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H.M.JR: He is a good man.

Henry, what is on your mind?

MR. MURPHY: I favor the issue that you have just been talking about over the phone, a single, two, of '49-'51. I had had some leanings toward combining with a one and a quarter percent note on the basis that people could subscribe for either one and the total issue would be limited to a billion. After the story that Devine told me about the note market, any leanings that I had that way I think are liquidated, and I would be in favor of the single two-percent issue without reservation.

H.M.JR: Another man that was in here about the note market said, "After all, we are going to have a lot of stuff coming due the next three or four years; we ought not fill that up unless we have to." I think that is true.

MR. MURPHY: I would agree with you. The note is very low-cost financing, and also is a financing that helps to strengthen the banking structure.

H.M.JR: True, but with all these certificates - on the theory this is a five-year war you are going to have out six billion or eight billion dollars' worth of certificates. That stuff is turning over each year. If it is a five-year war and he has to bump into a two-billion-dollar note issue--

MR. MURPHY: It will doubtless be more comfort to have it in bonds because it won't bounce back. I think if it did, the refunding problem wouldn't be serious. I think there is a lot to be said for the note. We have gotten very conflicting reports on it.

Mr. Murray Shields told us he thought if you offered a two-percent bond and a note, allowing the customers their choice so that the distribution of

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them reflected the choice of the market you would get more notes than bonds, and he thought--

H.M.JR: Say that again.

MR. MURPHY: That if you offered a two-percent bond and a one and one-quarter percent note in combination, allowing people to subscribe freely for each of them, limiting the total issue to two billions, so that the customers will determine the distribution, that you would get more of the note than of the bond.

On the other hand, Mr. Devine said this morning he thought such subscriptions for the notes would be negligible. That indicates the variety of conflict in views on the note.

H.M.JR: Which again - excuse me - finish.

MR. MURPHY: And since everyone seems to think well of the two-percent bond, irrespective of whether they are for or against a one and a quarter, it seems that the two-percent bond offers a safe middle ground where we are much surer of getting an adequate response than we would be on the note, and we are on much better monetary and banking theory and doing a more economical financing than we would be with a two and a quarter percent bond.

H.M.JR: And it sets a pattern.

MR. MURPHY: That is the most important thing.

H.M.JR: Which they don't want.

MR. MURPHY: But it is - what did you say?

H.M.JR: Which they don't want. The banking people would much rather have the extra quarter percent.

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MR. MURPHY: It is always wise to set that pattern.

H.M.JR: It is wise to--

MR. MURPHY: To set the pattern for them, and they will follow it. I think it is to be weighed heavily that the British since June 1940 have been doing their financing, a long one-year exclusively, by two-percent bonds, and a long three, but that long three is a strictly non-banking transaction, and they haven't found their two-percent market is clogged. They have set a pattern, and the banks are following it.

MR. BAKER: I would like to register opposition to the two. I have opposed it all along, and it is more or less on the grounds that we are hitting a section of the market which has just barely had time to catch its breath.

But if you are going to find that the big banks are going to take the twos and hold them and aren't going to be interested in disposing of them in order to subscribe to an issue later, that is going to be something which is going to dilute my argument.

On the other hand, I would still prefer to see a two and a quarter, and if you are going to do a two I would like to see a note along with it. I think that you might run into two propositions, neither of which would be very attractive if you do put out a two billion, two. Either that--

H.M.JR: Excuse me. What is the name of the president of the First National Bank in Chicago?

MR. BELL: Ned Brown.

MR. BUFFINGTON: Edward E. Brown.

MR. BAKER: The two situations would be this, either that we would let the market drop down, and

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I think the other two '49-'51's would drop down to meet the new one, in which case the Federal would have to support the three of them to possibly a larger extent than you might like, or that you would have to hold the three issues up there at the present levels of the other two outstanding and the corresponding level for the new one.

H.M.JR: The Fed doesn't have a telephone wire to Chicago, does it?

MR. BELL: No, I don't think so. They only have private wires to the east.

H.M.JR: Well, anyway, that is the way you feel?

MR. BAKER: Yes, sir.

H.M.JR: Have you got any ideas?

MR. BUFFINGTON: I would say that a two and a quarter for part of the two billion - you might find many places, in talking with these Victory Fund people, where the two and a quarter, '52-'55 area, would go outside of banking channels. I think more of them might be sold outside banking channels than possibly you think.

H.M.JR: - In two days you wouldn't sell much - fifty or sixty million.

MR. BUFFINGTON: Well, I don't know. I haven't felt free to talk in any detail with them. If you are going to offer the twos I would suppose that those men might be of some value in broadening the distribution in banks that have not been regular buyers, just as they did in the case of the certificates of indebtedness, if you care to use them.

H.M.JR: I have got no - well, let's decide what the issue is first, then we can decide what we are going to use. I mean, let's price it first.

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Have you got any ideas?

MR. MILLS: Well, sir, my own preference would be the two and a quarter if that wouldn't upset the market, if that is the consensus of opinion, on the theory that the Treasury in the long run must put its maturities out as far as possible. Like Mr. Murphy said, I feel the Treasury sets the pattern for its issues rather than defer too much to the preferences of the banking system.

H.M.JR: Incidentally, I haven't had a chance to congratulate you on what you did with the airplane companies. You did a swell job on it. Second, are they keeping you busy?

MR. MILLS: Right now, yes.

H.M.JR: Got plenty to do?

MR. MILLS: Yes, sir.

H.M.JR: You are supposed to be in charge of F and G's, aren't you?

MR. MILLS: That is sort of in suspended animation for a little while until that gets straightened out.

H.M.JR: Straightened out?

MR. MILLS: Well, that is because of me, sir - that is, whether I am the person that would fit into that kind of organization and do a good job. Unless a good job can be done, it should be somebody else.

H.M.JR: What are you busy at?

MR. MILLS: Well, studying this F and G business now until that can be worked out to everyone's satisfaction.

H.M.JR: You are not doing issuing agents any more?

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MR. MILLS: There isn't a great deal of that. That is pretty well adjusted. There is just a carry-over, hangover, in that at the present time.

MR. BELL: We haven't got anybody on that, Mr. Secretary. I have been thinking some about it. Of course this decision in the retail association matter changes that whole picture now. I think that we have got to go back and restudy that circular, collateral circular, and make some changes - probably take away the collateral from everybody.

H.M.JR: But right now you are studying F and G?

MR. MILLS: Yes, sir.

H.M.JR: With whom and under whom?

MR. MILLS: With Mr. Graves and Mr. Coyne.

H.M.JR: But you are busy?

MR. MILLS: Well, it hangs in the balance. It depends--

H.M.JR: I mean are you busy every hour?

MR. MILLS: No, sir, but - I mean, that is, again, my fault - no fault of anyone else.

H.M.JR: Why? Are they trying - well, I won't get into that now until I price this thing. I thought the whole thing was settled.

MR. MILLS: Well, again it got up to me, and how I would fit into it is the problem.

MR. BELL: I think the decision is yours, isn't it, now? They told you about it?

MR. MILLS: Yes, sir.

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H.M.JR: Before you decide either way come and tell papa about it because I am interested in F and G and I am interested in you. So before you settle it come and tell me about it, will you? Will you do that?

MR. MILLS: Yes, indeed.

H.M.JR: George?

MR. HAAS: I would lean towards doing it all on a two-percent bond, mainly on the basis of looking on it as a piece of banking financing.

(The Secretary held a telephone conversation with Miss Tully, as follows:)

July 7, 1942.  
11:31 a.m.

HMJr: Hello.

Operator: Miss Grace Tully calling.

HMJr: Okay.

Operator: Okay. Here you are.

HMJr: Hello.

Grace Tully: Hello, Mr. Secretary. How are you?

HMJr: Good morning. Fine.

T: That's good.

HMJr: I called - did Miss Brady give you the message?

T: Yes, was it tomorrow for lunch - after lunch?

HMJr: No, today.

T: Today after lunch.

HMJr: No, I got - our telegrams have to go out by three o'clock.

T: I see.

HMJr: And I've been working on this thing, and by two I'll know my own mind, you see?

T: I see, yes.

HMJr: And then we have to send the telegrams to the banks because the offering is tomorrow morning.

T: I see.

HMJr: So it's one of these - times where I'd sort of....

T: You wanted a few minutes right after lunch, was that right?

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HMJr: That's it.

T: All right, fine. Let me call you back about it.

HMJr: I thank you.

T: Grand, Mr. Secretary.

HMJr: But I mean it's one of these times where I -  
I pretty much - shall I call it - have to.

T: Yes.

HMJr: See?

T: Yes, well, I'm sure it can be done.

HMJr: Thank you.

T: Fine, Mr. Secretary. Goodbye.

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H.M.JR: I am going over to see the President right after lunch, so if the thing is written up I will get him to sign it.

MR. BELL: It only takes a minute to do that.

(The Secretary held a telephone conversation with Mr. Edward E. Brown, as follows:)

July 7, 1942.  
11:33 a.m.

Operator: Go ahead, please.

HMJr: Hello.

E. E. Brown: Hello.

HMJr: Morgenthau speaking.

B: Yes, sir. This is E. E. Brown.

HMJr: How are you?

B: First-rate, thank you.

HMJr: Mr. Brown, I wanted to ask you this question, on our financing - hello?

B: Yes.

HMJr: If the Treasury should decide tomorrow morning to offer \$2 billion dollars of a two percent bond, December forty-nine fifty-one, would you consider that attractive for your own institution?

B: Forty-nine and fifty-one.

HMJr: Yeah, December.

B: Yes, I would.

HMJr: You would. Hello?

B: Yes, I would.

HMJr: You would. You'd like it.

B: Yes.

HMJr: You'd subscribe....

B: I'd prefer a shorter one of even at a somewhat smaller rate, but I mean it would still be attractive and it would fit in with our general program, and I think it would be popular with the banks generally.

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HMJr: Would it be popular with the banks in your vicinity?

B: Yes, I think so.

