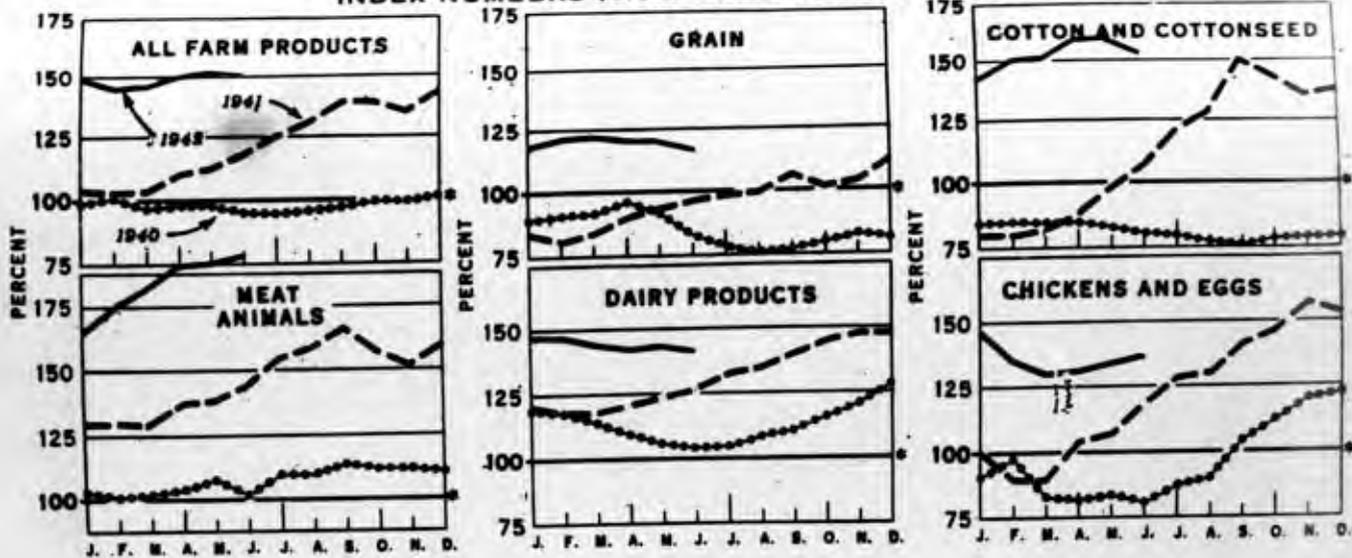


PERCENTAGE CHANGE DEC. 6, 1941 TO JUNE 26 AND JULY 3, 1942



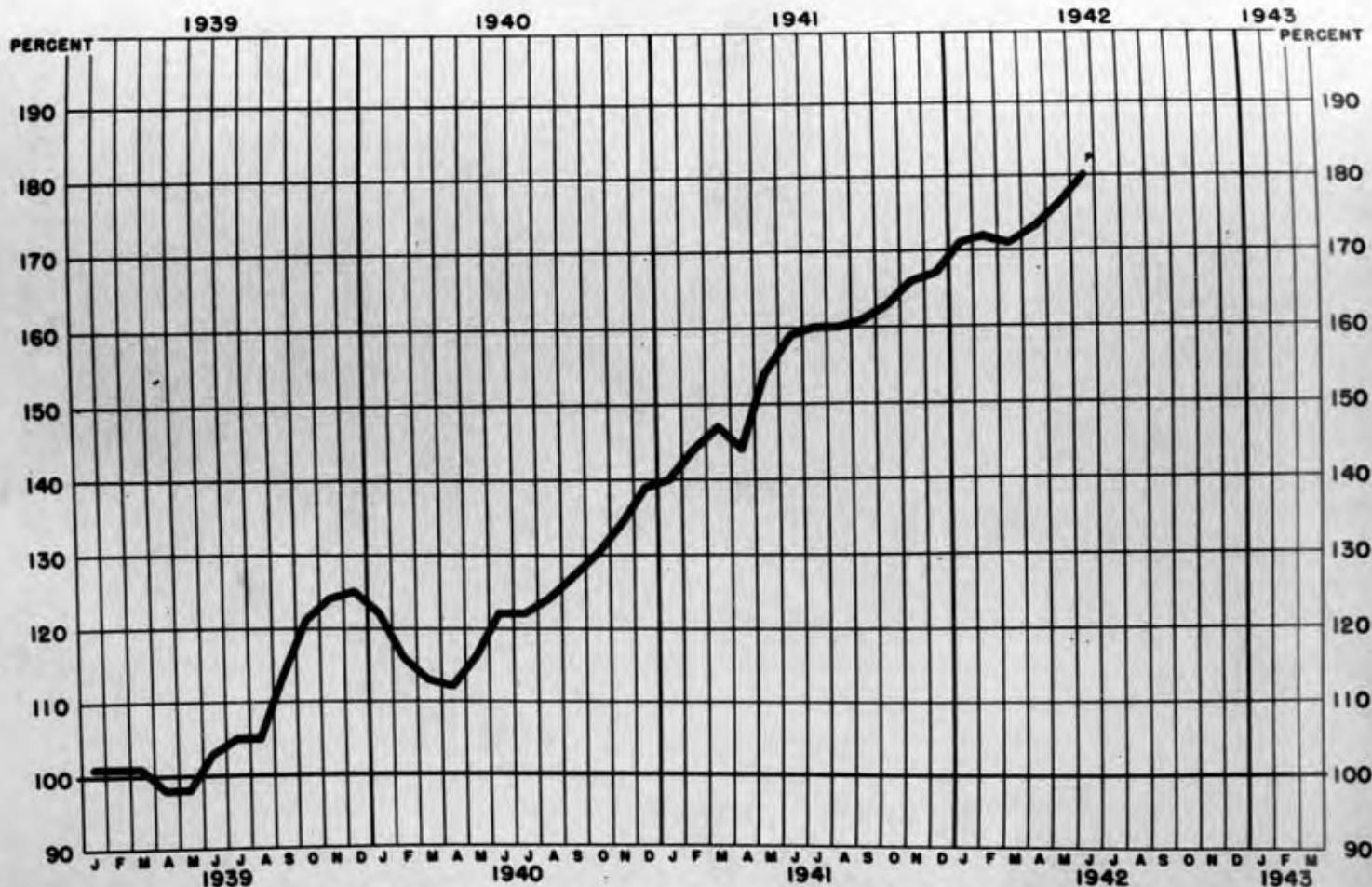
AVERAGE PRICES RECEIVED BY FARMERS: GRAPHIC SUMMARY FOR THE UNITED STATES

INDEX NUMBERS (AUG. 1909-JULY 1914=100)



8-YEAR AVERAGE, AUGUST 1909-JULY 1914

F.R.B. INDEX OF INDUSTRIAL PRODUCTION
1935-'39=100, Seasonally Adjusted



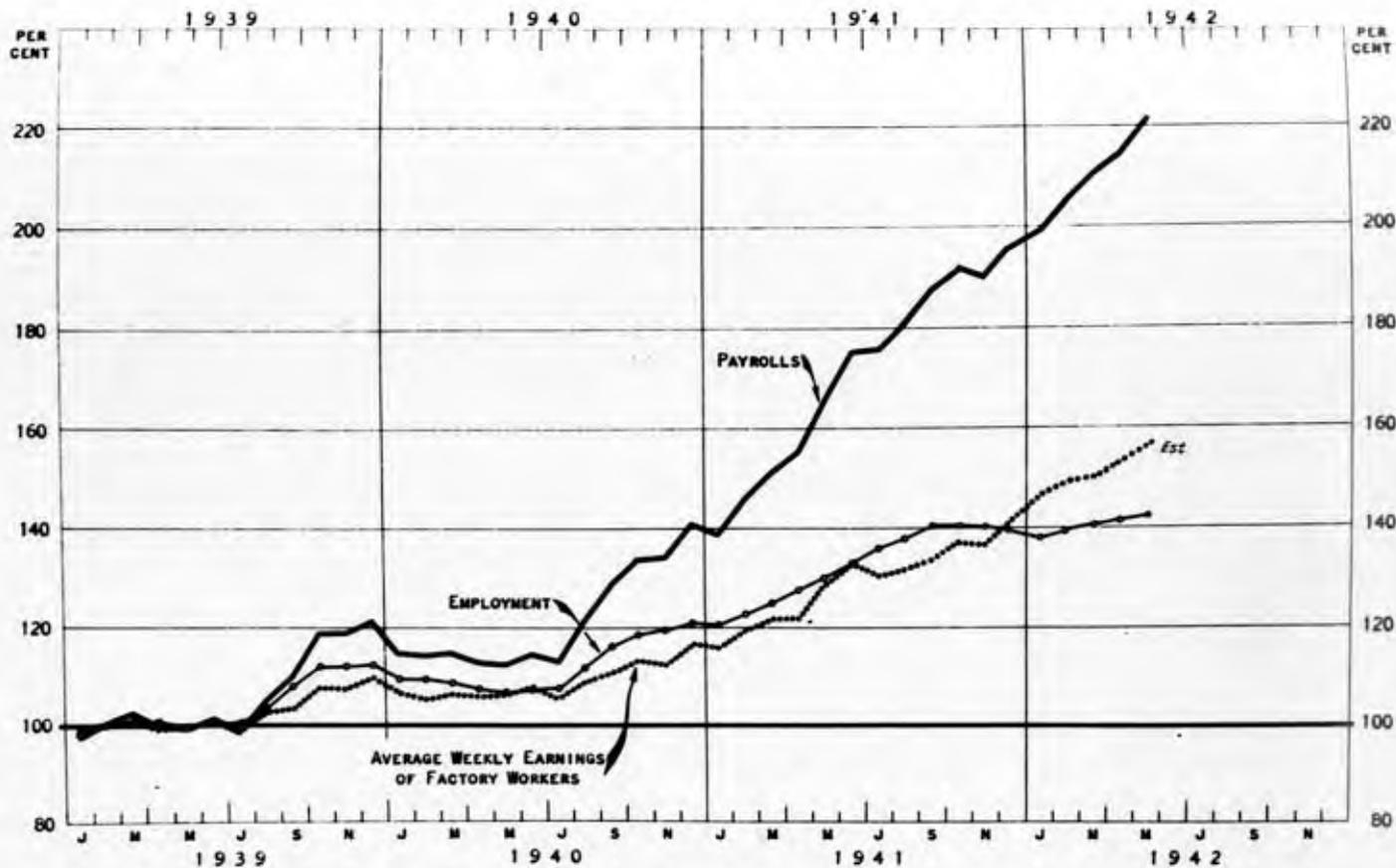
Office of the Secretary of the Treasury
Division of Research and Statistics

