TIME TAKEN TO PLACE ORDERS FOR LEND-LEASE INDUSTRIAL SUPPLIES FOR RUSSIA
Part I. Summary as of October 5, Covering All Items Cleared by Lend-Lease Administration in August.

165 Requisitions for Which Orders had been Placed,
Summarized by Classes of Commodities

<table>
<thead>
<tr>
<th>Commodity and Number of Requisitions</th>
<th>Days Elapsed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>INSTRUMENTS</td>
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<td>ELECTRIC FURNACES AND EQUIPMENT</td>
<td>18</td>
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<tr>
<td>SAVES AND TESTING EQUIPMENT</td>
<td>18</td>
</tr>
<tr>
<td>GASS AND BRONZE</td>
<td>18</td>
</tr>
<tr>
<td>PLANT EQUIPMENT</td>
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<tr>
<td>ELECTRICAL EQUIPMENT</td>
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<tr>
<td>COPPER</td>
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<td>ALUMINUM</td>
<td>18</td>
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<tr>
<td>LIGHT MACHINES</td>
<td>18</td>
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<tr>
<td>IRON AND STEEL</td>
<td>18</td>
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<tr>
<td>HEAVY MACHINES</td>
<td>18</td>
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<tr>
<td>TIRES AND TIRES</td>
<td>18</td>
</tr>
<tr>
<td>BALL AND ROLLER BEARINGS</td>
<td>18</td>
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<tr>
<td>ABRASIVES AND GRINDING WHEELS</td>
<td>18</td>
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<td>CHEMICALS</td>
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<td>MISCELLANEOUS</td>
<td>18</td>
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<td>AUTO EQUIPMENT</td>
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</table>

14 Requisitions for Which Orders had not been Placed

<table>
<thead>
<tr>
<th>Commodity and Number of Requisitions</th>
<th>Days Elapsed</th>
</tr>
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<td>ELECTRIC MACHINES</td>
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<td>TESTING MACHINES</td>
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<td>STEEL STEAM PIPES</td>
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<tr>
<td>POTASSIUM HYDROXIDE</td>
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<td>MAGNETIC STARTERS</td>
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<tr>
<td>BALL BEARINGS</td>
<td>18</td>
</tr>
<tr>
<td>DESIVAC MACHINES</td>
<td>18</td>
</tr>
<tr>
<td>DESIVAC APPARATUS</td>
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<tr>
<td>BALL BEARINGS</td>
<td>18</td>
</tr>
<tr>
<td>BALL BEARINGS</td>
<td>18</td>
</tr>
<tr>
<td>MAGNETIC SEPARATORS</td>
<td>18</td>
</tr>
<tr>
<td>POWER TRANSFORMERS</td>
<td>18</td>
</tr>
<tr>
<td>STONE AND STEEL FITtings</td>
<td>18</td>
</tr>
</tbody>
</table>

Note: On some requisitions the period of time at Lend-Lease is accounted for in part by negotiations between that agency and WTD.
*EXCLUDES REQUISITIONS FOR FOUR POWER PLANTS WHICH ARE IN STAGE OF ENGINEERING DEVELOPMENT.
TIME TAKEN TO PLACE ORDERS FOR LEND-LEASE INDUSTRIAL SUPPLIES FOR RUSSIA

Part I. Summary as of October 5, Covering All Items Cleared by Lend-Lease Administration in August.

185 Requisitions for Which Orders had been Placed, Summarized by Classes of Commodities

NOTE: On some requisitions the passage of time at Lend-Lease is accounted for in part by negotiations between that agency and OCM.

14 Requisitions for Which Orders had not been Placed

Regraded Unclassified
My dear Jones:

Thank you for your letter of October 5, 1942, informing me of the current status of the loan extended by the RFC to the British Government against British holdings of U.S. securities and other British investments in the United States.

The British dollar position has improved steadily over the past year and the prospects are favorable for the future. Largely for this reason, I think it is likely that the British Government will not avail itself of the remainder of the loan.

I am enclosing for your information a copy of the latest statement received from the British Government on its gold and U.S. dollar assets. It shows that, as of August 31, 1942, the British Treasury held gold and U.S. dollars totalling $856 million, exclusive of $110 million of gold borrowed from Belgium. These holdings have increased somewhat since that date.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

Jesse H. Jones,

The Secretary of Commerce.

[Redacted]

By Mess. Simmons 3:53
10/8/42.

File direct to White's office

Photo file in Diary.
SECRET

Dear Dr. Whites;

The gold and dollar figures for August are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Aug. 7</th>
<th>Aug. 15</th>
<th>Aug. 28</th>
<th>Aug. 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Gold</td>
<td>756</td>
<td>761</td>
<td>771</td>
<td>773</td>
</tr>
<tr>
<td>(Incl. Belgian)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Official Dollar</td>
<td>158</td>
<td>166</td>
<td>170</td>
<td>195</td>
</tr>
<tr>
<td>Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Gold</td>
<td>916</td>
<td>927</td>
<td>941</td>
<td>968</td>
</tr>
<tr>
<td>and Dollars</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Belgian</td>
<td>110</td>
<td>105</td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td>Gold</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scattered Gold</td>
<td>168</td>
<td>180</td>
<td>182</td>
<td>182</td>
</tr>
<tr>
<td>Gold Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>against immed-</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>iate liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AVAILABLE GOLD</td>
<td>626</td>
<td>632</td>
<td>644</td>
<td>666</td>
</tr>
<tr>
<td>AND DOLLARS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We had a special payment of $15 million for wool during the month.

Yours sincerely,

/s/ T. K. Bowley
T. K. Bowley.

DR. H.D. Whites,
Director of Monetary Research,
U. S. Treasury,
Washington, D. C.
THE SECRETARY OF COMMERCE
WASHINGTON

OCT 5 - 1942

Dear Henry:

For your information, the British have taken $390,000,000 of
the loan RFC authorized to them of $425,000,000. The balance is
available to them upon request.

This loan, as you know, was made to provide the British with
dollar exchange without necessitating the forced sale of their
American securities. The proceeds were to be used by Great Britain
to pay for war supplies purchased in this country and contracted for
prior to the approval of the Lend-Lease Act on March 11, 1941.

Substantially all the collateral covered by the pledge agreement
has been delivered. Collections to date aggregate approximately
$42,700,000 which, except for a few small sales, came from income on
the collateral. Of this, $23,500,000 has been applied on principal of
the loan, the balance as interest or held as reserves.

Due to increased taxes the income from the collateral undoubtedly
will not be as good for some time to come, but it should be sufficient
to service the loan according to contract.

Sincerely yours,

[Signature]

Secretary of Commerce.

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

Dear Mr. Secretary:  

Attention: Mr. H. D. White

I am enclosing our compilation for the week ended September 30, 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,

/s/ L. W. Knoke

L. W. Knoke,  
Vice President.

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

Enclosure
## Analysis of British and French Accounts

### (In Millions of Dollars)

#### Bank of England (British Government)

<table>
<thead>
<tr>
<th>Period</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Credits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Provision of Gold</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Credits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Incr. (+) or Decr. (-)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Credits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Provision of Gold</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Credits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Incr. (+) or Decr. (-)</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Bank of France

<table>
<thead>
<tr>
<th>Period</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Credits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Provision of Gold</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Credits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Incr. (+) or Decr. (-)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Credits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Provision of Gold</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Credits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Incr. (+) or Decr. (-)</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Notes:
- **First year of war**
  - (8/29-9/1940)
- **War period through December, 1940**
- **Second year of war**
  - (8/29-9/1940-8/27/41)**

### Average Weekly Expenditures Since Outbreak of War

<table>
<thead>
<tr>
<th>Country</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>19.8 million</td>
</tr>
<tr>
<td>England</td>
<td>27.8 million</td>
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</table>

### Transfers from British Purchasing Commission to Bank of Canada for French Account

<table>
<thead>
<tr>
<th>Week Ended</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 1942</td>
<td>162.7 million</td>
</tr>
</tbody>
</table>

---

Regraded Unclassified
Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.

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 $334 million.

Includes about $85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the repositioning 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.

Includes payments for account of French Air Commission and French Purchasing Commission.

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

Includes: $10.5 million transferred from Commonwealth Bank of Australia account here
$ 5.6 million deposited by the British Ministry of Supply
$ 1.0 million for credit of U. S. Navy.

$10.0 million transferred to French American Banking Corp. for account of French Government presumably representing reimbursement for previous expenses covering exports to French West Indies.
<table>
<thead>
<tr>
<th>PERIOD</th>
<th>DEBITS</th>
<th>OFFICIALBritish A/C</th>
<th>Other Debites</th>
<th>Total Debites</th>
<th>CREDITS</th>
<th>OF CANADA (and Canadian Government)</th>
<th>COMBINED BANK OF AUSTRALIA (and Australian Government)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First year of war</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>(8/29/39-8/28/40)*</td>
<td>333.0</td>
<td>16.6</td>
<td>306.4</td>
<td>504.7</td>
<td>421.7</td>
<td>20.9</td>
<td>38.7</td>
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<tr>
<td><strong>War period through</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>December, 1940</td>
<td>477.2</td>
<td>16.6</td>
<td>460.6</td>
<td>578.4</td>
<td>331.8</td>
<td>20.9</td>
<td>110.7</td>
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<tr>
<td><strong>Second year of war</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(8/29/40-8/22/41)**</td>
<td>480.4</td>
<td></td>
<td>-</td>
<td>460.4</td>
<td>462.0</td>
<td>246.2</td>
<td>3.4</td>
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<tr>
<td><strong>Aug. 28 - Oct. 1</strong></td>
<td>23.1</td>
<td></td>
<td>-</td>
<td>23.1</td>
<td>52.2</td>
<td>21.8</td>
<td>-</td>
</tr>
<tr>
<td><strong>1941</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Oct. 2 - Oct. 29</td>
<td>37.4</td>
<td></td>
<td>-</td>
<td>37.4</td>
<td>19.7</td>
<td>11.9</td>
<td>-</td>
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<tr>
<td>Dec. 30 - Dec. 3</td>
<td>28.2</td>
<td>0.1</td>
<td>27.1</td>
<td>32.3</td>
<td>16.7</td>
<td>15.8</td>
<td>-</td>
</tr>
<tr>
<td><strong>Dec. 4 - Dec. 31</strong></td>
<td>47.6</td>
<td></td>
<td>-</td>
<td>47.6</td>
<td>22.2</td>
<td>17.3</td>
<td>-</td>
</tr>
<tr>
<td><strong>Jan. 1 - Jan. 28</strong></td>
<td>39.5</td>
<td></td>
<td>-</td>
<td>39.5</td>
<td>33.0</td>
<td>27.0</td>
<td>-</td>
</tr>
<tr>
<td>Jan. 29 - Feb. 25</td>
<td>34.1</td>
<td></td>
<td>-</td>
<td>34.1</td>
<td>35.7</td>
<td>12.4</td>
<td>-</td>
</tr>
<tr>
<td>Feb. 26 - Apr. 1</td>
<td>46.5</td>
<td></td>
<td>-</td>
<td>46.5</td>
<td>99.3</td>
<td>20.5</td>
<td>7.2</td>
</tr>
<tr>
<td>Apr. 2 - Apr. 29</td>
<td>37.4</td>
<td></td>
<td>-</td>
<td>37.4</td>
<td>38.9</td>
<td>15.9</td>
<td>12.2</td>
</tr>
<tr>
<td>Apr. 30 - June 3</td>
<td>46.2</td>
<td></td>
<td>-</td>
<td>46.2</td>
<td>41.9</td>
<td>16.4</td>
<td>15.7</td>
</tr>
<tr>
<td>June 4 - July 3</td>
<td>47.2</td>
<td></td>
<td>-</td>
<td>47.2</td>
<td>72.9</td>
<td>16.7</td>
<td>-</td>
</tr>
<tr>
<td>July 26 - July 22</td>
<td>44.0</td>
<td></td>
<td>-</td>
<td>44.0</td>
<td>37.7</td>
<td>15.3</td>
<td>-</td>
</tr>
<tr>
<td>July 31 - Aug. 29</td>
<td>45.2</td>
<td>0.2</td>
<td>44.9</td>
<td>72.4</td>
<td>15.3</td>
<td>10.1</td>
<td>-</td>
</tr>
<tr>
<td>Aug. 28 - Sept. 29</td>
<td>46.6</td>
<td></td>
<td>-</td>
<td>46.6</td>
<td>53.6</td>
<td>13.2</td>
<td>-</td>
</tr>
<tr>
<td><strong>SEPTEMBER 29</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DEBIT: 266</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Weekly Average of Total Debts Since Outbreak of War**

Through Sept. 29, 1941: $3,000,000.00

- For monthly breakdown see tabulations prior to April 23, 1941.
- For monthly breakdown see tabulations prior to Oct. 8, 1941.

