

**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)

<table>
<thead>
<tr>
<th>Date</th>
<th>July sales</th>
<th>Cumulative sales by business days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>daily</td>
<td>July</td>
</tr>
<tr>
<td>July 1942</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>$28,418</td>
<td>$28,418</td>
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<td>19</td>
<td>33,434</td>
<td>670,075</td>
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Office of the Secretary of the Treasury,
Division of Research and Statistics.

July 24, 1942.

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

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.
UNITED STATES SAVINGS BONDS - 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)

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

July 24, 1942.

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

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.
### UNITED STATES SAVINGS BONDS - 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)

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<th>Cumulative sales by business days</th>
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<td></td>
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<td>July</td>
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<tr>
<td>July 1942</td>
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Office of the Secretary of the Treasury,
Division of Research and Statistics.

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

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

July 24, 1942.
Sales of United States Savings Bonds
From July 1 through July 23, 1942 219
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

<table>
<thead>
<tr>
<th>Date</th>
<th>Actual Sales</th>
<th>Quota, to Date as % of</th>
<th>Sales</th>
<th>Quota, to Date as % of</th>
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<td>Series F and G</td>
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<tr>
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<td>Actual Sales</td>
<td>Quota, to Date</td>
<td>Actual Sales</td>
<td>Quota, to Date</td>
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<td>Daily to Date</td>
<td>July 1</td>
<td>Daily to Date</td>
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<td>$12.6 $12.6 $19.4 $14.9%</td>
<td>$28.4</td>
<td>$28.4 $43.0 $66.0%</td>
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<td>286.7 355.9 81.1</td>
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<td>17.1 141.6 147.7 95.9</td>
<td>36.1</td>
<td>324.9 384.3 84.5</td>
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<td>372.0 433.8 85.8</td>
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<tr>
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<td>14.4 176.6 168.0 105.1</td>
<td>30.1</td>
<td>402.1 495.6 88.3</td>
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<td>15.4 192.0 181.8 106.6</td>
<td>33.8</td>
<td>435.9 493.4 88.3</td>
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<td>13.8 205.8 193.5 106.4</td>
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<td>467.6 589.0 88.4</td>
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<td>21.9</td>
<td>527.2 587.9 89.7</td>
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<tr>
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<td>21.9 252.7 223.9 112.9</td>
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<td>580.4 635.7 91.3</td>
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<td>602.1 657.7 91.5</td>
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<td>636.6 698.1 91.2</td>
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<td>23</td>
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<td>350.0</td>
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</table>

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.
<table>
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<th>Date of Shipment</th>
<th>Denominations - Number of Pieces</th>
<th>Total Pieces</th>
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</tr>
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<td>6/1</td>
<td>441,453</td>
<td>79,590</td>
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<td>6/2</td>
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<td><strong>Total</strong></td>
<td><strong>10,910,361</strong></td>
<td><strong>1,949,800</strong></td>
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</tbody>
</table>

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Regraded Unclassified
July 24, 1942.

Mr. Edward H. Foley, Jr.,
Washington, D. C.

Sir:

You are hereby appointed an Assistant General Counsel, Office of the General Counsel, Treasury Department, with compensation at the rate of ten thousand dollars per annum, effective July 24, 1942, payable from the appropriation "Salaries, Office of the General Counsel".

Very truly yours,

(Signed) H. Morgenthau, Jr.
(signed) H. Morgenthau, Jr.

Secretary of the Treasury.
August 1, 1942.

MEMORANDUM

TO: Mrs. Klotz

FROM: Mr. Gaston

The attached letter from Foley to the Secretary, dated July 23, and the letter from the Secretary to Foley, dated July 24, have been read over the telephone today to the Secretary and the reply has his approval. They are to be given to the newspapers today in connection with an announcement from the White House of the resignation.

Attachments.
July 24, 1942.

Dear Ed:

I have your letter of July 23 and the letter from you to the President of the same date which you enclosed and in which you tendered your resignation as General Counsel for the Department of the Treasury.

Your services in this Department have been so well performed, and you have handled with ability and efficiency so many difficult and important matters, that I deeply regret that you have decided to tender your resignation. The manner in which you executed your duties as General Counsel has been of inestimable value in the prosecution of the war, and I could not ask for a better or more competent General Counsel than you have been. I have enjoyed our personal relations and your cooperation has always made our official relations very pleasant.

While I regret your leaving, I can appreciate that you are anxious in time of war to aid your country...
as a member of the armed forces. I know that when you accept your commission as lieutenant colonel, the Army will secure a gentleman and an excellent officer.

I shall most certainly comply with your request to me to express your thanks and appreciation to the officers of the Department and to the members of your staff. I sincerely hope that someday after the war has been prosecuted to a successful conclusion we shall again be able to work together.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Edward H. Foley, Jr., Esq.,
General Counsel for the
Department of the Treasury,
Washington, D. C.
July 23, 1942

Dear Mr. Secretary:

Enclosed is a letter from me to the President dated today which tenders my resignation as General Counsel for the Department of the Treasury in order that I may accept a commission as Lieutenant Colonel in the Army of the United States.

As you know, the decision was a very difficult one to make. The years that I have been honored by serving you as General Counsel for the Department represent to me the most interesting and happiest of my life. However, I have felt that I could best serve my country for the duration of the war by accepting the commission that has been offered me.

It has been a great privilege to work under you. The magnitude of the tasks, the variety of the work, and above all, your foresight in anticipating and taking steps to meet the problems which would face the Department in the event of war, have been a stimulation to me which I shall always remember.

My work in the Department was made infinitely easier and pleasant by the excellent cooperation and fine personal attitude of the various officers of the Department. I do not
think I am overstating the situation when I say that they make up the most efficient and most able executive establishment in the Government. I request that you express my appreciation to them.

Finally, I must ask you to thank the members of my own staff for their efforts on behalf of the General Counsel's Office. I have never known a group of men who gave more unstintingly of their time and abilities than did they. I doubt that a more competent and conscientious organization of lawyers has ever been assembled anywhere.

The warm personal relationship which I enjoyed with the men at the Treasury Department will, I know, continue. I hope there will be many opportunities during the days ahead for me to see much of them.

Cordially,

[Signature]

The Honorable,

The Secretary of the Treasury.
Dear Mr. President:

I hereby tender my resignation as General Counsel of the Treasury Department. I have been offered a commission as Lieutenant Colonel in the Army of the United States where I feel I shall be able to make a contribution more directly related to the war effort.

I know I shall be better satisfied in these critical times as a member of our armed forces.

During the three and one-half years it has been my privilege to be in the Treasury, I have enjoyed my work with Secretary Morgenthau very much.

I am proud to have been associated with your Administration and hope when victory and peace have been won, that I shall again have an opportunity to serve you in a civilian capacity.

With kindest personal regards,

Cordially,

(Signed) E. H. FOLLY, JR.

The President

The White House.
Dear Ed:

It is with real regret that I accept your resignation as General Counsel for the Treasury Department tendered on July twenty-third.

I can appreciate your earnest desire to get into the armed forces. Secretary Morgenthau is making a real sacrifice in releasing you for you have made an enviable record as General Counsel in the Treasury. In that capacity you have performed the difficult duties assigned to you with marked distinction and I know that your services will be very useful in your new assignment.

With all good wishes,

(Signed) FRANKLIN D. ROOSEVELT

Mr. Edward H. Foley, Jr.,
General Counsel,
Treasury Department,
Washington, D. C.
July 24, 1942

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

My dear Mr. Secretary:

I have your letter of July 9, 1942 dealing with the proposed legislation, which recently passed the House of Representatives, to designate the Board of Tax Appeals as a Tax Court.

For your further information I am enclosing a copy of a letter which I am today transmitting to the Honorable Walter F. George, Chairman, Senate Finance Committee, in opposition to this proposal.

I desire to state my appreciation for the cooperation which you so kindly offered in your letter of July 9th.

Sincerely,

FRANCIS C. BIDDLE

Encl. Attorney General.
July 24, 1942

Honorable Walter F. George  
Chairman, Senate Finance Committee  
United States Senate  
Washington, D. C.

My dear Senator George:

Section 504 of the new revenue bill, H.R. 7378, as passed by the House of Representatives, purports to change the official designation of the United States Board of Tax Appeals to the United States Tax Court and to designate its members as judges, without changing the powers and jurisdiction of the Board, the appointment and tenure of its members, or the practice and procedure before it.

On June 5, 1942, I wrote to the Secretary of the Treasury opposing a legislative proposal to convert the Board into a full-fledged court. This letter was presented to the House Ways and Means Committee. When this proposal was modified merely to change the name of the Board, I wrote the Chairman under date of July 3, 1942, expressing my disapproval of that proposal also.

I am still of the opinion that it is not in the public interest either to make the Board a real court, as was first proposed, or to designate it as a court in the executive branch of the Government, as the House bill proposes to do. The reasons for my opposition are set forth in detail in the two letters above referred to, and in order that you and the other members of your Committee may have my views before you, I am enclosing copies of those two letters.

I need add only a few words to supplement these two letters. In the first place it should be observed that the report of the Ways and Means Committee advances no reasons to support the action taken. No showing is made that necessity or
public purpose will be served by the change. In the second place it should be noted that the House Bill makes specific provision for the practice of laymen before the proposed Court. As applied to an administrative agency such a provision would of course be entirely appropriate. But its application to a body designated a “Court” is an anomaly and will only serve to add to the confusion which the basic proposal will engender.

This letter and its two enclosures are submitted in the hope that your Committee may agree that the proposed change is inadvisable. I ask that these communications be made a part of the record of the public hearings before your Committee.

Sincerely,

Encls. Attorney General.
July 24, 1948.

Dear Mr. Holme:

The Secretary has seen the enclosed letters which you sent to him on July 17. I think you would like to have them for your own files and I am therefore returning them to you.

Sincerely yours,

H. S. Kots,
Private Secretary.

Mr. Brent Holme,
O/o Mr. W. N. Behlaender,
Room 7002, Procurement Division,
Seventh and D Streets, S. W.,
Washington, D. C.
Enclosures.
Dear Henry:
The attached arrived after my letter to you earlier today.

Looks like a lot of "lost motion" and duplication, - or lack of helpful consultation among responsible heads.

B H
BEMIS BRO. BAG CO.

601 South Fourth St.
St. Louis, Mo.
July 14, 1942

Mr. Brant Holme
Suite 2315
122 East 42nd Street
New York, New York

Dear Brant:

Attached is copy of letter from the U. S. Civil Service Commission. We are forwarding your name in reply to this letter, saying that we understand you are already in touch with the OPA.

Yours very truly,

BEMIS BRO. BAG COMPANY

(Signed) P. E. Morrill
Vice President

(PM-dr)
The U. S. Civil Service Commission is in urgent need of Commodity Specialists available for War Service Appointments in the Office of Price Administration in connection with the administration of price control systems.

At present, there exists in Washington, D. C., a vacancy in the $5600 grade requiring the services of an individual to act as Chief of a unit dealing with miscellaneous fibers including burlap, sisal, hemp, henequen, and woven containers. The position will involve responsibility for the formulation of price controls, the direction of explanation of the General Maximum Price Regulation and existing price schedules of this unit, and amending and enlarging the unit's price schedules, formulating press releases, freeze orders, etc.

The person selected for this position must have had several years experience as a production and distribution executive in large firms manufacturing and distributing cotton and burlap containers. Academic training is desirable, and will enhance opportunities of appointment, but is not essential.

The opportunity thus exists for a qualified person to render an important service to the nation at this critical time. Please give serious consideration, therefore, to making your own services available. It is also desired that you bring this matter to the attention of any qualified persons in your own organisation or elsewhere. If circumstances prevent you from submitting an application, it is suggested that you consider, possibly together with the other executives of your organization, the designation of some one from among your number whom you feel can be spared for the duration of the war. It should be understood that the filing of an application does not obligate you to accept an offer of appointment when made, but it will give the Commission and the operating officials a chance to consider your qualifications. No written examination is involved. The decisions are based upon the applicant's own statements regarding his education and experience. For this reason, the description of the applicant's experience should be sufficiently in detail that an accurate conception of his background may be gained by the operating officials.

While the vacancy described above is of immediate concern, it is expected that other positions of lesser responsibility will be vacant in the near future. Persons who have had broad and responsible experience in this field, and who may be available for these positions when the demand for their services arises, should also submit applications. These positions range in pay, in accordance with their duties and responsibilities, from $2600 to $4600.
It is our hope that persons of the highest attainments will feel that they should make their services available wherever they can be used to advantage.

The necessary Application Forms 8 or 57, and 4006-ABCD may be obtained at the Ninth U. S. Civil Service District Office, New Federal Building, St. Louis. After execution, they should be forwarded to the Agricultural Unit, Room 261, Civil Service Commission in Washington. All positions in this field are entitled Commodity Specialist.

By direction of the Commission:

Very truly yours,

(signed) Frederick W. Brown
Principal Examiner
Agricultural Unit
Concerning the investigation of the alleged Parachutists, July 16-42. Have confirmation of a four motored Army Bomber flying diagonally across the Ryan and Vincent Astor Estates, Rhinebeck, N.Y. at exactly 4:50PM, July 16-42. Was travelling from a south west to a north easterly direction, moderate rate of speed, not high. Confirmation by a Mr. John Halwick, Lake Katrine, N.Y. who observed from Ferry Slip at Rhinecliff, N.Y. and have a statement. In lieu of info. from Clyde Swensden, he places time of incident as 4:50PM or thereabouts. This would put Bomber over that area at the same time. Respectfully request that this info. be checked with the Army if possible. The crew may have observed what Swensden observed or may have been responsible for what Swensden observed.