HMJr: You - it would. Well, that's about all I wanted to know unless you wanted to volunteer something.

B: Well, I - the only thing I'd volunteer that I'd like to see is something in the nature of the three or four-year note with a definite maturity offered in the fairly near future, because I think that there is a good deal of corporate money that would be attracted by that, and some - a lot of banks would much prefer it to the seven or nine-year maturity.

HMJr: You - you'd like - I didn't quite hear you very well. You'd like to see....

B: I'd like to see, not now necessarily, but some note of two, three, or four years, maybe five years....

HMJr: Yes.

B: ....I think would be attractive to corporations which have got surplus funds....

HMJr: Yes.

B: ....a bond of a definite maturity and fully negotiable.

HMJr: I see.

B: And I think a lot of banks and a good deal of corporate funds would be attracted by that type of investment.

HMJr: I see.

B: I don't believe in the registered redeemable bond because corporations and banks both feel that if they need money that it's disloyal for them to present them through redemption, particularly if the - the war is taking an adverse turn.

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HMJr: Well, but that would be something we could do later.

B: That's something you could do later. I think this would go very well.

HMJr: But if I put everything into \$2 billion dollars, two percent, you think that that would be all right?

B: Yes.

HMJr: And - I needn't worry about it.

B: I think it will go without any question.

HMJr: Well, thank you very much.

B: Not at all. Thank you. Goodbye.

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H.M.JR: Well now, there is a clean-cut fellow. He always tells you what he thinks.

I have been at this since nine o'clock. I have seven minutes. Oh, I skipped you.

MR. BELL: I like the two and a quarter only for the purpose of getting out of that crowded area; but everybody that has recommended the two and a quarter has come back and said that two percent, single issue, would be the one that would go.

H.M.JR: Which would?

MR. BELL: The two percent single issue would go, so that is what I recommend. I think we have got to do that in view of all the recommendations, in the situation we find ourselves in.

H.M.JR: George?

MR. HAAS: I am for the two percent. I started to say that if one considered this a banking financing through the banks, that seems to be the security to offer. In addition to that, it seems to me that you accomplish one step toward the bigger job that lies ahead. You have made the step towards a two billion dollar single issue. You have to meet that some time or other.

H.M.JR: Well, I think this - this is the way I feel, where the market is so mixed it is up to the Treasury to take the leadership, tell them what we think. That is the way I feel because we have got to do it.

MR. BELL: We have got a lot of times ahead of us when we are going to have to split issues and reopen and do a little of everything - I think about October - when we come to it.

July 7, 1942  
11:45 a.m.

## FINANCING

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

H.M.JR: Well, I never had so much advice that was so different in my life, as I have had this morning. I talked with Rouse, as you people most likely have, too, but he tells me that out-of-town banks will be satisfied with a two percent, that the New York banks want two and a quarter and a note.

Well, amongst the people here was Burgess, and when I asked him how he would like a two percent, two billion, he said, "We would like it fine; we will take a big wad of it."

I spoke to Rouse. That is the reason I asked you to delay because I didn't want to keep you any longer than necessary. I hope I didn't inconvenience you.

MR. RANSOM: Not at all.

H.M.JR: I said, "What about the Chase?" The Chase said they would like a five-year, but they would go for two billion two. So I said, "Call up,

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inasmuch as New York wants two and a quarter, four or five of the bigger banks and see how they would feel if the Treasury decided it would be two billion, two." He is going to let me know now.

While I was waiting I called up Ned Brown of the First National of Chicago. We had the Continental in. They recommended two and a quarter.

MR. BELL: Two and a quarter, '49 - '54.

MR. SZYMCZAK: Continental or Ned Brown?

H.M.JR: Continental.

MR. SZYMCZAK: Who did you talk to, Frank Knight?

H.M.JR: Frank Knight. I told him it was an insult to my intelligence. So Ned Brown says, "We would like a two percent bond, two billion dollars' worth. We will take a lot of it, and we think everybody else around here will take a lot of it." So if it is agreeable to you, I would like to talk to Rouse if he is ready and let you gentlemen hear.

MR. McKEE: Before you talk to him, would you like to have a suggestion that Piser had over night as to maturity? See if it impresses you. It does me.

H.M.JR: Impress or depress? (Laughter)

MR. PISER: You remember--

H.M.JR: O.K.

MR. PISER: You remember the danger I thought might be involved in a December issue, and it seemed to me that if the issue were dated the first of November instead of the middle of December--

MR. SZYMCZAK: Two percent November first or November fifteen.

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MR. PISER: If the two percent issue were dated the first of November instead of the middle of December, it will get around most of my objections and would still continue the two percent bond pattern.

MR. BELL: I don't get it. I don't get the difference.

MR. McKEE: Step up the maturity by thirty days or forty-five days, Dan, to get it in a category by itself.

MR. BELL: There is only three or four, thirty-seconds between September and December. I don't get it.

MR. PISER: It would avoid the concentration of issues on December 15, and banks that have substantial amounts might be more willing to take a November first maturity than they would another December fifteen maturity.

MR. McKEE: Thinking of the portfolio of the banks all maturing at one time, you give them a spread of paper.

H.M.JR: Well, let me hear what he has to say and then I will tell him, unless you have already given it to him.

MR. PISER: No, I haven't.

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

July 7, 1942.  
11:52 a.m.

HMJr: One minute, please.

Robert  
Rouse: Yes, sir.

HMJr: (Talks aside) Well, let me hear what he has to say. All right. Is it all right? Hello?

R: Yes, sir.

HMJr: Go ahead. You're on the speaker, and the Fed. Board's here with our own people.

R: I see.

HMJr: Now would you tell us what you learned, please?

R: I discussed the matter with - this last half hour - with four of the large banks here, the Bankers Trust Company, the Central Hanover Bank, the Irving Trust, and the Guaranty Trust.

HMJr: Yeah.

R: In talking with Mr. Tompkins at the Bankers Trust Company, we rehearsed the possibilities and what the situation was, and he thought it would all - was all right, two billion - two billion two's, forty-nine fifty-one, and would go along....

HMJr: Yeah.

R: ....okay. Central Hanover - I discussed it with Hollingsworth there who evidently had had a long talk with the president, Gray, last night. Their preference would be strictly for a two and a quarter percent bond. He said that they had \$25 million of the first lot of two's and \$15 million of the second, and he'd - they'd prefer a two and a quarter.

HMJr: Yeah.

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- R: I explained to them that everybody couldn't have quite - exactly what they wanted, and what the problems of policy might be, and so on. He said they thought it was all right, and they'd go along to the extent that cash would permit. He made a counter-suggestion of a billion two's and a billion two and a quarter's....
- HMJr: Yeah.
- R: ....reopen two old issues.
- HMJr: Oh.
- R: At the Irving Trust Company, I talked with the chairman of the portfolio operation, Hutchins, and he thought that he would unquestionably recommend to his committee, and in turn to the executive committee of the board, that they go along with the \$2 billion two's. Whether they could go along as heavily as they have before because of their cash position and the trend of allotment percentages, he questioned, but he would have in mind at the moment \$20 million.
- HMJr: Uh huh.
- R: At the Guaranty, I talked with Garner. I went over the thing at a little length with him. He felt that this was a problem that he'd want to talk with the heads of the bank on. He apparently was able to reach Mr. Conway, chairman, and Mr. Stetson, the president, but Mr. Potter was not available, and the reply, in effect, is that Mr. Conway himself would not want to change their policy willingly of staying within five years. He'd be glad to put it up - to discuss it with Mr. Potter and discuss it with their executive committee....
- HMJr: This is....
- R: ....and that was their opinion.
- HMJr: This is what bank?
- R: The Guaranty Trust.

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HMJr: Well, that's been their position right along.

R: Yeah, there's not any material change there. It's a policy of staying within five years.

HMJr: Even irrespective of a war or anything else.

R: Well, that's - Mr. Conway said that he wouldn't want to, himself - wouldn't want to change the policy willingly. They haven't yet discussed it with Mr. Potter, who still, I would say, is the head of the bank....

HMJr: I see.

R: ....although he's upstairs as chairman of the executive committee now, and somewhat retired. But in matters of policy, he would be the last word, and I told Garner just - that is, I thought that was enough for me as it stood.

HMJr: Well, those banks have never been very big buyers, but the Chase and the National City have. I talked with Mr. Brown of the First National, Chicago. He liked it, and he said they'd buy plenty, and their friends in other banks would do likewise.

R: Good. I think it would help the situation here, as I told Dan last night, if that bill were signed.

HMJr: When would that be?

R: Tomorrow.

HMJr: Has it passed?

R: Yes, it's passed both houses. That's the only other comment I have this morning I thought was of interest.

HMJr: Well, is it on the President's desk?

R: Well, it's in process of getting there. It was passed on Thursday afternoon, and they're getting the reports back, but I should think they might be able to accelerate it possibly. Dan has looked into it, and he probably would know.

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HMJr: Wait a minute. (Talks aside)  
Well, let me ask you - we're just getting -  
about the bill, we'll try to get the President  
to sign it today.

R: Good.

HMJr: After hearing all of this, and you're there  
in the front line, have you any doubts that  
the two percent two will go?

R: None.

HMJr: I mean two percent \$2 billion?

R: No, I think we can go along all right on that.

HMJr: They'd go along all right.

R: Yeah.

HMJr: While I'm at it, there's one thing Mr. Piser  
suggested, you might think this over, that we  
date it November 1 instead of December 15.

R: To get away from the tax date?

HMJr: No, get away from the congestion - congestion.

R: Well, that would be all right. That would  
shorten it up a shade.

HMJr: Well, would it help it any?

R: No, I don't think it would make very much  
difference....

HMJr: You don't think...

R: ....as long as you've....

HMJr: What's that? You think it's important enough,  
I mean to change....

R: No, it would represent quite a complete change,  
and then you'd have the - I don't know that  
you'd get any - enough out of it to warrant  
making the change.

HMJr: I see.

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R: It would look like you were - a little afraid of it and were shaving it. That would be my offhand think.