(a) Does not reflect U. S. Treasury bill transactions.
(b) Includes 83.7 million in proceeds of U. S. Government checks deposited by War Supplies, Ltd.
(c) Includes 84.0 million in proceeds for the credit of the U. S. Army.
1. During the week ending September 29, 1942, 143 planes, including 42 combat planes, were sent to British forces from the United States. This is the smallest shipment of combat planes for seven months.

2. Ninety-four North American Harvard trainers were shipped to South Africa for use in the Middle East. This marks an all-time high for shipment of trainers to the British, as well as for number of trainers sent to the Middle East.
<table>
<thead>
<tr>
<th>Table A - Shipments by Area</th>
<th>Week Ending</th>
<th>Total Shipped in 1942</th>
<th>Total Shipped since Jan. 1, 1941</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sept. 29, 1942</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>o the United Kingdom</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>9</td>
<td>628</td>
<td>1,789</td>
</tr>
<tr>
<td>Heavy bombers</td>
<td>1</td>
<td>145</td>
<td>249</td>
</tr>
<tr>
<td>Naval patrol bombers</td>
<td>2</td>
<td>67</td>
<td>169</td>
</tr>
<tr>
<td>Pursuit</td>
<td>9</td>
<td>945</td>
<td>1,256</td>
</tr>
<tr>
<td>Army Cooperation</td>
<td>0</td>
<td>119</td>
<td>150</td>
</tr>
<tr>
<td>Trainers</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>Total to the United Kingdom</td>
<td>21</td>
<td>1,904</td>
<td>3,637</td>
</tr>
<tr>
<td><strong>o the Middle East</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>6</td>
<td>527</td>
<td>857</td>
</tr>
<tr>
<td>Heavy bombers</td>
<td>0</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Naval patrol bombers</td>
<td>0</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Pursuit</td>
<td>0</td>
<td>667</td>
<td>1,515</td>
</tr>
<tr>
<td>Army Cooperation</td>
<td>0</td>
<td>55</td>
<td>56</td>
</tr>
<tr>
<td>Trainers</td>
<td>94</td>
<td>1,144</td>
<td>2,714</td>
</tr>
<tr>
<td>Total to the Middle East</td>
<td>100</td>
<td>1,359</td>
<td></td>
</tr>
<tr>
<td><strong>o the Canadian Forces</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>10</td>
<td>76</td>
<td>244</td>
</tr>
<tr>
<td>Heavy bombers</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Naval patrol bombers</td>
<td>0</td>
<td>30</td>
<td>72</td>
</tr>
<tr>
<td>Pursuit</td>
<td>12</td>
<td>604</td>
<td>1,883</td>
</tr>
<tr>
<td>Trainers</td>
<td>0</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Total to Canadian Forces</td>
<td>22</td>
<td>774</td>
<td>2,233</td>
</tr>
<tr>
<td><strong>o the British Pacific Forces</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>0</td>
<td>145</td>
<td>245</td>
</tr>
<tr>
<td>Heavy bombers</td>
<td>0</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>Naval patrol bombers</td>
<td>0</td>
<td>200</td>
<td>364</td>
</tr>
<tr>
<td>Pursuit</td>
<td>0</td>
<td>12</td>
<td>117</td>
</tr>
<tr>
<td>Trainers</td>
<td>0</td>
<td>12</td>
<td>117</td>
</tr>
<tr>
<td>Total to Pacific Forces</td>
<td>0</td>
<td>357</td>
<td>752</td>
</tr>
<tr>
<td><strong>o the British Indian Forces</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>5</td>
<td>174</td>
<td>174</td>
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<tr>
<td>Heavy bombers</td>
<td>0</td>
<td>40</td>
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<tr>
<td>Naval patrol bombers</td>
<td>0</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Pursuit</td>
<td>0</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Trainers</td>
<td>0</td>
<td>43</td>
<td>43</td>
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<tr>
<td>Total to Indian Forces</td>
<td>5</td>
<td>257</td>
<td>257</td>
</tr>
<tr>
<td><strong>o the British West Indian Forces</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Army Cooperation</td>
<td>0</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Total to West Indian Forces</td>
<td>0</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>30</td>
<td>1,550</td>
<td>3,309</td>
</tr>
<tr>
<td>Heavy bombers</td>
<td>1</td>
<td>146</td>
<td>255</td>
</tr>
<tr>
<td>Naval patrol bombers</td>
<td>2</td>
<td>96</td>
<td>233</td>
</tr>
<tr>
<td>Pursuit</td>
<td>9</td>
<td>1,882</td>
<td>3,246</td>
</tr>
<tr>
<td>Army Cooperation</td>
<td>0</td>
<td>180</td>
<td>211</td>
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<td>Trainers</td>
<td>106</td>
<td>833</td>
<td>2,345</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td>148</td>
<td>4,687</td>
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Regraded Unclassified
Table B - Shipments by Types

<table>
<thead>
<tr>
<th>Light and Medium Bombers</th>
<th>Week Ending</th>
<th>Total Shipped in 1942 to date</th>
<th>Total Shipped since Jan. 1, 1941</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing Boston III</td>
<td>0</td>
<td>15</td>
<td>39</td>
</tr>
<tr>
<td>Brewster Bermuda</td>
<td>4</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Douglas Boston I,II,III</td>
<td>4</td>
<td>17</td>
<td>509</td>
</tr>
<tr>
<td>Lockheed Hudson</td>
<td>9</td>
<td>551</td>
<td>1,521</td>
</tr>
<tr>
<td>A29A (AC-151)</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Ventura I</td>
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<td>12</td>
</tr>
<tr>
<td>Ventura Bomber</td>
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<td>313</td>
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<tr>
<td>Martin Marauder B-26A</td>
<td>3</td>
<td>57</td>
<td>57</td>
</tr>
<tr>
<td>Baltimore</td>
<td>5</td>
<td>285</td>
<td>353</td>
</tr>
<tr>
<td>Maryland</td>
<td>0</td>
<td>0</td>
<td>150</td>
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<tr>
<td>North American B-25</td>
<td>0</td>
<td>111</td>
<td>111</td>
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<tr>
<td>Northrop Vengeance</td>
<td>5</td>
<td>142</td>
<td>142</td>
</tr>
<tr>
<td>Vought-Sikorsky Chesapeake</td>
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<td>0</td>
<td>50</td>
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<tr>
<td>Vultee Vengeance</td>
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<td>40</td>
</tr>
<tr>
<td>Heavy Bombers</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Boeing B-17</td>
<td>0</td>
<td>42</td>
<td>62</td>
</tr>
<tr>
<td>Consolidated Liberator</td>
<td>1</td>
<td>104</td>
<td>193</td>
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<tr>
<td>Naval Patrol Bombers</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated Catalina PBY-5B</td>
<td>2</td>
<td>96</td>
<td>233</td>
</tr>
<tr>
<td>Pursuit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bell Airacobra</td>
<td>0</td>
<td>315</td>
<td>469</td>
</tr>
<tr>
<td>Brewster Buffalo</td>
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<td>0</td>
<td>168</td>
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<tr>
<td>Curtiss Kittyhawk</td>
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<td>866</td>
<td>1,250</td>
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<tr>
<td>Tomahawk</td>
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<td>0</td>
<td>544</td>
</tr>
<tr>
<td>Grumman Martlett II</td>
<td>0</td>
<td>57</td>
<td>98</td>
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<tr>
<td>Grumman Martlett IV</td>
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<td>85</td>
<td>85</td>
</tr>
<tr>
<td>Lockheed Lightning</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>North American Mustang</td>
<td>0</td>
<td>549</td>
<td>629</td>
</tr>
<tr>
<td>Army Cooperation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fairchild 24 R-9</td>
<td>0</td>
<td>117</td>
<td>139</td>
</tr>
<tr>
<td>Pitcairn Autogiro</td>
<td>0</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>Vought-Sikorsky 082U</td>
<td>0</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Vultee Stinson 049</td>
<td>0</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Trainers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cessna Grade I-A (AT-17)</td>
<td>0</td>
<td>97</td>
<td>97</td>
</tr>
<tr>
<td>T-50</td>
<td>0</td>
<td>86</td>
<td>700</td>
</tr>
<tr>
<td>Fairchild PT-26 Cornell</td>
<td>12</td>
<td>118</td>
<td>118</td>
</tr>
<tr>
<td>North American Harvard II</td>
<td>94</td>
<td>235</td>
<td>1,132</td>
</tr>
<tr>
<td>Stearman PT-27</td>
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<td>227</td>
<td>227</td>
</tr>
<tr>
<td>Total</td>
<td>148</td>
<td>4,687</td>
<td>9,599</td>
</tr>
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</table>

Regraded Unclassified
### Table C - Plane Shipments to the British by Weeks

<table>
<thead>
<tr>
<th>Week Ended</th>
<th>Light and medium bombers</th>
<th>Heavy Bombers</th>
<th>Naval patrol bombers</th>
<th>Pursuit</th>
<th>Army Cooperation</th>
<th>Trainers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly average of shipments in 1941</td>
<td>35</td>
<td>2</td>
<td>3</td>
<td>27</td>
<td>1</td>
<td>29</td>
<td>97</td>
</tr>
<tr>
<td>Weekly average of shipments in first 6 months of 1942</td>
<td>36</td>
<td>4</td>
<td>1</td>
<td>55</td>
<td>3</td>
<td>18</td>
<td>117</td>
</tr>
<tr>
<td>July 7, 1942</td>
<td>77</td>
<td>17</td>
<td>0</td>
<td>17</td>
<td>0</td>
<td>30</td>
<td>141</td>
</tr>
<tr>
<td>July 14, 1942</td>
<td>42</td>
<td>11</td>
<td>3</td>
<td>24</td>
<td>0</td>
<td>1</td>
<td>81</td>
</tr>
<tr>
<td>July 21, 1942</td>
<td>66</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>83</td>
</tr>
<tr>
<td>July 28, 1942</td>
<td>39</td>
<td>0</td>
<td>4</td>
<td>27</td>
<td>0</td>
<td>6</td>
<td>93</td>
</tr>
<tr>
<td>August 4, 1942</td>
<td>32</td>
<td>0</td>
<td>6</td>
<td>70</td>
<td>0</td>
<td>35</td>
<td>109</td>
</tr>
<tr>
<td>August 11, 1942</td>
<td>59</td>
<td>9</td>
<td>7</td>
<td>20</td>
<td>0</td>
<td>19</td>
<td>171</td>
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<tr>
<td>August 18, 1942</td>
<td>60</td>
<td>3</td>
<td>11</td>
<td>26</td>
<td>0</td>
<td>11</td>
<td>101</td>
</tr>
<tr>
<td>August 25, 1942</td>
<td>25</td>
<td>0</td>
<td>8</td>
<td>81</td>
<td>0</td>
<td>26</td>
<td>88</td>
</tr>
<tr>
<td>September 1, 1942</td>
<td>33</td>
<td>0</td>
<td>13</td>
<td>17</td>
<td>0</td>
<td>28</td>
<td>167</td>
</tr>
<tr>
<td>September 8, 1942</td>
<td>31</td>
<td>0</td>
<td>11</td>
<td>26</td>
<td>0</td>
<td>6</td>
<td>61</td>
</tr>
<tr>
<td>September 15, 1942</td>
<td>57</td>
<td>0</td>
<td>4</td>
<td>139</td>
<td>0</td>
<td>36</td>
<td>242</td>
</tr>
<tr>
<td>September 22, 1942</td>
<td>58</td>
<td>2</td>
<td>2</td>
<td>36</td>
<td>0</td>
<td>35</td>
<td>153</td>
</tr>
<tr>
<td>September 29, 1942</td>
<td>30</td>
<td>1</td>
<td>2</td>
<td>9</td>
<td>0</td>
<td>106</td>
<td>148</td>
</tr>
</tbody>
</table>

Total shipments since Jan. 1, 1941 to date: 3,309

1/ Total includes planes shipped in 1942 prior to March 17 which are not included in the weekly totals up to that date.
My dear Mr. Secretary:

I have received your letter of October 7, and am very pleased to learn that the Treasury Department is willing to assist Canada in supplying certain information regarding Canadian bank balances in the United States. Following your suggestion, I shall discuss the problems involved with Mr. H.D. White before proceeding further.