The Red Plane in question flying this Area. Trp. Weiss of this patrol advises that at Dobbs Ferry, N.Y. there are three red colored planes in the Hudson River, either sea-planes or amphibians. Sign on the hangar there "LEARN TO FLY" may have been one of ships in this area. Same near the Dobbs Ferry R.R. Station.

Received and Sent. Sorp. Fikke 2:47 PM
Federal Bureau of Investigation  
United States Department of Justice  
Washington, D. C.  
July 24, 1942  

PERSONAL AND CONFIDENTIAL  
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

With regard to our telephone conversation on Sunday concerning the report of landings by parachutists at Rhinecliff, New York, I thought you would like to know that I have caused a thorough and continuous investigation to be made of the incident by representatives of this Bureau in an effort to arrive at a definite and accurate conclusion concerning the authenticity of the report.

You will recall that the initial report was made by Mr. Claude Swenson, Superintendent of the John Jacob Astor Estate at Rhinebeck, New York, who stated that at 4:45 P.M. on July 16, 1942, he and his wife observed several parachutes (four or five) which appeared to be descending in the vicinity of Rhinecliff, New York.

Mr. and Mrs. Swenson have been thoroughly and repeatedly interviewed by Special Agents of this Bureau. Mr. Swenson’s version is to the effect that on the afternoon of July 16, 1942, while in the vicinity of his barn he observed an object which he first thought was an airplane drawing a glider but later on closer observation decided that what he saw were approximately four parachutes. He states that he saw ropes dangling from the parachutes to which unidentified objects were attached. He describes the parachutes as being approximately eight feet in diameter and says that they were descending very slowly. He states he did not see or hear an airplane. Mr. Swenson called to his wife and they both ran to the other side
of the barn where their vision would be unimpaired, and she was in time to see one object believed to be a parachute descend into the trees. Mr. Swenson stated that by this time his eyes had become so blurred that he had difficulty seeing, and in this regard it may be noted that his eyesight is bad, necessitating the use of heavy glasses.

During a later interview, Mr. and Mrs. Swenson modified their statements by admitting that they were not definitely certain that the objects they observed were parachutes. They could not state that they saw a man attached to any of the objects and pointed out that the objects could have been much larger or smaller than described in view of the distance involved. The distinct impression was gained by the interviewing agents that both Mr. and Mrs. Swenson are dramatizing their position in view of the publicity attendant on this case, and it is believed that numerous unsubstantiated angles concerning the matter have become instilled in their minds by constant repetition.

With respect to Mrs. Helena Carberry of Rhinebeck, New York, who you will recall is alleged to have observed an airplane in the vicinity at approximately the same time, investigation has revealed that when first questioned by the State Police, Mrs. Carberry stated she had not seen nor heard anything of a suspicious nature. Later, however, after this incident had been publicised Mrs. Carberry stated that she saw objects which were believed to be parachutes at approximately 4:45 P.M. on the date in question. Although she informed the State Police specifically that she had seen no airplanes, she advised agents of this Bureau on July 21, 1942, that she did see an airplane shaped like a boat on that afternoon. She says that the airplane did not appear to have a tail and had a strange looking reflector on the rear of it which resembled an automobile stop light. Simultaneously she states that approximately three miles to the south she observed two or three objects shaped like "hightails" floating in the air from which were dangling dummies "dressed in snow suits with pointed tops". Mrs. Carberry admits that she has never seen a parachute and is unable to describe one. Agents of this Bureau and State Police Troopers describe Mrs. Carberry as an emotional and neurotic type of individual who is very inaccurate in her observations.
During the early stages of this investigation, a thorough search of the terrain was made by Bureau representatives, State Police Troopers and military authorities. Subsequently an even more thorough search was made exclusively by Bureau representatives. These searches resulted negatively.\linebreak The roads in the surrounding area were blocked by State Troopers from July 16 to July 21, 1942, without encountering any suspicious persons.

Although the Interceptor Command reported no airplanes in the vicinity, it was learned that four amphibian planes left West Point at 3:10 P.M. on July 16, 1942, and the possibility, of course, presented itself that the witnesses to this incident observed such planes or objects which may have been dropped therefrom. Accordingly, an investigation concerning this angle was instituted during which it was ascertained that the planes came within twelve or fifteen miles of the location at which the alleged parachutes were observed. The pilots of the planes have been interviewed by Bureau representatives and they state definitely that nothing was dropped from their ships.

Another possibility was developed when it was learned that United States Weather Bureau Stations at Lakehurst, New Jersey and Buffalo, New York often send up balloons equipped with radio transmitters which ascend to approximately forty thousand feet and at times travel two or three hundred miles. Upon reaching this height, the balloon bursts and the transmitter is lowered by means of a parachute which is two or three feet in diameter. The transmitter carries instructions that whoever finds the same should mail it to the designated weather bureau station. Upon previous occasions reported instances of landings by parachutists have been proven to be the result of such a transmitter or balloon being sent up by weather bureau stations. Investigation is presently going forward to check this angle thoroughly in an endeavor to determine whether it was equipment of this nature observed by Mr. and Mrs. Swenson.

Continuous investigative attention, you may be assured, will be afforded this incident until an accurate conclusion may be reached.

Sincerely yours,

[Signature]
Dear Mr. Secretary:

I have your letter of July 18, 1942, requesting that consideration be given to the possibility of establishing temporary offices at several convenient locations for the purpose of providing a check cashing service to the employees of the War Department.

We have had this matter under consideration for some time and hope to reach a decision on it in the course of the next week or so. We have had two proposals under consideration, (1) to permit a banking institution in Virginia to establish a facility office in the War Department Building, and (2) to establish a branch office of the Treasurer of the United States.

I shall be glad to keep you advised of developments in the matter.

Sincerely yours,

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

Honorable Henry L. Stimson
Secretary of War.
The Honorable
The Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

This is to request that consideration be given to the possibility of establishing temporary offices at several convenient locations for the purpose of providing a check cashing service to employees of the War Department.

A hardship is placed on our employees at the present time, particularly those working in locations isolated from banking institutions throughout the District and in Arlington, when on pay day they are unable to cash their checks.

With employees working a full day to 5:00 and 5:30 P.M., six days a week, they are often unable to cash their checks and, consequently, do not have the use of these funds until several days after pay day. For new employees without bank accounts and without local references the problem is especially acute. Since all salaries are now paid entirely by check—and not part in cash as was the practice previously—the need for a check cashing service has become increasingly acute.

Sincerely yours,

s/ HENRY L. STimson
Secretary of War
MEMORANDUM FOR THE SECRETARY.

July 24, 1942.

Mail Report

Mail receipts during the past week have fallen off considerably, and there have been no new topics under discussion in connection with the comments made by our correspondents.

On the subject of taxes, there have been several commendations of the tax program of the Treasury, including a Townsend Club in Florida and a local Labor Union, which presented formal resolutions of approval.

The withholding tax drew only 3 comments -- 2 favorable and 1 unfavorable. Lowered exemptions have been strongly protested by a number of persons, while others have opposed taxing corporations out of existence. There continues to be scattered comments on utilities and dividend paying firms which have threatened to reduce or discontinue their dividends if taxes remain as high, or are increased. The ratio of comments on the Sales Tax is 1 favorable to 4 unfavorable. Only 4 or 5 letters have mentioned the car use stamp, and objections are those already abstracted. Lotteries, soft drinks, etc., continue to be mentioned as further sources of income.

The booklet distributed by the War Savings Staff, which describes the Bond purchase plan of General Motors, has antagonized several Labor Unions. This morning, however, there were two requests for additional copies to be distributed by firms which have seen the booklet. There were also 2 complaints of the cheap quality of the 10% pin on the ground that it tears the clothing, breaks easily, etc. A radio commentator forwarded 41 letters addressed to him, asking that the Bonds be called Victory Bonds. Complaints fell to 22 -- 15 on delay in handling, 7 on failure to receive interest.
Memorandum for the Secretary.

July 24, 1942.

Various general topics follow the lines of earlier abstracts. Pleas for Government economy continue about the same in volume. The proposed moratorium on debts drew but 1 letter, and that unfavorable. A dozen or more letters have submitted suggestions as to financing for the next three months. There have been a number of letters about coinage - several urging the recall of all pennies and nickels, and the substitution of plastic for copper, nickel, etc. Letters demanding the control of prices and prevention of inflation are increasing.

[Signature]
Mrs. Lillian S. Bary, Orlando, Fla. I am addressing this letter to you because I am at a loss to know just what department of your organization handles matters of this kind. *** My son, Robert L. Bary, a mining engineer, was employed at the Benguet Consolidated Mining Company at Baguio in the Philippine Islands when war broke out and the Philippines were invaded. When the mines were abandoned, he escaped to Manila and subsequently took employment doing engineering work behind MacArthur's lines on Bataan. My last letter from him is dated March 12, 1942. *** I understand that when Bataan fell, he escaped to Corregidor. *** I quote from his March 12th letter. "I have in my possession a check on the U. S. Treasury for $1,000 drawn in favor of Paymaster A. M. Bryan, U.S.N. by himself, and endorsed over to me. It was given to me in exchange for cash." *** In the event that things do not go well, I will destroy it and you can put in a claim to the Government after the war. This check is number 711, dated March 6, 1942. *** Now I am not seeking to make any claims but merely want to put you on notice, and to have your advice as to whether you would recognize such claim at a proper time and under appropriate circumstances. ***

John W. Remer, Counselor at Law, N.Y.C. The ideas here expressed on the subject of saving money for the Government by stopping wastage in payment of moneys to incompetent veterans are the result of many years of experience, almost continuous since 1918, as fiduciary for incompetent veterans and otherwise. *** Judging from my individual experience and knowledge, and assuming that I am but one of a great many throughout the country, through whose hands such Government money has passed (in my case, many thousands of dollars), I am convinced that many millions have been unnecessarily, unjustly and uneconomically passed on to others than the intended beneficiaries since the last war. *** Millions of dollars, dug up by your office, flow every year into the pockets of non-dependent relatives, public administrators, lawyers,
fiduciaries and bonding companies which ought, in justice and common sense, to go back to the U. S. Treasury. ** The fault lies with the law and with the present method. And the law and the method can be corrected without affecting in the least the welfare of the veterans or their actual dependents. ** My reason for bringing this subject direct to your attention is that my efforts in the past (including the time when I was a member of our State Legislature) to start something along this line have been coldly received, and, as this subject is within your province, and as you are free from local political entanglements, and as the public confidence in you is so unreserved, it seems to me that such an effort to save such wastage of Government moneys would be most effective if it came directly from you. It also seems to me that now is the time. ** I shall be glad to submit a specific memorandum, with a proposed solution, if desired; or to talk with some one from your office, if you prefer. **

Francis W. De Camille, Attorney at Law, Hudson Falls, N. Y. ** I feel compelled to call the following matter to your attention in view of my inability to obtain any satisfaction elsewhere. I am engaged in the settlement of an estate, and in the process of settlement, I decided to commence a proceeding for the purpose of obtaining the Court's permission for the sale of the decedent's real estate. Two heirs of the estate are residents of the Kingdom of Italy. ** In order to obtain the name of the person, I wrote to the Treasury Department at Washington, D. C., on May 19, and having failed to even obtain an acknowledgment of this letter, I wrote to the Treasury Department again on June 17, and even yet have failed to receive as much as an acknowledgment of my letter, to say nothing of the information I desire. **

Melchor León, Objetos De Arte Chino Para Regalo, Mexico, D. F. Enclosed herewith you will kindly find New York draft in the amount of $200 as my fifth personal monthly donation to the United States Government for "National Defense".

Regraded Unclassified
Melchor Leon, Objetos De Arte Chino Para Regalo, Mexico, D. F. With reference to your letter #7092, I take the pleasure to enclose herewith New York draft in the amount of $221.84, equivalent of $1,076.21 Mexican pesos (at the rate of exchange of $4.55125 pesos for $1.00) to which amounted the 25% of all purchases made by American citizens in this store during the month of June, 1942, that is donated to the U. S. Government for "National Defense".

Elbert B. Knowles, U. S. Trust Company of New York. We enclose copy of a letter from Miss Kate d'A. Bonner. Miss Bonner is well known to this Company and has maintained business relations with us for many years. The gift she desires to make amounts to $2,507.25, and we shall be pleased to immediately forward our check on advice of your acceptance and procedure to be followed. (Comments from letter addressed to Mr. Knowles by Miss Bonner.) Before long you will receive word from Platt & Walker of a legacy I have received from the late Mary Josephine Thomas. When this occurs, I wish you would turn it over to the United States Treasury to be used in the war effort. No bonds; this is a gift from which I expect nothing in return in the line of coupons, etc. I do not know the amount, but I know I can do without it. (Miss Bonner writes from Churchill Hospital, Headington, Oxford.)