HMJr: Yeah. Well, I'll be calling you back in a few minutes.

R: All right. Good.

HMJr: Thank you.

July 7, 1942.  
12:15 p.m.

HMJr: Hello.

Operator: Mr. Rouse.

HMJr: Hello.

Robert Rouse: Hello.

HMJr: We're going to go along on two billion two's....

R: Good.

HMJr: ....in December.

R: I haven't any doubts about it.

HMJr: Good. I don't think this monkey business of Piser's making it November 1....

R: No, I checked with Miller here on it, just to check my own judgment, and he agreed one hundred percent.

HMJr: Okay.

R: Okay.

HMJr: Say a little prayer.

R: All right.

HMJr: Now what we're going to do is, we're going to - the announcement will say it will be open for two days.

R: I see.

HMJr: We - we're going to do it that way.

R: Right.

HMJr: The announcement will say - it will be in tomorrow morning's papers and say we'll keep it open for two days.

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R: How about the twenty-five thousand this time?

HMJr: No.

R: No. That's two days' straight subscription.

HMJr: Well, it's - why - and why the twenty-five thousand benefit? Why can't everybody be treated the same?

R: Well, on the bills - on the C. I.'s we awarded in full up to twenty-five thousand.

HMJr: Oh, oh, oh. You mean - I thought to give them another extra day.

R: Oh, no.

HMJr: Oh, you mean the twenty-five thousand....

R: Yeah.

HMJr: ....will be awarded in (talks aside)  
Well, that's all right. Yes.

R: Uh huh.

HMJr: I didn't understand.

R: I see.

HMJr: That's all right. I thought you meant give them a third day.

R: No, I - I agree that - stop them....

HMJr: Well, give them....

R: ....at two days.

HMJr: ....give them preferred allotment on twenty-five thousand.

R: Yeah.

HMJr: Okay.

R: Okay.

HMJr: Thank you.

R: Thank you, sir.

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(Mr. Bell on White House telephone with Mr. Foster.)

Good morning.....

Have you seen this morning from the Budget Bureau the Federal Reserve bill S2565? It is an old bill for the President's signature.....

It hasn't come over?.....

Yes, they were to have it over to you this morning.....

O.K., I will check up there, then.

MR. BELL: He hasn't got it yet. I will check up.

H.M.JR: I am seeing the President at one-fifty. If they don't get it before I am there he might ask me what is in it and I won't know. Get it just before one - don't get it when I am there. I have to read the thing beforehand.

MR. RANSOM: It is easy and not as important as these New York banks seem to think.

MR. BELL: No, I don't think so.

MR. McKEE: It is as far as section three is concerned.

MR. SZYMCAK: In relation to the reserves.

MR. RANSOM: It is advantageous and should be signed, but if it will ease a few of them over something of a psychological hurdle--

H.M.JR: Which?

MR. RANSOM: I say if it will ease them over it won't do any harm to have it signed. We will help any way we can.

MR. McKEE: The Guaranty borrowed funds all last week

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because of the lack of it.

MR. BELL: Well, they know it is passed and it is an Administration bill, and they know it will be signed, so I can't see what the worry is. But then, we will try to get it signed today.

MR. RANSOM: Dan, are you going to check with Budget, or do you want us to?

MR. BELL: I will call as soon as I go. They promised me they would have it there this morning.

H.M.JR: Let's go around the Board.

MR. RANSOM: Still the one issue, two percent. As to the dating, it seems to me that in the light of what you have just developed here it might be figured as a weakness if you went off your usual dating point. I think there is merit in Mr. Piser's suggestion, but perhaps not enough to outweigh the established dating. But definitely the one issue, and definitely two.

MR. SZYMCAK: Two percent, two.

MR. McKEE: I think the two, but I think you ought to think seriously about the call date on this bond because of existing portfolios.

MR. PISER: Well, I would prefer the one issue. I still lean toward the two and an eighth, but if it is to be a two I would prefer to have the shorter date on it.

H.M.JR: Well, let's call it a two. Now, as I understand, I think it would be a mistake - I mean, it looks to me as though we will be a little bit timid making it November first.

MR. BELL: If you are going to do that I would rather make the call date March 15, 1950, and keep the maturity date December 15, 1951. In other words, narrow

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the call period; March 15 is open.

H.M.JR: Say that again, Dan.

MR. BELL: If you are going to do that, I would rather make the call date March 15, 1950.

H.M.JR: March 15?

MR. BELL: That is just three months longer than December 15 - but to keep the maturity date the same as we proposed, December 15, 1951. In other words, instead of having a two-year call, you would have a year and what is it? A year and nine months.

H.M.JR: You would shorten it back?

MR. BELL: Yes. I would shorten the call period; instead of having a two-year period, a year and nine months.

H.M.JR: You would put it back to March?

MR. BELL: Forward to March.

H.M.JR: You would put it in March '49?

MR. BELL: '50.

H.M.JR: Oh, you would have it come in March '50, and then have it come due--

MR. BELL: December 15, '51, just the same as we contemplated before.

H.M.JR: That puts it into that crowded date.

MR. BELL: That is where we propose anyhow.

H.M.JR: I don't see that that helps anyhow.

MR. SZYMCAK: No; in fact, it works the other way.

- 7 -

MR. BELL: What we propose is December 15, '49 - December 15, '51. The reason they are moving it back to November is because they think they have got plenty in the portfolios of these issues, so I propose to do it where it is vacant as a call period and leave it there as a maturity. Then you have got just one less--

H.M.JR: My objection to that is this, gentlemen: What I think we are making now is a pattern; we will come along in maybe three months and sell another two in March.

MR. McKEE: I think you want to keep that March open for the future. That is the thing that would worry me.

H.M.JR: Nobody - all these people we talked to - they didn't seem to - nobody this morning raised this December 15, '49, did they, Dan?

MR. BELL: No.

H.M.JR: Of all the people we saw nobody raised that.

MR. McKEE: It may have some curtailment of your subscriptions is the thing that worried me.

H.M.JR: I think you are right.

MR. McKEE: And if there is anything to increase that, just by a little change of policy, where a fellow would think that he didn't have too much of one thing, he had a segregation there, that he might come in more liberal with his subscription.

MR. RANSOM: It doesn't seem to me, Mr. Secretary, that anyone has raised the slightest doubt about it being sold and adequately sold. If it is just a question of how much it is going to be over-subscribed, I wouldn't be greatly concerned over that.

H.M.JR: Nobody has raised anything on the date question.

- 8 -

MR. RANSOM: It will be sold, of course. Now, if it is merely a question of how much it is going to be over-subscribed, that would be the least of worries, I should think.

H.M.JR: Well, now, let's take a look at what comes due in December '49, three and an eighth, four hundred and ninety-one million, depending on what it is - they will mostly call it; then a two and a half percent, a billion seven hundred eighty-six. And then we come along with a two percent the same date, so the chances are they will not call the two percent and the fellows will figure they won't call the two percent but they might call the three and an eighth and they might call the two and a half, but the fellow says, "With a two percent in there they won't call it there." That is the way I would figure.

MR. PISER: In that event--

MR. McKEE: If you are going to figure that, isn't it going to cut your premium pretty low, if you figure that due date?

MR. RANSOM: Do you want the premium high? I should think not.

MR. McKEE: I don't think it is going to be too high as it is.

H.M.JR: They tell me only a half a point in it, possibly, some say as low as four to six thirty-seconds.

MR. McKEE: What would it be on maturity? What would you figure, Murphy, on maturity?

MR. BELL: '49-'51's are selling on a hundred and ninety-two to call date and a hundred and ninety-three to maturity date.

MR. McKEE: Just one point.

MR. BELL: Yes, just one point. So there couldn't be a lot of difference, I shouldn't think.

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MR. McKEE: I couldn't sell tomatoes on that basis. (Laughter)

H.M.JR: Couldn't sell it to you?

MR. McKEE: I said I couldn't sell tomatoes on that differential.

MR. PISER: If they base on the June 1950, which would be the first call date after December, I figure it would have a premium of only an eighth of a point, four thirty-seconds.

MR. RANSOM: Isn't that enough?

H.M.JR: If they base it on what?

MR. PISER: On June 1950 - if they figure it won't be called in December but may be called in June.

H.M.JR: It is close.

MR. RANSOM: It ought to be close.

MR. MURPHY: They are figuring firmly that the ones now outstanding will be called on their respective dates. If you allow for the uncertainty that is there, there is not as much net uncertainty to be taken, and I don't think you need to cut it that much.

H.M.JR: Well, what we are doing - we ought to do it with our eyes open - we are gradually setting a pattern. We are saying a seven or eight-year area. We are going to expect to finance the war at two percent and then stick by it. Now, we feel we would like to do - now, if you fellows are with us, we would like to go through it, grit our teeth, and take the bumps tomorrow.

MR. RANSOM: I can speak for myself, I am with you on that. It seems to me you have got a very decent rate pattern already established and I would adhere to it. I wouldn't be driven out of it by any sort of pressure from any source.

- 10 -

H.M.JR: Well, I know, eyes open, it is closer than anything we have done before. I asked one person, "Well, what about the war news?" "Oh," he said, "We don't pay any attention to it as far as the Government bond news is concerned."

MR. SZYMCZAK: On the war news?

H.M.JR: Yes, it doesn't bother them.

MR. McKEE: They don't - they did more before we got into it than they have done since.

H.M.JR: You mean watched it since?

MR. RANSOM: They have gotten more realistic. They know what we are going into, I think, as a group here - "We are going to see you through it." I don't think you have a serious problem there.

H.M.JR: Well, I don't want to hurry anybody, but unless there is somebody - I think we will go through on December, if the Board is satisfied.

MR. RANSOM: It suits me.

MR. SZYMCZAK: Yes.



## TREASURY DEPARTMENT

WASHINGTON

July 7, 1942

Dear Mr. President:

In order to place the Treasury in funds to provide for expenditures authorized by law, I propose, subject to your approval, under authority of the Second Liberty Bond Act, as amended, to offer for cash subscription \$2,000,000,000, or thereabouts, of 2 percent Treasury Bonds of 1949-51, maturing December 15, 1951.