Believe me, my dear Mr. Morgenthau,

I am

Yours sincerely,

A.F.W. Plumptre
Financial Attaché

The Honourable H.M. Morgenthau,
Secretary of the Treasury,
Washington, D.C.
OCT 7 - 1942

Dear Mr. Plumpster:

This is in reply to your letter of September 16, 1942, requesting data from YFR-300 regarding Canadian bank balances in the United States.

This Department will be glad to be of any assistance it can in this regard. I suggest that you discuss the problems involved with Mr. H. D. White before proceeding further.

Sincerely yours,

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

Mr. A. F. V. Plumpster,
Canadian Legation,
Washington, D. C.

File direct to Dr. White
Photo file in Diary

HWD:dal
10-5-42
CANADIAN LEGATION
WASHINGTON
September 16, 1942.

Dear Mr. White:

I understand that amongst the information collected by the Foreign Funds Control of the United States Treasury is information on the bank balances owned in the United States by residents of other countries. I have been told that this information was obtained for all amounts in excess of $1,000 on Form TFR 300, but of course, I have no knowledge of the way in which the data collected was tabulated.

I would be very grateful if you could supply me with information on the bank balances in the United States of Canadian nationals resident in Canada. This information is for the confidential use of the Foreign Exchange Control Board.

Yours sincerely,

[Signature]

A.F.W. Plumptre

Harry White, Esq.,
Treasury Department,
Washington, D.C.
My dear Mr. Welles:

This is in reply to your letter of June 15, in which you informed us that the Government of Costa Rica was conducting negotiations with the Export-Import Bank for credits, and that the President of Costa Rica requested the services of one or two experts to advise the Costa Rican Treasury on matters of taxation and general fiscal policy. In this connection I note the cable of August 12 from our Mission in Costa Rica reporting that the negotiations for the credit had been approved and suggesting that experts be sent without delay to advise the Costa Rican Government in financial matters.

The Treasury Department is now in a position to make available to the Costa Rican Government a person suitable for this work. He is Mr. Norman D. Nees, of the Division of Monetary Research. There is appended a brief account of his training and experience. It is expected that if Mr. Nees is satisfactory to your Department, you will proceed with the necessary arrangements for his assignment.

Sincerely yours,

(SIGNED) D. W. BELL

acting Secretary of the Treasury.

The Honorable Sumner Welles,

Under Secretary of State.

Enclosure

Mail 10/2/42
Norman Theodore Ross

Born December 5, 1903, at Faribault, Minnesota.

Marital Status: Married, no children.

Education: Public schools at Faribault, Minnesota, and Steals, North Dakota; undergraduate work at Carleton College, Northfield, Minnesota (major, Economics; minor, Spanish) from 1920 to 1925; B.A. degree; graduate work in Economics at the University of California (M.A., 1927) and Harvard University (Ph.D., 1930).

Experience: Instructor of Economics (international trade and finances) at University of Nevada, 1927-1928; Instructor (1928-1931), Assistant Professor (1933-1938) and Associate Professor (1938 until now) of Economics (international trade and finances) at Pomona College, Claremont, California. Instructor during summer of 1940 of a Harvard Summer School class entitled "South American Foreign Trade and Exchange" which visited Brazil, Uruguay and Argentina. Member of Inter-American Staff of National Planning Association, Washington, D.C., February to September, 1942.

Writing: Doctoral dissertation on "The Movement of Capital into Bolivia."
June 15, 1942

My dear Mr. Secretary:

There is now pending before the Export-Import Bank a request of the Government of Costa Rica for a credit of one million dollars to be utilized primarily in funding short-term obligations of that Government arising largely out of public works expenditures which are due to Costa Rican banks and supply concerns. During negotiations for this credit, the Department has received a request from the President of Costa Rica for the services of one or two experts of the United States to advise the Costa Rican Treasury in regard to matters of taxation and general fiscal policy.

The budgetary situation of Costa Rica has become strained as a result of dislocations arising out of the war, and the Department feels that every appropriate assistance should be made available to that Government.

I would therefore appreciate an indication whether your Department could make available to the Costa Rican Treasury the services of one or two experts on taxation and general fiscal policy for a period of about six months in order to make a complete study of the financial situation of that Government and to prepare a report and recommendations for submission to the Government of Costa Rica.

Sincerely yours,

For the Secretary of State:

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.
This is a message from Mr. Adler for the Secretary of the Treasury, and is numbered 27-63.

I spoke informally with Dr. Kung concerning the current economic situation, Sino-American financial relations and the work of the Stabilization Board.

1. Concerning the work of the Board Dr. Kung said that he hoped that the most lenient policy possible in granting exchange for commercial imports would be adopted.

I said that we do this and pointed out that only very small amounts were involved since the only routes were from India via Tibet and were by air. He suggested that the Board might possibly grant exchange for imports of a commercial nature from Russia, and pointed out that Russia is willing to accept payment in United States dollars for its exports to China. I said that I was sure that the Board would be willing to look into this possibility since it was very anxious to help imports into China. It would, therefore, be appreciated if you would let me know before the Board considers the question formally if the granting by the Board of United States dollar exchange for imports from Russia which are of a commercial nature has your approval.

2. As far as the present economic situation is concerned, Dr. Kung agreed that the main problem in China today is not political or military but economic.

(a) It was his feeling that a drastic curtailment of the budget was necessary. (Yesterday I was informed by the head of the Political Department of the Executive Yuan, Dr. T. F. Tsiang, that in the draft 1943 budget the Executive Yuan was working on at present, expenditures cut to the extent of six per cent to eight per cent could and should be included.)

(b) He inclined to the opinion that in China it would not be practical to have a universal price ceiling scheme.

(c) For the purpose of mopping up fapi held by the public he was considering establishing a free gold market and reducing maturity periods of the various Government of China security issues backed by United States dollars.

3. With reference to Sino-American financial relations, Dr. Kung indicated that he would take no action in line with paragraph 2(c) above until in accordance with his promise to consult you on the uses of the American loan to China, he had officially consulted you, which he intends to do before long.

Dr. Kung told me that the amount of gold he is thinking of using for sale in China is about U.S. $20,000,000 since the Treasury had just been repaid in settlement of the stabilization arrangement of 1937. In the event that he
obtains your consent he plans to purchase, presumably with funds under the American loan of 1942, gold from the Treasury.

Then he mentioned the question referred to in your 83, dated September 14, Part II (B) and said that he would soon consult you officially before taking any action on the matter.

(b) The last point Dr. Kung raised was concerning the hardships experienced by foreigners resulting from price rises. He seemed greatly concerned about the lot of the United States Army and was anxious to alleviate it. A special exchange rate for the United States currency seemed to be the only special rate he was considering, of which at present the American Armed Forces in China are in receipt.

GAUSS
Information received up to 7 A.M., 8th October, 1942.

1. NAVAL

Home Waters. A northbound coastal convoy escorted by destroyers was attacked by 12 E-boats off CROMER early 7th. One motor launch, one rescue tug and three ships were sunk.

BLACK SEA. A Russian submarine sank a 2,100 ton ship in convoy off Rumanian Coast on 25th September.

Attacks on shipping. From 3rd to 6th October 10 ships were reported to have been torpedoed, one U.S. tanker in convoy in West Atlantic, 2 British, 1 Dutch, 1 Panamanian and 3 U.S. ships in Trinidad - Guiana area; 1 Russian ship in Indian Ocean and 1 U.S. Tanker in North Pacific. In addition to these, 2 U.S. overdue ships reported sunk by submarine in Trinidad and Indian Ocean areas in September also 2 other U.S. ships are reported overdue.

2. MILITARY

EGYPT. Our patrols active along whole front night 5th/6th and 1 raiding party of U.K. troops killed the garrison of 30 of an enemy strong point in MUNKISAT Ridge area.

3. AIR OPERATIONS

WESTERN FRONT. 6th/7th. Over 460 tons of bombs were dropped at OSNABRUCK where good results included concentrations of large fires in the centre of the town and at main railway station. 27 1.C.A.F. (1 missing) and 14 New-Zealand (1 missing) aircraft were engaged. 7th. 4 enemy aircraft crossed the South Coast causing some damage at NYE.

EGYPT. 7th. Six attacks on enemy M.T. in battle area by 65 fighter bombers caused considerable damage. At BOMBA one seaplane destroyed and 9 others damaged on water. Shipping at BENGHAZI attacked by U.S. Liberators. One enemy aircraft destroyed, 2 probably destroyed and 1 damaged. Between 2nd and 6th 8 of our aircraft were lost. Enemy aircraft carried out a few fighter sorties in the battle area and 1 fighter bomber attacked in the central sector.

ASTRAL FRONT. 6th. Russian aircraft carried out a number of successful raids on enemy defences in the VORONZEN Sector. 7th. Enemy bombed aerodromes and supply areas on both sides of the VOLGA northeast of STALINGRAD. Dive bombers supported infantry attacks southeast of LIRSK ILIM.
Following is supplementary resume of operational events covering the period 1st to 8th October, 1942.

1. NAVAL

MEDITERRANEAN. Long range reconnaissance undertaken on the 2nd October covered ports in the northern ADRIATIC for the first time. New Italian Battleship IMPERO seen at VENICE still incomplete and work on her apparently at a standstill. Battleship CAVOUR sunk at TARANTO autumn 1940 seen at TRIESTE, her main armament complete except for one turret and secondary armament incomplete. Building both of merchant ships and submarines was less than anticipated. Shipping from ITALY to LIBIA further decreased owing to our air and submarine attacks. Very few ships known to have reached Libyan ports during the period.

BLACK SEA. On 19th/20th and 20th/21st September, Russian landing parties from light craft landed 20 miles west of NOVOROSSISK. Many enemy troops were surrounded and casualties inflicted. A petrol boat and a quantity of stores were destroyed.

SUBMARINE WARFARE. Air protection for a recent trans-Atlantic convoy mainly provided by United States flying boats from ICELAND proved very efficacious. About six U-boats shadowed the convoy six attacks and five sightings by aircraft are reported. Over 100 U-boats are now operating in the Atlantic. They have been active west and south of TRINIDAD, in the FREE TOWN area and off CÁPE TOWN. In the North Atlantic they have been concentrated in the gap between the spheres of air activity from CANADA and NORTHERN IRELAND. Excluding air attacks mentioned above, four promising attacks by British aircraft have been carried out, one by surface craft and two by United States aircraft. Provisional figures week ending 4th October, 11 ships sunk by U-boats all in North Atlantic. Four convoys totalling 138 ships arrived U.K. without loss. Two outbound convoys totalling 85 ships arrived without loss.