Frederick Art Randall, Cincinnati, Ohio. *** Another matter that I wish to be heard on is the question of deferring men in your Department from military service. Mr. Paul C. Cabot of the War Production Board believes "important" young men in your agency shouldn't be allowed to go into the Army or Navy, and I agree with him. I can see that your men need specialized knowledge and training and are needed to keep the gigantic financial structure of our country functioning smoothly for the duration.
W. P. Potter, Glendale Merchants Association, Ltd., Glendale, Calif. Is there any prospect of a top being put on wages or wages being brought under control at the present time, or are they going to wait until after election in November? * * * Owners and employees, alike, of the auto industry, the lumber and building industries, appliances, typewriters, tires, music, furniture, etc., etc., are suffering untold hardships and yet, billions of dollars are added to the cost of our war by unjustifiable increase of salaries in the war and allied industries. * * * Just the other morning we received from the Office of Price Administration the regulation putting a ceiling on shoe shining and repairs, cleaning and dyeing, laundry, harness repair, stove repair, sewing machine repair, tire repair and vulcanizing, and an untold list of such low paid civil activities, and on the same day the newspapers and the radio announced that Mrs. Perkins and her co-workers had recommended another dollar a day rise in wages at several of the plants working in our war industry and already receiving compensation far above the level of the country. The writer is one of those who has been complacent and a supporter of our Government (in an effort to do our share, we have invested 10% of our salary for the last five years in Bonds), but we have come to the point where we want to know where our money is going, and when in hell all of this unjustifiable expenditure is going to stop. A price ceiling has been put on food supplies, and yet, recently 55 markets in the San Pedro area were closed when employees asked for a rise in wages averaging 40%. Aren't we all going to share this war burden? * * * I can tell you that this feeling of injustice and graft is mounting very fast and is going to be disastrous unless curtailed immediately. * * * Here at this office, our complete personnel subscribe to the Salary Allotment Plan to the purchase of War Bonds, but why we should ask girls drawing $80, $85, and $95 a month to dig up 10% of their salary when it takes the subscription from two or three of these girls to make up the salary increase of one worker at Lockheed. There is injustice in the air. * * *
Favorable Comments on Bonds

Walter G. Kolb, Washington, D. C. I am soon to reach my 40th birthday and I have concluded that the best way I can celebrate it is to purchase $40,000 worth of War Bonds - a $1,000 Bond for each year of my life. By doing so, I feel that it will enable me to continue a free life in our democracy. I hope that my purchase will not only help to beat the Axis, but others may take up this idea which will increase the sale of Bonds.

Jos. W. Gottlieb, Youngstown, Ohio. I desire to call your attention to what I regard as a subversive act. On or about May 1 this year 210 employees of this city, in the street department, signed a letter, or order, to the Finance Director of the city, authorizing the Director to deduct from their wages an amount equal to 10% for the purchase of Bonds to aid the war effort. At each payday since, the Finance Director has refused to deduct the amount authorized to be deducted, and has paid each of these willing workers the amount of their wages in full. For my part, I believe this deserves an investigation. I believe I know this man's sympathies.
Unfavorable Comments on Bonds

H. D. Bailey, N.Y.C. I have lately had one or two inquiries from non-resident aliens for the purchase of our Defense Bonds. One of these came to me yesterday from a Norwegian citizen who has long been employed by the Kennecott Copper Company in Chile. This man apparently wished to purchase Defense Bonds for his three children who are Chilean citizens. Upon inquiry through our bank, I was informed that this could not be done because he was not a citizen. Now, the amount involved in this particular application is not important, but it occurs to me that the principle is wrong and in toto may be against our best interests. Here is a personal instance of a Norwegian citizen whose country has actually been invaded by the Axis, and a man who must have even stronger grounds for desiring an ultimate victory than our own citizens have. He cannot subscribe to any organized financial effort through his own Government, and he is apparently barred from contributing to our effort. This would seem to be an injustice to him, as well as to us. ** *

Carlyle B. Haynes, General Secretary, Seventh-day Adventist War Service Commission, Takoma Park, Washington, D.C. I am in receipt of an inquiry from one of our foreign missionaries residing in the Dominican Republic. Being a loyal and patriotic American citizen, he writes that he was disappointed in not being able to secure any information from the American Consul in Trujillo, the Dominican Republic, as to where he can buy War Bonds and Stamps, and he expresses a bit of surprise that the American Consuls in foreign lands are not only unacquainted with such a matter, but are unprepared to supply these Bonds and Stamps to American citizens abroad, or others who might desire to purchase them. ** *

O. K. Ballard, St. Louis, Mo. You can cancel my agreement to buy War Bonds. I do not intend to support the Labor Unions in their demand for higher wages. Since the Government is taking all the steel, then the Government is going to pay the additional 44¢ a day to the steelworkers -- but not with my money.
W. L. Spangler, Norwood, Ohio. In an effort to be of some help in promoting the sale of War Bonds, I would like to call your attention to a condition that is preventing the investment of large amounts of money in War Bonds. I have recently talked to a great many people of the laboring class, such as workers in the war industries. ** Most of these men have been investing at least the suggested 10% in Bonds. However, most of these same men admit that they are laying away, in many cases, a larger proportion of their incomes in cash. In questioning these men as to their motive for not putting this extra cash into War Bonds, I have received an almost invariable answer. They feel quite sure that when the war is over, there will be a terrific letdown. A depression that will make the last one look like a picnic. ** My reply to this, of course, has been to call their attention to the fact that if "worse comes to worse", they can turn their War Bonds into the Government. Their reply could be summed up something like this. "Oh yeah! That's what they caused Dad to believe in the last war. But when he got hard up for cash, he had to sell his Bonds to the money changers for as little as 80%." ** In reply, I have called their attention to the fact that the Government has changed the method of issuing these Bonds in order that the public might be protected against any such thing happening after this war. ** To all of which the rejoinder is still, "Oh yeah!" "They (meaning the Government) can and probably will change all that."

Anonymous - Portland, Oregon. ** Several patriotic employees of the Portland Traction Company, our local city transportation company, are not satisfied with the efforts being made to sell Bonds and Stamps, or to push the Payroll Plan to the employees. The Company president did send out two lukewarm letters asking employees to join with 10% of their salaries -- but we feel that a determined and prolonged and emphatic effort should be made to contact each employee personally. However, both the president and the paymaster of the Company are of German descent, and not enthusiastic about pushing any ideas along that line of patriotism...since they are also anti-Roosevelt. The percentage of those on the Payroll Plan now is really so small as to be shameful. **
Thomas P. Sheehy, Philadelphia, Pa. I recently received a check for $59.72 for the month of June from the U. S. Retirement Fund, and with it a letter telling me in eloquent English about my patriotic duty to buy Bonds. I paid for 18 years to get that compensation. I have a wife to support. ** My two sons loved their country enough to enlist - not wait for the draft - into the combat forces, both in the Air Force. Cost of living has increased tremendously, mainly due to you politicians catering to grafters and organized workers. Etc., Etc.

Miss Esther Murray, Cashier, The Auto Engine Works, Inc., St. Paul, Minn. ** Our men are working 10¼ hours a day and are being paid for 11-3/4 hours per day. It is, of course, no more than fair that they purchase Bonds in these large amounts, but they have raised the complaint that in some Defense Plants, such as the Northern Pump Company of Minneapolis, where they claim employees are buying Bonds in the amount of 10%), they are cashing them in as soon as they can. Why is it not possible for these Defense Plant employees to be just as patriotic after the 60-day period as within that time? If anyone should be loyal in both spirit and practice, it surely should be those employees of such plants where there has been such "generous" spending of the public's money. We realize, of course, that it would be unwise to restrict the cashing in of these Bonds, nevertheless, something should be done to discourage Government employees or others from wearing the 10% buttons and cashing in their Bonds after 60-days. Would it be feasible to publish the names of those who cash in their Bonds after 60-days? There are many instances where employees who never had the opportunity before to buy their own homes, have with the increased income purchased homes, and feel that they should put everything into their homes now because of the doubtful situation after the war.
G. A. Heinrich, President, Ivey's, (Chocolates, Pastries, Salted Nuts, Favors, Luncheons and Dinners), Minneapolis, Minn. * * * You in Washington do not seem to realize what it is to run a small business in these trying times. My employees' wages start at $15.00 a week, which is the minimum wage. The turnover in help is terrific, owing to the high wages paid in war work. Your letter suggests a 10% deduction for Bonds. This does not leave the girl much to live on. Then you might say, pay them more wages --yes, but with what? Sugar and chocolate are our life-blood. Chocolate is cut to 60% and sugar to 70%. In order to keep our doors open 30 days a month we have to turn down certain types of business which take excessive amounts of sugar, such as wedding cakes. At the present writing we will have used all of our August sugar by the end of July, or soon thereafter. Just what are we going to do in August? Our only real profitable month is December, but by December we certainly will have no sugar with things as they are now, and no chocolate either. * * * Just let us exist and we will be glad to give you all our profit in War Bonds. I'm not griping, but giving you an idea what small business throughout the country is going through.
Favorable Comments on Taxation

Grace Toot, Lake Worth, Fla. At a recent meeting of Lake Worth Townsend Club #1, Lake Worth, Fla., a motion was made, seconded and unanimously carried that our Club send you a letter commending you on the tax schedule you tried to put across. As a Club, we feel that you should be congratulated upon showing a true spirit of patriotism, which is indeed praiseworthy at this particular time.
Unfavorable Comments on Taxation

Mrs. R. W. Kunzler, Forest Hills, Wilkinsburg, Pa.
Our Government has just passed a law allowing a married man $1,000 a year to exist on. Since you have been so kind as to set the amount, perhaps you have some suggestions as to how we can live on that amount. * * *
This happens to be our present expenses, in round figures:

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<th>Item</th>
<th>Amount</th>
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</thead>
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</tr>
<tr>
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</tbody>
</table>

No allowance for the following items: Coal, doctor fees, dentist fees, clothes, insurance, transportation to and from work, entertainment, replacement of household items, and gifts or small remembrances. * * * Please don't take me wrong -- we are 100% American, but am I asking too much when I request an answer to my letter with a few suggestions as to how I am to make $1,000 cover a period of one year?
MEMORANDUM FOR THE SECRETARY

The attached memorandum shows how as a legal matter the freezing control statute gives the President powers to control wage levels and the prices of agricultural commodities.

Just as we control foreign-owned business enterprises through a licensing system and can block their accounts and regulate their money payments, so is their authority under the statute to control American-owned business enterprises, particularly where the purpose of the control is to help stabilize the dollar and protect the banking and credit structure of the country.

Bernstein:erk 7/24/42
MEMORANDUM FOR THE SECRETARY

Re: Use of Section 5(b) of Trading with the enemy Act as amended by the First War Powers Act in order to close the loopholes in Government's price-control program.

The newspapers report that the President has requested an opinion of the Attorney General as to the President's power under existing law to deal with agricultural commodity prices and wage levels.

As a purely legal matter, and without attempting to pass in any way upon the political and policy issues involved, I believe that the necessary legal powers to deal with the situation are already vested in the President under section 5(b) of the Trading with the enemy Act as amended by the First War Powers Act which provides as follows:

"During the time of war the President may, through any agency that he may designate, or otherwise, and under such rules and regulations as he may prescribe, by means of instructions, licenses, or otherwise, investigate, regulate, or prohibit, any transactions in foreign exchange, transfers of credit or payments between, by, through, or to any banking institution, and the importing, exporting, hoarding, melting, or emarking of gold or silver coin or bullion, currency or securities, or by any person, or with respect to any property, subject to the jurisdiction of the United
States, and the President may, in the manner hereby above provided, take other and further measures not inconsistent herewith for the enforcement of this subdivision." (Underlining added.)

The President also is given full powers to define any of the terms used in the statute.

This language is terse, but gives the President extremely broad powers to protect the value of the dollar and the entire banking and credit structure of the country.

In 1933 the President ordered the banking holiday and closed every bank in the United States under this provision of law and allowed them to reopen only under license. In other words he used this statute to freeze the accounts of all domestic banks and business firms.

In April 1940 the President issued Executive Order No. 8669 freezing the assets of Norway and Denmark under this same section and pursuant to its provisions the assets of more than 34 countries have been frozen since 1940. The freezing orders administered by the Treasury are based on this statute. Pursuant to these orders we already can control the wage policies and commodity prices for blocked business enterprises.

Under this section the President in August 1941 issued Executive Order No. 8843 regulating consumer credit in the United States and authorized the Board of Governors of the Federal Reserve System to administer the same (Regulation W). These regulations make it possible for the Board not only to regulate bank credit but also the credit policies of department stores and other retail businesses. Today individuals can get credit at stores only on terms dictated by the Board of Governors under section 5(b). Thus, this section already is being employed in the battle against inflation.

In a nutshell, under section 5(b) the President can deal with domestic business enterprises exactly as we dealt with foreign-owned business enterprises prior to Pearl Harbor.
Thus, he can license their business operations on condition that they do not pay wages above prescribed ceilings. It is important to remember that under section 5(b) there is adequate authority for licensing all American business in order to protect the value of the dollar and the nation's credit structure. The fact that recently the Treasury has employed section 5(b) primarily as an instrument of economic warfare and for dealing with foreign assets in no way militates against the legal authority to use it also on the domestic front as a vehicle for protecting the value of the dollar and the credit structure of the country.

Wage Ceilings

The quoted provisions of section 5(b) could be used in the present emergency in order to give the Government control over wage levels and otherwise to implement the price-control regulations heretofore adopted.

Specifically the President, by Executive Order, could freeze all or any wages or salaries at any level he found reasonable and desirable and, for that matter, also freeze all other income levels such as dividends and payments received by bondholders. This could be achieved by providing that no payment in excess of the ceiling fixed could be made through or by any banking institution or by any business or industry without a license.

By way of example, the President could prescribe a wage ceiling for the whole steel industry and stipulate that no wage payment could be made by the industry in excess of the ceiling unless licensed by the Office of Price Administration. Alternatively, he could block the accounts of the whole steel industry and then issue a general license authorizing payments on the condition that the industry adhere to prescribed wage ceilings.

Agricultural Commodities Ceilings

It is believed that section 5(b) could also be used effectively on agricultural commodity prices.

The Emergency Price Control Act of 1942 provided for price ceilings on agricultural commodities on condition,
among others, that no ceiling be established at less than
110 percent of parity and then only with the approval of the
Secretary of Agriculture.

Section 5(b) could be used to establish lower ceilings
on agricultural commodities in the same manner as that out-
lined on wages except for section 3(f) of the Price Control
Act which provides:

"No provision of this Act or of any existing
law shall be construed to authorize any action con-
trary to the provisions and purposes of this section."
(Underlining added.)

This section may have the effect of preventing the direct
regulation of agricultural price levels by way of section
5(b) or any other existing legislation.