Chart 3
150

C-349-A

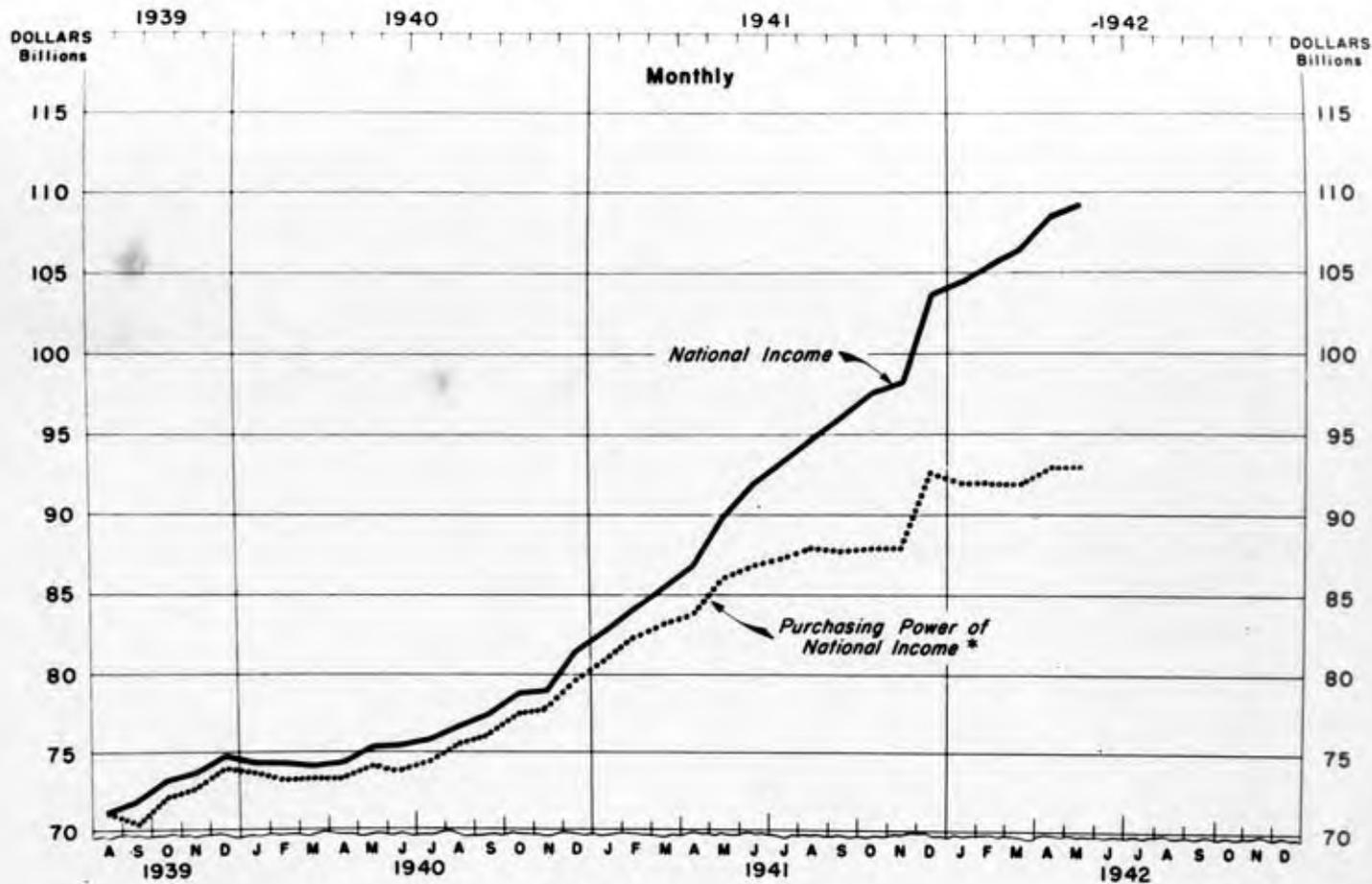
Regraded Unclassified

FACTORY EMPLOYMENT, PAYROLLS AND WAGES
 FIRST 6 MONTHS OF 1939 = 100, UNADJUSTED



Source: B.L.S.

NATIONAL INCOME AND ITS EQUIVALENT PURCHASING POWER



*Based on cost of living index of B.L.S. Aug. 1939=100

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

C-415-A

152

Chart 5

Regraded Unclassified

OFFICE OF PRICE ADMINISTRATION

For Immediate Release
Monday, July 6, 1942

OPA - 206

The Amalgamated Sugar Company was accused today by Price Administrator Leon Henderson, of using incomplete and inaccurate information to make sugar rationing the goat in explaining to beet sugar growers the company's failure to make its usual supplemental payments to them.

Mr. Henderson's charges were contained in a letter which he wrote to H. A. Benning of Ogden, Utah, vice president of the company, challenging statements made over his signature in a circular letter to the company's beet growers. Mr. Henderson directed that his letter be made public.

The company's circular letter, Mr. Henderson said, stated that its sales of sugar for the eight months ending May 31, 1942 were only 42 percent of the total sugar on hand on October 1 and subsequently produced from the 1941 crop, and that sales during the same period of the previous year were 68 percent above this year's sales. "It is interesting to note that total deliveries of beet sugar during this period declined only 16 percent," Mr. Henderson said, calling this fact an indication that the company's selling policy or some cause other than the reduction of deliveries under the rationing program was responsible for the low deliveries of the company during this period.

Mr. Henderson pointed out that OPA early recognized that reduction of sugar shipments from the off-shore producing areas would require that the beet sugar industry furnish supplies to consumers outside its normal marketing areas, and that the excess transportation costs thus involved would require Government assistance if the prices of sugar were not to be increased unduly. It therefore sent telegrams June 9 to all western sugar beet companies "offering to assist them in the movement to deficit areas in the East, of quantities of sugar in excess of the quantities with respect to which arrangements had already been made." The companies were asked to specify how much sugar they desired to move to territory east of Chicago, and Amalgamated offered to move 400,000 bags at Government direction and expense.

"It is hard to understand why you did not offer to ship a larger quantity if your inventory of 1,332,000 bags was as expensive as you indicated to your growers," Mr. Henderson said. "Your letter suggests that your concern may have been over a reduction in the net return for the sugar, but any such reduction should be more than offset by the increased price of 1941 sugar over the crops of previous years."

The company's appeal to the sugar growers to urge their senators and congressmen to protest restrictions on use of sugar for home canning, Mr. Henderson said, was made despite the fact that there is no restriction, under rationing, on the amount of canning that may be done in the home. Rationing boards, he said, are instructed to provide sugar in the ratio of one pound for each four quarts of canned goods in any reasonable quantity which the housewife may desire to prepare. Likewise, he said, there is no restriction on the amount of sugar which may be used for commercial canning, the only requirement being that the pack shall be in syrup 10 percent lighter than in the preceding year. This, he said, is in keeping with a fundamental policy in sugar rationing, that farm and dairy products shall be conserved.

July 3, 1942

154

Mr. H. A. Benning
Vice President & General Manager
The Amalgated Sugar Company
First Security Bank Building
Ogden, Utah

Dear Mr. Benning:

I have just come into possession of a copy of a circular letter dated June 9 sent by your company to beet sugar growers in the Twin Falls, Idaho area which contains grossly erroneous and misleading statements regarding the sugar situation.