TRADE. Imports into U.K. in convoy week ending 3rd October - 570,260 tons of which 207,297 tons oil.

ENEMY SHIPPING. Since middle of August 13 enemy ships reported mined in Danish waters of which seven known sunk. Reported from Massawa German LIEBENFELS (6,300 tons) taken in prize 30th September. Casualties, United States merchant service to 31st July, 1942 - killed or missing 2,703; British merchant service to 30th August - 17,046; British Naval casualties to 2nd September - killed or missing 30,992, prisoners 3,834.

2. MILITARY

GERMAN DIVISIONS. Addendum to OPTEL No. 346. All divisions in GERMANY, POLAND and DENMARK, four or five of those in FRANCE and five in RUSSIA are merely either administrative headquarters or training divisions. Only change from last week is increase from 45 to 47 divisions in GERMANY, where two additional training divisions have been identified.

AIR OPERATIONS

WESTERN FRONT. Bombing. DAY. One major operation against Potes Story near ALBERT by U.S. Fortresses. Mosquitos singly or in small formations attacked industrial objectives in the Low Countries and GERMANY. NIGHT. Operations of four nights. Heavy attacks on KREFELD, AACHEN and OSNABRUCK. Raid on OSNABRUCK most successful of the three. Other two hampered by haze, darkness and bad weather. Total 1,698 tons H.E. including 238 4,000 lb. bombs and 889 tons incendiaries during period. Coastal Command sent 205 anti-U-boat sorties. A Sunderland attacked an enemy blockade runner off CÁPE FINISTERRE which later put into PERSON.
MEDITERRANEAN. In spite of bad weather, our fighters maintained patrols over the battle area and on one occasion successfully intercepted a heavily escorted dive bomber formation. Fighter bombers were active against enemy transport, vehicles and landing grounds. One heavy night bombing raid on TOBRUK. Enemy activity increased although still slight. In attacks on a convoy and other escorted ships, one tanker was set on fire and a 7,000 ton ship with escort turned into CORFU Harbour after attack.

RUSSIA. Russian bombers continuously attacked troops and communications in the STALINGRAD and VORONEZH areas. Aircraft of the Black Sea Fleet heavily bombed formations in the CAUCASUS and saw several German small craft and supply ships in the BLACK SEA. Estimated number of Axis aircraft on Russian front still 2,400. Main effort maintained in the STALINGRAD and CAUCASUS sectors. Increase in enemy activity on Leningrad Front where about 500 German aircraft thought operating. Several raids on ARCHANGEL.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF AIR ATTACKS ON ENEMY TERRITORY IN EUROPE.

MUNICH. Good small scale photographs first show damage mainly in centre and south of town. One engineering works completely destroyed by 4,000 lb. bomb. Two gas holders exploded, considerable damage residential and commercial property, and one area 5½ acres devastated. Reports state Focke Wulf works again damaged.

DUISBURG. Last attack seriously dislocated water communications. About 90 barges sunk rendering harbour temporarily unserviceable. 2,000 operatives of DEMAG, heavy engineering, stopped owing to severe damage to works.

KASSEL. Reported production loss of 30 locomotives at Hanschel Factories. Attack by U.S. bombers complete surprise. At least 15 aircraft caught out of pens destroyed.

5. OPERATIONAL AIRCRAFT BATTLE CASUALTIES

<table>
<thead>
<tr>
<th>METROPOLITAN AREA</th>
<th>British and Allied</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the Air</td>
<td></td>
</tr>
<tr>
<td>Bombers</td>
<td>43</td>
</tr>
<tr>
<td>Fighters</td>
<td>6</td>
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<tr>
<td>Total</td>
<td>49</td>
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<table>
<thead>
<tr>
<th>MIDDLE EAST (Incl. MALTA)</th>
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<tbody>
<tr>
<td>In the Air</td>
<td></td>
</tr>
<tr>
<td>Bombers (including 2 U.S.)</td>
<td>14</td>
</tr>
<tr>
<td>Fighters</td>
<td>7</td>
</tr>
<tr>
<td>Others</td>
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</tr>
<tr>
<td>Total</td>
<td>23</td>
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</table>

<table>
<thead>
<tr>
<th>FAR EAST</th>
<th>British and Allied</th>
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<tr>
<td>Bombers</td>
<td>2</td>
</tr>
<tr>
<td>Fighters</td>
<td>2</td>
</tr>
<tr>
<td>Misc.</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
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</tbody>
</table>

Note: No account is taken of enemy aircraft destroyed on the ground in any theatre or of British naval aircraft casualties.

6. HOME SECURITY

TO
Secretary Morgenthau

FROM
Mr. Hoflich

Subject: Summary of Military Reports

Disposition of German Army

The following estimate of the distribution of the German Army comes from British sources:

<table>
<thead>
<tr>
<th>Region</th>
<th>Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>175</td>
</tr>
<tr>
<td>Poland</td>
<td>9</td>
</tr>
<tr>
<td>Finland</td>
<td>8</td>
</tr>
<tr>
<td>France and Low Countries</td>
<td>36</td>
</tr>
<tr>
<td>Norway</td>
<td>7</td>
</tr>
<tr>
<td>Denmark</td>
<td>2</td>
</tr>
<tr>
<td>Balkan and Aegean</td>
<td>7</td>
</tr>
<tr>
<td>North Africa</td>
<td>4</td>
</tr>
<tr>
<td>Germany</td>
<td>45</td>
</tr>
</tbody>
</table>

Total: 296 divisions

(U.K. Operations Report, September 24 - October 1, 1942)

Effectiveness of R.A.F. raids on Nazi industry

The British report that coal production in the Ruhr, Saar and Aachen areas has fallen from 440,000 tons to 360,000 tons per day. The decline is attributed largely to damage by R.A.F. attacks.

Cyril Falls, writing in the Illustrated London News, asserts that the Germans "have moved more and more of their plants eastwards. I am told on good authority that something like 60 percent are now in East Prussia, Brandenburg, Bavaria, Saxony, Bohemia, Austria and Poland - so that the hope of crippling production by bombing alone becomes more than ever illusory."

THE WAR
THIS WEEK

October 1–8, 1942

Printed for the Board of Analysts

Copy No. 6

[Signature]

Secretary of the Treasury
Handicapped by heavy casualties and a supply problem of exceptional difficulty, the Germans continue to inch their way painfully into Stalingrad, while the Russians are reported to have thrown 10 fresh divisions into the battle. Meanwhile, the Nazis are making preparations for a possible attack on Leningrad. In Russia’s hour of difficulty, Stalin’s blunt statement on the second front has emphasized once again Soviet disappointment with Allied cooperation.

With a uniquely concentrated blast of oratory, German leaders have greeted the approach of winter with confident boasts that the “Fortress of Europe” is impregnable. But the remarks of Hitler and his associates are singularly free of the predictions of victory which were characteristic of their efforts in 1941. German difficulties in the occupied countries are steadily in evidence—in Norway, in Denmark, and in France, where Laval has in essence yielded on the labor conscription issue. In Egypt reports picture the Axis forces as holding resolutely to the defensive.

Compromise moves are the order of the day in India, with Rajagopalachariar urging that the British give the administration into the hands of a broadly representative Indian government for the duration, while leaving military control to Britain and the solution of controversial questions for the peace.

With the announcement that notable American forces have taken up positions in the Andreanof Islands, further Japanese moves in the Aleutians have been rendered hazard-
ous, and their sole remaining outpost at Kiska may soon be imperilled. In the southwest Pacific the Australians continue to advance behind the retreating Japanese along the Port Moresby-Buna trail, but reports from the Tulagi area indicate the landing of additional Japanese and suggest that a fresh crisis is approaching in the Solomons.

**Stalingrad’s Resistance Continues**

With the capture of the suburb of Orlovka, northwest of Stalingrad, the Germans have improved their position in the center of the city and have thus far stemmed the Russian counterattacks from the south of Stalingrad and from the north in the Kletskaya-Kachalino area. American military observers believe that the Nazis are still making slow progress in encircling the Soviet defenders and in cutting off their escape. The attackers, however, may be suffering losses of about 15,000 killed a week, with many more wounded.

One can perhaps ascribe Stalingrad’s prolonged resistance to three main factors. First, the Germans have to contend with a monumental supply problem. In place of the large net of railroads which they could use when they were still operating in the Donets basin, they have only the single track Don bend line; the railroad to the south from Tikhoretsk to Stalingrad is doubtless unusable, since the Germans have not yet had time to repair or retrack it along its whole length. Second, the Russians have brought up 10 fresh divisions previously in training in western Siberia; it is unclear just where the Soviets have thrown in these reinforcements, but they may well have added weight to the counterattack in the Kletskaya-Kachalino area. Finally, there is the intangible factor of Russian morale. The Soviet leaders, convinced that every day of Stalingrad’s resistance is another day lost to the Germans for preparing a further offensive this autumn, have apparently imbued their troops with their own determination to hold the city at all costs.

Apparently awaiting the fall of Stalingrad to increase the tempo of their drives to the south, the German columns in the North Caucasus have made insubstantial progress. Along the shore of the Black Sea, Nazi units are meeting stubborn resistance before the ports of Gelendzhik and Tuapse. To the west of Groznyi, the southern arm of the German pincers has taken Elkhotovo, seven miles from Darg-Kokh at the northern end of the Ossetian Military Highway, while Nazi units in the central part of this sector have captured the oil town of Malgobeck, south of Mozdok.

**Preparations Before Leningrad**

On the central and northern fronts, the current German attacks seemingly represent an effort to restore defensive positions impaired by the recent Russian advances. For example, south of Lake Ilmen, the Nazis appear to be making a considerable effort to shorten their line in the swampy area between Rzhev and Staraya Russa, where a deep Soviet salient has long existed. Similarly, around Leningrad, the Germans may be trying to clear the south shore of Lake Ladoga prior to an attack on the city. Reports of preparations for such an assault have become increasingly frequent.

According to a Finnish officer, the Nazis will probably force the Finns to participate in an assault on the city—that is, unless the Russian defenders attack first. Unconfirmed reports suggest that the latter have now added four or five divisions to their line between Lake Ladoga and the Gulf of Finland. An Estonian informant adds further details. The Germans, he asserts, are shipping substantial quantities of food and matériel to Estonian ports in preparation for an attack on Leningrad. This attack, he suggests, may first be directed against the Soviet salient near Kronstadt. With the elimination of this wedge the Germans could direct their heavy artillery upon the fortifications and warships of the...
naval base, which will be icebound in a few weeks. Our informant concludes that an attack on Leningrad from the south can not come for almost another month, when the ice of the swamps will be frozen hard enough to bear artillery and armored vehicles.

Finnish Apprehension

Meantime, Russian submarine activities in the Gulf of Bothnia are proving a considerable source of worry to Finnish naval authorities, according to reports from Helsinki. Although the submarines have thus far sunk no ships in convoy, they have destroyed three freighters outward bound from the port of Bjorneborg during the past month. Evidently, Finnish ship owners prefer to make a quick dash to Swedish territorial waters across the Gulf rather than to waste time and fuel in going to a convoy rendezvous. The Russian submarines apparently make a similar effort to save fuel by charging their batteries at night and lying on the bottom during the day.

With a renewal of active hostilities between Finland and Russia possibly in the offing, the Finnish Foreign Minister has nevertheless asserted that tension between Finland and the United States has somewhat abated. Reports from Helsinki suggest, however, that the Finnish public is increasingly fearful of a declaration of war by the United States—particularly in view of the fact that many Finns are beginning to doubt the possibility of a complete German victory over the Russians. Nor has the Finnish press as yet published the statement of "an important Washington official" (as reported via Stockholm) that relations between Finland and the United States do not necessarily need to be broken off, providing the Finns do not renew the offensive against the Soviet Union. But if Finland should collaborate with Germany in a further attack on Russia, then, the reported statement concludes, a rupture in Finnish-American relations would be quite probable.