However, it does not appear that the limitation in
section 3(f) would have any effect on regulations under
section 5(b) which related to the control of credit on
agricultural products even though such credit regulations
indirectly had the result of forcing the sale of such pro-
ducts at less than 110 percent of parity. Thus, any credit
restrictions may indirectly affect the price of agricultural
commodities without directly fixing prices.

For example: Under section 5(b) of the Trading with
the enemy Act the President could order that no banking
institution could loan any money on agricultural commodities
unless the owner of such commodities would stipulate that
he would sell them at, for instance, 100 percent of parity.
(This action would be along the lines of what the President
has done already under section 5(b) with respect to consumer
credit administered by the Board of Governors of the Federal
Reserve System.) Since agricultural production and the
storage and processing of agricultural commodities are to a
large extent financed on credit (or by corporations which
could be brought under license), the effect of these regula-
tions would be substantially to force the price of agricultural
commodities down to 100 percent of parity.
Moreover, the desirability of protecting our banking and credit structure against the disastrous effects of loans on inflated agricultural commodity values is important quite apart from the dangers of inflated prices. The experience of our agricultural banking and credit structure after the last World War only need be recalled to demonstrate the point.

This approach would be helpful in holding down the prices on agricultural commodities and would seem to avoid the limitations of the Price Control Act since no ceiling would be set on farm prices (and at least theoretically, farm products might still be sold at above parity).

Quite apart from the expediency of using section 5(b), the infinite flexibility possible under such section makes its use desirable in any event. Thus:

(a) Although price and wage levels are "frozen" the fact that exception can be made by license permits adjustment of levels in any areas where the general ceilings would interfere with production or result in inequalities or injustice.

(b) There are no legislative limitations on the ceilings which may be fixed and there is no provision for judicial review of such ceilings when fixed.

(c) The enforcement of ceilings and credit restrictions is facilitated by strong penalty provisions (ten years and ten thousand dollars for violations). Moreover, if need be, all banking institutions, industry and businesses can be placed under license and such licenses can be revoked by the executive without court action. This is a powerful enforcement device.

(d) This statute already has been used in our freezing control program to give us complete control over foreign-owned business enterprises within the United States and it is broad enough to give us the same control over purely domestic concerns.
(e) The controls can be administered through any agency or agencies designated by the President.

It should be emphasized that this memorandum is concerned merely with the establishing of machinery to control agricultural commodity prices and wage levels and in no way purports to pass on the policy and political phases of such problems or the use of section 5(b) in the manner herein suggested.
TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

July 20, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended July 15, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

imc:7/20/42

Regraded Unclassified
July 23, 1942

CONFIDENTIAL

Dear Mr. Secretary:  

Attention: Mr. H. D. White

I am enclosing our compilation for the week ended July 15, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

(Sgd.) Robert G. Rouse
R. G. Rouse,
Vice President.

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

Enclosure

Copy: inc: 7/28/42
## Analysis of British and French Accounts

**Bank of England (British Government)**

<table>
<thead>
<tr>
<th>Period</th>
<th>DEBITS</th>
<th>CREDITS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Govt Exp.</td>
<td>Other Debts</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Expenditures</td>
</tr>
<tr>
<td></td>
<td>Debts</td>
<td></td>
</tr>
<tr>
<td><strong>First year of war</strong></td>
<td>1,792,2</td>
<td>605,6</td>
</tr>
<tr>
<td><strong>War period through December 1940</strong></td>
<td>2,792,3</td>
<td>1,425,6</td>
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<tr>
<td><strong>Second year of war</strong></td>
<td>2,203,0</td>
<td>1,792.2</td>
</tr>
<tr>
<td><strong>(3/29/41-9/28/41)</strong></td>
<td></td>
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</table>

### Weeks Ended: 1941

<table>
<thead>
<tr>
<th>Week</th>
<th>DEBITS</th>
<th>CREDITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug. 28-Oct. 1</td>
<td>160.9</td>
<td>103.9</td>
</tr>
<tr>
<td>Oct. 2-Oct. 29</td>
<td>109.0</td>
<td>77.3</td>
</tr>
<tr>
<td>Oct. 30-Dec. 3</td>
<td>136.1</td>
<td>111.6</td>
</tr>
<tr>
<td>Dec. 4-Dec. 31</td>
<td>88.4</td>
<td>92.6</td>
</tr>
<tr>
<td>Jan. 1-Jan. 28</td>
<td>102.3</td>
<td>73.2</td>
</tr>
<tr>
<td>Jan. 29-Feb. 25</td>
<td>87.2</td>
<td>63.8</td>
</tr>
<tr>
<td>Feb. 26-Apr. 1</td>
<td>121.2</td>
<td>86.4</td>
</tr>
<tr>
<td>Apr. 1-Apr. 14</td>
<td>6.1</td>
<td>14.2</td>
</tr>
<tr>
<td>Apr. 15-Jun. 3</td>
<td>104.0</td>
<td>81.4</td>
</tr>
<tr>
<td>June 4-Jun. 22</td>
<td>152.9</td>
<td>126.6</td>
</tr>
</tbody>
</table>

### Average Weekly Expenditures Since Outbreak of War

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Weekly Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>France</strong> (through June 19, 1940)</td>
<td>$195.0 Million</td>
</tr>
<tr>
<td><strong>England</strong> (since June 19, 1940)</td>
<td>27.6 Million</td>
</tr>
</tbody>
</table>

### Transfer From British Purchasing Commission to Bank of Canada for French Account

- **Week ended July 15, 1942**: $152.7 million
- **Commutation from July 6, 1940**: $162.7 million

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

*For monthly breakdown see tabulations prior to October 8, 1943.*

(See attached sheet for other footnotes)
(a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply, Timber Control, and Ministry of Shipping.

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $336 million.

(c) Includes about $85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.

(d) Includes payments for account of French Air Commission and French Purchasing Commission.

(e) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.

(f) Includes $12.0 million transferred from Commonwealth Bank of Australia account here; about $4.3 million representing the proceeds of wool sales; and $3.2 million from Russian account.
### ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
**(In Millions of Dollars)**

**Week Ended July 15, 1942**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Debits</td>
<td>Total Credits</td>
</tr>
<tr>
<td>First year of war (8/29/40-8/28/40)</td>
<td>323.2</td>
<td>16.6</td>
</tr>
<tr>
<td>War period through December, 1940</td>
<td>472.2</td>
<td>16.6</td>
</tr>
<tr>
<td>Second year of war (8/29/40-8/27/41)</td>
<td>465.4</td>
<td>-</td>
</tr>
<tr>
<td>Aug. 28 - Oct. 1</td>
<td>27.1</td>
<td>-</td>
</tr>
<tr>
<td>Oct. 2 - Oct. 29</td>
<td>37.4</td>
<td>-</td>
</tr>
<tr>
<td>Oct. 30 - Dec. 3</td>
<td>52.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Dec. 4 - Dec. 31</td>
<td>47.7</td>
<td>-</td>
</tr>
<tr>
<td>Jan. 1 - Jan. 28</td>
<td>39.5</td>
<td>-</td>
</tr>
<tr>
<td>Jan. 29 - Feb. 25</td>
<td>44.3</td>
<td>-</td>
</tr>
<tr>
<td>Feb. 26 - April 1</td>
<td>48.3</td>
<td>-</td>
</tr>
<tr>
<td>Apr. 2 - June 22</td>
<td>37.4</td>
<td>-</td>
</tr>
<tr>
<td>Apr. 23 - June 23</td>
<td>54.2</td>
<td>-</td>
</tr>
<tr>
<td>June 4 - July 1</td>
<td>47.2</td>
<td>-</td>
</tr>
</tbody>
</table>

**Week Ended:**
- June 24: 11.6
- July 1: 11.6
- July 8: 11.6
- July 15: 11.7

**Weekly Average of Total Debits Since Outbreak of War**
- Through July 16, 1942: $81.1 million
- For monthly breakdown see tabulation prior to April 23, 1942.
- Includes about $76.5 million of U. S. Government citizen deposits by War Supplies, Ltd.
To: Mr. White
From: Mr. Leonard

Subject: British Treasury discussions reject idea of return to gold standard, encourage economic implementation of Atlantic Charter.

1. In the course of a debate in the House of Lords on July 22, the Lord Chancellor stated that secret discussions by Treasury financial experts revealed no intention of the British Government to return to the Gold Standard after the war. This statement was made in reply to questions by Lords which deplored the secret discussions and urged an open study of the problem of linking the dollar and the pound.

2. Further debate in the House of Lords stressed the importance of not returning to the pre-war financial system. The Lord Chancellor stated that "The whole object of our post-war financial policy must do all that is possible to give practical and lasting effect to the admittedly general language of the Atlantic Charter ... speaking with the authority of the Treasury ... I say that it may well be that in the course of our common discussions we shall find that new and far-reaching international measures are called for. ... We shall, at all times, be ready to join with our allies in following a course which may be, as far as past experience goes, comparatively uncharted if it is going to lead us to the greater welfare of all the people whom the Atlantic charter seeks to serve."

London, July 24, 1942, No. 4124.
My dear Mr. Secretary:

The Russian Ambassador informally advises me that the Russian Government will deliver approximately $3,766,000 in gold at Nome, Alaska, at the end of this month. The gold will arrive on the S. S. Smolny with Captain Streitsov in charge. There is a reference to "official of the State Bank Grubenkov" in an informal memorandum left with me by the Ambassador, but I am not able to advise you as to just what it means. The meaning of this quotation will probably become clear to the person you designate to take charge of the gold. This gold represents about 107,600 troy ounces, or approximately 4-1/2 short tons.

I shall appreciate it if you will be good enough to instruct the proper army authorities at Nome to take charge of the gold when it is delivered by the Captain of the ship and have your army officer deliver it by airplane to Denver, Colorado. We should get instructions as to about the time the gold will arrive in Denver so that arrangements can be made for its transportation from the airport to the Mint. If it is at all possible for the army authorities at Denver to transport the gold from the airport to the Mint it would be appreciated. When the army officer in charge takes possession of the gold at Nome he should give a receipt which would recite that he has received so many boxes said to contain gold.

Sincerely yours,

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

The Honorable,

The Secretary of War.

DWB:ew
IMMEDIATE ACTION PROPOSED BY THE ARGENTINE COMMITTEE

The Argentine Committee recommends that the following action be taken forthwith:

1. Ad hoc block the Bemberg Companies;
2. Ad hoc block after recheck persons and firms whose names appear on the BEW unsatisfactory consignee list for or by whom have been filed TFR-300 reports.

   So far as we know there are at least 15 persons and firms on the unsatisfactory consignee list having funds in the United States as shown by the TFR-300 reports. A summary is presently being prepared from WTI files as to the information which we have on these names. We also recommend that the present financial status of the accounts of these persons and firms be ascertained by the Federal Reserve.

3. A special circular be issued to the Federal Reserve Banks instructing them to submit to us the following license applications involving Argentina:

   a. After action, applications for remittances involving $250 per month, or less, and applications dealing with imports and exports between the United States and Argentina where the sum involved is $1,000 or less;
b. before license is issued or denied, but after recommendation of appropriate action, all other applications now processed by them. (*)

4. extract and study all TFR-300 reports filed by, or on behalf of all Argentine banks, foreign exchange firms, brokerage and security houses, import and export concerns and, either
   a. block all such accounts pending investigation of any blocked interest therein, or
   b. investigate the accounts held in the name of such firm and ad hoc block all accounts in which there is a blocked interest;

5. submit a directive to the office of censorship requesting it to hold up all communications to or from persons and firms whose names appear on a list to be delivered to it.

This list will contain the names of banks, brokers, security and foreign exchange houses and other financial and business concerns as well as

(*) The Argentine Committee feels that these applications should be processed by the Federal Reserve Banks (and Foreign Funds where the applications are submitted by the Federal Reserve Board to them without action) and then submitted to the Committee for further check to ascertain whether any applications should be granted or denied for other reasons. In a case where the Committee disagrees with the proposed action of the Federal Reserve Board or the Foreign Funds Control it will note the reasons for its objection and resubmit the application. Such applications should not be finally processed until cleared with the Committee.
important political and military persons.
It is the recommendation of the Argentine Committee that communications to or from persons appearing on this list should be held up by censorship and copies be transmitted to the Committee and, after examination thereof, a recommendation will be made to pass the communication or to condemn it.

Before submitting this list of names of persons or firms to the office of censorship it will be carefully checked so as to eliminate therefrom those who there is reason to believe are friends of the United States.
TELEGRAM SENT
ELF
GRAY
July 24, 1942.
8 p.m.

AMERICAN EMBASSY
CANTERBURY.

264

Your 342, July 20, noon.

Treasury has requested that the Commonwealth Treasury be informed of the following authorization to use the song "Any Bonds Today":

"On behalf of the owner of the copyright permission is hereby granted to the Commonwealth Treasury to use the song in its war-loan drive. Permission is also granted to alter the words, where necessary, to make the song applicable to the Commonwealth of Australia. No fees or royalties are payable to the Secretary of the Treasury for permission to play the song, and no other person, company, or agency has been authorized to make any charge for permission to play the song. The authorization to use the song is non-exclusive, non-transferable, and revocable at the will of the Secretary of the Treasury."

HILL
(FF)

847.51/480
FD:GL:ME

Copy:1e7/27/42

Regraded Unclassified
OPTEL No. 252

EGYPT. In Northern sector 9th Australian Division secured high-ground West and Northwest of TEL EL EISA by 0900/22nd, meeting stiff resistance. A counter attack drove them back to their original position but they later regained the whole of TEL EL EISA Ridge as well as BIR AL MAXH KHAD.

A battle group of 1st South African Division advanced and occupied Ridge two and half miles North of West end of RUWEISAT RIDGE.