Your letter, I understand, was sent to the beet growers as an explanation of your company's failure to make its usual supplemental payment to sugar beet growers at this time.

In the belief that the beet sugar growers who received your letter should be given the full facts on the sugar situation, I address this letter to you with the request that you send a copy of it to all beet growers to whom you sent the original circular letter. I am also making this letter public at my office.

The outstanding errors in your circular, and the facts of each case are:

1. You state the sugar sales of your company during the period from October 1, 1941 to May 31, 1942 were only 42 percent of the total you had on hand October 1 and subsequently produced from the 1941 crop; also that your sales during the same period of the previous year were 68 percent higher than this year's, the implication being that the sugar rationing program was to blame.

The fact is that beet sugar deliveries generally declined only 16 percent in the period in which your own company's decline was 42 percent, indicating that the selling policy of your company, or some cause other than reduction of deliveries under the rationing program, was responsible for your low deliveries during this period.

2. Your statement that "the rationing program has almost entirely halted sugar buying by dealers and manufacturers," is unwarranted by the facts. Buying dropped sharply at the outset of rationing, but recovered steadily as manufacturers and dealers disposed of their excess stocks on hand. Deliveries during the week in which your circular letter was mailed increased more than 30 percent over the previous week, and the recovery has progressed steadily since.
3. You told your beet growers that "unless sugar rations are increased, it will be necessary to market a large part of the inventory in areas where the net return will be substantially lower, and this, of course, will be reflected in the growers' final return from the crop." The fact is that on the very day you sent your circular letter to the growers, the OPA offered, in a telegram to all western sugar beet companies, to assist them in marketing their

(Over)

July 3, 1942

sugar in territories they do not normally serve the paying the extra transportation costs to the Eastern deficit areas on quantities not already arranged for. We asked you to specify how such sugar you desired to move under this arrangement, and you offered to move 400,000 bags at government direction and expense. It is hard to understand why you offered such a small quantity if your intention of 1,332,000 bags was as excessive as you indicated to your growers. Your letter suggests that you may have been concerned over a reduction in the net return for the sugar, but any such reduction should be more than offset by the increased price of 1941 sugar over the crops of previous years. Your published financial statements indicate your company could well afford to absorb the cost of marketing a greater than normal quantity of sugar east of Chicago particularly when freight costs east of Chicago are absorbed by the government. It seems strange to me that a company which has benefitted as your company has under government sugar legislation should take such extraordinary steps to institute a propaganda campaign at the first indication that some sacrifice may be required of the company in order to meet war requirements and protect the welfare of consumers.

4. You told the growers that "there is no justification for the drastic rations that are being imposed upon sugar consumers." You quote "reliable sugar experts and statisticians" as maintaining that there is no existing sugar shortage that warrants the present consumption restrictions. These experts should be named, and the basis of their conclusions made known, if they are to be given any weight. Truth is that stocks of sugar on hand in this country are one-third below normal, but that's not the most important factor. The real question is whether we have sufficient shipping facilities available to bring in adequate sugar supplies from the off-shore producing areas in the future. You can't ignore the submarine menace. Our merchant shipping has been hit and hit hard. Anyone who reads the papers knows this, and unless we can see fair prospects of getting in adequate sugar supplies, it would be dangerous public to increase the ration allowance except to an extent which is justified by supplies already received and on hand.

5. Your appeal to your growers to urge their senators and congressmen to protest the present ration of eight ounces per week per person and what you term "the restriction on the use of sugar for home canning," seems to me to be an unfortunate one. There has been no serious objection from the public on the amount of sugar allotted the individual, and there is no restriction at all that would prevent home canning. We have instructed local rationing boards to provide sugar in the ratio of one pound for each four quarts of canned goods for any reasonable quantity which the housewife may desire to prepare. Likewise, there is no restriction on the volume of commercial canning. We have simply required that the commercial canners use a syrup 10 percent lighter than in the preceding year.

I point out in conclusion that OPA has consistently stated that rationing allowances will be increased whenever we can be assured of a sufficient supply to justify such increase. We are currently announcing such an increase following a very careful re-examination of the situation in the light of our first two months experience under the rationing program. However, this action does not justify in any way the extravagant statements concerning sugar supplies contained

155

in the letter to your Growers, nor does it justify your dissemination of inaccurate information of a nature which destroys confidence in the rationing program, without first having consulted the agency of your government which is charged with the responsibility of administering this program. Your action, taken as it was before we could possibly have had adequate information upon which to justify an increase in the allowance, merely serves to emphasize the indication that you were seeking a way out of a situation created largely by your own company's marketing policy. This office is making an honest endeavor to administer the sugar rationing program fairly and equitably and with the least possible hardship upon consumers and primary distributors, and actions such as yours only serve to make our task increasingly difficult.

Very truly yours,

Leon Henderson
Administrator

H Howe/bac

THE AMALGAMATED SUGAR COMPANY

TWIN FALLS, IDAHO

June 9, 1942

Mr. Best grower:

Your best contract provides for additional payments on the 1941 crop on March 15, 1942, and June 15, 1942, in such amounts as the company may deem to be justified considering anticipated returns from the sale of sugar, the sugar content of beets, and the quantity of sugar sold.

There is stated below in each of the company districts the sugar content of beets, the amount of the initial payment for these beets, and the amount of the additional payment made on February 5, 1942.

	Sugar Content	Initial Payment--	Additional Payment--
Ogden District	16.02	4.85	.70
Lewiston District	16.95	4.80	.70
Idaho District	17.00	5.15	.78
Nyssa District	16.52	5.00	.73

The net return from sugar sales during the first eight months of the crop year is \$4.12 per bag, and on this basis under ordinary conditions the company would feel justified in making an additional payment at this time, but for reasons stated below, it is felt that conditions do not justify that a payment be made.

There were 310,610 bags of sugar on hand October 1, 1941, and 2,133,336 bags were produced from the 1941 beet crop, making a total of 2,343,946 bags. Sugar sales during the eight months' period, October 1st May 31st, were 1,011,946 bags, or only 42 percent of total, with only four months remaining to sell the balance
(over)

Mr. Beetgrower: 2

of the sugar on hand. Last year's sales for the same period were 1,698,949 bags, or 68 per cent more than this year's sales.

The rationing program has almost entirely halted sugar buying by dealers and manufacturers. Unless sugar rations are increased, it will be necessary to market a large part of the present inventory in areas where the net return will be substantially lower, and this, of course, will be reflected in the grower's final return from the crop.

There is no justification for the drastic rations that are being imposed upon sugar consumers. Reliable sugar experts and statisticians maintain that there is no existing sugar shortage that warrants the present consumption restrictions. We wish to suggest that you urge your association and your congressmen and senators to protest the present ration of eight ounces per week per person and the restriction upon the use of sugar for home canning. The ration should be not less than one pound per week and there should be no restriction upon the use of sugar for home canning.

Yours very truly

THE AMALGAMATED SUGAR COMPANY

156

BOARD OF ECONOMIC WARFARE
WASHINGTON, D. C.

Office of the Executive Director

JUL 6 1942

The Honorable

The Secretary of the Treasury

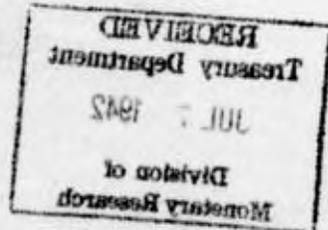
Dear Mr. Secretary:

After consultation with the interested agencies, it was decided that additional time was need for preparation of the report on trade of neutral countries, and therefore, the meeting of the Board of Economic Warfare, which was scheduled for July 9, is being postponed until July 16.

Sincerely yours,

Nils Persins

Executive Director



Treasury Department
Division of Monetary Research 157

Date 7/6/42 19

To: Mr. White

From: L.S.

Farm.

Miss Chauncey returned with message:

"The Secretary said Mr. White should get an appointment and talk to him about them."

Dear Sir

Dr.

TREASURY DEPARTMENT

158

INTER OFFICE COMMUNICATION

DATE July 6, 1942.

TO Secretary Morgenthau

FROM H. D. White

Subject: Dollar Relief on British Contracts

Your commitment to provide \$300-400 million of relief to the British Treasury on their dollar contracts in the United States has now been amply met. Total relief in the form of cash refunds and relief from commitments that has to date been provided or specifically agreed to be provided totals \$370 million.

Accordingly, there are attached two drafts of letters to Sir Kingsley Wood. Each of these drafts lists the facilities and contracts taken over. Draft No. 1 refers to the Treasury's efforts to provide dollar relief and states that these takeovers represent fulfillment of your commitment to the British. Draft No. 2 reports the facts without mentioning the Treasury's efforts or your commitment.

I prefer Draft No. 2 as I am a little bit troubled about the desirability of stating so clearly your efforts in a letter to the Chancellor because of the record. Draft No. 2 is less specific as to the Treasury role. Possibly it might be sufficient to tell Mr. Bewley orally that the commitment has been met and give him a list of the items taken over.