The authorizing act provides that bonds may be issued only with the approval of the President. Accordingly, I trust that the proposed issue will meet with your approval. It is my intention to make public announcement of the offering on Wednesday, July 8.

Faithfully yours,

*Henry M. Perath*  
Secretary of the Treasury.

The President,  
The White House.

APPROVED:

*Franklin D. Roosevelt*

DEFENSE

BUY  
UNITED  
STATES  
SAVINGS  
BONDS  
AND STAMPS

Exp. of loans

July 7, 1942

To Presidents, Federal Reserve Banks:

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

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

You have been advised of the terms of the new Treasury offering. Please instruct your Executive Manager to convey this information to the regional committee chairmen. It is expected that the subscription books will remain open for two days.

Although the services of the Victory Fund organization will not be utilized to their full extent in connection with the present offering, any assistance that you can render in broadening the distribution along the lines of the help given by the securities industry in the April offering of Treasury Certificates of Indebtedness will be appreciated.

The Secretary of the Treasury announced yesterday that the Treasury 2½% registered issue, due 1962-1967, will be reopened in a few weeks, probably late in July or early August. It is desired that the Victory Fund organization plan now to assist the Treasury in securing subscriptions for this issue as part of the major market financing in August, which will total approximately \$2,000,000,000.

PAGE 2

I shall be pleased if you will submit to me not later than July 25 the views of your Victory Fund organization on the type or types of issues which the Treasury should offer during the month of August. If they care to make suggestions for the next three months I shall be glad to get these views.

MORGENTHAU

GB:DNB:ew

July 7, 1942.  
1:30 p.m.

HMJr: Hello.

Dr. Chaim Weizmann: Good morning, sir.

HMJr: How do you do?

W: I'm very well. I've had to wait sometime there....

HMJr: Yes.

W: ....and I only just now came out.

HMJr: Oh - did you get word I wanted to talk to you?

W: Yes, I know, I know.

HMJr: Oh, I was afraid I'd miss you because I'm going over there too.

W: Too. Well, now you won't miss me. Now I'll tell you what happened. He first spoke about rubber....

HMJr: Yes.

W: ....and I gave him an autopsy of the situation, and I made a possible suggestion, the suggestion being that he should appoint a judge of the Supreme Court assisted by two scientists, who would collect all the evidence, and in a week they could present him a report and he would know the truth....

HMJr: Yes.

W: ....because I believe he doesn't know the truth, and that he admitted.

HMJr: Yes.

W: I - now the second point, about Palestine.

HMJr: About what?

- 2 -

W: About Palestine.

HMJr: Oh - oh, yes.

W: And he said that he wouldn't issue the statement on the necessity of a Jewish Army.

HMJr: Yes.

W: He thinks it's a good thing BUT the situation in Egypt is so dangerous that all the British are frightened over the - over the Egyptian Army turning against them.

HMJr: Yes.

W: Therefore, he thinks he should like to wait ten days. I said to him, "This appeasement of the Egyptians is just nonsense. You can just as well try and appease a rattlesnake."

HMJr: You could do what?

W: You could just as well try and appease a rattlesnake.

HMJr: Yes.

W: The Egyptians - if we are strong, the Egyptians will obey. If we are weak, the Egyptians will stick a knife into us.

HMJr: That's right.

W: And - well, he took it in. Then I said, "Wingate is the man to come over."

HMJr: Yes.

W: These British will not do it unless he, the President, insists. So he says he's got Wingate's name in front of him.

HMJr: He's going to do what?

W: He's got Wingate's name....

HMJr: Yes.

- 3 -

W: ....in front....

HMJr: Yes.

W: ....and he's - he thinks it's a good thing, but I don't know whether he will insist. So I beg of you, sir, that you should press this point.

HMJr: Yes.

W: Now that is more or less the contents of what has happened.

HMJr: I see.

W: He thinks that in ten days - in a fortnight - he would issue a statement concerning the Jewish Army.

HMJr: I see.

W: Well, he asked me to come and see him again....

HMJr: Yes.

W: ....which, of course, I shall do, but I shall be guided by you when and how.

HMJr: Well, is he going to take your suggestion about the rubber?

W: I think so. He's put it down on paper.

HMJr: Yes.

W: I believe he - he will.

HMJr: I see. Well....

W: The President was most charming.

HMJr: Good.

W: He's awfully nice. He looks very well too.

HMJr: Good.

- 4 -

W: And he really said, "I'm terribly sorry. I wanted to have a very long talk with you, but things interfered."

HMJr: Things what?

W: Interfered.

HMJr: Yes.

W: Now that is roughly the situation.

HMJr: Well, I'll - I'll mention it to him when I see him.

W: He's tumbled to the army. He thinks it's a good thing....

HMJr: Yes.

W: ....but he would like to hold back for a few days. Well, my opinion is that that is wrong, because that is only appeasement which has been done for....

HMJr: Well, let - let me ask you a question, Dr. Weizmann.

W: Yeah.

HMJr: Supposing the English had said, "Well, we'll enlist these men in the English Army."

W: Yes....

HMJr: I mean, you people aren't holding out for this thing?

W: No, no, all we wanted is that they should be organized in Jewish units in the English Army. Just as you have Scotch regiments and Welsh regiments and Irish regiments, there should be a Jewish regiment. That's all.

HMJr: Well....

W: Otherwise they are nobody's children, you see?

- 5 -

HMJr: Well, of course, I don't know that I see eye to eye with you on that, but....

W: Well, I explained the position. As I was waiting....

HMJr: Pardon me?

W: ~~As I was waiting~~ As I was waiting, Judge Rosenman came in and I explained to him and he agreed with me....

HMJr: He did.

W: ....and, believe me, it's not purely a nationalist point of view, it is a convenient point of view.

HMJr: Well, of course, the thing that interests me is, here these men are; they want to fight; they want to defend....

W: That's right.

HMJr: ....the thing; and I think that the idea is to give them a chance to fight.

W: Give them a chance to fight....

HMJr: Now I don't....

W: ....and also under the best possible conditions.

HMJr: Yes. Now I don't - because I can't settle arguments over the phone but....

W: No.

HMJr: ....I'm - I'm interested in their fighting qualities.

W: Yes, let's us do it - let's us do it piece by piece.

HMJr: I'm interested in their fighting qualities and not....

W: That's right, that's right.

HMJr: ....how they're enlisted.

- 6 -

W: Yes.

HMJr: I want to - I - I always want to be very plain with you.

W: Yes. Well, you are.

HMJr: So I mean....

W: But you see, the point is if people go into death, they want to be given the best possible chance.

HMJr: That's - that's right. Yeah, that's right. Well, let me see - and if I have anything for you, are you going to be here the rest of the....

W: I'm here the whole time.

HMJr: All right, and I'll - you had the message - did - did you get a message or did - from me to call me....

W: That's right. I got a message in the White House.

HMJr: ....to call me when you....

W: When I come out.

HMJr: But - oh - you hadn't got it before then?

W: No, but I - but you were just at lunch, you see?

HMJr: Oh, that's right. Okay, thank you.

W: Goodbye.

July 7, 1942.  
3:34 p.m.

HMJr: Hello.

Operator: General Doolittle.

HMJr: Hello. Morgenthau speaking.

General Doolittle: Doolittle here, Mr. Secretary.

HMJr: General, that message that you sent me over about our flyers in Russia....

D: Yes, sir. .

HMJr: ....I've got the Ambassador outside. Did - did you clear it with anybody over at your place?

D: I asked the boy who - who pulled it out of the file to clear it with our information section and the Air Corps information section, in order to make sure that I wouldn't get in any difficulty myself.

HMJr: Good. Well, I - I just cleared it with the President so we're all right. (Laughs)

D: Okay.

HMJr: Now I want to just get this thing straight. It says here - this isn't a code message I'm reading, is it?

D: Well, it probably came in code originally.

HMJr: It says "paraphrase." I'm all right. The Navy's trained me so not to read code messages on the phone. But this says "paraphrase" so I'm all right.

D: Yeah.

HMJr: This part here - "Approval list of items and food which are being furnished on time bond is desired to be submitted by the Soviets" - well, that's a question you're asking them, aren't you?

- 2 -

D: Yes.

HMJr: Then it says, "Thirty thousand rubles per month will be the cost of food. In regard to per diem payments by this office" - what is this---- Now the President asked....

D: Now wait, that last thing is an entirely different thing. That means in regard to paying them their normal salary....

HMJr: Oh.

D: ....and paying them their per diem of six dollars a day to which they're entitled when on extended duty away from their home state.

HMJr: Well, you mean....

D: There's no connection between that last paragraph and the rest of it.

HMJr: Well, then, the only part is thirty thousand rubles per month will be the cost of food?

D: That's right.

HMJr: Now the President asked me and I couldn't tell him, he said, "How many people are there?"

D: Five.

HMJr: Five?

D: Yes, sir.

HMJr: My God! Well, that's six thousand rubles.

D: How much is a ruble, Mr. Secretary?

HMJr: Well, I told the President forty cents. That's a gold ruble. But I - I don't know how they figure that, you see? But that's a gold ruble. That's \$12,000 a month for five people.

D: That's right.

- 3 -

HMJr: I - he figured there were ten, and it was about \$1,200 a month, but this is much worse.

D: Yes, sir.

HMJr: If - if they're figuring the ruble at forty cents. But I - I told him, I said, "Now unless you tell me not to, I'm going to go ahead and just give him a piece of my mind." So he says, "You go ahead and ask him what things are worth." In other words, he's given me the okay.

D: Yes.

HMJr: Now, so I - I'm going to talk to him, and I'm going to tell him I'd like to have a prompt service. And - and I'll only ask him that one thing. Is that right?

D: • That's right.

HMJr: And the other thing I'm - the other things in the message I won't touch on.