In centre sector 5th Indian Division with 16th Indian Motor Brigade and 5th and 6th New Zealand Brigades attacked on evening of 21st after heavy artillery and air bombardment and under cover of artillery barrage. During night 5th Indian Division reached DEIR EL SHEIN, one mile North of West end of RUWEISAT Ridge, the Western end of which was also gained during 22nd. 5th New Zealand Infantry Brigade and (?) United Kingdom Tank Regiment reached a line running South from West end of RUWEISAT RIDGE and were heavily counter-attacked. Situation obscure. Other United Kingdom armoured units also attacked further south.

In the Southern sector 69th Infantry Brigade advanced on TAQA Plateau in face of strong opposition.

OPTEL No. 252

Information received up to 7 A.M., 24th July, 1942.

1. MILITARY EGYPT

No further report since my OPTEL No. 252.

RUSSIA. East of the DONETS River the Germans have crossed the Lower DON in unknown strength at more than one point. West of the DONETS they are closing in on ROSTOV from the Northeast and Northwest while the Russians are making an orderly withdrawal.

AIR OPERATIONS

23rd.

WESTERN FRONT. One aircraft bombed a factory near COLOGNE. BRIGHTON, 17 Hurricanes attacked railway and other minor military objectives in Northern FRANCE and HOLLAND. We lost five Spitfires and two Hurricanes.

23rd/24th. 236 aircraft were despatched - DUISBURG 215 including 132 heavy. Aerodromes 8. Sea mining off the Dutch coast 13. 8 aircraft were missing and 1 crashed. About 40 enemy aircraft crossed our coast. 7 were shot down and one damaged by our night fighters.
EGYPT. 22nd. Light bombers and fighter bombers continuously attacked the enemy in all sectors in close co-operation with our advancing troops. Our fighters destroyed one enemy aircraft and damaged seven. We lost nine aircraft but two pilots are safe.

MALTA. Between 1245/22nd and 0820/23rd about 12 bombers and 26 fighters attacked the Island. Three aircraft were destroyed and three damaged by our fighters.

3. HOME SECURITY

During the period of report, scattered bombing caused damage to property and a few casualties chiefly at BEDFORD, GREAT YARMOUTH and NOTTINGHAM.
TO
FAO M
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: July 24, 1942

TO
Secretary Morgenthau

FROM
Mr. Hoflich

Subject: British vs. German tactics in North Africa

If the British used tanks in the initial phases of their attacks, as reported by General Scott, they were using tactics which had been discarded by the Nazis.

This conclusion is drawn from a newspaper article based on a handbook on tank warfare said to have been written by a member of the staff of General Guderian, Germany's leading tank expert.

According to this report, German experience has proved that tank advances under an artillery barrage are not effective. The artillery barrage moves forward too slowly for the tanks, or it moves irregularly and fails to properly protect the tank advance. The Germans have found that the attack should be led by motorized or armored infantry under artillery cover. The infantry function is to confuse and divert the enemy and prepare the way for the panzer attack. It is said that the Germans used these tactics in the desert fighting in North Africa.

In order to use such tactics most effectively, it is reported that Marshal Rommel has (1) utilized highly mobile field artillery, (2) discarded the lightest tanks, and (3) reduced the number of tanks in a panzer division from 416 to 201.

(Washington Evening Star, July 23, 1942. Clipping attached)
Nazi Panzer Warfare Changed Radically Since War's Start

Number of Tanks Used in Division Is Halved in Streamlining Move

BY DAVID M. NICHOL, Foreign Correspondent of The Star and Chicago Daily News.

LONDON, July 23—When and if American and British armored divisions come to grips with the Nazis "somewhere in Europe" they will face a streamlined, much-altered panzer organization from the one that crushed Poland and France.

Contrary to popular belief, armored warfare is not the method which the Nazis developed completely before September, 1939, and used without change in the subsequent three years. Actually, tactics and strategy have evolved most rapidly during the latter period.

The number of tanks in a Nazi division has been cut more than one-half and the proportions between light and heavy units have been changed. One reason seems to be the problem of supplies. Another is the increasing emphasis which Nazi tank strategists give to mobile artillery and armored infantry.

Some details of the 1942 model panzer division is provided in a handbook on tank warfare written by Capt. Kauffmann, on the staff of Col. Oen. Heinz Guderian, Germany's leading tank expert. It was prepared on the basis of the lessons the Nazis learned in Poland and France and has been given Gen. Guderian's blessing as a manual for what he called "our beautiful weapons."

Nazi Panzer Warfare Changed

German strategists, according to the handbook, have meticulously studied suggestions from those who saw tank warfare in terms of naval battles, that is, tank against tank. Instead, the panzer is designed still to paralyze enemy defenses but the methods have changed.

In the initial phase of the attack, the manual says, should be made by motorized or armored infantry advancing under artillery cover. Their task is to confuse and diversify enemy defensive measures and set the stage for the panzer onslaught.

Experience has shown that actual tank advances under an artillery barrage are not successful, according to the manual. Either the barrage is too slow and holds up the tanks or it moves in leaps and looses contact with the enemy forces.

Artillery plays a large role, however, in protecting vulnerable tanks of advancing tank columns, according to Nazi conceptions. It is, likewise, moved into position to deal with any "islands of resistance" which may be discovered in the course of the advance.

Highly mobile artillery was one of the features Field Marshal Erwin Rommel exploited to the fullest in the Libyan-Egyptian fighting. British experts say Capt. Kauffmann's picture of tank tactics corresponds closely with the operations they have experienced in the desert.

Lightest Tanks Discarded

To achieve this combination of hard-hitting, fast-moving armored units, the Germans have discarded altogether their lightest tanks, cut down the number of Mark II's from 160 to 65 in each division, increased the Mark III mediums from 72 to 106 with 50-mm. guns instead of the earlier 37's. The heavy Mark IV's have been reduced from 66 to 30.

The original Nazi panzer divisions had 416 tanks. The new one, as outlined in Capt. Kauffmann's manual, have only 201.

The British recognize the military wisdom of most of these changes and have moved in that direction themselves, although the process is not yet as completely developed. American armored divisions have altered little from the original conception.

(Cypress, 1942, Chicago Daily News, Inc.)
Subject: Russo-German Front.

Russian Tanks

The Russians have tanks which are, in some respects, superior to the German, especially in that many of them are equipped with heavier armament. Some of the Russian tanks are equipped with 155 mm. guns, whereas the Germans apparently have few tanks with heavier armament than 75 mm. The Russian tanks are quite generally superior to the Germans in the width of their tracks. Also the Russians are discarding the highly vulnerable turret with its observation slits for the tank commander. For this they are substituting periscopes. The Russians have some tanks with Diesel motors, which are somewhat less vulnerable to fire from incendiary bombs and flame throwers, but Diesel motors are heavier and slower starting than gasoline motors. The Russians apparently are not committed to either the Diesel or the gasoline motor and both are being used. The conclusion with respect to Russian tanks is that they are very good and, in important respects, superior to those of the Germans, but the Russians do not have enough of them.

(M.I.D., July 22, 1942)

Russian Anti-Tank Guns

The Russians possess excellent anti-tank guns. Especially effective are the Russian 85 mm. anti-aircraft guns, which are being used as anti-tank guns. These are at least as good as the German 88 mm. guns which have been used so effectively in North Africa. Here again the Russian equipment is very good, but the Germans have the edge so far as quantity is concerned.

(M.I.D., July 22, 1942)
Nazi Air Strength

The British estimate that the Germans have concentrated more than 1,400 aircraft on the southern Russian front. Such a force is comparable to that which took part in the operations before Moscow last autumn. (It was reported several days ago from Moscow that the Russians had gained slight air superiority in the southern sector, but there is no way to check the accuracy of this report). It is estimated also that about 2,500 German aircraft are now being employed on the entire Russian front.

July 25, 1942

At 7:00 last night Judge Rosenman called me and said they were hard at work on the Executive Order on the cost of living. He said that he and the General Counsel of OPA, Mr. Ginsberg, had been working on the Executive Order with the help of Justice James Byrnes.

Rosenman said he thought that the thing would come to a head by Monday, and that he would keep me posted. He said he had seen our Mr. Bernstein and would keep in touch with the Treasury.

**********
TO
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE July 25, 1942.

Secretary Morgenthau

I hand you herewith a memorandum given me by
Admiral Conard, enclosing circulars giving information
regarding the Payroll Allotment Plan in Government de-
partments.

I believe that it would be helpful if you could
find the time soon to talk briefly with Admiral Conard.

FROM
Harold Graves
TO: Mr. Stevens
FROM: Mr. Conard

Will you be so kind as to
hand this to Mr. Secretary?

Mr. Conard
MEMORANDUM FOR SECRETARY OF THE TREASURY:

Attached copies of Circulars Nos. 7 and 8 issued today, will give you information as to the progress of the Pay Roll Savings Plan in the Government departments.

The War Department is the only agency which is giving me serious concern. This department established a Pay Roll Savings Plan on March 16, 1942 which is very elaborate and highly centralized, depending upon the use of statistical machines here in Washington and a large force of employees to carry it on. Unfortunately results are not known until two or three months after each pay roll.

The policy of the War Department has been that no competitive campaign would be instituted, which, of course, runs counter to the plan we are now developing. I have had several interviews with representatives of the War Department with the result that their original statement to the effect that no current data could be furnished for statistical purposes is being gradually modified. I have suggested a method which they have adopted by which this data can be obtained for the District of Columbia employees and I understand a plan is about to be put into effect by the War Department under which similar figures can be furnished from the field.

At present the War Department has not conformed to the uniform plan. I have informed their representatives that monthly statements from this office will show the War Department under separate record as not conforming to the plan. This is necessary since if the War Department figures were combined with those of other departments very low percentages of gross pay roll and participation of employees for the whole Government would result.

I am convinced that a change of position is about to take place in the War Department and that accord with the uniform plan can be expected. However, I suggest that a word from you to the Secretary of War would not be inappropriate at this time.

Charles Conard

Regraded Unclassified
Circular No. 7

TO COMMITTEE MEMBERS (ALTERNATES):

Practically all Government agencies have conducted or are conducting their campaigns for the enrollment of employees in the Pay Roll Savings Plan. Those agencies that have reported in response to Circular No. 5 are listed below. Those who are not included in the list are urgently requested to send in their reports at once in order that the statistical records may be set up and maintained.

### Pay Roll of June 15, 1943

<table>
<thead>
<tr>
<th>Campaign</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Battle Monuments Commission</td>
<td>June 6</td>
</tr>
<tr>
<td>National Mediation Board</td>
<td>June 1</td>
</tr>
<tr>
<td>Office of Government Reports</td>
<td>May 25</td>
</tr>
<tr>
<td>Treasury Department</td>
<td>June 1</td>
</tr>
<tr>
<td>The White House</td>
<td>May 20</td>
</tr>
</tbody>
</table>

### Pay Roll of June 30, 1943

<table>
<thead>
<tr>
<th>Campaign</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bituminous Coal Consumers' Council</td>
<td>June 15</td>
</tr>
<tr>
<td>Board of Investigation and Research - Transportation</td>
<td>June 1</td>
</tr>
<tr>
<td>U.S. Board of Tax Appeals</td>
<td>May 30</td>
</tr>
<tr>
<td>Bureau of the Budget</td>
<td>June 10</td>
</tr>
<tr>
<td>Federal Power Commission</td>
<td>June 9</td>
</tr>
<tr>
<td>National Advisory Committee for Aeronautics</td>
<td>June 19</td>
</tr>
<tr>
<td>The National Archives</td>
<td>June 15</td>
</tr>
<tr>
<td>Office of Consorship</td>
<td>June 18</td>
</tr>
<tr>
<td>The Panama Canal</td>
<td>June 18</td>
</tr>
</tbody>
</table>

### Pay Roll of July 15, 1943

<table>
<thead>
<tr>
<th>Campaign</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alloy Dwelling Authority</td>
<td>July 1</td>
</tr>
<tr>
<td>Coordinator of Inter-American Affairs</td>
<td>June 22</td>
</tr>
<tr>
<td>Electric Home and Farm Authority</td>
<td>July 1</td>
</tr>
<tr>
<td>U.S. Employee Compensation Commission</td>
<td>June 26</td>
</tr>
<tr>
<td>Export - Import Bank of Washington</td>
<td>June 15</td>
</tr>
<tr>
<td>Federal Communications Commission</td>
<td>June 5</td>
</tr>
<tr>
<td>Federal Trade Commission</td>
<td>June 15</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>June 8</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>June 22</td>
</tr>
<tr>
<td>National Resources Planning Board</td>
<td>June 18</td>
</tr>
</tbody>
</table>
Pay Roll of July 15, 1942 (Continued)

<table>
<thead>
<tr>
<th>Campaign</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>National War Labor Board</td>
<td>June 1 140</td>
</tr>
<tr>
<td>Office of Civilian Defense</td>
<td>June 18 472</td>
</tr>
<tr>
<td>Office of Defense Transportation</td>
<td>June 1 2,357</td>
</tr>
<tr>
<td>Office of Emergency Management</td>
<td>June 17 430</td>
</tr>
<tr>
<td>Office of Land-Lease Administration</td>
<td>June 24 299</td>
</tr>
<tr>
<td>Office of Scientific Research and Development</td>
<td>July 1 1,437</td>
</tr>
<tr>
<td>Post Office Department</td>
<td>July 1 1,432</td>
</tr>
<tr>
<td>Railroad Retirement Board</td>
<td>June 1 1,116</td>
</tr>
<tr>
<td>Securities and Exchange Commission</td>
<td>July 11 540</td>
</tr>
<tr>
<td>Smithsonian Institution</td>
<td>June 16 294</td>
</tr>
<tr>
<td>U.S. Tariff Commission</td>
<td>July 1 7,465</td>
</tr>
<tr>
<td>Veterans' Administration</td>
<td>June 23 16,372</td>
</tr>
<tr>
<td>War Production Board</td>
<td>June 1 55</td>
</tr>
<tr>
<td>War Relocation Authority</td>
<td>July 1 1,432</td>
</tr>
</tbody>
</table>

Pay Roll of July 8, 1942

| Department of Commerce | June 23 11,000 |

Pay Roll of July 23, 1942

| Department of Agriculture | June 19 10,651 |

Pay Roll of July 31, 1942

| Interstate Commerce Commission | June 11 1,800 |
| Office of War Information | July 7 310 |

Pay Roll of August 8, 1942

| Office of Education | July 7 650 |

Pay Roll of August 15, 1942

| Civil Service Commission | July 27 7,575 |
| General Accounting Office | July 1 7,400 |
| Department of State | July 27 2,337 |
| Office of Price Administration | August 1 3,430 |
| Federal Deposit Insurance Corporation | July 15 510 |

Pay Roll of August 31, 1942

| Department of Interior | July 16 5,000 |

Pay Roll of September 15, 1942

| National Capital Park and Planning Commission | July 16 20 |
The following named agencies had pay roll savings plans in effect prior to Executive Order No. 9135.