Attachments

TREASURY DEPARTMENT

158

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TREASURY DEPARTMENT

WASHINGTON



Excellency:

During the past year the United States Treasury has endeavored to find a means of strengthening the dollar position of the British Treasury in order that the British Treasury might be able to build up a gold and dollar balance sufficient for advance planning and efficient prosecution of the war.

The United States Army has been asked to take over certain supply contracts made in this country by the British Purchasing Missions, and to make cash payments for certain war materials from those contracts diverted to the uses of the United States, and the Army, the Maritime Commission, and the Reconstruction Finance Corporation, though its subsidiary the Defense Plant Corporation, have been asked to purchase various war material plants built in this country by the Missions.

This program has recently succeeded in providing, or obtaining agreements to provide, a substantial volume of dollar relief. I should like, therefore, to review briefly the accomplishments of the entire program.

Cash refunds or relief
from commitments
(In millions)

Transfers of facilities

1. Tennessee Powder Company	\$21	
2. Machine gun plants	24	
Buffalo Arms Company		
Colts Patent Firearms Company		
High Standard Manufacturing Co.		
Kelsey-Hayes Wheel Company		
3. Todd shipbuilding facilities	12	
Todd-California Shipbuilding Corp.		
Todd-Bath Iron Shipbuilding Corp.		
4. Other facilities for which purchase agreements are being negotiated:	45	
New Jersey Powder Company		
Packard Motor Car Company		
Curtiss-Wright Corporation		
General Motors Corporation		
Pullman Standard Car Mfg. Co.		
Pressed Steel Car Company		
Ipsa Locomotive Company		
Republic Steel Corporation		
Western Cartridge Company		
Remington Arms Company		\$102



- 2 -

Cash refunds or relief
from commitments
(In millions)

Transfers of contracts

1. Machine guns	\$28	
Buffalo Arms Company		
Colts Patent Firearms Company		
High Standard Manufacturing Co.		
Kelsey-Hayes Wheel Company		
2. Tennessee Powder Company	6	
The terms of this transfer called for cash refunds of \$6 million and relief from commitments of \$29 million. However, the Treasury understands that the British contract for the product of this plant was not a firm commitment, and we have not, therefore, included the \$29 million as dollar relief, even though the British Treasury has been relieved of payments of that amount.		
3. Vultee Airplanes	12	
4. Remington Arms Company	33	
5. Savage Arms Company	25	
6. Mack Trucks, Incorporated	4	
7. Pressed Steel Car Company	6	
The preliminary contract for this transfer calls for payments not to exceed \$9 million. It is expected that the total payment will be about \$6 million.		
8. Ordnance contracts	84	
Under the terms of this transfer the War Department has agreed to the take-over of some 44 British contracts for ammunition, explosives, and tanks, aggregating \$84 million.		
		\$198

Payment for materials diverted from British contracts for the uses of the United States

1. Aircraft items	\$ 70	
An additional payment on these items is expected when the values of the materials diverted are finally determined.		
		70
Grand Total		<u>\$370</u>

- 3 -

I am glad that I have been able, with the cooperation of other government agencies, to obtain \$300-\$400 million of relief for the British Treasury, thus bringing this complicated chapter of our joint effort to a successful close.

Very sincerely yours,

Secretary of the Treasury

His Excellency,
The Chancellor of the Exchequer,
London, England.



TREASURY DEPARTMENT

WASHINGTON

Draft #2
This draft 162
was
revised

Excellency:

During the past year this Government, as you know, has taken many steps to assist the British Treasury in building up a gold and dollar balance and in maintaining that balance at a level deemed necessary for the efficient prosecution of the war. The completion of several recent arrangements between the Army and the British Supply Council in North America makes this an appropriate time to review the accomplishments of this program.

The total of United States Government purchases of British armament facilities, contracts, and products now amounts to about \$370 million as follows:

Cash refunds or relief
from commitments
(In millions)

Transfers of facilities

1. Tennessee Powder Company	\$21
2. Machine gun plants	24
Buffalo Arms Company	
Colts Patent Firearms Company	
High Standard Manufacturing Co.	
Kelsey-Hayes Wheel Company	
3. Todd shipbuilding facilities	12
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Pressed Steel Car Company	
Lima Locomotive Company	
Republic Steel Corporation	
Western Cartridge Company	
Remington Arms Company	— \$102



Cash refunds or relief
from commitments
(In millions)

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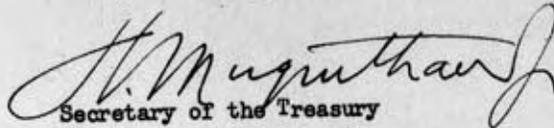
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		<u>70</u>
Grand Total		<u>\$370</u>

- 3 -

The cooperation of the War Department, the Maritime Commission, the Lend-Lease Administration, and the Defense Plant Corporation has made possible the completion of this program.

Very sincerely yours,


Secretary of the Treasury

His Excellency,
The Chancellor of the Exchequer,
London, England.

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

165

TELEPHONE: REPUBLIC 7860



BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

6th July, 1942

SECRET AND CONFIDENTIAL

My dear White,

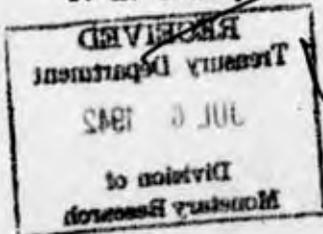
I sent Mr. Hicks our gold and dollar figures up to and including the 19th June. The figures for June 26th and 30th are as follows:

	<u>1942</u>	
	<u>June 26</u>	<u>June 30</u>
Total Gold (Including Belgian)	734	738
Official Dollar Balance	<u>144</u>	<u>140</u>
Total Gold and Dollars	878	878
Less: Belgian Gold	105	105
Scattered Gold	101	139
Gold reserve against immediate liabilities	<u>10</u>	<u>10</u>
Available Gold and Dollars	<u>662</u>	<u>624</u>

Yours sincerely,

T. K. Bewley
T. K. Bewley

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



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 6, 1942

TO Secretary Morgenthau
 FROM Mr. Kamarck

Subject: Shipment of Planes to British Forces

1. In the week ending June 30, 1942, a total of 173 planes of all types (137 combat planes) were shipped to British forces.

2. In the first six months of 1942, somewhat over 3,000 planes of all types (2,600 combat planes) were shipped to the British. This represents an average of 117 planes of all types (99 combat planes) a week. Compared to 1941, the rate of shipment in 1942 of planes of all types has increased by 17 percent, but of combat planes by 40 percent.

3. More than half of all the combat planes went to the British Isles. One-quarter of the total were destined for the Middle East. The Pacific forces received a little more than 10 percent of the total. The detailed figures follow:

<u>Area</u>	<u>Percent of Total Combat Planes Received</u>
United Kingdom	56 percent
Middle East	25 "
Pacific	13 "
Canada	04 "
India	<u>02</u> "
Total	100

Table A - Shipments by Area

	Week Ending June 30, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	29	450	1,611
Heavy bombers	10	94	198
Naval patrol bombers	0	8	110
Pursuit	33	808	1,119
Army Cooperation	0	71	102
Trainers	0	0	24
Total to the United Kingdom	72	1,431	3,164
<u>To the Middle East</u>			
Light and medium bombers	53	286	616
Heavy bombers	0	0	5
Pursuit	12	344	1,192
Army Cooperation	0	12	12
Trainers	0	8	150
Total to the Middle East	65	650	1,975
<u>To the Canadian Forces</u>			
Light and medium bombers	0	44	212
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	36	469	1,710
Total to Canadian Forces	36	567	2,026
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	141	241
Naval patrol bombers	0	0	27
Pursuit	0	200	363
Trainers	0	0	105
Total to Pacific Forces	0	341	736
<u>To the British Indian Forces</u>			
Light and medium bombers	0	20	20
Pursuit	0	40	40
Total to Indian Forces	0	60	60
<u>Totals</u>			
Light and medium bombers	82	941	2,700
Heavy bombers	10	95	204
Naval patrol bombers	0	31	168
Pursuit	45	1,422	2,786
Army Cooperation	0	83	114
Trainers	36	477	1,989
Grand Total	173	3,049	7,961

Table B - Shipments by Types

	Week Ending <u>June 30, 1942</u>	Total Shipped in 1942 <u>to date</u>	Total Shipped since <u>Jan. 1, 1941</u>
Bell Airacobra	0	314	468
Boeing B-17	8	24	44
Boston III	1	14	38
Brewster Buffalo	0	0	168
Cessna Crane I-A (AT-17)	0	65	65
T-50	0	86	700
Consolidated Catalina	0	31	168
Liberator	2	71	160
Curtiss Kittyhawk	12	575	957
Tomahawk	0	0	544
Douglas Boston I, II and III	0	0	492
Fairchild 24 R-9	0	73	95
Glenn Martin B-26A (Marauder)	0	2	2
Baltimore	12	241	309
Maryland	0	0	150
Grumman Martlet II	1	47	88
Lockheed Hudson	16	389	1,359
Lightning	0	3	3
Ventura I	0	12	12
Ventura Bomber	28	186	186
North American B-25	25	77	77
Harvard II	0	52	949
Mustang	32	478	558
Northrop Vengeance	0	5	5
Pitcairn Autogiro	0	0	5
Stearmen PT-27	36	274	275
Vought-Sikorsky Chesapeake	0	0	50
Vultee-Stinson O-49	0	10	14
Vultee Vengeance	<u>0</u>	<u>20</u>	<u>20</u>
Grand Total-All Types	173	3,049	7,961