D: That's at the last part of the message - deals with the salary and expense money to be paid by our Government to those people.

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

D: The first part deals with the amount that the Soviet Government wants to feed them and house them.

HMJr: Well, I'll only touch on that.

D: Now there may be additional telegrams. That was the only one that I had seen.

HMJr: Yes. Well, this is enough.

D: That's the one I invited to your attention yesterday at Walter Reed.

HMJr: And that's the one I volunteered to take up with them.

D: Yes, sir.

- 4 -

HMJr: I'll let you know if anything happens.  
D: Okay.  
HMJr: Thank you.  
D: Thank you, sir.

July 7, 1942.  
4:08 p.m.

HMJr: Hello.

Operator: General Arnold.

HMJr: Thank you. Hello.

General Arnold: Yeah, General Arnold.

HMJr: Morgenthau.

A: You know I wanted to find out whether you wanted to get in touch with me, as I couldn't get in touch with you yesterday.

HMJr: Well, I just thought if I was going out to Walter Reed, I wanted the pleasure of riding with you one way or the other....

A: Well, I would have been tickled to death....

HMJr: ....and having a little gossip. I had nothing special.

A: Well, I didn't know whether you had or not, you know.

HMJr: No, I just thought that it's too good an opportunity to waste.

A: Well, I would have been tickled to death to go out with you had I gone out. (Laughs)

HMJr: No, that - that was all.

A: All right, sir.

HMJr: Yeah, it was very nice of the Air Corps to invite me, and I was quite touched.

A: Say, I want to tell you one - another thing. I want to tell you how much I appreciate that letter you wrote about your heroes' celebration....

HMJr: Yes.

- 2 -

A: ....giving us a pat on the back, because the pats on the back are - come very infrequently.

HMJr: Oh, really? Well, the Air Corps did a beautiful job, and we appreciated it very much.

A: All right, sir.

HMJr: I'll hope - I'll see - I hope to see you soon.

A: All right.

HMJr: Thank you.

July 7, 1942.  
5:10 p.m.

HMJr: Hello, Gene. How are you?

Eugene  
Duffield: Very well.

HMJr: I was glad to see you on the Dow-Jones ticker on this alien property thing. You had Treasury victory.

D: Yes, sir. (Laughs)

HMJr: That's been a long, hard fight.

D: Hasn't it though?

HMJr: And about every lawyer in town was against us.

D: Yeah.

HMJr: And....

D: Well, it - it seems to me a definite Treasury victory.

HMJr: Oh, yes, because the way it was before Crowley had a blank check on us for about \$6 billion dollars.

D: Any time he wanted to draw.

HMJr: Any time he wanted it.

D: That's right.

HMJr: And I - I wouldn't - couldn't have it that way.

D: Yeah. Well, I don't see how you could because the thing was hanging over your head, and you didn't know when it would get jerked out from under you. (Laughs)

HMJr: No, I mean any day he could say, "Send this over or that over," and....

D: Yeah, yeah.

- 2 -

HMJr: ....and you know - because - I mean the Department of Justice and Jimmy Byrnes and the Budget and everybody all ganged up against me.

D: That's right.

HMJr: But Mr. Roosevelt stood by me.

D: Good enough. That's the only "feller" who counts. (Laughs)

HMJr: Well, it was a long thing, and he's got lots of other things to think about but they....

D: He has.

HMJr: ....but they rushed that thing originally through without ever seeing it.

D: Yeah.

HMJr: And it was one of the dirtiest fights I've ever been in.

D: Oh, really?

HMJr: Oh, yes....

D: I knew it was long and tough, but I didn't know it was dirty too.

HMJr: Well - oh, yes, it was plenty dirty and....

D: Tough.

HMJr: ....but knowing your interests from the old days....

D: Yeah.

HMJr: ....having gone all through that Crowley business with me....

D: Yeah, I know. (Laughs)

HMJr: ....I just thought that for old times' sake, as well as for the moment, I'd call you up.

D: Well, fine. I appreciate it, because I did manage that one myself.

- 3 -

HMJr: You mean this one on the ticker.

D: Ticker, yes.

HMJr: Well, it - and all that publicity about Crowley, the lying end and all of it, and putting it over the Treasury and all the rest of it.

D: Yeah.

HMJr: So we're still at the old peanut stand.

D: (Laughs) Good enough.

HMJr: All right.

D: Fine.

HMJr: I'll see you one of these days.

D: Fine. Goodbye.

Dow-Jones July 7, 1942 12:35 P. M.

Roosevelt splits Alien Property control between Crowley and Treasury

Washington - President Roosevelt is understood to have signed executive order splitting control of Alien Property in this country between Treasury Dept. and Alien Property Custodian Leo T. Crowley.

Treasury will have jurisdiction over foreign exchange assets, banks balances and portfolio securities. Mr. Crowley as Alien Property Custodian will continue to have jurisdiction over physical properties owned or controlled by aliens including companies, real estate, and patents.

The new order formalizes working agreement which has existed between Treasury and Mr. Crowley since he became Alien Property Custodian. However, it represents a victory for Treasury, since heretofore Mr. Crowley had authority under executive order creating Alien Property Custodian to end Treasury control of alien bank balances, portfolio securities, and foreign exchange at any time he wished. Treasury feeling its status to be uncertain sought the new order defining the two spheres of activities.

President Roosevelt has signed the order it is understood here. He is known to have had it under consideration for several weeks and its issuance has been considered imminent for some time.

July 7, 1942

This is Sam Rosenman's joke.

What could a bird and a man do a year ago  
that a bird can do this year and a man can't?

A bird can make a deposit on an automobile.

July 7, 1942

Ferdinand Kuhn, Jr.  
Secretary Morgenthau

You said there is a new series of ads which is going out prepared by the Advertising Council. I personally want to see them and pass on them.

Please also let me know when Mr. McClintock is going to be in town, as I am very anxious to see him in the next day or two. I want to talk to him about getting us a Director of Publicity.

*See Kuhn's memo  
of 7/7-*

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 7, 1942

TO Secretary Morgenthau

FROM Ferdinand Kuhn, Jr.

1. The Advertising Council ads are ready for you whenever you would like to see them. Mrs. Morgenthau is seeing them at 3:00 this afternoon.
2. Mr. McClintock will be in Washington today and tomorrow.

F.K.

274

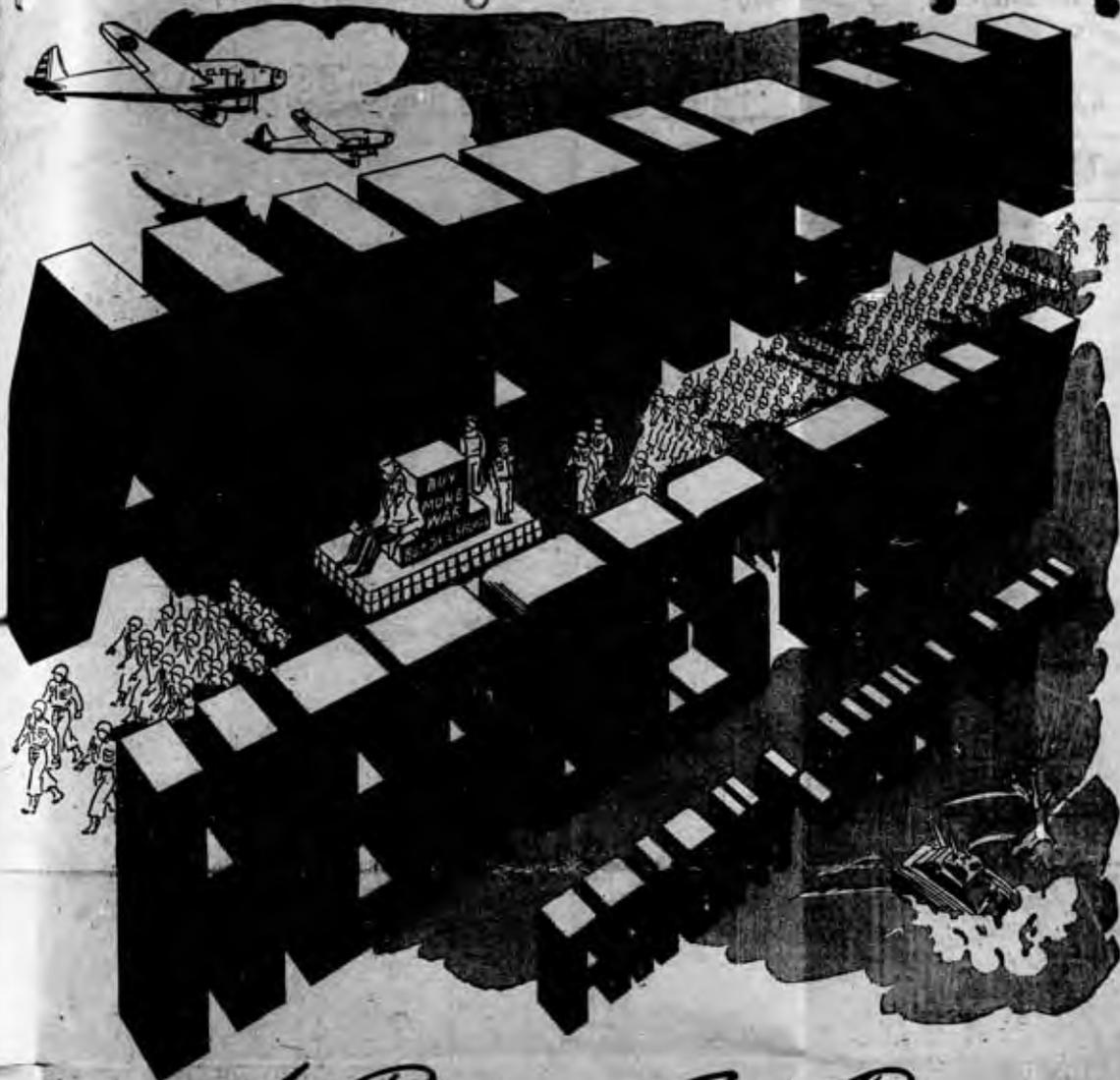
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 7, 1942

TO Secretary Morgenthau  
FROM Harriet Elliott *W.L.*

Upon investigation, I find that a special notice has been sent to all committee chairmen concerning the retailers' "American Heroes' Day" together with two copies of the puff sheet (copy enclosed). In addition, the Women's Division is circularizing directly the women committee chairmen with information concerning the Retailers' Week and a copy of the puff sheet.