Stalin and the Second Front

Stalin's blunt statement in his letter to the Associated Press representative in Moscow that Allied aid to Russia "has so far been little effective" in comparison with Russia's contribution and that the possibility of a second front occupies "a place of first-rate importance" in Soviet estimates of the current situation, has underlined once again Russia's disappointment with her Allies. According to one report, the Soviet Government for several days last month forbade the printing of news stories about a second front—possibly fearing that the British and American delay in opening such a front might depress the morale of the Russian army and civilian population. Now, however, the press is freely publishing stories about the public demand in the western democracies for a second front, along with speculation as to when such a front may be expected. Relations with Britain and the United States, nevertheless, have remained publicly cordial, and Stalin has intimated that most of the diplomats now in Kuibyshev will soon be able to move to Moscow.

Composite Report to the German Nation

A spate of public statements by five German leaders within eight days—a performance unparalleled since the war began—has revealed a new German propaganda line of "defensive confidence", according to data gathered by the Psychology Division of the Office of Strategic Services. On September 27 Ribbentrop spoke at the second anniversary of the Tripartite Pact; on the 30th, Hitler and Goebbels launched the Winter Relief Program, and while in Berlin for this occasion, Rommel gave one of his rare interviews to the press; four days
later Goering spoke to the nation for two hours from the Sportpalast—his first appearance of this sort in three years.

While some parts of these speeches echo the “pep-talks” of last autumn—a general morale-boosting effort to offset the depressing prospect of another winter of war—the tone is more confident, but at the same time less aggressive, than a year ago. The German leaders are apparently concerned about the capacity of their people to “take” an indefinite continuation of hostilities and are therefore striving to build up a new and more reassuring picture of Germany’s role in the war.

For the first time a limited objective is set for the Wehrmacht by the Party’s “big four”: Russia is to be neutralized on the east; the Continent is to be defended on the north, west, and south; Rommel is to handle the situation in the Middle East. These limited objectives accomplished, Germany can rest on her oars. The blackest moment of the war, the winter of 1941-42, has been survived. Already the conquered territories are beginning to pay dividends. By next year the Ukraine will be feeding German mouths and factories. Germany will then be able to attain a new measure of strength, which will make her invincible. The war may go on for a long time, but Germany can never be beaten, and she can outlast her enemies.

Whether realistic estimate or desperate rationalization, Germany’s new emphasis on the “Fortress of Europe” propaganda line is not likely to strengthen morale on the home front over any considerable period of time as long as shortages, casualties, air-raids, and the threat of a second front continue. For the moment, however, the Nazi leaders have put on an impressive show, and have probably boosted the popularity of their regime.

Scandinavia Faces a Second Nazi Winter

The thud of British bombs dropping near Gestapo headquarters in Oslo on September 25 announced with some emphasis the opening of a new season of anxieties for the Nazis and their puppets in Scandinavia. Quisling’s plan to set up a corporative parliament called the Riksting seems to have been vetoed decisively by his German overlords, who wish no more trouble on their hands than they already have; and mass resignations from Quisling-controlled labor unions are rapidly stripping Quisling of even the semblance of working-class support. The increasing nervousness of the German occupation forces is sharply reflected, moreover, in the order of October 6, proclaiming a state of emergency from Trondheim to the Swedish border, with an all-night curfew and complete coastal alert.

In Denmark, where the rate of sabotage has shown an upward spurt since midsummer, the Germans confront the embarrassing necessity of dismantling the “show-window of North Europe,” their prized model of an occupied but “non-coordinated” protectorate. The Danish government has been forced to a choice of either resignation, with its consequences of Gestapo invasion, or virtual collaboration, which implies doing the Gestapo’s work for it. Either course can be counted upon to increase Danish attempts at sabotage and resistance.

Sweden’s recent gesture of defiance at the polls forecasts additional trouble for Berlin on the northern ideological front. Following up August’s press-instigated purge of Nazis in the army, the Swedes used their September provincial and municipal elections to oust from office five members of Nils Flyg’s Nazi party and to give the Communists 16 additional seats.
Vichy Drafts French Labor

After several weeks of hedging, the Laval government has begun the virtual conscription of French labor for Germany. The heads of designated plants have had to submit lists of their employees, and the latter are being graded for priority of enrollment. Those with least family responsibility are to be taken first. The worker receives a letter which states that, "In order to ensure the relief of prisoners, you are designated to work in Germany." If an individual does not sign his employment certificate within 24 hours, his name "will be included in a list which will be immediately transmitted to the Secretary of State for Labor, who will make a decision." A reliable informant believes that no actual force will be used before mid-October, but economic threats and intimidation may be employed in varying degrees.

The Government is justifying itself by the assertion that only by such action could direct German conscription of French workers be avoided. Laval is stressing the duty of designated workers to serve their country in this way. Nevertheless, Hubert Lagardelle, Secretary of State for Labor, and 10 other officials of the Labor Ministry have resigned in protest against the forced-labor policies, according to the press.

In response to German pressure it is reported that Vichy will also shortly decree that no male between 18 and 50 who is a citizen of a country fighting the Axis can leave France or its dependencies.

The Benoist-Méchin Affair

Further reports indicate that Benoist-Méchin and the Parti Populaire Français had developed a plan to displace the present Vichy regime prior to the time that Laval took action. Benoist-Méchin had apparently prepared a slate of ministers, to be headed by the ambitious Admiral Platon, a man believed to be more acceptable to Pétain and the country than Doriot. Prominent posts were also to go to Benoist-Méchin himself and to Paul Marion, whom Laval may also soon try to oust from the Government.

In Morocco the conspirators may have planned a coup in the absence of Noguès and the head of the Secret Police. They were also working up a violent demonstration against Allied representatives. Some PPF leaders there have since been jailed, and French authorities are reported to have prepared drastic plans for maintaining control.

Apprehension Regarding Dakar

Apprehension—real or simulated—about an Allied attack on Dakar appears to have mounted in both German and French circles. While Vichy has indicated increasing concern, authorities at Dakar are rigorously enforcing black-out regulations and have registered European families in preparation for possible evacuation. Public tension at Dakar has been acute since September, and the German Armistice Commission is showing apprehension. An increase in French submarine strength at Dakar is also reported. Meanwhile, Berlin broadcasts are continuing to emphasize the importance to France of accepting German military aid in the defense of the French Empire.

French military and naval intelligence officers in North Africa are circulating for propaganda purposes the now notorious article by Professor Renner that appeared in the June 6th issue of Colliers. In this article Renner proposes that small parts of France and larger areas in North Africa be ceded to Spain and Italy in the future peace settlement.
**Axis Defensive in Egypt**

Against heavy opposition, a British infantry force made a minor advance in the Deir El Munassib area on September 29-30, taking high ground and straightening the line. The force was able to consolidate and hold its position, despite an Axis counterattack. Axis air patrolling is now more active, and the use of dive bombers has increased. Apparently to stiffen and control their defensive dispositions, the Germans have paired German and Italian armored divisions in the rear, and have mingled German units with the Italian infantry in the forward area.

Other reports also indicate that the enemy is, for the time at least, holding to the defensive in Egypt. The Axis radio has recently treated the North African theater in defensive terms, making no promises of an attack, and suggesting that the British army, which "has been uninterruptedly strengthening itself," is preparing an offensive. Rommel himself, in his remarks in Berlin, stated that fighting in Africa was increasingly difficult, admitted the stiffer opposition of American tanks, and apparently did not go beyond saying that "we propose to hold what we have in Egypt."

The Axis supply situation continues to be tight, in large measure due to Allied air and submarine attacks on enemy shipping, ports, and supply lines. Sinkings during August may have amounted to over half the tonnage dispatched from southern Europe. The United States Air Force alone dropped almost a million pounds of bombs in this theater in the month of September. The port of Tobruk has been pounded almost nightly, and reports indicate that its efficiency may have been reduced to a fraction.

**Consolidation in Madagascar**

The British this week continued to consolidate their hold on Madagascar. Despite obstructions and the advent of heavy rains, the British column that had advanced from Majunga to Tananarive has now occupied Antsirabe, communications center to the south. This places the British in substantial control of Madagascar's railways. Some French and native troops have apparently withdrawn farther south. The civil population has been friendly, and local French officials have nearly everywhere been helpful. The French Council at Tananarive passed a resolution in favor of cooperation with the British.

**India: Further Compromise Moves**

As new demonstrations flared up in New Delhi and Bombay, and observers anticipated large-scale Congress agitation during the week of Gandhi's birthday (October 2-9), non-Congress leaders started at least three lines of negotiation to resolve the current impasse. In New Delhi, the directing committee of the Hindu Mahasabha met to review the party's compromise efforts in the past and to work out further proposals for the future. Almost at the same time, Fazlul Huq, Prime Minister of Bengal, issued invitations to a varied group of party leaders to discuss the possibilities of compromise at the Indian capital during the first week of October.

The most clear-cut proposals, however, came from Rajagopalachariyar, moderate leader from Madras. Taking issue with the *Manchester Guardian*, Rajagopalachariyar asserted that the British could very well start negotiations with Indian nationalist leaders now in jail as well as with those still at liberty. Such leaders, Congress and non-Congress, who are actually representative of Indian public opinion, he suggests, should be called on by the Viceroy to form a national government as a substitute for the present Executive Council. This government, he concludes, could carry on the Indian administration for the duration of the war—
leaving military control to the British, and postponing the settlement of controversial issues until the return of peace.

**Intensified Air Attacks on Kiska**

In the Aleutians, the only active Japanese base, Kiska, is now under fairly regular and heavy attack from the air, and the enemy position there is less secure than at any time since the first landings last June. Japanese air power in the area has dwindled, and, at one time in the past ten days, was thought to consist of no more than two or three serviceable planes. However, a later report indicated the Japanese were renewing construction of semi-permanent buildings and underground storage facilities, apparently with the expectation that the base can be held, and additional aircraft therefore are likely to be brought in. An enemy attack on our new position in the Andreanof Islands on October 4, coupled with some fighter interception encountered by our own aircraft at Kiska, suggests that this may already have occurred.

**Geography of the Andreanof Islands**

The establishment of our new base in the Andreanof Islands, announced after an interim period of several weeks during which the base had been secretly prepared and occupied, brings Kiska within range of our fighter-planes. The westernmost island of the group, West Unalga, is only 125 nautical miles distant from Kiska. The group as a whole, from Amchitka Pass on the west to Seguam Pass on the east, extends for 235 miles in the center of the Aleutian chain. Amia, the easternmost island, is 245 nautical miles from Dutch Harbor. The islands vary in size from mere rocks upward to 600 square miles—the area of Atka.

The islands were built up from the floor of the Pacific by volcanic action, and many of them have rugged volcanic peaks. Some of the volcanoes have erupted as late as 1930-33 (Kanaga, Gareloi). The four largest islands are Atka, Adak, Tanaga, and Kanaga. Kanaga has extensive plains, fairly large and level, and all of the larger islands have some level or gently rolling land in the interior. There are several good harbors, but approaches to the islands by sea are strewn with numerous rocks and reefs.

Originally inhabited by the Aleuts, most of the Andreanof Islands are now unoccupied except for occasional trappers. Until recent months, the only real settlement of the group was the town of Atka, a settlement of about 90 natives on well-protected Nazan Bay on the east side of Atka Island.

**Favorable Weather: September to November**

In spite of their high latitude, the Andreanof Islands have a mild climate, temperatures ranging from 32 to about 52 degrees above zero Fahrenheit. The best period for sea and air activities is the present one—September to November, when fogs, cloudiness, ceiling, and visibility all are the most favorable of the year. This is not to say, however, that weather in the Andreanofs is any different from the general run of Aleutian weather. It is rainy, cloudy, and misty most of the time, with dense fogs sometimes 4,000 feet thick. Often the fogs are only a few hundred feet thick, however, and frequently they occur on the southern side of the islands and not on the north, so that north side ports may have clear or broken weather when other places are shrouded in fog.