Table C - Plane Shipments to the British by Weeks

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy bombers</u>	<u>Naval patrol bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Totals</u>
Weekly average of shipments in 1941	36	2	3	23	1	30	100
January 6, 1942	24	0	5	30	4	9	72
January 13, 1942	3	0	2	58	0	42	105
January 20, 1942	4	0	0	14	0	60	78
January 27, 1942	24	0	1	100	5	13	143
February 3, 1942	9	0	3	10	4	4	30
February 10, 1942	20	0	3	59	0	4	86
February 17, 1942	9	0	2	41	7	0	59
February 24, 1942	24	0	2	86	7	1	120
March 3, 1942	26	0	1	80	6	0	113
March 10, 1942	25	2	0	78	1	0	106
March 17, 1942	34	1	0	94	8	0	137
March 24, 1942	94	9	12	79	0	84	278
March 31, 1942	49	1	0	58	4	10	122
April 7, 1942	69	2	0	8	4	5	88
April 14, 1942	55	7	0	86	6	29	183
April 21, 1942	55	11	0	43	15	34	158
April 28, 1942	35	10	0	39	0	26	110
May 5, 1942	14	2	0	98	0	4	118
May 12, 1942	10	3	0	75	12	6	118
May 19, 1942	22	0	0	37	0	7	66
May 26, 1942	23	8	0	34	0	38	103
June 2, 1942	32	3	0	68	0	42	145
June 9, 1942	69	8	0	23	0	8	108
June 16, 1942	30	6	0	53	0	4	93
June 23, 1942	94	9	0	21	0	11	135
June 30, 1942	82	10	0	45	0	36	173
Total shipments since January 1, 1941 to date *	2,700	204	168	2,786	114	1,989	7,961

169

* Total includes planes shipped in 1942 prior to March 17 which are not included in the weekly totals up to that date.

Treasury Department
Division of Monetary Research

Date..... July 6, 1942 19

To: Secretary Morgenthau

From: Mr. White

The present gold purchase agreement with Russia was signed January 3, 1942. It committed us to buy \$21,070,000 of gold against which we advanced \$20,000,000. Deliveries were to be made by July 2, 1942.

Deliveries thus far made have reduced the advance still outstanding to \$11,886,730. This reduction was in the form of a delivery of \$6.7 million in gold on May 9, 1942 and \$1.4 million available from deliveries under the previous agreement.

Mr. Gromyko has informed us that about \$3 million of gold is enroute to the United States but that the balance of the deliveries under the agreement can probably not be completed until the end of October.

MR. WHITE
Branch 2058 - Room 214

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, July 6, 1942.

Press Service
No. 32-32

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 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," said Secretary Morgenthau, "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."

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, July 6, 1942.

Press Service
No. 32-33

The Secretary of the Treasury, Henry Morgenthau, Jr., and the Cuban Ambassador, Dr. Aurelio F. Conchoso, today signed an agreement under which the Government of the United States undertakes to sell gold to the Government of the Republic of Cuba from time to time with payment to be made within 120 days after delivery of the gold provided that the unpaid-for amount of gold shall not at any time exceed \$5,000,000.

The details of the Agreement were worked out between the Cuban and United States Treasuries on the occasion of a recent visit to this country by Dr. Oscar Garcia Montes, the Minister of Finance of Cuba.

This Agreement, evidencing the close cooperation that has existed between the Treasuries of the Republic of Cuba and the United States, will enable the Cuban Treasury to carry out operations designed to stabilize the Cuban peso-United States dollar rate of exchange.

-oOo-

ELP

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

Buenos Aires

Dated July 6, 1942.

Rec'd 10:50 p.m.

Secretary of State,
Washington.

TRIPLE PRIORITY

1326, July 6, 8 p.m.

Department's 1281, June 30, 10, p.m.

The Embassy has just received Central Bank circular No. 295 dated July 3 which reads in translations as follows:

"Owing to the measures of control over United States dollar notes adopted May 19 last by the Treasury Department of the United States, the Central Bank has been empowered by decree No. 122,882 of National Executive power and the corresponding ministerial resolution (the texts of which are attached) to take correlative measures of control over the movement and negotiation of the said notes with the object of protecting the legitimate interests of those who engage in good faith in the pertinent operations.

As a first measure, the Central Bank recommends to

-2-

the authorized institutions and exchange houses that they suspend for the time being all operations in dollar notes. In case there may be special urgency in conducting an operation in this currency they must first consult the Central Bank.

The importation of dollar notes has also been submitted to the control of the Central Bank under the aforementioned decree and resolution. For this purpose importers of that currency must declare it in the form established for the importation of securities in our circular No. 206 of July 15, 1940 and they must deposit it in a bank or institution authorized to operate in foreign exchange until the Central Bank grants the pertinent import license.

Regarding the exportation of dollar notes their control will be made through the intermediary of the institutions authorized to operate in foreign exchange which by the present circular are authorized (?) exclusively in the operations of exporting currency to the United States. For this purpose as soon as the Treasury of that country establishes the requisites necessary for obtaining the entry of the said currency into the United States these will be communicated to the aforementioned organizations in order

- 3 -

that they inform the interested parties. The holders of dollar notes who desire therefore to export them to the aforementioned country should address the aforementioned organizations for which purpose it is now recommended that they present as soon as possible a statement of the amount of those notes in their control.

As to the exportation of dollar currency to other countries this should be applied for to the Central Bank through the aforementioned institutions".

In addition the government has announced one decree No. 122,882 dated June 17, which extends to the importation of all securities the control previously exercised over the importation of Argentine securities by decree No. 67,355 of July 13, 1940 and which gives the Central Bank control over the internal market of foreign securities; and a resolution dated June 18, 1942 which declares that "United States dollar notes are subject to the control established by decrees No. 67,355 and No. 122,882 dated July 13, 1940 and June 17, 1942 respectively".

The reference to the Treasury in the fourth paragraph of the circular covers the required information as set forth in the Department's No. 909 of

- 4 -

June 19, 7 p.m. and which the Embassy at the request of the Central Bank agreed to communicate to the Foreign Office after the local measures were adopted. It would be appreciated if the Department would advise the Embassy whether it may suggest to the Foreign Office that the exporting banks (1) require the aforementioned information in a sworn declaration to the authorized Argentine institutions copies to be sent to the Embassy and the consignee bank in the United States and (2) advise their clients to designate a consignee bank which would submit applications on their behalf to the Treasury Department and (3) or whether they should advise their clients to execute the regular Treasury application forms modified so as to call for the currency information required by the Treasury.

Please indicate any preferable alternatives.

The Central Bank states after looking into the matter that the institutions authorized to operate in foreign exchange which in turn are authorized to export the dollar currency number thirty three but that the two German banks and probably various other institutions which are included would not in practice engage in these transactions. Gagneux may have referred to the institutions which he thought would as a matter of practice engage in the operations.

- 5 -

It is proposed to state plainly to Prebisch tomorrow that these measures fall short of his assurances because they fail to prohibit unwanted (1) all dealings in United States currency and (2) export to all countries except the United States; and to inform him that the large number of authorized institutions is a disappointment.

ARMOUR

NK

Copy:lc:vw:eh
7-7-42

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

La Paz
Dated July 6, 1942
Rec'd 10:06 p.m.

Secretary of State,
Washington.

507, July 6, 5 p.m.

Department's circular telegram June 23, 11 p.m. and
Embassy's telegram no. 469, June 24, 6 p.m.

Decree issued by Bolivian Government June 29, made
public July 4, provides control over United States currency
in accordance with Department's suggestions; presume
Banco Central will soon begin under the terms of decree
accepting currency for transmittal to the United States.
In the meantime, there is no market, official or free,
for dollar currency and consequently no exchange rate. No
large blocks known to be seeking markets. Text of decree
follows by air mail.

DOAL

MK

HEL

PLAIN

Buenos Aires

Dated July 6, 1942

Rec'd 6:50 p.m.

Secretary of State,
Washington.

1323, sixth
FOR TREASURY

240 offered no bid pending clarification new
central bank restrictions on trading in dollar notes.

CHARGE TREASURY.

ARMOUR

CSB

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

Chungking, via N. R.

Dated July 6, 1942

Rec'd 1:48 p.m., 7 th

Secretary of State,
 Washington.

796, July 6, 1 p.m.

Following from Dr. Kung for the Secretary of
 the Treasury refers to Department's no. 576, July
 1, 7 p.m.