## *A Pre-tested Sales Plan*

**FOR THE GREATEST ONE-DAY  
CITY-WIDE PROMOTION EVER!**



**HONORING** Your HOME TOWN HEROES With Action . . .  
Not Words! Your Chance to Put Your Town on America's  
Honor Roll of War Bond and Stamp Sale Champions in a One-  
Day All-Out Drive Sponsored by the Retail Advisory Committee  
to the United States Treasury.

The Big Day of the National Retailers for Victory Drive . . . July 1 to July 31, 1942



# SMASH ADS

## FOR YOUR AMERICAN HEROES DAY EDITION

Here are reproductions of two full-page ads, specially created for promotion by Meyer Both Company, as a contribution to the war effort. REPRODUCTIONS OF THESE FULL-PAGE ADS AS WELL AS MAT OF THE COVER ILLUSTRATION AND WHITE REPRODUCTION ARE INCLUDED WITH THIS PRESS BOOK GOING TO NEWSPAPERS!

### Additional Newspaper Ad Material for Your American Heroes Day Edition -

1. You can USE the many ad ideas illustrated in the enclosed planographed folder. (Included with Newspaper Press Book only.)
2. You can USE the additional illustrative headings that will appear in August issues of Stanton Superservice and Meyer Both General Newspaper Service.
3. You can USE the additional, dynamic full page ad which will appear on the cover of August Meyer Both General Newspaper Service.
4. Check list of Additional Ad Mats Also Available from Meyer Both General Newspaper Service  
 APRIL Issue, Pages 2, 4, 5, 27  
 MAY Issue, Pages 10, 19, 26  
 JUNE Issue, Pages 2, 3, 12, 16, 17, 22, 24, 26  
 JULY Issue, Pages 2, 7, 16, 22, 26
5. Check list of Additional Ad Mats Also Available from Stanton Superservice  
 APRIL Issue, Pages 1, 6  
 MAY Issue, Pages 2, 7, 8  
 JUNE Issue, Pages 2, 9  
 JULY Issue, Pages 1 to 7

## TAGGED FOR TOMO

An American Heroes Day Gift from YOU to the Axis!

**THE U.S. IS LOOKING AT YOU**  
**AMERICAN HEROES DAY**  
**JULY 17th, 1942**

**BUY WAR BONDS AND STAMPS FOR OUR BOYS**

*(Small text columns on the left and right sides of the ad provide details about the campaign and how to participate.)*

### SPRINGFIELD Salutes Our Heroes



## American HEROES DAY!

The day has been set aside to honor the brave men of Springfield who are fighting our every battle front to protect our freedom and the flag we love under the American Stars and Stripes. We salute them on this day, the birth of Springfield, because in the hour of our need... by making our war effort in the war here will have the funds they need to reach the job.



Yes, an American Heroes Day, let's show our love to them in a real way... by giving "Our Stars and Stripes" the love it deserves. Don't let this day pass by without what else you have to give us. Let's show the world that the people of Springfield will give up anything - but Freedom! For a final time, we salute the heroes of our country... and they help finance them every day the all money brings the home front!



**\*\* BUY WAR BONDS AND STAMPS \*\***

**REMEMBER!** MERCHANTS IN MANY CITIES PLAN TO ADVERTISE WAR BONDS AND STAMPS EXCLUSIVELY FOR AMERICAN HEROES DAY SELLING!

**REMEMBER!** TO SEND A COPY OF YOUR AMERICAN HEROES DAY EDITION TO F. EDWARD PULTE, JR. — CHIEF, RETAIL STORES DIVISION, WAR SAVINGS STAFF, 709 12th ST., N. W., WASHINGTON, D. C.

**THE BIG DAY OF THE NATIONAL RETAILERS FOR VICTORY DRIVE... July 1 to July 31, 1942**



# AMERICAN HEROES ARE DOING

## Mr. Newspaperman:

A large part of the responsibility for the success of American Heroes Day rests with you. You are the rallying point; the impetus you give through advance publicity and advertising will determine more than any other factor the public support which your local observance receives. Why not get behind your community's plans now? Now—not just a week or ten days in advance. Here are some suggestions for your participation.

### Plan Your Special Edition at Once — And Line Up Ads

A striking Heroes Day edition can be planned if you are equipped to run a second color, plan a Page One display using the American Flag in a ghost outline of the Minute Man figure, leading up to Heroes Day, you might plan to use the Minute Man flag in one or two of your "remember" line pages, too, with his reminder. Your advertising solicitors can start now to contact every store in War Bonds and Stamp sale and cooperative pages revivifying the site of smaller establishments.

### "Today's Hero" — A Running Feature Series for Any Town

For one or two weeks leading up to Heroes Day, you may want to carry a running series of short features on local "heroes" under a stimulating heading based on the Minute Man figure. The series can consist of interviews with manufacturers of the business boy in service to be honored on American Heroes Day, and the series can point up the fact. Newspapers with a daily feature page may want to make this series more prominent, and concentrate on local boys who have distinguished themselves. Illustrations can be snapshots obtained from the families, combined with news service photos.

### A Full Page of "Hero Photos" For the Special Edition

You might just to devote a page of your "Heroes Day" edition, then in service snapshots may be obtained by a display request in a Page One box, during the ten days before Heroes Day.

### "Minute Man" Cockades for All Your Carrier Boys on Heroes Day

Your carrier boys are undoubtedly selling War Stamps, those fine lads of America, and with 25 millions in War Bonds and Stamp up to Mary L. The Heroes Day, why not give every carrier boy with a cockade hat like that worn by the Minute Man, and urge him to intensify his sale.

### Sponsor a Poster Contest During Weeks Before Date

A "Heroes Day" poster contest, with War Bond prizes offered for winners in various age groups, will create additional interest. During the contest, illustrations of entries can be published daily, serving the dual purpose of building interest for the day and at the same time selling War Bonds and Stamps. Entries can close three days before the day, and all prizes submitted can be used as displays in department windows, ticketed with display and in the same time add to the city display.

### Special Daily Column of News From All Committees

"Heroes Day" will be a city-wide observance, and preparations for the day will require news from all corners of town. In order to make the coordination of plans and give the fullest coverage, from all committees, you may wish a special column for news from all committees, run each by a standing headline and found in some distinctive fashion.

## Mr. Committeeman:

Your job is the vital one of organization. Every club, every store, every group in your community can serve a useful part in promoting the sale of War Bonds and Stamps for American Heroes Day. You'll find that to a cause every community will have its problems and its own approach, no attempt will be made here to present a "step-by-step" blueprint following are simple suggestions from which you may draw a "lead" or two for local observance.

### Gasless and Rubberless Parade? It's Been Done — And Successful

For your American Heroes Day parade you may want to take a tip from another city. Their "Flag Day" parade pointed up war problems by eliminating all rubber-tired and gasoline-using vehicles. Parades marched, or rode horseback or in wagons.

### Central Graphic Display to Record Week's Sales

You may want to arrange some central "themed" display, to show home-to-home sales. Another idea would be a poster showing your community's activities, headed "TILL THE SKY WITH PLANS FOR AMERICAN HEROES DAY!" Signatures of a place can be pointed in each time the cost of the purchase plan; \$150,000 buys a two-engine bomber; \$250,000 buys a four-engine bomber. Communities of smaller size may want to choose one major piece of fighting craft—a bomber, a plane, a tank, a ship, or a submarine. Communities of smaller size may want to choose one major piece of fighting craft—a bomber, a plane, a tank, a ship, or a submarine. Communities of smaller size may want to choose one major piece of fighting craft—a bomber, a plane, a tank, a ship, or a submarine.

### Get the Maximum of Help from Your Local Clubs — They're Ready!

You will find your clubs ready to help and waiting for suggestions. They'll help you line up daughters and sons of members for street selling of Bonds and Stamps — they may sponsor an inter-club Heroes Day dinner.

### Citation or Award for Stores Doing the Best Selling Jobs

Your community's Merchants' Association could be solicited to survey each retail establishment on Heroes Day. Stores having the best displays and the best personal selling should be cited in a public statement. Naturally all stores should be informed by at least one War Bonds representative in each store who put the greatest effort behind the drive, as determined by the Merchants' Committee.

### Shell Casings Can Be Used By Street-Corner Stamp Sellers

Large shell casings—unsold and out of cardboard—can be placed alongside each street-corner War Stamp placard. "Lead a shell" provided by various purchases can be detailed on the gun. \$10.00 buys a bullet; \$50.00 buys a 17-mm. anti-aircraft gun; \$100.00 buys a 37-mm. anti-aircraft gun; \$200.00 buys a 75-mm. anti-aircraft gun.

### Central Bureau for Reports — A "Must"

In order to obtain a daily report of how your community stands in its War Stamp and Bond sales during the week before Heroes Day—and how it stands at the close of the day—a central office to collect and total the sales of every store will be necessary. Perhaps your Merchants' Association or local banking group will do this job. Forms for daily reports should be made up and distributed in advance. If this is not possible, each office agency should subscribe in the day's total the community's grand total can then be supplied to the local chairman and the press.

# TO YOU

## THEIR PART... WILL YOU DO YOURS?

### Mr. Retail Merchant:

This idea is right up your alley for you are an expert at moving goods, by advertising, promotion and display. During July during the week before American Heroes Day, and on American Heroes Day, your job is to SELL War Bonds and Stamps with every ounce of salesmanship you command. Prepared displays and newspaper ads will be available, but you undoubtedly will want to accent and dramatize your selling in your own fashion. Here are a few suggested ideas.