**Works Projects Administration (Federal Works Agency)**

The plan under which this organization has been operating since late in February allows small deductions not in accordance with the uniform plan. It is understood that the uniform plan will be applied to departmental and administrative employees (11,000), but not to project employees and supervisors (40,500), who are not strictly Federal employees.

**Tennessee Valley Authority**

This organization adopted a plan which does not differ in any essential aspects from the uniform plan. The accounting procedure is necessarily modified to accord with the general accounting system of the Authority. Reports will be combined with those of other Government Agencies.

**War Department**

A comprehensive plan was put into effect by the War Department in March. It does not conform to the uniform plan in that lower allotments are permitted. Owing to the great number of civilian employees in this department (about 800,000) a modification of its plan is difficult. Pending such modification, a separate record of the War Department will be kept.

**Federal Reserve System**

The Board of Governors of the Federal Reserve System was the first Government organization to establish a pay roll savings plan, which went into effect May 15, 1941. This plan is being modified to accomplish the 10% goal of the uniform plan. Number of employees, 467.

**Navy Department**

The pay roll savings plan of the Navy Department was adapted to the requirements of navy yards and other field activities (with approximately 300,000 employees) when put into effect in January 1942. It was, of course, the first pay roll plan for employees paid from Federal appropriations, and formed the basis for the uniform plan developed by the Treasury Department and adopted under Executive Order No. 9135. While very successful in its field organizations the Navy had not concentrated on the Navy Department proper, except to establish the system under agreement with the Treasury Department as an example of its practicability. An intensive campaign in the Navy Department itself has just been concluded with excellent results. Number of employees 18,063.
The Chairman takes this opportunity to express his appreciation for the cooperation which has been experienced from the agencies in putting into effect the uniform plan. It is evident that a plan of this nature, designed to fit what may be called the normal government establishment, must offer serious difficulties to those agencies which differ in some particulars from the regular pattern. The correspondence and telephone records on file in this office show that such difficulties have been overcome only as the result of serious effort by the various representatives concerned. Furthermore, decentralization or modifications of agencies, sickness or other reasons causing the ones charged with initiating the plan to be absent, have necessitated delays in some instances. But, generally speaking, the plan, following the essential study and organization, has gone into effect very soon after the forms required for its application had been printed and distributed.

In order that proper statistical records may be maintained it is extremely important that reports on Form IWSBC-2 (copy attached) be rendered at the earliest date practicable after each semi-monthly period. It is suggested that the data be abstracted from the pay rolls prior to sending them to the Disbursing Officer, and that field activities be instructed to follow the same procedure and to send their reports to Washington by air mail immediately after the figures are collected. It is desired that reports from all agencies be in the office of the Chairman not later than five days after the expiration of each semi-monthly period. If information from the field is delayed, reports should be transmitted covering departmental data only, to be followed later with reports covering field data.

A consolidated statement covering all agencies who have had pay roll deductions during July will be published as soon as possible after August 1st. Thereafter, regular monthly statements will be issued by this office, showing the progress of each agency, and its relative standing in the carrying out of the Pay Roll Savings Plan.

[Signature]

Charles Conard
Chairman

CC:fw
# U. S. GOVERNMENT PAY-ROLL SAVINGS PLAN

**Seminonthly Report Of,**

(Department or Agency, etc.)

**To Office of the Chairman, Interdepartmental War Savings Bond Committee**

Pay Roll Period

<table>
<thead>
<tr>
<th></th>
<th><strong>Departmental</strong></th>
<th><strong>Field</strong></th>
<th><strong>Total</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of Employees on Pay Roll (in Pay Status)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Number of Employees Participating in Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage of Employees Participating</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Item 2 divided by Item 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Gross Pay Roll</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Amount Allotted on Pay Roll</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Percentage Allotted (Item 5 divided by Item 4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Average Allotment (Item 5 divided by Item 2)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Committee Member (Alternate)

Regraded Unclassified
INTERDEPARTMENTAL WAR SAVINGS BOND COMMITTEE

Office of Chairman
Treasury Department

July 24, 1942

Circular No. 8

TO COMMITTEE MEMBERS (ALTERNATES):

Attached hereto is a copy of the June statement covering sales of "Z" bonds at the shore establishments of the Navy. It will be of interest as it exemplifies the use of an "efficiency index" to show the relative standing of the participating activities.

This index is based on the theory that 10% of the gross pay roll and 90% of employees participating are conditions which mean 100% standard efficiency. The index is obtained by multiplying by 10 the figure representing percentage of gross pay roll, adding ten-ninths of the figure representing percentage of participation and dividing by 2. Thus, for 9% of pay roll and 94% participation we would have an efficiency index of 97.2; for 11% of pay roll and 88% of participation we would have an efficiency index of 103.3.

Comment and recommendation as to the use of this index would be appreciated.

Another point of interest in the attached statement is the fact that the highest standing was that of the Fourteenth Naval District, that is, Pearl Harbor. This should certainly be an inspiration and a challenge to every Government agency.

Charles Conard
Chairman

CC:fw
### Activity

<table>
<thead>
<tr>
<th>Navy Yards</th>
<th>June Sales &quot;E&quot; Bonds</th>
<th>Efficiency Index for June</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Charleston</td>
<td>$326,081.25</td>
<td>90.68</td>
</tr>
<tr>
<td>2 Philadelphia</td>
<td>$734,400.00</td>
<td>84.44</td>
</tr>
<tr>
<td>3 Norfolk</td>
<td>$663,881.25</td>
<td>80.38</td>
</tr>
<tr>
<td>4 Brooklyn</td>
<td>$591,281.25</td>
<td>79.28</td>
</tr>
<tr>
<td>5 Puget Sound</td>
<td>$449,981.25</td>
<td>73.84</td>
</tr>
<tr>
<td>6 Portsmouth</td>
<td>$200,850.00</td>
<td>62.63</td>
</tr>
<tr>
<td>7 Boston</td>
<td>$220,143.75</td>
<td>54.16</td>
</tr>
<tr>
<td>8 Mare Island</td>
<td>$460,706.25</td>
<td>52.19</td>
</tr>
<tr>
<td>9 Washington</td>
<td>$252,731.25</td>
<td>38.13</td>
</tr>
</tbody>
</table>

### Naval Districts

<table>
<thead>
<tr>
<th>Naval District</th>
<th>June Sales &quot;E&quot; Bonds</th>
<th>Efficiency Index for June</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Fourteenth</td>
<td>$714,862.50</td>
<td>95.65</td>
</tr>
<tr>
<td>2 Twelfth</td>
<td>$204,206.25</td>
<td>94.75</td>
</tr>
<tr>
<td>3 Eleventh</td>
<td>$225,243.75</td>
<td>90.24</td>
</tr>
<tr>
<td>4 Ninth</td>
<td>$350,006.25</td>
<td>84.68</td>
</tr>
<tr>
<td>5 First</td>
<td>$28,387.50</td>
<td>83.5</td>
</tr>
<tr>
<td>6 Newport, R. I., NOB</td>
<td>$323,400.00</td>
<td>75.91</td>
</tr>
<tr>
<td>7 Thirteenth</td>
<td>$47,118.75</td>
<td>71.05</td>
</tr>
<tr>
<td>8 Seventh</td>
<td>$35,487.50</td>
<td>67.33</td>
</tr>
<tr>
<td>9 Fifth</td>
<td>$212,550.00</td>
<td>66.69</td>
</tr>
<tr>
<td>10 Eighth</td>
<td>$17,493.75</td>
<td>54.14</td>
</tr>
<tr>
<td>11 Third</td>
<td>$112,706.25</td>
<td>52.97</td>
</tr>
<tr>
<td>12 Navy Dept. &amp; vicinity</td>
<td>$289,162.50</td>
<td>52.64</td>
</tr>
<tr>
<td>13 Fourth</td>
<td>$162,712.50</td>
<td>48.89</td>
</tr>
</tbody>
</table>

### Air Stations

<table>
<thead>
<tr>
<th>Air Stations</th>
<th>June Sales &quot;E&quot; Bonds</th>
<th>Efficiency Index for June</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 San Diego</td>
<td>$82,741.75 *</td>
<td>94.25</td>
</tr>
<tr>
<td>2 Pensacola</td>
<td>$95,700.00</td>
<td>76.26</td>
</tr>
<tr>
<td>3 Norfolk</td>
<td>$42,731.25 *</td>
<td>63.62</td>
</tr>
<tr>
<td>4 Jacksonville</td>
<td>$45,525.00</td>
<td>45.25</td>
</tr>
<tr>
<td>5 Corpus Christi</td>
<td>$19,856.25</td>
<td></td>
</tr>
</tbody>
</table>

### June Sales, Previously Reported

<table>
<thead>
<tr>
<th>June Sales to July 1</th>
<th>$6,782,475.00</th>
<th>Average 68.75</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previously Reported</td>
<td>$22,971,317.10</td>
<td></td>
</tr>
</tbody>
</table>

**Total Sales to July 1**: $29,753,792.10 (*Included in Naval District reports.*

**Coordinator's Message**

*June proved another record-breaking month for Navy Bond sales. The leaders in each division, navy yard, district and air station are to be congratulated on their fine showing. Standings this month were based on "Efficiency Index" as described for June 1. Same method will be followed hereafter. Watch for some results in July — advance reports from field encouraging.*
OPTEL NO. 254.

EGYPT: 22nd. In the evening Infantry supported by tanks extended slightly the line of our advance in the Northern Sector.

23rd. Situation practically unchanged. In the extreme North our troops withdrew slightly from the Western end of the Tel El Eisa Ridge under pressure from enemy counter attacks. In the centre we were forced give ground slightly at Deir El Shein and at the extreme Western edge of the Ruweisat Ridge but elsewhere positions were maintained and consolidated.

Our armour has been withdrawn behind the centre of our position.

OPTEL NO. 255.

25th July 1942.

1. NAVAL.

Two of H.M. Cruisers and 8 Destroyers carried out a relief bombardment of Mersa Matruh on 22nd/23rd, the operation was abandoned owing to low cloud and difficulties with flares.

A British Submarine sank an Italian 800 ton ship laden with bombs off Sardinia on the 12th and on the 13th attacked a 1,300 ton ship which was probably beached.

2. MILITARY.

RUSSIA: The Russians continue to press hard on the German flank North and North-West of Voronezh and have met with some success. It is confirmed that the Germans have established two bridgeheads over the Don East of its junction with the Donets. West of the Donets fighting is taking place close to Rostov.

3. AIR OPERATIONS.

WESTERN FRONT: 23rd/24th, Duisburg. About 445 tons of bombs were dropped. Some large fires were seen but owing to cloud interference the attack is not considered to have been concentrated. Our bombers destroyed 3JJ, 88's.
24th. 38 Spitfires attacked minor military objectives in Northern France, two of them are missing.

EGYPT: 22nd/23rd, Blenheims bombed Mersa Matruh at dusk and Wellingtons and Halifaxes attacked Tobruk Harbour where two ships were hit and large fires started in the harbour area. M.T. and stores dumps were attacked in the battle area and 7 large petrol fires were started.

23rd. Our aircraft attacked ground targets in the battle area and destroyed or damaged over forty vehicles. Six enemy aircraft were destroyed, we lost five fighters.

MALTA: Between 2.20 p.m, 23rd and noon 24th ten JU 88's and over 40 Fighters were reported and bombs were dropped at Luqa. Seven enemy aircraft were shot down, five probably destroyed and seven damaged. We had no losses.

MEDITERRANEAN: 24th. 8 Beauforts from Malta attacked an escorted vessel of 7,000 tons with heavy deck cargo in the Ionian Sea, the ship was later reported to be on fire and down by the bows. Three Beauforts are missing.

4. HOME SECURITY.

24th. In the evening two H.E. fell in Withernsea in Yorkshire killing 14 people and wounding 39.

5. ENGLISH SOUTH COAST.

There has recently been a considerable increase in German Air Reconnaissance activity between Start Point and Beachy Head. Sorties have averaged ten per day for the last month as compared with two or three previously. A notable feature has been the regularity of the dusk reconnaissance.
Information received up to 7 A.M., 26th July, 1942.

1. **NAVAL**

The 6 ships of the convoy to RUSSIA previously reported at NOVA ZEMHLA have arrived at ARCHANGEL. Another ship which ran ashore has been refloated and is proceeding to ARCHANGEL.

2. **MILITARY**

**EGYPT.** 24th. No change in the forward area. The enemy were busy digging in and mine laying on the whole front.

**RUSSIA.** In the VORONEZH area Russian attacks continue and the Germans have made some counter attacks. To the south of BOGUCHAR, German spearheads are attacking eastwards but there is no information as to their progress. The Germans have reached the outskirts of ROSTOV but there is no confirmation of its capture. Fresh battles are taking place in the TSIMLYANSKAYA area where the Russians are opposing German efforts to cross the DON.