"Your telegram dated July 1, 1942, Washington,
 is just received through the courtesy of Ambassador
 Gauss.

I much appreciate and agree with your suggestion
 that in view of the passing of Mr. Fox and the
 Japanese detention of Mr. William Taylor the American
 alternate in Hong Kong an acting alternate be appointed
 to perform the duties and obligations of the American
 member of the Stabilization Board.

I am equally gratified that you recommend Mr. S.
 Adler who during the late Mr. Fox's visit to the
 United States had proved his ability as acting
 American member in cooperating with other members
 of the board.

I am therefore, happy to appoint Mr. S. Adler
 as the acting

-2- #796, July 6, 1 p.m. from Chungking, via N. R.
as the acting American alternate member of the
Stabilization Board.

I trust this will find you in the best of health."

GAUSS

WSB

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

Chungking

Dated July 6, 1942

Rec'd 1:35 p.m.

Secretary of State,
 Washington.

797, July 6, 2 p.m., (SECTION ONE)

FOR THE SECRETARY OF THE TREASURY FROM ADLER.

"TF 48.

Weekly economic

One. Chungking wholesale prices May: general 4,790, food 3,220 (Institute of War Time Economics, January-June 1937 equals 100) or increases of nearly 10 and 5% respectively in April. Highest increase for the month was in clothing which jumped over 25%. Preliminary reports indicate that rise in prices in June more moderate than in May particularly in case of food.

Two. 1,000,000,000 Chinese currency of allied victory bond of 1942 floated July 1 paying 6% per annum and redeemable in national currency in ten years beginning 1945. Issue will be sold by compulsory allotment and guaranteed from British sterling 50,000,000 loan; Cassels informs me that in negotiations for

British

-2-, #797, July 6, 2 p.m., (SECTION ONE) from Chungking.

British loan allocation of only sterling 10,000,000 against internal bond issues is contemplated.

Three. Consolidated tax on cotton yarn and wheat flour will henceforth be collected in kind to facilitate work of commodity administration. Rate of tax will be one kilogram per 27.5 kilograms of cotton yarn and one sack of wheat flour per 40 sacks. This is yet manifestation of tendency toward barter economy.

GAUSS

BB

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

Chungking

Dated July 6, 1942

Rec'd 11:58 a.m.

Secretary of State,
Washington.

797, July 6, 2 p.m. (SECTION TWO)

Reorganization of four Government banks outlined in Section ONE of TF 44 of June 6 went into effect July 1. With centralization of note issue in the hands of Central Bank other three Government banks are to turn over to Central Bank their reserves against notes previously issued consisting of 60% cash and 40% securities et cetera and will receive interest on the latter for three years. Central Bank will rediscount for the three banks at rate of 2 to 4% lower than they charge customers. Government is increasing its capital in the three banks to 60 million Chinese currency in each. They are required to report their foreign exchange assets to Central Bank.

Still doubtful how contemplated division of labor between Government banks will work out in practice. Press reception of banking reform favorable on whole emphasizing increased importance of
the Central

-2- #797, July 6, 2 p.m. (SECTION TWO), from Chungking
the Central Bank as "bankers bank". Some news-
papers question value of retaining joint head
office of four government banks in new set up."

GAUSS

BB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: July 6, 1942, 3 p.m.

NO.: 798

This telegram, TF47, is from Mr. Adler and contains a message for the Secretary of the Treasury.

On July 1 the Chairman of the Board received a written communication from Dr. Kung along the following lines:

1. The contents of the memorandum submitted on April 16 to him by the Board concerning the proposed reduction in the exchange rate to five cents in United States currency have been duly noted by him. (A summary of this memorandum was given in paragraph one of telegram no. TF28, dated April 18.)

2. He makes the suggestion that as of July 10 the official rate of exchange be made five cents in United States currency.

A meeting of the Board has been called for July 8 by the Chairman at which time presumably favorable action on this suggestion will be taken. The Chairman has asked me to notify you that the fact that the Treasury did not object in April to the proposed reduction has tempered his regret that the Board has to act on the exchange rate without an American representative.

GAUSS

July 6, 1942.

Mr. Livesey

Mr. White

Will you please send the following cable to London:

"Reference your incoming 3703, July 3. Under the Trading With The Enemy Act no American-owned enterprise, whether in United States or abroad, can participate in any undertaking involving trading with the enemy except under Treasury license. Even where trading with the enemy may not be involved a Treasury license under Executive Order 8389 as amended would still be required for transactions or dealings involving blocked countries or their nationals. Treasury would not license the transaction in question."

FAS:EMB:dm:7/6/42

TELEGRAM SENT

MLR

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

July 6, 1942.

2 p.m.

AMEMBASSY,

LONDON.

RUSH

3082

FROM TREASURY.

Your 3703, July 3.

Under the Trading With the Enemy Act no American-owned enterprise, whether in United States or abroad, can participate in any undertaking involving trading with the enemy except under Treasury license. Even where trading with the enemy may not be involved a Treasury license under Executive Order 8389 as amended would still be required for transactions or dealings involving blocked countries or their nationals. Treasury would not license the transaction in question.

HULL
(FL)

FD:FL:EM

C
O
P
YDEPARTMENT OF STATE
WASHINGTONIn reply refer to
FD 102.1/6683

July 6, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 27, dated July 3, 1942, from the American Consulate, Belfast, Ireland, as corrected, concerning the aggregate Treasury checks received from the Northern Bank which totaled \$892.91.

Enclosure:

From Consulate, Belfast,
no. 27, July 3, 1942.

Copy:ime:7/6/42

C
O
P
Y

CORRECTED COPY

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

Belfast

Dated July 3, 1942

Rec'd 1:55 p.m.

Secretary of State,

Washington.

27, July 3, 4 p.m.

Department's telegram no. 11.

Please inform Treasury checks aggregating 892
dollars 91 cents received today from northern bank.

BUHRMAN

CSB

Copy:ime:7/6/42

RCC

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

Tangier

Dated July 6, 1942

Rec'd 9:35 a.m.

Secretary of State

Washington

301, July 6, 11 a.m.

Department's circular June 23, 11 p. m. A 14.7 pesetas or 82.5 Moroccan francs, B under 5000, C no large blocks at present.

CHILDS

LDS

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

Lima
Dated July 6, 1942
Rec'd 6:57 p.m.

Secretary of State,
Washington.

7:12, July 6, 1 p.m.

Reference Department's circular telegram dated
June 23, 11 p.m.

Dollar bills collected from June 28 to July 4
inclusive for forwarding to Federal Reserve Bank
amounted to \$12,180. Nothing from Japanese or
Germans but several small amounts from Italians.
Other details are as previously reported.

Chargeable to Treasury Department.

PATTERSON

LMS

C
O
P
YDEPARTMENT OF STATE
WASHINGTON

July 6, 1942

In reply refer to
FD 851.515/162

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of a paraphrase of telegram no. 2988, dated June 27, 1942, from the American Legation, Bern, Switzerland, relating to French transactions with Portugal.

Enclosure:

From Legation, Bern,
no. 2988, June 27, 1942.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern, Switzerland

DATE: June 27, 1942, 2 p.m.

NO. : 2988

Reference is made to the final paraphrase of telegram no. 2622, dated June 10, sent by the Embassy.

The same source which reported the information in the paragraph under reference now reports that Portugal has agreed to buy 3000 kilos of gold if and when Portuguese export permits for goods can be obtained by the French.

HARRISON

Copy:bj:7-6-42

C
O
P
Y

195

DEPARTMENT OF STATE

Washington

In reply refer to
Eu 862.51/5046

July 6, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a telegram from the American Legation at Bern giving information with regard to a recent German decree law.

Enclosure;

From Legation at Bern,
June 26, 1942.

Copy: vw: 7-8-42

(COPIED:Eu;ARM)
(COMPARED:MEL)

196

TELEGRAM RECEIVED

IM

PLAIN

From BERN

Dated June 26, 1942

Rec'd 10:53 a.m.

Secretary of State,
Washington.

2959, twenty-sixth.

Your 1639, June 25.

Following obligatory registration by holders all securities in excess 100,000 marks value purchased since outbreak war decree dated June ninth empowers Reichsbank to purchase at quotation of December 31, 1941 all or part securities so registered with payment in treasury bonds to be administered fiduciarly by Reichsbank and saleable only for good reason and with prior consent bank. Securities declared and registered are consequently blocked. Estimated value securities involved 1,000,000,000 marks. Feared that 100,000 mark exemption can be reduced at any time. Development gives Reichsbank possibility to control market by breaking up large blocks and selling to small holders. Quotation December 1941 approximately 20% to 30% above market June ninth. Effect on Berlin exchange has been disappearance of larger traders. Popular stocks such as I.G. Farben not quoted. Business stock exchange virtually ceasing and its functions may degenerate into a device to permit government manipulate market. This measure appears to complete German legislation designed to eliminate speculation in securities and competition by exchange for money desired by government to finance war expenditures. The process apparently emulates Italian control measures previously devised and executed.