### "Bargain Sale" of Supplies For American Heroes in Arms

As a salesman, you know it isn't enough to tell the public you have a commodity on hand. Your customers are buying War Bonds and Stamps; your job is to maintain them in increased buying with planned merchandising. One store that might bring home the need for increased purchases would call for a display of "selling" supplies for the American Heroes in Arms. Thus an Army blanket might be illustrated, with copy telling how welcome it would be for a boy in Ireland... and the price listed as \$2 in War Stamps! Other supplies which can be similarly "sold" in War Stamps: 

Army coat	\$12.00
Army hat	\$2.00
Trench coat	\$15.00
Boat shoes (Mackinac)	\$10.00
Marine hat	\$5.00
Marine coat	\$10.00
Navy life preserver	\$10.00

(In some localities items of this nature may be borrowed from American—Enlisting Depot—Quartermasters Corps, etc.)

### Envelopes For Change Carry Selling Message

Inexpensive light-weight envelopes can be used as an added reminder of the "Take your change in War Stamps" idea. Before opening of the day's business a supply of quarters can be arranged in envelopes stamped with the reminder that "THE QUARTER will buy a dozen bullets—our fighting men, buy War Stamps Now." Envelopes can be given out when change is required. The envelopes can be left unsealed, and the salesperson can ask that they be returned for reuse.

### American Heroes Day Specials

You might arrange displays of Stamp Books or though there were sale merchandise, with sign—Special Today and Every Day A BARGAIN IN POSITIONS—WAR BONDS and Stamps

### Heroes Windows

MANY stores will want to make pictures of their own employees in the annual heroes part of their window display for American Heroes Day—suggested idea is central figure of Uncle Sam— with pictures of store's own heroes surrounding him—caption: "They're serving home—we're serving them on American Heroes Day—with War Stamps and Bonds."

### Victory Aisle

Main traffic side of the store can be made a Victory Aisle with upright bearing flag as suggested with red, white and blue lighting with groups of local heroes and War Bond and Stamp insignia. In some stores it will be possible to make a Victory Arch over the main aisle near main entrance.

### TAKE Your Change In Stamps

Cash registers in conspicuous parts of the store can be decorated with copies based on some heading display—Support Our Heroes—All Fighting Changes—The 75th Cent—You to take your change in Stamps. Customers on this night wear patriotic or service tags marked "Take Your Change in Stamps."

### Historical Display

Using the Children's Santa Claus corner idea, stores can collect from local veterans, from veterans' associations, from families of war veterans, etc., a display of war equipment, medals, moccasins, etc. place this on furniture, floor or other spacious place, rope it off and charge admission of a War Stamp to children, etc., to look at this display. If artistically handled, this can be a great War Stamp puller.

### Stamp Book of The Month

In larger stores, the book department can make existing display built around idea that the Book of the Month, every month, is your Stamp Book — This idea can be tied in appropriately with American Heroes Day idea.

### Radio Heroes Salute

Stores using spot announcements or having their own radio program can feature a salute to the city's own heroes. On spot announcements this can be a single call followed by a short announcement that your own, together with all the other great organizations of your city, submit your local heroes with the great city wide all-out War Bond and Stamp sale on American Heroes Day. On store program—shopping guides, etc.—local heroes from a near-by camp or a sponsor of a former war can be featured to give a heart to heart talk on "War Bond and Stamp sale."

**REMEMBER:** These are only a few suggestions — you'll have dozens of them — good solid merchandising ideas of your own to put over American Heroes Day in your store.

**DRAMATIC IDEA FOR  
SIGNS, BANNERS, POSTERS**

**THE U. S. IS WATCHING US**

# **AMERICAN HEROES DAY**

**FRIDAY JULY 17<sup>TH</sup>**

**LET'S  
BEAT OUR  
QUOTA**

**BUY MORE WAR BONDS and STAMPS**

Most cities will go in for plenty of showmanship on American Heroes Day. Illustrated is a colorful idea for large painted signs at key spots in your city. The copy and basic idea will also serve for window streamers, posters on telephone poles, street banners, bus and car cards. IT IS RECOMMENDED THAT SUCH DISPLAY MATERIAL BE PRODUCED BY SIGN SHOPS OR OTHER SUPPLIERS IN YOUR OWN CITY.

This Press Book was created for the Retail Advisory Committee to the Retail Stores' Division, War Savings Staff of the U. S. Treasury -- as a contribution to the war effort by

**MEYER BOTH COMPANY**

CHICAGO

NEW YORK

LOS ANGELES

Sales of United States Savings Bonds  
 From July 1 through July 6, 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
	July 1	July 1	July 1	to Date	July 1	July 1	July 1	to Date	July 1	July 1	July 1	to Date
Daily	to	to	as % of	Daily	to	to	as % of	Daily	to	to	as % of	
	Date	Date	Quota		Date	Date	Quota		Date	Date	Date	Quota
1	\$ 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	29.8	77.3	126.0	61.3	16.7	49.2	82.6	59.6	46.5	126.5	208.6	60.6
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	
12			273.2				160.6				433.8	
13			287.6				168.0				455.6	
14			311.6				181.8				493.4	
15			335.5				193.5				529.0	
16			358.7				202.8				561.5	
17			377.4				210.5				587.9	
18			411.8				223.9				635.7	
19			425.9				231.8				657.7	
20			451.1				247.0				698.1	
21			477.5				260.1				737.6	
22			503.8				270.7				774.5	
23			525.0				279.5				804.5	
24			562.7				295.1				857.8	
25			577.2				304.3				881.5	
26			601.3				322.1				923.4	
27			625.8				337.5				963.3	
28			650.0				350.0				1,000.0	

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

July 7, 1942.

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

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

UNITED STATES SAVINGS BONDS - SERIES E

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

(At issue price in thousands of dollars)

Date	July daily sales	Cumulative sales by business days				July as percent of June
		July	June	May	July as percent of June	
July 1942						
1	\$ 15,821	\$ 15,821	\$ 19,834	\$ 12,679	79.8%	
2	14,880	30,701	27,841	24,263	110.3	
3	16,822	47,523	40,811	46,532	116.4	
6	29,797	77,320	58,199	55,460	132.9	

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

July 7, 1942.

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

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

UNITED STATES SAVINGS BONDS - SERIES 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 as percent of June	
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	
6	16,734	49,175	40,009	33,145	122.9	

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

July 7, 1942

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

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

UNITED STATES SAVINGS BONDS - TOTAL

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

(At issue price in thousands of dollars)

Date	July daily sales	Cumulative sales by business days				July as percent of June
		July	June	May		
July 1942						
1	\$ 28,418	\$ 28,418	\$ 29,539	\$ 19,981		96.2%
2	24,269	52,687	45,442	39,430		115.9
3	27,277	79,964	67,046	72,048		119.3
6	46,531	126,495	98,208	88,605		128.8

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

July 7, 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.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE July 7, 1942

TO Secretary Morgenthau  
FROM Mr. White

I am giving you herewith a comparative statement of the earnings and expenses of the Stabilization Fund for the months of May and June, 1942.

<u>Earnings</u>	<u>May 1942</u>	<u>June 1942</u>
Interest earned on investments	\$ 20,220.69	\$ 19,514.93
Interest earned on Yuan	<u>24,389.84</u>	<u>23,605.23</u>
Total	\$ 44,610.53	\$ 43,120.16
Profits on handling charges on gold	<u>139,666.12</u>	<u>36,940.30</u>
Grand Total	\$184,276.65	\$ 80,060.46
 <u>Expenses</u>		
Salaries	\$ 20,502.61	\$ 23,670.23
Travel	838.77	539.55
Subsistence	39.14	1,766.75
Telephone and Telegraph	1,445.86	2,239.54
Stationery	18.68	35.00
All others	<u>457.09</u>	<u>1,462.96</u>
Total	\$ 23,302.15	\$ 29,714.03
<u>Net Earnings</u>	\$160,974.50	\$ 50,346.43

The sharp decline in earnings for June resulted mainly from an appreciable reduction in the volume of gold transactions with foreign countries, on which the handling charge of 1/4 of 1% is collected.



OFFICE OF  
CHIEF COORDINATOR

TREASURY DEPARTMENT  
TREASURY ENFORCEMENT AGENCIES  
WASHINGTON

July 7, 1942.

TO: Secretary Morgenthau  
FROM: Elmer Ireby

Cuban and Mexican Alcohol

The investigation made so far in this case discloses that the Government apparently is being asked to pay a greater amount per gallon for Mexican and Cuban alcohol than it might otherwise have to pay. This appears to constitute a possible fraud on the Government.

Furthermore, according to the General Counsel's office, the Treasury Department may waive the payment of tariff and excise tax on alcohol imported by the Government, and it contemplates doing so in this case. However, obviously such an agreement of waiver would not be entered into if the Treasury Department knew it was dealing with persons who were conspiring to defraud the Government. Therefore, I feel that the Treasury Department should make a thorough investigation to develop all the facts, in order that determination might be reached as to whether the duty and tax should be waived.

July 7, 1942

Mr. Livesey

Mr. White

With reference to our memorandum of June 18, 1942,  
will you please circularize the Missions abroad, instructing  
them to send cable reports on United States currency only  
as of the first and third Wednesday of every month.

HG:rel - 7/7/42

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Y

JG

Buenos Aires

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

Dated July 7, 1942

Rec'd 8:30 p.m.

Secretary of State,

Washington.

1338, July 7, midnight.

FOR TREASURY DEPARTMENT

Dollar notes not quoted by reputable banks  
or brokers. A buyer is reported to be willing  
to pay 240 provided authorities not informed.

Charge Treasury.

ARMOUR

LMS

ehicopy  
7-8-42

## DEPARTMENT OF STATE

WASHINGTON

July 7, 1942

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In reply refer to  
FD 102.1/6696

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses herewith copies of telegram no. 495, dated July 7, 1942, from the American Consulate, Calcutta concerning the handling of Treasury checks.