**Losses and Gains in the Southwest Pacific**

In New Guinea, after losing their Ioribaiwa Ridge positions above Port Moresby September 28, the Japanese unexpectedly chose to avoid further battle. Australian forces as a result have advanced without serious opposition to the
Gap in the Owen Stanley Range. A small Japanese convoy northeast of Buna has been bombed, but whether it had landed or withdrawn troops at Buna—a clue perhaps to further Japanese intentions in this area—is not yet known. Prime Minister John Curtin, however, views the present Australian advance essentially as a “holding operation”, according to press dispatches. A large-scale offensive could not be undertaken for at least six months, he adds, due to the demands of other fronts for men and matériel.

Allied forces in New Guinea are in complete control of the air and have strafed and bombed Japanese bases and communication lines without let-up. In addition, Allied ground patrols are active north of the mountain range, where they have raided a Japanese concentration at Mubo, near Salama.

On Guadalcanal, the Japanese are continuing to land reinforcements, and the situation there may again be approaching a crisis. New landings also have been made to the northwest at Viru and Rendova Harbors in the New Georgia group. On Guadalcanal itself, the main enemy concentrations now are at Kokumbona, on the north coast about eight miles west of our airfield near Lunga Point, and still farther west, at Cape Esperance. United Nations’ aircraft have bombed these positions and others on nearby islands, and our forces continue to take a relatively heavy toll of attacking Japanese planes. At Japanese airdromes on Buka and Bougainville Islands in the northern Solomons, enemy air activity nevertheless has been considerably intensified, and some reinforcements evidently continue to arrive.

Unusually large Japanese naval concentrations are still being maintained in the Japanese mandated islands north of Rabaul, presumably awaiting the outcome of Japanese efforts to establish air supremacy in the Solomons. While waiting, Japanese naval forces have completed the occupation of the Gilbert Islands, which provide a screen for operations in the empty ocean spaces between the Solomons and the Japanese-held Marshalls.

**Chungking En Fête for Willkie**

Wei Erh-chi First-born, usually known as Wendell Willkie, has been holding considerably more than the center of the stage since his arrival in Chungking. The Chinese, who dearly love a to-do, and who are past masters at making one, welcomed Willkie with firecrackers and the ceremonial hot towel and proceeded to participate enthusiastically in the process of being taken by storm. Willkie’s gusto and energy have made a wide appeal, and his visits to factories, munition plants, and universities have been cheerfully accompanied by complimentary speeches of welcome and frequent requests for autographs. The Chungking press has devoted its news columns to full accounts of Willkie’s activities, while its editorial writers have vied with each other in enlightening their American guest on such matters as the necessity for increased aid for China, and the desirability of creating an active Pacific front and abolishing extraterritoriality.

Meanwhile, Willkie has interviewed a number of Chinese leaders (including H. H. Kung, Minister of Finance, and Chou En-lai, Communist representative in Chungking) and has had several lengthy conferences with the Generalissimo. It is improbable that any of Willkie’s hosts disagreed with the editorial writers above.

**Chinese Troops Training in India**

General Stilwell’s headquarters has revealed the fact that several thousand of the Chinese forces which fought in Burma are being re-equipped with American arms at a camp in India, and are receiving training from American Army
officers. Correspondents who visited the camp have been impressed with the evident effects which good food and a healthful life have had on these troops, and report that the American instructors are pleased by the keenness with which the Chinese take to their various tasks. The Chinese themselves are thoroughly enjoying the unaccustomed luxury of training with real ammunition.

In northern Burma the Japanese are evidently stepping up their own preparations for future events. A sharp increase in enemy air activity in this region has been noted by United Nations' reconnaissance planes. Construction is in progress at various Burmese airfields, and there has been some evidence as well of heightened shipping activity. On September 28, eight large river craft and more than 400 rail cars were observed at Mandalay.

_Castillo Versus Justo in Argentina_

Taking advantage of his constitutional prerogatives, President Castillo has appointed a Federal Interventor for the province of Corrientes, thereby setting aside the duly elected provincial governor and legislature. As explanation, he made the traditional statement that he was acting in order to protect the political rights of the citizens of the province. The move, however, was widely and properly interpreted as aimed against General Justo, leader of the conservative opposition to Castillo and candidate for the presidency in 1948. Justo's political influence has long been dominant in this province.

The Corrientes affair is symptomatic of the deepening conflict between the isolationist and interventionist branches of conservative opinion, and may soon touch off events of greater significance.

_Lombardo Toledano's Odyssey_

Vicente Lombardo Toledano, foremost Mexican labor leader and President of the Federation of Latin American Workers (C. T. A. L.), has flown from Cuba to Colombia on his swing through Latin America. On reaching Barranquilla he was greeted by a telegram from President Lopez, welcoming him to Colombia as “a gallant representative of American intellectuals.”

This message suggests that he will be as well received by government and labor circles of Colombia as those of Cuba, where he had an interview with President Batista and addressed thousands of workers in speeches stressing the need for more intense Latin American participation in the war effort and the crucial role of labor in this effort. In this connection, he emphasized the need for Pan-American labor unity and declared that both the C. I. O. and the A. F. of L. had in principle approved holding an inter-American labor congress in Havana, but that failure by the A. F. of L. thus far to approve final plans had delayed the project.

Lombardo Toledano's trip has not been without its domestic and peculiarly Mexican repercussions. Shortly before Lombardo left Cuba, _Novedades_, leading Mexico City daily with strong Catholic leanings, printed an exclusive dispatch from Havana quoting Lombardo as having declared in a public address that “the Pope is the leader of the world fifth column.” Soon after, _El Popular_, daily newspaper of the Federation of Mexican Workers (C. T. M.), published affidavits by the editors of the leading dailies of Havana and by a number of important Cuban journalists to the effect that they were not aware of any such statement by Lombardo Toledano.

This was the second attempt within six months by the rightist Mexican Press to attribute a forged and highly provocative statement to Lombardo Toledano. In each case
it has raised domestic storms which have done little if any injury to Lombardo but have served to distract attention from the more vital problems of the war.

Anti-Nazi Measures in Santa Catarina

The Brazilian authorities are taking vigorous steps to control the activities of the Nazis in the southern states. At present about 500 Germans have been arrested in Santa Catarina alone, and these will eventually be placed in three special prisons in the state. About 400 persons, mostly Germans, have also been forced to move from the coastal area and from the Argentine frontier to specified interior towns more than 100 kilometers inland. The only restriction placed on their activities is that of reporting daily to the police authorities.

GERMAN POLITICAL REFUGEES IN THE UNITED STATES

1. Unity in Diversity

Since 1933, some 250,000 German emigrants have entered this country, at least 48,000 of them having been expelled for political rather than racial reasons. Not unnaturally, members of the latter group have formed cliques and coalitions and have sought to influence not merely the German-American populace here, but more especially the attitude of the United Nations toward the homeland. A current memorandum on these refugee organizations by the Foreign Nationalities Branch of the Office of Strategic Services indicates significantly that, beneath all their differences, there now flows a strong and common current of German nationalism, revived in the most mutually antagonistic groups by fears of the dismemberment or abasement the Fatherland may suffer at the hands of the Allies.

2. Titles

The chief organized groups of German refugees in this country are the following:
The Association of Free Germans, Inc., German Labor Delegation, the Goldsmith Group, German Study Group, American Friends of German Freedom, New Beginnings, the Strasser Group, the German-American Congress for Democracy, the Loyal Americans of German Descent, the German-American League for Culture, the German-American Emergency Conference, the German-American Anti-Axis League, and the Steuben Society.

Of these, the four most important are: the American Friends of German Freedom; New Beginnings (sponsored by the Association of Free Germans); the Strasser Group; and the Steuben Society.

3. The Association of Free Germans, Inc.

Probably the most active and powerful of them all, the Association reproduces in miniature the Weimar Coalition of Social Democrats, Catholic Centrists, and moderate Nationalists. It has as president, Albert C. Greinhard, former Prussian Minister of Interior; as secretary, Rudolph Katz, former Aldermanic President of Altona; and as Director, Gerhart H. Seger, former member of the Reichstag.

Though in its published aims the Association follows closely the program of the United Nations, supporting the Atlantic Charter and dedicating itself to the destruction of Nazism and German imperialism, there is reason to believe that there is nothing approaching unanimity of opinion within the group. According to reliable reports, members of the Association have disagreed violently over the issue of unilateral disarmament for post-war Germany, many of them holding the opinion that such a move would invite territorial aggression on the part of...
Russia or Poland. The fear of Russian power is, in fact, one of the chief determinants of the members' real, as distinguished from their publicly expressed opinions. Rudolf Katz, the Association's executive secretary, has privately expressed the view that post-war Germany will fall into two camps: those who will fight with the Allies against Russia and those who will fight with Russia against the Allies.

4. American Friends of German Freedom:
This organization is the chief supporter in the United States of the activities of Paul Hagen and Neu Beginnen, a small band of extreme leftist intellectual refugees with headquarters in New York and London. Founded in the middle thirties by the late B. Charney Vladeck and Dr. Reinhold Niebuhr, the American Friends of German Freedom had as its original aim the financial support of underground work supposed to be carried on in Germany by the Neu Beginnen group. Since the outbreak of war in 1939 and the consequent almost complete rupture of underground contacts with Germany, it has continued to function as a publicity bureau for Hagen and to publish two periodicals: Inside Germany Reports, a digest of material supposedly collected through underground channels, and In Re: Germany, a bibliography of works dealing with the German problem.

5. Neu Beginnen:
Formed in 1931 by a small group of Marxist intellectuals, many of them supposedly former Communists, Neu Beginnen was dedicated to the task of combating Nazism by healing the German labor split created by Communist-Socialist discord. According to its present platform, however, Neu Beginnen appears to have abandoned any ideological compromise with Moscow and stands for: (1) rejection of all forms of Communism; (2) rejection of the principle of a one-party, Socialist dictatorship; (3) support of an independent and democratic Socialist movement in Germany. Its chief spokesman, Paul Hagen, envisions European reconstruction as taking the form of a supra-national federation based on working class cooperation within a Socialist economy, and subject to some form of world control. As a native Austrian and a Socialist, Hagen is a strong supporter of Austrian inclusion in the Reich, and an advocate of free and equal participation for Germany in a European federation. Correspondingly, he opposes unilateral disarmament, occupation of Germany, and all proposals for quarantining Germany by "political and military safety-belts".

Thus, it is clear that the program of Neu Beginnen, though bitterly opposed in Prussian militarism and imperialism, is nonetheless Grossdeutsch in its essential aims. Its numerical strength is negligible, its potential strength as a propaganda agency considerable.

6. The Strasser Group:
According to reliable reports, the British consider this by far the most dangerous of the refugee groups. In Canada and Latin America, where it is most active, it is called the Free German Movement. In this country, where its activities are restricted by the inability of Otto Strasser to enter the country, the Group is not allowed to use the designation "Free German", which has been preempted by the Association of Free Germans. However, Strasser has received until recently ample publicity in this country by the publication of his pamphlets and articles, the latter having had a wide circulation through such magazines as Liberty and the American Mercury, as well as through the Washington Post, the Christian Science Monitor, and other papers. He has now turned to the German-American press for a major outlet for his views.

The chief activities of Strasser's group are carried on in South America, where the movement is headed by Bruno Friese in Buenos Aires. Friese is a former member of the "Organization Consul" which executed the notorious Fene murders in the early days of the Weimar Republic. It should be added that Strasser's Free German Movement in South America has been repeatedly split by violent disputes arising from charges of anti-Semitism and Fascism leveled at Friese and Strasser. However, the split in the South American movement must be viewed not so much as a conflict between a Fascist and a democratic bloc as a quarrel between the revolutionary, National Socialist elements, including Friese and Strasser himself, and the conservative German nationalists.