HARRISON

NPL

Copy:vw:7-8-42

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern, Switzerland

DATE: July 6, 1942, 6 p.m.

NO.: 3155

This message is strictly confidential.

The buying rate for Turkish pound bank notes has risen in Basel from 1.25 to 1.70 Swiss francs since the fall of Tobruk, June 21 to July 4. This rise is believed to be caused by an increase in the demand by Germany for Turkish currency possibly for activities of a subversive nature in Turkey. The foregoing derives from a report to the Consul at Basel from the American Express Company.

This telegram was repeated to the American Embassy, Ankara, Turkey.

HARRISON

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

Montevideo

Dated July 6, 1942

Rec'd 6:23 p.m.

Secretary of State,

Washington.

560, July 6, 6 p.m.

Referring to my telegram number 544, June 30,
7 p.m.

Deposits with the Bank of the Republic for
remittance to the United States total \$125,000.
Dollars declared but not deposited total \$81,000.
An airmail report will be submitted this week with
comment on large blocks since all operations in United
States currency are confined to the Bank of the
Republic. Reliable information on clandestine trans-
actions is not available. It is understood, however,
that the discount on United States currency is now
approximately 46%.

DAWSON

LMS

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

Caracas

Dated July 6, 1942

Rec'd 11:25

Department of State

Washington

530, July 6, 7 p.m.

Department's circular June 19, 10 p.m.

Executive decree 152 of July 3, published July
4, incorporates all points outlined in telegram re-
ferred to except does not require delivered of all
United States currency in the country to the Central
Bank, but provides handling by the Central Bank in
the manner suggested by owners who wish to convert
it.

CORRIGAN

MCR

eh:copy
7-8-42

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

Caracas
Dated July 6, 1942
Rec'd 11:11 p.m.

Secretary of State,
Washington.

531, July 6, 8 p.m.

Department's circular telegram June 23, 11 p.m.

(A) No rates quoted. Isolated sales in small
amounts made at 335. (B) Superintendent of banks
states total transaction for country reported to him
less than \$1,000. (C) No new information obtained.

CORRIGAN

KLP

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 230

Information received up to 7 A.M., 6th July, 1942.

1. NAVAL

Up to midnight 4th it is known that three ships in the outward Russian convoy had been sunk and another damaged by aircraft and U-boat attacks. During afternoon of 5th after the convoy had scattered, renewed attacks by aircraft and U-boats caused further damage, but there is no definite report of sinkings further air attacks developed this morning. An enemy force of two battleships and eight destroyers was reported forty miles northwest of NORTH CAPE at 1700/5 steering north-east. This force was last sighted at 2030. A claim of the Russian submarine K 21 to two hits on TIRPITZ is as yet unconfirmed. On the evening of the 5th three ships of the homeward convoy from RUSSIA struck mines off Northwest ICELAND.

2. MILITARY

EGYPT. 4th. Operations continued without any major changes. An armoured engagement south of EL ALAMEIN ended in our favour and the enemy made a local withdrawal. During this fighting 600 Germans surrendered to the United Kingdom First Armoured Division and it is claimed that 18 tanks were destroyed. Early on the 5th the 5th New Zealand Brigade attacked and captured an enemy strong point ten miles south west of EL ALAMEIN. Enemy casualties were considerable. New Zealand casualties were very few. Fighting continues.

3. AIR OPERATIONS

WESTERN FRONT. 5th/6th. 14 aircraft were sent sea mining and 5 on interior operations. One Heinkel bomber was probably destroyed.

EGYPT. 4th. Our night bombers and fighters operated at maximum strength. Considerable damage was inflicted on enemy forces west of EL ALAMEIN which contributed to the enemy withdrawal in this sector. 2 dive bombing attacks and 3 enemy sweeps were intercepted. Fighter bombers attacked enemy concentrations and aircraft on landing grounds in the EL DABA area and Beaufighters destroyed or damaged 50 vehicles including troop carriers between TOBRUK and SIDI BARRANI. 9 enemy aircraft were destroyed, 10 probably destroyed, and 6 damaged. 6 of our fighters are missing.

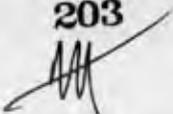
4th/5th. 84 Wellingtons effectively attacked enemy concentrations between EL ALAMEIN and EL DABA. Liberators bombed BENGHAZI and claimed hits on one or two ships. About 35 enemy aircraft operated against the AMIRIYA-ALEXANDRIA and SUEZ CANAL areas and mines are believed to have been laid in the canal. Night fighters shot down five enemy aircraft.

- 2 -

5th. Our attacks on M.T. and grounded aircraft in the EL DABA area continued. 5 enemy aircraft were shot down, 2 probably destroyed and 2 damaged.

MALTA. TAGLI aerodrome was bombed and one Beaufighter and one Spitfire destroyed on the ground. 5 enemy aircraft were damaged by our fighters.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

203


DATE July 6, 1942

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

Mediterranean

The number of German bombers in Sicily has been increased to 130 by the arrival of 45 Junkers 88 (level and dive bombers). A further increase of another twenty may occur in the next week. These bombers were transferred from Western Europe. (This movement represents a reversal of the transfer of bombers from Sicily into Western Europe. It probably means that the attacks on Malta will become intensified again and that an invasion of the Island may be expected. The fact that the Germans feel free to bring these bombers from Western Europe may indicate that they know that there is no immediate danger of a second front).

(U.K. Operations Report, July 5, 1942)

Egypt

(One clue to the stiffer British resistance in Egypt may be in the following dispatch:)

The British report that the United Kingdom First Armored Division participated in the fighting. (The British First Armored Division must be a recently arrived division, since this is the first mention of its fighting in the Desert. From its designation it is a division composed of veterans, probably constituted as early as 1939).

(U.K. Operations Report, July 5, 1942)

Russian Supply Route

Murmansk was heavily bombed on July 1. The commercial port was set on fire. The town has been practically destroyed. The ruins were still burning on the evening of July 2.

(U.K. Operations Report, July 3, 1942)

R.A.F. Activity

On the night of July 2/3, the R.A.F. bombed Bremen. 325 planes dropped 510 tons of bombs. (Except for the 1,000 plane raids, this attack represents the heaviest R.A.F. attack in the war to date and it received practically no publicity).

(U.K. Operations Report, July 3, 4, 1942)

American Air Force in Europe

On July 4, twelve Boston bombers (Douglas A-20's) attacked three airdromes in Holland. Six of the bombers were manned by American crews. One British-manned plane and two American-manned planes were lost.

(U.K. Operations Report, July 5, 1942)

July 7, 1942.
8:55 a.m.

HMJr: Hello.

Operator: Colonel Greenbaum.

Colonel
Greenbaum: Hello, Henry.

HMJr: Eddie?

G: Yes.

HMJr: Are you so you can talk a minute?

G: Yeah - Ed Foley just phoned, I guess about that.

HMJr: Well, yeah, I wanted to talk to you as my
friend.

G: Yeah, he's coming down here.

HMJr: Well, you - are you alone?

G: Yes.

HMJr: Well, the point is this, Eddie. He called me
up this morning, and the man isn't thinking
straight. I don't suppose he slept all night,
and he wanted me to ask Hershey to write a
letter saying that what he had done was all
right, and so forth and so on. So I said,
"Well, after all, Ed, you're one in five million
and Hershey can't be writing everybody a
letter." So he said, "Well, I hold a very
prominent place, and I have served the Admini-
stration a long time," and so forth and so on.
So I said, "There's no question about it, but"
I said, "there's two things: (1) maybe Hershey
will turn me down, and (2) will it - will it
give a good public impression to have Hershey
single you out to write you a letter?" See?

G: Yes.

- 2 -

HMJr: Hello?

G: I get you. I haven't seen the articles.

HMJr: Yes.

G: Well, it's pretty bad, hmmm?

HMJr: Well, yes, it is. But....

Schedule of Financing Meetings
in the Secretary's Office
on Tuesday, July 7, 1942.

9:00 Mr. Mills and Mr. Repp, Discount Corporation
9:20 Mr. Knight, Continental Illinois, Chicago
9:40 Mr. Murray, National Bank of Detroit
10:00 Mr. Ihlefeld, Savings Banks Trust Co., N. Y.
10:20 C. J. Devine, C. J. Devine and Co., N. Y.
10:40 W. R. Burgess, National City

July 7th

208

Discount Corp.

750	3-yr	1 ¹ / ₄ %	June 45
1,250	2 ¹ / ₄	52-55%	Sept.

sell at $1. \frac{20}{32}$

open @ $1. \frac{14}{32}$

Knight - Chicago.
one issue

5-yr option period

~~Sept 54 \$79~~

Minwray - Not BK of ²⁰⁹ ~~209~~

2 7/10 elec 49 } 1 billion
 per 15 }

2 1/4 ~~4~~ elec 52 } 1 billion
 1.01 ^{5/32} }

would not like to
refer old 52-55

says no note

Shelby Savings Bk.

will not be a factor

from # ~~100,000~~
100 million to 200 million

for either 2% or 2½%
looking forward to top
issue.

suggests 2% Bond
one issue

June 15, 1950 - 7 yrs 11 months
fixed date.