## Enclosure:

From Consulate, Calcutta,  
telegram no. 495, July 7, 1942

Copy:lc:7/8/42

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MEO

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

Calcutta

Dated July 7, 1942.

Rec'd 12:30 p.m.

Secretary of State,

Washington

RUSH

495, July 7, 2 p.m.

Your 217, May 5, 1 p.m.

In view of closing National City Bank Bombay request authority contained your 180, April 15, 5 p.m., to handle Treasury checks be extended to Bombay branch Chartered Bank of India, Australia and China.

SCHMARE

WSB

Copy:lc:7/8/42

C  
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KLP

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

Panama

Dated July 7, 1942.

Rec'd 5:54 p.m.

Secretary of State,

Washington.

758, July 7, 2 p.m.

Your circular July 2.

As reported in the Ambassador's despatch No. 2389 of June 12, 1942, Panamanian Government has established control over the in and out movement of dollar currency, securities and other valuables. Parallel action is being taken by Canal authorities.

MUCCIO

KLP

Copy:lc:7/8/42

BRITISH MOST SECRET  
U.S. SECRET

OPTEL No. 231

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

1. NAVAL

Northern Waters. No further news received of convoy to RUSSIA, except that 1 ship reported being attacked by aircraft evening 6th. Of the homeward bound convoy it is now known that one of H.M. minesweepers, 1 Russian 4,400 ton ship, 4 U.S. ships, totalling 26,750 tons, were sunk by mine off ICELAND (C), 1 Panamanian 6,000 ton ship was also damaged.

2. MILITARY

EGYPT. At dusk on 5th enemy anti-tank screen including infantry and 88 M.M. guns extended from a point approximately 6 miles south of EL ALAMEIN station to a point 17 miles southwest of it. This screen was engaged by our artillery but succeeded in holding up our armoured units. During night 5th/6th which was quiet, the enemy appeared to be extending his right flank westwards to a point 35 miles west southwest of EL ALAMEIN station. At 11 A.M. on 6th 35 tanks, believed German, were reported stationery in area 10 miles south of EL ALAMEIN with about 3,000 enemy M.T. slightly to the northwest of them. Columns of our infantry pushed north during the morning and at 11 A.M. had reached a general line running east and west just south of DEIR EL HARRA (22 miles west southwest of EL ALAMEIN) 24 Australian Brigade moved into position about 12 miles south by east of EL ALAMEIN.

RUSSIA. There is no confirmation of German claim to have reached RIVER DON but there is evidence that German thrust east of KURSK has made further progress. It was reported on 4th that German troops and aircraft in CRIMEA were being moved rapidly into KERCH Peninsula and that indications pointed to an early attack on the TAMAN Peninsula.

3. AIR OPERATIONS

WESTERN FRONT. Night 6th/7th. 42 aircraft despatched sea-mining in BAY OF BISCAY. 3 are missing. About 25 enemy aircraft flew over the UNITED KINGDOM. 1 was destroyed and 2 damaged. 1 enemy aircraft also destroyed over Northern FRANCE. Bombs were dropped in TYNE-TEES area. Incendiaries caused damage at MIDDLESBROUGH, GILLINGHAM and NEWCASTLE.

EGYPT. 5th/6th and 6th. Our aircraft attacked the railway M.T. concentrations and landing grounds. 2 railway trains were set on fire and many direct hits scored on vehicles and aircraft on the ground. Sea mines were laid off TOBRUK. A few enemy aircraft operated in the ALEXANDRIA area and further mines were dropped in the vicinity of the SUEZ CANAL. We destroyed 7 enemy aircraft and damaged 15 for the loss of 8.

MALTA. Between 1.20 P.M. 5th and 9 A.M. 6th about 80 aircraft attacked the Island. Our fighters destroyed 9, probably destroyed 6 and damaged 7. 2 Spitfires damaged.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE July 7, 1942

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

Conditions in Italy

For normal consumers, meat is practically unobtainable in Italy. Reports concur that in spite of the universal food shortage, almost anything can be bought with money on the black market.

(Political Warfare Executive, Intelligence Summary)

Germany

The first example of something like mass civil disobedience has occurred in Germany as an outcome of Goering's survey of the mobilization of German labor. The local peasant leaders of 22,000 out of the total of 58,000 communes did not make any returns in the survey. Some of the "Ortsbauernfuhrers" may have had no labor reserves but the others did not make a return because of the social unpleasantness of such a listing task in small villages.

(Political Warfare Executive, Intelligence Summary)

German Tank Strength

The Office of Strategic Services has made the following estimate of present German tank strength:

The German Army is believed to have had in June, 1942, 24,000 modern tanks. These tanks are distributed as follows: one-third in the 28 armored divisions (200 per division in the new-type Panzer division) and in 28 GHQ armored brigades (100 per brigade); one-third in combat reserves; and the remaining third in transit, shops, training stations, in depots, etc.

Production is estimated to have remained at the 1,500-1,600 per month level during the past year (i.e. about equivalent to our current monthly production).

(Office of Strategic Services, "The War This Week",  
June 25 - July 2, 1942)

German Submarine Strength

The Office of Strategic Services has made a study of German submarine strength. According to these findings:

- a) Germany had in operation around 260 submarines on May 1, 1942. Sixty-five of these would be on patrol at any one time. The remainder would be in bases, training schools, on trials, or en route to or from the patrol area.
- b) Based on aerial reconnaissance of the submarine yards, Germany launched submarines at the rate of

5 per month in 1940  
18 per month in 1941  
26 per month in 1942

The number of submarine building ways has increased from 23 in September, 1939 to 180 in August 1941. No further increase occurred until April 1942. Between April and June, 1942, another 26 ways were put into use.

- c) In 1942, it is estimated that it takes from nine to sixteen months, depending on the size, to construct and fit out a submarine. A further two-month interval is necessary for trial runs before the submarine enters service.
- d) The average rate of loss of submarines is estimated at three a month prior to January 1, 1942, and four a month in 1942.
- e) Germany began the war with 60 U-boats. On May 1, 1942, she had around 260. At the current rate of losses and launchings, it is believed Germany will have more than 430 submarines by January 1, 1943.

(Office of Strategic Services, "The War This Week",  
June 25 - July 2, 1942)

(The figures do demonstrate a threatening situation. It is necessary to remember, however, that the real bottleneck in submarine warfare has always been not submarines but the production of trained officers and crews.)

### Voice of the Chief

#### Sub Stories are Cutting Enlistments

Wild rumors of the rigors of life on submarines are seriously affecting enlistments. The decline of voluntary enlistments is "a bad sign"... "because we can use no indifferent or average person drafted willy-nilly for our U-boats. For them we need daring, spirited young fellows - in other words, as we had them in droves formerly, young fellows who give the ultimate for their fatherland without asking a lot of questions.

"But these unscrupulous, in many cases even malicious, accounts about the alleged intolerable conditions on the U-boats on their long voyages, these appear to have more effect than the finest speeches of bemedaled recruiting officers in parade uniforms. And the worst (gathering places) for such inexcusable pictures are, specifically, such towns as Bracke, Breda, Emden, Pillau, and Buxtehude where the young U-boatmen are supposed to receive their first training.

"...In (Beida), the recruits (were made) to hear that, out of the 400 men who have taken the course in the past 6 months, 150 have failed to return from the training trip or the trip against the enemy.

"Also, the nervous strain and the injurious effects of working under pressure on board are freely exaggerated. As a result, the fact that in the past 8 weeks, about 200 U-boatmen have been admitted to Wernigerode with nervous shock and mental disturbances has already led to the ridiculous superstition that every U-boat seaman sooner or later becomes mad.

"And this sort of thing is more readily believed if it comes from the mouths of active Uboatmen. Unfortunately, it must be said that those who always manage to get special leave and are feted as heroes in the cities for which their U-boats are named are the very ones who pompously have their mouths so terribly full of horror stories.

Reasons for the rumors "actually exist" and the only way to eliminate the rumors would be to eliminate the reasons. "The first step, of urgent necessity, is a notably longer and more fundamental training of crews as is constantly being demanded by responsible comrades. Three months of training leads to nothing except unnecessary losses in men and boats.

"The second important requisite in personnel management is regular home furloughs."

Raeder believed myth of sub troubles

When three Spaniards, after a review of the submarine base at Scheveningen, the Netherlands, told an irresponsible yarn of troubles aboard U-boats being repaired at Ferrol and Vigo, Spain, Raeder (General Admiral Erich Raeder) not only believed it but thoroughly investigated it, charges "Gustav Siegfried Eins".

"The Chief" characterizes the Spaniards as "Three mangy Spanish gallows-birds who took it upon themselves to express their unauthorized opinion of the mood and disposition of such U-boatmen" and says: "The Spaniards claimed that the submarines had not been able to reach their French ports and the men told the most...tales regarding their experiences in sailing against the enemy. Upon several submarines, the men had become insane and in Ferrol a kind of mutiny had occurred. A crowd of U-boatmen refused to go abroad again and a couple of them fled to Portugal to make off to South America with false passports.

"And Raeder, as a matter of fact, used the report to put something juicy over on the B.D.U. (Befehlshaber der U-Boote: "Commander of U-boats"). The whole affair, with the supposed mutiny in Ferrol, is accepted in dead earnest...."

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(Federal Communications Commission)

(The Federal Communications Commission states that the story in the New Yorker that the "Voice of the Chief" has been located in German territory is not correct. The F.C.C. engineers have not yet been able to locate the station. It is believed that the station is probably outside of Germany, but with good sources of information in Germany. The implication is that the station is not a genuine clandestine station, but a clever attempt on the part of somebody outside Germany to sow dissension between the Reichswehr and the Nazis.)

Reasons for the rumors "actually exist" and the only way to eliminate the rumors would be to eliminate the reasons. "The first step, of urgent necessity, is a notably longer and more fundamental training of crews as is constantly being demanded by responsible comrades. Three months of training leads to nothing except unnecessary losses in men and boats.

"The second important requisite in personnel management is regular home furloughs."

Raeder believed myth of sub troubles

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