The fact that these two views could be reconciled even temporarily in a common organization again demonstrates the great cohesiveness of German nationalism and points to the chief potential danger of Strasser's activities. On the basis of the record, there can be no doubt that despite his protestations of democratic sentiment, he is strongly chauvinistic and stands for a form of National Socialism that would differ from Hitler's only in certain details. British authorities and German Social Democrats call Strasser the Trotsky of National Socialism.

7. The Steuben Society:
Evidence supplied by reliable sources indicates that the Steuben Society, which is made up entirely of German-American citizens, has maintained close relations with the Steuben Gesellschaft in Nazi Germany, which, on several occasions before the war played host to the American leaders of the Society. This connection, doubtless, goes far to explain the strong pro-German and only slightly disguised pro-Nazi policies of the Society, examples of which may be seen in the following items: (1) the virulent, defeatist, and anti-Administration column called the "Steuben Ecke" which appeared regularly in the pro-Nazi Philadelphia Herald until the recent suppression of that paper; (2) the part played by the Society in instigating and supporting the isolationist congressional investigation of the motion picture industry; (3) the continuing anti-British and anti-Administration propaganda being carried on even now in the Steuben News, the official house organ of the Society.

8. The British View:
The above analysis of the political attitudes and activities of German refugees in this country can be corroborated by Britain's experience with the individuals and groups concerned. Through confidential sources it has been learned that the official British view of the German problem may be summarized as follows:
Before the outbreak of war in 1939 German political refugees in their attacks on the appeasement policy at Munich were largely responsible for the propaganda
directed in this country against Anglo-French policy, which had the effect of buttressing the arguments of American isolationists. After 1939, however, they saw in the possibility of an Anglo-French victory their sole hope of returning to Germany, and consequently they did everything in their power to aid the British cause and curry their favor. This attitude held good, however, only until the fall of 1941, when it became apparent that Russia, far from collapsing under the Nazi attack, was able to assume the offensive and threaten Germany. At one, according to the British view, the majority of the German political refugees leaders, regardless of class or party, developed an acute attack of nationalism and began to show signs of desiring a negotiated peace with the German Army subsequent to an overthrow of the Nazi regime. To this end certain leaders among the refugees have been engaging in subtle pro-German Army propaganda while at the same time fostering anti-Soviet sentiment in this country.

Among the outstanding offenders in this connection the British count Dr. Hermann Rauschning, the former Nazi President of the Danzig Senate; Dr. Karl Spiecker, former press chief of the German Chancellory under Brunsing; Dr. Heinrich Brunsing himself; and Prince Hubertus zu Loewenstein. The British also believe, it is understood, that such self-proclaimed champions of democracy as Dr. Albert Grzesinski and certain of his associates in the Association of Free Germans share the hope that the Generals will bring peace to Germany.

As for Strasser, the British believe that the machine which he is creating in both the United States and Latin America will be used ultimately for ultranationalist German propaganda, which will inevitably be prejudicial to British interests, and which may even prove to be a cause of friction with the United States Government. The British have been especially concerned over the impression which Strasser has managed to convey in this country that he has the blessing of their Government, an impression which has gained credence from the fact that Strasser was allowed to proceed from custody in Bermuda to freedom in Canada. Although the British Foreign Office has officially expressed its strong disapproval of Strasser, they do not feel that there are present sufficient grounds for asking the Canadian Government to intern him. Consequently, their present position is that Strasser's movement, like other "free" German groups, should be tolerated without being encouraged.

In short, excepting a few individuals like Friedrich Wilhelm Forster, the anti-German publicist and author, and Dr. Eugen Guenster, a supporter of Bavarian separatism, the British believe that the German political refugees in this country are not to be trusted, and fear that should the refugees once achieve unity among themselves, they might exercise in Washington an influence adverse to Britain's national interests.

**APPENDIX II**

**THE ELITE GUARD AND THE STORM-TROOPERS**

Many close observers of the Nazi Reich anticipated that Germany's entry into the war would lead to the gradual eclipse of the Party formations and the ascendancy of the Wehrmacht. This prediction has been amply fulfilled so far as Sturmbteilungen, or storm-troopers, is concerned: the SA has been relegated to the position of maid-of-all-work in the war-time economy. But the more important SS has much more than held its own in its rivalry with the Army, according to a memorandum prepared by the Central European Section of the Office of Strategic Services. In prestige, in numbers, in interpenetration of the whole government fabric, the Schutz-Staffel has not diminished but grown, and the Party's dominance over dissident elements must, in consequence, still be regarded as virtually unshaken.

1. **Fate of the SA**

The rise of the SS only throws into bolder relief the humble position of the SA. From being the swaggering "conquerors of the streets" of Ernst Rohm's day, the brownshirts have sunk to the status of bridge-guards, factory watchmen, and air-rail wardens.

For a time, five years after the June purge had nearly liquidated their organization, the SA appeared to be on the road back to power. Goering needed a counter-weight to the mounting influence of Himmler, who had, in the SS, a private army of increasingly dangerous proportions. The Wehrmacht, on its side, was restive after its political isolation following the Blomberg affair of 1938, and hoped to use the SA as a provisional ally. Accordingly, Victor Lutze, a "Goering man", became the SA's new leader, and the brownshirts were given the relatively important task of training the preconscripts and reservists of the nation in military matters. This enabled them, in the course of their labors, to indoctrinate millions of Germans with "the SA idea", to tout themselves as "a bridge between the Party and the Army", and to expand with a legitimate air their own forces.

The war, however, dealt the SA's comeback a nearly fatal blow: 989,000 of their 1,400,000 followers were drafted into the Wehrmacht, and, with the exception of one SA unit, they gave up their identity entirely and were lost in the anonymity of field-gray. Worse, the SA's responsibility for military training on the home front was seriously en rostered upon by the Hitler Youth and the Army, and in return the shrunken organization was charged with sundry other chores of some difficulty but little distinction: target practice for middle-aged civilians, guarding Army property and buildings, distributing ration cards, operating blood banks, harvesting crops, etc.

The SA is by no means "finished": its numbers are still large and it holds over the Labor Front is an important advantage. But in current jockeying for power among the Army, the SS, and itself, the SA is now a not too promising third.
2. Function of the SS

The history of the SS, on the other hand, has been one of almost unobserved aggrandizement. It has grown with the growth of the Party, and for an obvious reason: just as the National Socialist Party is a “State within a State”, so the SS is a Party within a Party. As such, it is the indispensable instrument of Hitler in maintaining his grip upon both Party and State.

The SS was created by Hitler in 1925 as a squad of eight men to protect the Fuehrer and Party supporters from physical violence. Its “choicest” task still is the safeguarding of the Fuehrer. To this mission have been added the protection of the German nation, its blood and unity; maintenance of internal security; guarding and strengthening Party control in Germany; and finally the exposition and enforcement of National Socialist doctrines of the World Movement. To fulfill these missions the SS has successively developed an intelligence service, a police force, and a closed community for the practice of National Socialist eugenics. It is now rapidly creating an army.

3. Effect of the War

The coming of the war has caused the separation of the SS into two groups: the General SS which has remained on “civilian” duty, and the Military SS which is on active service at the front. The General SS is not to be regarded as a reserve of office-workers: all its members have had at least the rudiments of military training and, of course, are subject to the very exacting discipline of the Ersatz Guard. The strength of the General SS has been estimated at anywhere from 750,000 down; the most probable figure lies between 100,000 and 200,000.

The Military SS, in the early part of 1942, was believed to consist of at least 12 SS regular divisions and 5 SS police divisions, all of them at the front. In addition, regiments and smaller units were stationed in various sections of Germany and German-occupied Europe. It can be said safely that the size of the Military SS is decidedly on the increase, even if rumors of its retaining 46 divisions are discounted.

The strength of the SS is not to be measured, however, solely in numbers. Quite as important is the way it makes its numbers count. The SS controls the police, Gestapo, and Party Intelligence services. It dominates the colonization and Germanization of conquered territories. Even the foreign service is taken in an SS tint: both Ribbentrop and Althoff, for example, are high in its ranks. SS men are found in top jobs in the press, the Propaganda Ministry, education, the Labor Front—and, indeed, all branches of the Government. Only the top-most brackets of the Wehrmacht have resisted penetration.

4. SS Versus Wehrmacht

There can be no question but that the coming of the war threatened the relative position of the SS. The vast enlargement of the Wehrmacht, its prestige and power, might well have caused a gravitational shift of influence toward the Generals, leaving the SS stranded.

The key to the success of the SS in surviving this menace was (unlike the unfortunate SA) its refusal to yield its identity within the Army. It kept its members in special SS regiments and divisions. Some SS men, of course, were judiciously placed in regular branches of the Wehrmacht, where they constitute valuable listening posts for the Security Service of the SS Reich Leader. The bulk of the membership, however, was and is concentrated in formations of the Military SS so that, in case of need, they can be withdrawn as fighting units and employed at the discretion of the Fuehrer. It may be without significance that SS divisions are distributed about equally among the several sectors of the Russian Front—a convenient allotment in case of mutiny.

An official statement of the German General Staff, September 17, 1941, declared that, while the Military SS is in principle under the command of the SS Reich Leader, in the present war several units of the Military SS are under temporary command of the Commander-in-Chief of the Army for performance of military missions. Members of these formations are soldiers in regard to rights and duties. Nevertheless, the SS Reich Leader directs the indoctrination of SS soldiers and retains the right of substitution. In the early part of 1942, indeed, it was reported that the Military SS had achieved independent status as a sort of fourth arm, and certainly there is considerable evidence that some, if not all, SS divisions operate on more or less independent missions, being shifted from one corps to another after completion of a particular task.

That friction would develop between the SS and the Army was, of course, inevitable. Jealousy started right at the top: Himmler, chief of the SS, had been only an officer-candidate in World War I and had, following the Armistice, attempted to "crash" circles in Berlin frequented by the General Staff. He was rebuffed sharply and consistently, and salt was added to his wounds by the fact that Himmler, Leader of the Nazi Mounted Corps, and Hirt, Leader of the Reich Labor Service, both succeeded where he had failed. His present relations with the Generals, consequently, are characterized by a certain stiffness.

Himmler's own feelings seem to be reflected in the ranks. The SS men criticize the Wehrmacht as reactionary, and the Army, on its side, considers the SS soldiers publicity-seekers. Saluting between the two forces is done either reluctantly or not at all. Unconfirmed reports, indeed, speak of brisk exchanges between Hitler himself and the Generals. Hitler charging the Army with wanton sacrifice of his SS troops, and the Generals retorting that the losses of the SS result from the men's own recklessness and incompetency.

It would be a mistake, however, to assume that these bickerings have led or will lead in any discernible future to an open rupture. As long as the SS remains an ill-absorbed lump in the Wehrmacht, there is bound to be a certain amount of mutual uneasiness. But the very presence of the SS at the front, constantly on the watch and still fanatically devoted to the Fuehrer, is Hitler's strongest guarantee of safety from a Putsch by the generals.

5. Estimate

As an organization, the SS contains elements of both strength and weakness. In evaluating its power, one should not allow the indisputable cruelty of its concentration camps or other agencies to emotionalize one's judgment. For the SS contains a definite component of idealism which has attracted some of the best elements of German youth: an emphasis on self-denying discipline and loyalty and a sense of dedication to the country. To those insensitive to this appeal, the SS can offer a place in the Nazi aristocracy, an assurance of economic
RUSSIAN ECONOMIC POTENTIAL IN SOUTHEASTERN SIBERIA

The map: Reliable information on Southeastern Siberia is more difficult to obtain than for any other part of Russia. The accompanying map, which is provisional only, is based on the most detailed information available. However, it was not in each case possible to differentiate between industrial plants in full operation and those believed to be under construction. Only their size and number can be given: these are shown. Results are not differentiated as to quality, and it is possible that there are resources undetected in addition to those shown.