March 1950 - 5 2/2 2%
sell at ½ pt. premium

Klevine

2 billion Bonds

 $2\frac{1}{4}$ and 2%

If one issue 2 billion 2%

Dec 49-51

price .04-.06

Burgess1 billion 52-55/ $2\frac{1}{4}$ 1 billion notes $1\frac{1}{4}$ -3%2 billion 2%
would go.

July 7, 1942
11:10 a.m.

FINANCING

Present:

Mr. Bell
Mr. Haas
Mr. Buffington
Mr. Murphy
Mr. Baker
Mr. Mills

H.M.JR: We have got complete confusion today. Luckily I have told the Fed not to come until eleven-thirty so we will have a little time.

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

July 7, 1942.
11:12 a.m.

HMJr: Hello.

Operator: Mr. Rouse on the wire.

HMJr: Hello.

Robert
Rouse: I hope you have as lovely a day there as we
do here.

HMJr: Thank you very much. The temperature is 70,
blood pressure 120.

R: Good. (Laughs) Sounds perfect.

HMJr: You're on the loud-speaker, strictly Treasury,
and we're not in the beet sugar business.

R: Right. The situation overnight....

HMJr: You don't - you didn't get that.

R: No, I don't - oh, yes, I do.

HMJr: Did - did you see it on the ticker?

R: No.

HMJr: Well, it's on the ticker. They looked it up
in Standard and Poor's, and they found that in
December '41, Mr. Eccles was made chairman of
the Amalgamated Sugar Company.

R: (Laughs) No, I hadn't seen that. But I thought -
I got the reference to him, because I know of
his interest in it.

HMJr: No, it's on the ticker. Well, anyway....

R: Anyway, the situation hasn't changed overnight.

HMJr: Yeah.

R: The - so it's a case of largely repeating what
I said yesterday.

- 2 -

HMJr: Do that, will you, because I've seen five people and they've got five different stories.

R: Uh huh. I'm not surprised, because that's exactly what we're getting here, but there is some coherence as I've pieced it together in my mind overnight....

HMJr: Oh.

R:and that is that as far as enthusiasm for an issue goes....

HMJr: Yeah.

R:outside of the city, there is definite interest in a two and a quarter percent bond.

HMJr: Yeah.

R: There is general willingness to go along with the Treasury on what they want to do. The - if it's a two percent bond, they'd go along, but they're not interested in the note.

HMJr: They're not.

R: Not out of town.

HMJr: I see. Well, this is out of town then.

R: I'm speaking out of town.

HMJr: Oh.

R: As far as New York is concerned, the attitude is pretty much this, that for themselves their general advice is a split issue. They recognize the demand for a two and a quarter percent bond, and if the two and a quarter percent bond could be a ten-year call, I think they'd be inclined to recommend that plus a three-year note.

HMJr: Well, what's a ten-year call? Where would that put it?

R: Well, it runs it up to about fifty-four six, I think.

- 3 -

HMJr: Fifty-two. Ten years. We're in forty-two.

R: Yeah. In other words, it's more fifty-two five's or something similar.

HMJr: Yeah.

R: But obviously that - it would have to be - well, our figures would indicate out pretty close to fifty-four six or a late fifty-three fifty-five.

HMJr: I see.

R: Or you have the tendency to pull the whole market down somewhat.

HMJr: I see.

R: It really boils down to the general theory that this is a piece of bank financing, that the banks shouldn't go beyond ten years....

HMJr: Yeah.

R:and that the banks, whether it's ten years or a little less, should also have an opportunity for a short issue. They'll go along with a - one issue at two percent, but they would prefer a little the other way.

HMJr: What - what way would they prefer?

R: They'd prefer the split issue.

HMJr: How split? Say it again.

R: I think the split they have in mind would be a billion and a half of bonds and half a billion notes.

HMJr: And what would the bonds be?

R: The bond?

HMJr: Yeah.

R: If....

HMJr: What?

- 4 -

R: If you would issue a two and a quarter as attractive as they want it, they'd recommend the two and a quarter. Otherwise, the two percent bond.

HMJr: Well, now - the last man I saw was Randolph Burgess, and he said - he wanted a billion fifty-two fifty-five and a billion of notes. Hello?

R: Yes, sir.

HMJr: Then I said to him, "Well, now look, Randolph, if we get out a two billion of two percent, what will you do?" "Oh," he said, "we'll take a big wad of it, a big wad of it."

R: Yes, that particular bank is a seller of notes and a buyer of bonds.

HMJr: Now what I wanted is this, I was first going to call up the Chase myself but - I mean Aldrich - but I thought most likely you've contacted them, haven't you?

R: I have.

HMJr: Now where does the Chase stand on two billion of two's?

R: They - they say it would be very attractive. They wouldn't want to see you go to a two and a quarter percent bond. They'd be quite satisfied and their first recommendation was all one issue at one and five-eighths for five years.

HMJr: Well, that's out.

R: In talking - that was yesterday - in talking with them again this morning, they felt that the billion and a half - that three billion seemed to - about that - seemed to represent the....

HMJr: Three billion?

R:that three billion represented the - about the ceiling of subscriptions under these conditions....

- 5 -

HMJr: Oh.

R:for the time being....

HMJr: Yeah.

R:and that for - that the best thing would be a billion and a half, say of the two percent bond if that's what you wanted, and - and a note, and suggested the possible reopening of the four and a half-year one and a half. But they'll go along with us in a substantial way.

HMJr: They would.

R: Yeah.

HMJr: Well, who do you talk to there?

R: I talked to Sheldon Green, who's the vice president....

HMJr: Yeah, I know.

R:in charge of portfolio, and who has direct access to Winthrop Aldrich....

HMJr: Well, now....

R:and Campbell.

HMJr: Bell says, "What about Garner?"

R: Garner recommends two issues.

HMJr: Yeah, well, now look. Let's - let's in order to save my time, see - the four or five big banks....

R: All right.

HMJr: You know where Chase - what I'd like you to do with - we know where the Chase stands; we know where the National City stands, on one issue two billion two's, see?

R: Yeah.

- 6 -

HMJr: How long will it take you to check the three or four other of the big banks, and say if the Treasury decides to do two billion two's, will they go along enthusiastically? Well, I don't mean that they have to say they like it, but as - as Randolph says, will they take a big wad? I don't know what your language up there is.

R: Yeah. Well, I can talk with three or four people in twenty-five minutes.

HMJr: Could you? The Fed's coming over at eleven-thirty, see?

R: Uh huh.

HMJr: Hello?

R: Yes.

HMJr: So if you could talk to - if you could do that, I'll try to keep them from coming until quarter of twelve.

R: All right. I'll be....

HMJr: How's that?

R: I'll be ready to talk to you at that time.

HMJr: Because I think if - well, the way the out-of-town banks feel (talks aside)....hello?

R: Yes.

HMJr: I think if the Chase and the National City and the three or four others would say to us, "Well, if the - if that's what the Treasury wants, we'll go along" - hello?

R: Yes.

HMJr: My inclination would be to do it.

R: Right.

HMJr: See?

- 7 -

R: Well, I don't think there's any question as to the answer but I'll call you back.

HMJr: Well, don't you think it's worth checking?

R: Oh, sure.

HMJr: But I tell you how I feel, Bob, and you might just as well know. I've never gotten so much different kind of advice. Hello?

R: Yes.

HMJr: Now the Fed. Board, unless they've changed since yesterday, wanted some two billion two's.

R: Yeah.

HMJr: So that's what they want. The out-of-town banks want a two billion two, and more and more we've got to look away from New York. Well, now if New York said, "Well, we'll go along cheerfully," then it's pretty much - we've got to decide ourselves what's good, you see?

R: Yes, I think they need - they've got to have the leadership now and be given it and learn.

HMJr: Pardon?

R: I think they've got to have that leadership.

HMJr: Yes. Well, you do think so?

R: Yeah.

HMJr: Well, if I could tell where three or four more of the big banks stood, if they would, say, - talk the way the Chase and National City does, my inclination would be to do the two.

R: Well, I - that is....

HMJr: What do - what do you think?

R:you can feel - rest pretty well assured that they do feel that way and will go along.

- 3 -

HMJr: They will go along.

R: Yeah.

HMJr: Well, let's make....

R: Then I'll make the calls and....

HMJr: You don't think I'd be making a mistake on that?

R: Oh, no.

HMJr: What?

R: Oh, no.

HMJr: You don't think so.

R: No, our - our advice, based on our contact with this market, to represent that market fairly we'd have to - as it stood now - we'd have to recommend two issues, that is, a billion and a half and five hundred million.

HMJr: Yeah.

R: We would say for ourselves that, in the light of that, we'd also make the same recommendation but we'd - we think two billion two's is just as good.

HMJr: I see. Well, get busy and call me back.

R: Right.

HMJr: I thank you.