3. **AIR OPERATIONS**

**WESTERN FRONT.** 25th. Two Bostons attacked a chemical works near GHENT and hit the ammonia and sulphuric acid plants. 2 Mosquitos bombed FRANKFURT and MANNHEIM. Railway objectives in BELGIUM were attacked by Spitfires and 9 locomotives put out of action. 3 of our fighters are missing. Spitfires destroyed 2 enemy aircraft off our coasts.

25th/26th. 349 aircraft were sent out - DUISBURG 313, included 122 heavy, aerodromes 21, sea mining 8, leaflets Northern FRANCE 7. 15 are missing and 1 Lancaster crashed, crew killed. 20 enemy aircraft flew over TEESIDE and caused fires and some H.E. damage at MIDDLESBOROUGH, WEST HARTLEPOOL and BILLINGHAM. 2 were destroyed over this country and 2 over Dutch aerodromes.

**EGYPT.** 23rd/24th. A total of 43 bombers attacked BENGHAZI and TOBRUK. 2 ships were hit. Between 23rd and 24th one night and two daylight attacks were made on EL DABA landing grounds. At least 21 enemy aircraft were damaged on the ground.

**MEDITERRANEAN.** 23rd/24th. Wellingtons made a torpedo attack on a south bound convoy off TOBRUK, a 6,000 ton vessel was hit and a destroyer probably hit.
July 26, 1942.

Dear Judge Rosenman:

Following our conference yesterday we continued our work on the problem of Executive Orders to cover wages and agricultural prices. We enclose herewith two proposed draft orders, the one embracing wages and the other agricultural prices.

In the draft order on the wage question we have to certain extent followed the line of thought in the draft order before us in conference although we have made a number of additions and modifications as they occurred to us.

In the agricultural order we have quite seriously departed from the form and content of the draft order before us in conference yesterday.

We have drafted these orders in order that we could present in concrete terms the thoughts that we had in mind, realizing full well that our suggestions raise profoundly important questions of politics and policy.

We also enclose a memorandum entitled "Inflation Control Under Existing Law". In this memorandum we refer to a number of powers in the Executive branch which might be used to justify the enclosed Executive Orders. It is our thought, however, that these additional powers should be kept in reserve rather than serve as an express basis for the Orders. We might refer specifically, however,
to page 3 of this memorandum referring to the Act of March 21, 1942.
If objection is made to the proposed agricultural order on the ground
that it is a violation of Section 3(f) of the Emergency Price Control
Act, it might be answered that everything intended could be done under
the Act of March 21, 1942, since that law was not "in existence" when
the Emergency Price Control Act was passed. The fact that the President
might move under the Act of March 21, 1942, might make acceptable to
some the fact that he was moving under other and less drastic provisions
of law.

You will of course have in mind that the enclosed drafts
have been prepared with some haste in order to put before you in
concrete terms the basic schemes of control. They should have some
further study when major questions are determined.

I am sending copies of this letter and the enclosed draft
orders and memorandum to Messrs. Cox and Ginsburg.

Very truly yours,

/5/ Randolph Paul

Judge Samuel Rosenman,

The White House.
July 26, 1942.

Dear Dave:

The enclosed is self-explanatory.

Very truly yours,

/\ Randolph Paul

David Ginsburg, Esq.,
General Counsel,
Office of Price Administration
and Civilian Supply,
Washington, D.C.
July 26, 1942.

Dear Oscar:

The enclosed is self-explanatory.

Very truly yours,

Rudolph Paul

Mr. Oscar Cox,
Department of Justice.
Re: Inflation Control under Existing Law

It is understood that it is desired to curb inflation resulting from rises in wages and prices of farm products and that it is desired, if possible, to do that without requesting further legislation from the Congress.

It is believed that there is existing power in the Executive branch of the Government to accomplish those purposes.

Wages

1. Under section 5(e) of the Selective Training and Service Act of 1940, as amended (U.S.C., Supp. I, title 50 App., sec. 305(e)), the President is authorized to make rules and regulations to provide for deferment from military training and service because of occupation, dependency, or physical disqualifications. The President would fix schedules of wages and promulgate regulations to the effect that any person working for wages in excess of such schedule should lose his deferment and be classified as 1-A.

Since the various declarations of war (see, for example, the Joint Resolution of December 8, 1941, 55 Stat. 795) authorize and direct the President to employ the military forces and the resources of the United States to carry on the war, it is submitted that the President could, if any person reclassified as 1-A under the foregoing suggestion, is inducted into the military forces,
direct that such person should return to the plant or concern from which he was drafted and perform his former duties. Alternatively, he could grant such man a furlough if he would accept an option of returning to work at wages not exceeding the schedule rather than engaging in active military service.

The "Work or fight orders" of the last war offer a precedent analogous to the foregoing proposal. See Hoague, Brown, and Marcus, Wartime Conscription and Control of Labor (1940) 54 Harv. L. Rev. 50, 58-59.

Since U.S.C. title 32, sec. 1 provides that all able-bodied male citizens between the ages of 18 and 45 are part of the militia of the United States, and in view of the direction to the President in the declaration of war, it might be that the foregoing plan could be operated even without reference to the Selective Service Act. See, in this connection, United States v. Wells, (W.D. Wash 1917) 262 Fed. 833, 834-835.

2. In order to operate against the employer as well as the employee, the rationing and priority powers given to the President under section 301 of the Second War Powers Act, 1942 (Public Law 507, 77th Cong.) could be used. Plants and concerns which pay salaries or wages in excess of a fixed schedule could be placed last on priority lists and could be denied any materials or facilities which are rationed.

3. Under U.S.C. title 12, sed. 95, no member bank of the Federal Reserve system may, during an emergency prescribed by
the President, transact any banking business except to such extent and subject to such regulations, limitations, and restrictions as may be prescribed by the Secretary of the Treasury with the approval of the President. Under this power, banks could be forbidden to extend banking facilities to, make loans to, or cash or deal in checks or drafts of, any concern paying wages or salaries in excess of a fixed schedule. Some sort of blacklist might be circulated for this purpose.

4. Under U.S.C. title 31, sec. 821(a), the Board of Governors of the Federal Reserve System, with the approval of the Secretary of the Treasury, may require the Federal Reserve banks to take such action as they may deem necessary to prevent undue credit expansion. One of the purposes of that grant of power is to regulate and maintain the parity of currency issues of the United States. Under that power, Federal Reserve banks could be forbidden to deal in the commercial paper of concerns paying wages in excess of a fixed schedule. Furthermore, Federal Reserve banks could be directed to take disciplinary action against member banks who might violate regulations issued under U.S.C. title 12, sec. 95.

5. Under the Act of March 21, 1942 (Public Law 503, 77th Cong.) a penalty is provided against any person who commits any act prohibited by the Secretary of War (under authority of an Executive Order of the President) in any military area or military zone. There would seem to be no great difficulty in
declaring certain large concerns manufacturing or producing materials essential to the war effort to be military areas. The working for, or the employing at, wages in excess of a fixed schedule could be prohibited within those areas.

6. There are certain constitutional powers in the President which could be used for the regulation of wages which will be discussed under "Farm Prices".

**Farm Prices**

1. The chief difficulty in using the powers discussed above to control farm prices is found in section 3(f) of the Emergency Price Control Act of 1942 (Public Law 421, 77th Cong.) which provides "No provision of this Act or of any existing law shall be construed to authorize any action contrary to the provisions and purposes of this section". Since section 3 limits the extent to which maximum prices may be established, the use of many of the powers mentioned above to secure maximum prices lower than those provided for in section 3 is prohibited. It will be noted, however, that the provision in section 3(f) applies only to existing law. Accordingly, statutes passed after January 30, 1942, are not within its scope. Thus, the military areas statute of March 21, 1942 could be used. The great agricultural markets and the cities in which boards of trade or commodity exchanges exist could be declared military areas and the dealing and trading in various products at prices in excess of a fixed schedule could be prohibited therein.
2. Although the prohibition in section 3(f) goes to "any existing law", the Congress could not have intended thereby to restrict the President's constitutional powers. It is fundamental that any attempt by the Congress to restrict the President in the exercise of those powers vested in him by the Constitution would be unconstitutional. The President is expressly given the power of Commander in Chief of the Army and Navy. Furthermore, it is not without significance that while the legislative branch and the judicial branch of the Government are given only such powers as are expressly granted in the constitution, no such limitation applies to the President. All executive power of any kind which exists in the Government of the United States is vested in the President. It was under this power that Hamilton found authority for the issuance of proclamations of neutrality. 4 Works of Hamilton (1885) Lodge Edition 135. It is clear that the right of self-preservation exists in the United States. The Legal Tender Cases, (1870) 12 Wall. 457, 533. It is submitted that the President may take any action in time of war necessary for the self-preservation of the United States, which action is of a kind not specifically within the purview of the legislative or judicial branches. Inflation of prices strikes at the whole fiscal structure of the nation. Without such fiscal structure it becomes almost impossible to wage war as a capitalistic country. It follows that the President is authorized to forbid trading and dealing in any manner which risks runaway inflation. It is believed that the statutory sanctions referred
to under "wages" could be used to support the President's constitutional power notwithstanding the prohibition in section 3(f).

3. Finally, under the provisions of U.S.C. title 19, sec. 1318, the President may, in emergency, authorize the importation, free of duty, of food and other supplies for use in emergency relief work. If prices of agricultural food products get out of hand and rise above the world market, it is believed that the President could utilize this section to import cheaper food. It is not believed that section 3(f) would interfere with this power. Furthermore, if the price of farm products rises far above the cost of production, the flexible tariff provision of U.S.C. title 19, sec. 1336 could conceivably be used to reduce tariffs.
EXECUTIVE ORDER

ESTABLISHING THE OFFICE OF AGRICULTURAL
CREDIT CONTROL AND REGULATING AGRICUL-
TURAL CREDIT AND RELATED MATTERS.

By virtue of the authority vested in me by the
Constitution and statutes of the United States, by
section 5(b) of the Trading with the enemy Act of
October 6, 1917, as amended by the First War Powers
Act, 1941, and as President of the United States and
Commander in Chief of the Army and Navy, and in order
to protect the value of the dollar and the banking and
credit structure of the United States against the dis-
asterous effects of loans and other extensions of credit
on inflated agricultural commodity values, in order to
avoid a repetition of the blow suffered by our agricul-
tural banking and credit structure after the last World
War and in order to stabilise the credit value of agricul-
tural commodities for the effective prosecution of the
war, it is hereby ordered:

Section 1(a). There is hereby established within
the Office for Emergency Management of the Executive
Office of the President the Office of Agricultural
Credit Control, at the head of which shall be the Admin-
istrator of Agricultural Credit Control (hereinafter
referred to as the Administrator) appointed by the
President. The Administrator 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 Administrator may appoint assistants and other personnel and delegate to them such functions as he may deem necessary to carry out the provisions of this Order.

(b) The Office of Agricultural Credit

Control is hereby designated as the agency through which transfers of credit or payments between, by, through, or to any agricultural banking institution which constitute, or arise, directly or indirectly, out of any extension of credit on agricultural commodities shall be investigated, regulated, prohibited and otherwise controlled.

Section 2. No agricultural banking institution shall make or receive any payment or any transfer of credit which constitutes or arises, directly or indirectly, out of any extension of credit on agricultural commodities made by it or out of any obligation arising out of any extension of credit on agricultural commodities lent on or discounted or purchased by it, except on the following conditions:

(a) Such agricultural banking institution shall be duly licensed pursuant to this Order;

(b) Such agricultural banking institution shall not make or receive any such payment or transfer of
credit in connection with an extension of credit on agricultural commodities made by such institution if it knew or had reason to know when it made such extension of credit any fact by reason of which it failed to comply with any requirement of this Order applicable thereto;

(c) Such agricultural banking institution shall not make or receive any such payment or transfer of credit in connection with any obligation which it has purchased or discounted or has accepted as collateral if, at the time it purchased or discounted such obligation, or accepted it as collateral, it showed on its face a failure to comply with the requirements of this Order applicable thereto, or if such institution knew any fact by reason of which the extension of credit giving rise to the obligation failed to comply with such requirements; and

(d) Such agricultural banking institution shall not make or receive any such payment or transfer of credit in connection with an obligation arising out of an extension of credit on agricultural commodities which it has renewed, revised or consolidated it any fact by reason of which such renewal, revision or consolidation resulted in a failure to comply with such requirements; and

(e) Such agricultural banking institution shall not make or receive any payment or transfer of credit in connection with an extension of credit made to any borrower (as used in section 3) after the Administrator shall have determined that such borrower has failed to observe
their being promptly converted into marketable commodity after such agricultural commodities are either ready or available for marketing or are in a form permitting such conversion, the Administrator shall have made such determination.

Section 3. No extension of credit on agricultural commodities shall be made directly or indirectly after August 1, 1942, unless the parties to whom such credit is extended including the parties to whom such credit is extended to the agricultural banking institutions, shall stipulate to the following terms and conditions as a part of the agreement for the extension of such credit:

(a) The borrower shall undertake and covenant that, except as licensed by the Administrator, he will not sell the commodities with respect to which the credit is extended at a price which is directly or indirectly in excess of the credit value of such commodity on the date the credit was extended and

(b) The borrower shall execute a power of attorney to the agricultural banking institution or institutions extending the credit, authorizing such banking institution or institutions to sell the commodities with respect to which the credit is extended at a price not in excess of the credit value of such commodity on the date the credit was extended.
provided, however, that the condition in subdivision (b) hereof shall not be deemed to prevent or restrict the borrower from selling the commodities with respect to which credit is extended, at a price not in excess of the credit value of such commodity on the date the credit was extended, at any time prior to the date or time directed by the Administrator; and provided, further, that in lieu of the condition in subdivision (b) hereof, or as an equal alternative thereto, the borrower may stipulate that instead of marketing the commodity with respect to which the credit is extended, the borrower shall have the option to employ it in the production or processing of another agricultural commodity, and in which event the borrower shall duly execute a power of attorney to the agricultural banking institution extending the credit, authorizing such banking institution to sell the agricultural commodity so produced or so processed, at a price not in excess of the credit value of such produced or processed commodity on the date the credit was extended, at any time directed by the Administrator after such produced or processed commodity is either ready or available for marketing or is in a form permitting it to be promptly converted into marketable condition.

Section 4 (a). Each agricultural banking institution now engaged in business is hereby granted a temporary license under this Order for a period of sixty days and expiring October 31, 1942.

(b) Any agricultural banking institution may obtain a permanent license under this Order by filing with the Office of Agricultural Credit Control a registration statement on Form OACC-1.
(c) The temporary or permanent license (or both) of any agricultural banking institution may, after reasonable notice and opportunity for hearing, be suspended by the Administrator, in its entirety or as to particular activities or particular offices for specified periods, on any of the following grounds:

1. Any material misstatement or omission wilfully or negligently made in the registration statement;

2. Any wilful or negligent failure to comply with any provision of this Order or any regulation, ruling, license or instruction of the Administrator pursuant thereto.

(d) A license which is suspended for a specified period will again become effective upon the expiration of such period. A license which is suspended indefinitely may be restored by the Administrator, in his discretion, if the Administrator is satisfied that its restoration would not lead to further violations of this Order and would not be otherwise incompatible with the public interest.

(e) Notwithstanding subdivisions (a), (b), (c), and (d) of this section, if the Administrator shall find and determine that it is reasonably necessary or desirable in order to carry out the purposes of this Order, the Administrator by regulations, rulings, instructions or otherwise may require any or all agricultural banking institutions to comply with other or additional conditions and requirements in order to obtain...
or retain either a temporary or permanent license
(or both) and the Administrator may issue any license
on such terms and conditions or amend any license
so as to include other or different terms, as in
his judgment are reasonably necessary or desirable
in order to effect the purposes of this Order.

(f) The Administrator may in his discre-
tion, and if he finds such action necessary or desirable
to carry out the purposes of this Order, by regulations,
rulings, licenses or otherwise, except any agricultural
banking institution or any extension of credit or payment
or transfer of credit from this Order.

Section 5. As used in this Order:

(a) The term "agricultural commodities"
shall include, without limitation, the following basic
agricultural commodities and such other agricultural
commodities as may from time to time be added by the
Administrator: wheat, rye, flax, barley, cotton, field
corn, grain sorghum, hogs, cattle, rice, potatoes, tobacco,
peanuts, sugar beets and sugar cane and milk.

(b) The term "agricultural banking insti-
tution" shall include any person engaged primarily or
incidentally in the business of making loans or granting
or transferring credits based upon or secured by, in
whole or in part, agricultural commodities, or any person

* The term shall apply to state and federal governmental
agencies and instrumentalities to the same extent as it
applies to other banking institutions.
holding credits for others based upon or secured, in whole or in part, by agricultural commodities as a direct or incidental part of his business, or any broker or dealer engaged primarily or incidentally in the business of dealing, either for his own account or for the account of others, in agricultural commodities; it shall be presumed that any loan made to or any credits granted or transferred by or to any business enterprise, the substantial part of whose business shall consist of the production, storage or processing of agricultural commodities, shall constitute a loan based upon agricultural commodities.

(c) The term "extension of credit" shall include, without limitation, any loan, note, check, draft, bill of exchange, mortgage, lien, pledge, trust receipt, guarantee, endorsement, installment contract, charge account, prepayment for goods or services, conditional sales contract, sale or contract of sale under which part or all of the price is payable subsequent to the making of such sale or contract of sale, transfer of any extension of credit, obligation or claim arising out of any of the foregoing and any transaction or series of transactions having a similar purpose or effect.
(d) An extension of credit is, without limitation, to be considered as an "extension of credit on agricultural commodities" if it is directly or indirectly for the purpose of financing or refinancing the purchase, sale, brokerage, storage, or processing of agricultural commodities, or if such extension of credit is directly or indirectly secured by any agricultural commodity, or if such extension of credit is for the purpose of financing any business enterprise which finances or refinances the purchase, sale, brokerage, storage, or processing of agricultural commodities, which makes extensions of credit on agricultural commodities, or which discounts, rediscounts, or lends money upon the security of any extension of credit for the purpose of financing agricultural commodities, or if such extension of credit has a similar purpose or effect.

(e) The term "credit value" shall mean such value for any specific agricultural commodity or class or grade thereof as shall be determined and prescribed by the Administrator in a Schedule of Credit Value for Agricultural Commodities which shall be duly filed with the Office of the Federal Register. In making this determination, the Administrator shall take into account but shall not be limited by the following factors:

(i) the market price of such agricultural commodity as of the date of this Order;

(ii) the average market price of such agricultural commodity during January, 1941;
(iii) the average prices of processed agricultural commodities, substantially produced from such agricultural commodities, as fixed by the General Maximum Price Regulation issued on April 25, 1942, by the Office of Price Administration;

(iv) the seasonal figures reflecting the estimated production of and the demand for any agricultural commodity as released from time to time by the Secretary of Agriculture; and

(v) such other data as may be deemed to be relevant by the Administrator;

Provided, however, that until such time as the credit value of an agricultural commodity has been determined and prescribed by the Administrator, as herein prescribed, the credit value of such agricultural commodity shall be the market price thereof as of the date of this Order. Before issuing, determining, and prescribing the credit value of any agricultural commodity pursuant to this Order, the Administrator shall, so far as in his judgment it is practicable, advise and consult with representative members of the groups affected by the credit value of such commodity. In the case of any agricultural commodity for which a credit value has been determined and prescribed, the Administrator shall, at the request of any substantial portion of the producers of such commodity, appoint a commodity advisory committee or committees, either national or regional, or both, consisting of such number of
representatives of the industry as may be necessary
in order to constitute a committee truly representa-
tive of the producers of the commodity, or of the
region, as the case may be. The committee shall select
a chairman from among its members, and shall meet at
the call of the chairman. The Administrator shall
from time to time, at the request of the committee,
advise and consult with the committee with respect to
the credit value for the commodity involved and with
respect to classifications, differentiations, and ad-
justments therein. The Administrator shall have full
power to modify the Schedule of Credit Value for
Agricultural Commodities from time to time.

(ADDITIONAL DEFINITIONS AND INVESTIGATORY AND ADMINISTRATIVE
PROVISIONS TO BE INSERTED)
EXECUTIVE ORDER

PROVIDING FOR THE STABILIZATION OF WAGES
AND SALARIES AND RELATED MATTERS

In order to safeguard the American economy from further rises in the cost of living which seriously threaten the general welfare of the nation and the successful prosecution of the war, and in order to protect and stabilize the purchasing power of the dollar and to protect and maintain the soundness of the banking and credit structure and facilities of the nation and the effectiveness of the nation's currency system, and recognizing that the cost of living cannot be adequately stabilized under the Emergency Price Control Act of 1942 or otherwise, unless all major elements which determine the cost of living, are subject to a stabilization program, NOW, THEREFORE, by virtue of the authority vested in me by the Constitution of the United States, by section 5(b) of the Trading with the enemy Act of October 6, 1917, 40 Stat. 415, as amended by the First War Powers Act, and by other statutes of the United States, and as President of the United States and Commander-in-Chief of the Army and Navy, it is hereby ordered:

Section 1. There is hereby created in the National War Labor Board, established pursuant to Executive Order No. 9017, dated January 12, 1942, a Wage Stabilization Division, which shall consist of a Director of Wage Stabilization, and such other officers, employees, and
committees as the National War Labor Board (hereinafter referred to as the Board) may deem necessary, and shall perform such functions and duties, subject to the direction of the Board, as the Board may prescribe.

2. No employer shall directly or indirectly increase or decrease the basic scale of wage rates paid or payable by him to any employee on the effective date of this Order except in accordance with such regulations, rulings, instructions, licenses, orders, or other forms of approval as the Board may prescribe or approve. With respect to any employer or type of work performed for an employer, by whom or for which no basic scale of wage rates was paid or payable on the effective date of this Order, the basic scale of wage rates applicable until otherwise directed or approved by the Board shall be that prevailing for the same or substantially similar work in the locality or in a locality which in the opinion of the Board is comparable.

3. The Board shall, upon its own initiative or upon application of management, labor, or representatives of management or labor, and through such orders, licenses, rulings, instructions, or otherwise as it may deem appropriate, approve or disapprove, after affording the affected parties reasonable opportunity to be heard, increases or decreases in any wage rates or basic scale of wage rates, including job classifications therefor, as it determines to be necessary to effectuate the
purposes of this Order, to eliminate wage inequalities and standards of living, to give due recognition to increases or decreases in the cost of living, to curtail unnecessary labor turnover or labor migration, to promote the maximum utilization of the manpower and woman-power of the nation for the successful prosecution of the war, and to promote and reward increased labor productivity and to expedite essential war production, services and facilities and to maintain essential civilian activities, but no provision of this Order shall be construed to prevent or discourage fair and reasonable wage adjustments necessitated by the factors hereinabove enumerated or by other factors, provided such adjustments do not necessitate adjustments in the prices prescribed under the Emergency Price Control Act of 1942 for products produced by the workers to whom such wages are paid. The Board in the exercise of its functions under this Order shall take immediate and appropriate measures to reduce increases, since September 1, 1939, in salaries found, in the judgment of the Board, to be exorbitant or unwarranted, and the Board shall furnish the Secretary of the Treasury with full and complete information regarding the results of any such investigations and determinations in order that the Secretary of the Treasury may take appropriate action under the internal revenue laws. On and after the effective date as of which any
increase or decrease in wage rates, or basic scale of
wage rates or any change in job classifications therefor
has been approved by the Board with respect to any
employer or group or class of employers, no such em-
ployer shall make any wage payment contrary to the
requirements or conditions specified by the Board with
respect to him.

Section 4. The Board may exercise any of the
powers vested in the President by section 5(b) of the
Trading with the enemy Act, as amended by the First
War Powers Act, in order to effectuate and enforce the
purposes and provisions of this Order or any action
thereunder, including, but without limitation and under
appropriate regulations, the freezing or blocking of
any or all of the accounts of any employer failing to
comply with any of the provisions of this Order or any
requirements thereunder.

Section 5. The Board is authorised to:

(a) Require any employer subject to any pro-
vision of this Order or of any rules, regulations,
orders, licenses, or instructions thereunder, to
make, keep, and preserve such records of the in-
dividuals employed by him and of the wages and other
practices of employment maintained by him and to
preserve such records for such periods of time and to
make such reports therefrom to the Board as the
Board shall prescribe by regulation or order as
necessary or appropriate for the execution of the
provisions of this Order or any action thereunder;
(b) Make such investigations and enter and inspect such places of employment and such records (and make transcripts thereof), question such employees and investigate such facts, conditions, practices, or matters as it may deem necessary or appropriate to determine whether any person has violated any provision of this Order or any action thereunder or which may aid in the enforcement of the provisions of this Order or any action thereunder;

(c) Grant such exemptions or exceptions from the provisions of this Order or any action thereunder as it may determine fair and reasonable and not inconsistent with the purposes of this Order; and

(d) Prescribe such rules, regulations, orders, instructions, and licenses with respect to investigating, regulating, and/or assuring compliance with the requirements of this Order or any action thereunder, and/or eliminating any wage payments which tend to evade or avoid or defeat the purposes of any provision of this Order or any action thereunder.

Section 6. As used in this Order, unless the context requires otherwise;

(a) The term "employer" means any person who on each of 20 different days within the 12 consecutive month period immediately preceding the effective date of this Order or such other date as the Board may prescribe had in his employ for some portion of the day (whether or not at the same moment of time) eight or more individuals, but shall not include:
(i) The United States Government or any instrumentality thereof;

(ii) A State Government or a political subdivision thereof, or an instrumentality of one or more States or political subdivision;

(iii) Any corporation, Community Chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual;

(iv) An owner or tenant of a farm, but only as applied to his employees who perform services on the farm in connection with the cultivation of the soil, the harvesting of crops, the raising, feeding or management of livestock, bees and poultry, the processing of articles from materials produced on the farm, and the packing, packaging, transportation or marketing of those materials or articles.

(b) The term "employ" means to suffer or permit to work or otherwise receive personal services.

(c) The term "employee" means any individual employed by an employer in work other than work of a casual nature not in the course of the employer's
trade or business. The term "employee" includes, but without limitation, all officers, directors, agents, and partners, as well as any other managerial personnel."

(d) The term "wage" includes all forms of direct or indirect remuneration to an employee for work or personal services performed for an employer, including without limitation, bonuses, gifts, dividends, commissions, fees and any other form of remuneration in a medium other than cash.

(e) The term "person" means any individual, partnership, association, trust, corporation or other form of organization and includes anyone acting in the interest of or on behalf of such a person, directly or indirectly.

Section 7. No provision of this Order shall be construed as superseding or in conflict with the provisions of the Railway Labor Act, as amended, the National Labor Relations Act, and the Fair Labor Standards Act.

Section 8. The Board is authorized to appoint and fix the compensation of such panels, boards, committees, officers and employees, delegate to them such functions and duties, maintain such regional or field offices, and make provision for such supplies, facilities, and services as it may deem necessary to carry
out the provisions of this Order. The Board shall avail itself, in so far as practicable, of the services and facilities of the Office for Emergency Management and of other departments and agencies of the Government and such departments and agencies shall cooperate fully with the Board.