Despite Soviet efforts to develop the economic potential of Southeastern Siberia, industrial and agricultural production is insufficient to maintain effective resistance to a prolonged Japanese attack, according to a recent report of the Far-Eastern Section of the Office of Strategic Services. Russian resistance in the long run would depend upon coal, oil, and the flow of supplies from other areas. Large stocks of food are available, and there may have been considerable stockpiling of industrial raw materials and semi-manufactured products.

"The area described in this report as "Southeastern Siberia" covers the territory bounded by the Lendnoi River in the west, the Pacific coast and the line of Cossack on the east, the Yenisei River on the north, and Outer Mongolia on the south."
products, although the extent of these accumulations is unknown. In view of
the unsatisfactory prospects for maintaining a flow of supplies from outside in
case of war, this least known element—the extent of stock-piles—may prove to
be the most decisive factor in the economic situation.

*Industrial and Agricultural Manpower*

During the twelve-year period, 1926-1938, the population of Southeastern
Siberia increased 77 percent, chiefly through immigration from European Russia
(largely military personnel and urban workers and their families). In 1941 the
total population of the area (represented on the accompanying map) is estimated
at approximately 4,500,000. At the last census in January 1939, 45 percent of
the population was urban, compared with 22 percent in 1926.

But despite the influx of industrial workers, a labor shortage was reported in
1940, when it was estimated that at least 200,000 persons would have to be
brought in from other regions of the U. S. S. R. The principal shortages at that
time—the latest season for which information is available—were in the critical
coal, lumber, metallurgical, machine building, and building materials industries,
and in rail and water transport. As of 1941, there was no evidence of manpower
deficiency in agriculture.

*The Food Situation*

Southeastern Siberia as a unit is an area of food deficit. The very fact that
progress has been made in industrialization and urbanization has contributed to
the deficit. In the two administrative areas which lie farthest east and are most
exposed to attack (the Maritime Krai and Khabarovsk Krai), the excess of con-
sumption over production is especially serious.

However, there is reasonably good evidence that substantial stocks of food have
been built up for local use in time of war, and particularly in the event that hostili-
ties should put a stop to the flow of imports by way of the Trans-Siberian Railway.
For the two easternmost Krai, imports of bread-grains in 1937, for example, when
the local deficit was only about 320,000 metric tons, are shown by an analysis of
statistics on freight movements to have been between 500,000 and 600,000 metric
tons. The latest available statistics for freight movements indicate net grain
imports greatly in excess of the local deficit.

There is a very serious current deficit in livestock in the two easternmost
Krai. A large proportion of the cattle, hogs, sheep, and goats in Southeastern
Siberia (which had as a whole in 1938 about the same number of livestock per
hundred of human population as the rest of Russia) are concentrated in the
western half of the area—that is, in Chita Oblast and the Buriat-Mongolian
Republic. The herds in the two easternmost Krai have been increased since
1938, but the deficit must still be very serious.

Only in fish does Southeastern Siberia produce more than it consumes, and
here the Khabarovsk and Maritime Krai have a virtual monopoly. But the
salt-water fishing industry constitutes the one form of food production that a
Japanese attack would immediately reduce very notably, if not destroy.
SECRET

The Industrial Situation

The status of industrial development in Southeastern Siberia is shrouded in Soviet mystery, and data are most inadequate precisely where the production of war materiel is concerned. It is not possible, therefore, to verify Stalin's statement to the British Foreign Secretary Eden that Russian military forces in this area can be fully supplied from the "many" plants there.

However, several large new plants are known to exist, in addition to various old railway repair shops and shipyards. These former include the large locomotive plant at Ulan Ude, the reconstructed Dalsarod shipbuilding plant at Vladivostok, a similar plant at Khabarovsk, an automobile assembly plant, and others. Airplane fuselage plants are reported at Komsomol'sk and Vladivostok and an engine plant at Khabarovsk. Three fuselage plants which lie outside the immediate area under consideration also contribute to plane production for the Russian Far East, estimated altogether to consist of at least 200 places per month. Tank factories are reported at Chita and Voroshilov, and at Voroshilov there is also said to be an "ammunition" plant, but no data on production are available.

Raw Materials and Power

The industrial capacity of the region depends in any case as much on the supply of power and of raw and semi-finished materials as on the fabricating plants themselves. Here somewhat more is known, and the situation which the facts disclose is—like the food situation—relatively insecure. It may be summarised as follows:

1. Coal—It is probable that an increased production of coal has been wholly balanced, if not more than balanced, by a similar increase in consumption. In 1937, when 6,300,000 metric tons were produced locally, the region imported about 1,500,000 tons, and it is believed all this was consumed currently. If this is true, the annual deficit is at least this large. And of the 10 producing coal fields in 1937, the four which produced about two-thirds of the local supply is within 100 kilometers of the frontier and consequently are strategically the most insecure.

2. Electric Power.—The coal situation vitally affects the electric power supply, since most of the power stations are coal-burning. A few use oil, and the remainder wood. There are no known hydro-electric plants. There is a wide range in the power produced by these stations (even if only those rated at 100 kilowatts or over are considered): if stations which were under construction in 1937 are now in operation, the total capacity lies somewhere between 93,000 and 207,000 kilowatts. The maximum figure is less than the amount of power currently supplied daily to consumers in Washington, D. C.

3. Iron and Steel.—Up to 1940 there was no steel production in Southeastern Siberia, and the output of pig iron did not exceed 5,000 metric tons annually. In 1937 the region imported about 200,000 metric tons, some of which may have been stock-piled, although the lack of data on consumption precludes any estimates as to quantities. Since 1940 two full-cycle iron and steel plants have come into partial operation. One, at Petropavlovsk, is supposed to have, when completed, an annual capacity of 95,000 metric tons of pig iron and 125,000 tons of steel; the other, at Komsomol'sk, 150,000 and 250,000 tons, respectively. It is not known whether either plant is producing pig iron as yet, but, pending full operation, the region must depend largely on imports.

4. Petroleum.—Northern Sakhalin oil wells (including both Soviet and Japanese-concession wells) produce an estimated total of approximately 600,000 metric tons of crude oil annually, of which the Soviet share in 1939 was 469,000 tons. Despite this substantial production, imports from other parts of the U.S.S.R. totalled 400,000 metric tons in 1937, and it is very likely that a portion both of imports and of local production was stored. In the event of attack, the Sakhalin fields would be notably insecure.

5. Non-ferrous Metals.—Important zinc-lead mines are located in the Teterikha district on the Sea of Japan, but they are immediately vulnerable to Japanese attack. Larger deposits are located in the Trans-Baikal district, but development of them has been retarded. Tin ores also occur in the latter area and there are several concentrators and smelters, but while Trans-Baikal is reported to be Soviet Russia's chief domestic source of tin, there is a complete dearth of statistics on production and consumption.

6. Cement.—If all the cement plants projected in the Third Five-Year Plan (1937-1942) have been completed, Southeastern Siberia is self-sufficient in this product. One plant existed in 1937, at Spassk, producing in that year 164,000 tons. In the same year, 400,000 tons were brought in from the outside. Six additional plants, with a total capacity of 525,000-630,000 tons per year, were planned, but only one had been completed by 1939.

Transport

It is evident from the above analysis that the ability of the Russians to sustain a long war against the Japanese in Southeastern Siberia depends in large measure not only on rail transportation within the region but on transportation from the rest of the country to this region. In neither case can the present-day situation be considered satisfactory.

The railway pattern which, with the Chinese-Eastern, perhaps provided adequate logistical support before the Japanese advanced to the Amur, can no longer be considered secure in the event of a Japanese attack. The double-tracked Trans-Siberian (the main line) runs roughly parallel to the frontier for 2,400 kilometers west of Vladivostok, never more than 120 kilometers from Japanese-held territory. Several long bridges (notably the Amur bridge at Khabarovsk, only 37 kilometers from the frontier) and numerous tunnels (in the Baikal section of the line) increase the vulnerability of the railway. The several branch lines from the Trans-Siberian to the frontier, while facilitating the deployment and supply of Russian forces along the frontier, also offer convenient lines of advance for Japanese thrusts against the main line.

The Trans-Siberian Railway obviously is of the greatest strategic importance. Perhaps 75 percent of the population in this region lives within five miles of the railway. All of the seven cities of 50,000 or more, with the exception of Komsomol'sk, are on this line. Five-sixths of the agricultural population which resides along the upper Amur and Ussuri valleys and in adjacent areas is likewise concentrated near this railway. It is the only adequate supply line from regions west of Lake Baikal. So long as it remains intact and in Russian hands, it has ample
capacity (0½ million tons yearly, one way) to accommodate peacetime imports of supplies from the west, as well as local movement within the region. Without this rail line, the communications network virtually ceases to exist. Aside from air transport, traffic from areas to the west of Lake Baikal would then be limited to the river-road route which makes use of the Lena from Kirovsk and the road connection from the Lena south to Bolshevik Never on the Trans-Siberian. Motor transport is a very recent development in the region. Most of the roads are unsurfaced, and some are passable for motor transport only when frozen.

The most notable addition to the transport network, the Baikal-Amur Railway, is not yet completed, and probably will not be for some time. Begun in 1932, this line will provide an east-west transport artery at a safe distance north of the frontier and will greatly strengthen the Russian logistical position. Some portions of this new line are in operation.

The Amur River—the principal means of inland water transport—would be of little use above Khabarovsk in case of war, since it forms the boundary with Japanese-occupied territory. Maritime transport to Vladivostok and other Soviet ports on the Sea of Japan from overseas points likewise would be cut off. Overseas transport to Nikolaevev at the mouth of the Amur would depend on the degree of control exercised by Japan over the Kurile Strait, separating the Kurile Islands from Kamechatka (not shown on the map). Overseas supplies would probably be limited to the amount that could be brought in (a) by tractor-drawn trains in winter from ports on the Bering Sea accessible to Alaska, (b) by sea in summer to the mouth of the Lena and thence upstream, and (c) by sea routes to European Russia and thence to Siberia by rail, in so far as the Trans-Siberian Railway remained in Russian hands.
Secretary of the Treasury Morgenthau announced last night that the subscription books for the current offering of 2 percent Treasury Bonds of 1950-52 and of 1-1/2 percent Treasury Notes of Series B-1946 will close at the close of business today, October 9.

Subscriptions for either issue addressed to a Federal Reserve Bank, or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight Friday, October 9, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the bases of allotment will probably be made on Tuesday, October 13.
October 9, 1942
9:45 a.m.

GROUP

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

H.M.JR: Herbert, do you want to see me later?

MR. GASTON: Yes, I think so. I haven't anything important.

H.M.JR: I got this very nice ad in this morning. (Indicating advertisement in the Wall Street Journal.) I don't know who is responsible for that. Which agency placed that ad?

MR. BELL: The banks did that on their own, I think.

H.M.JR: I wonder.

MR. BUFFINGTON: Yes, the Victory Fund Committee talked to them about doing it.

H.M.JR: The Advertising Council?
MR. BUFFINGTON: No, they used their own agency.

H.M.JR: Which is that?

MR. BUFFINGTON: I think it was Albert Frank.

H.M.JR: One of those - Albert Frank has been working for us on one of the groups, hasn't he?

MR. BUFFINGTON: They happened to be the advertising agent, I think, for the Chase, and that is how they got into it.

H.M.JR: Is that just in the Wall Street Journal?

MR. BUFFINGTON: It is the only one I have seen it in.

MR. BELL: I think the "Times" and the "Tribune" had it, but it was in the late issue. Bob Rouse told me it was in his paper, but it was not in the paper that I had.

MR. BUFFINGTON: The text of the article in the "Times" said it was in the morning's paper, and I assumed it might have been a later issue.

H.M.JR: It wasn't in.

MR. BELL: Bob Rouse said it was in his, both the "Tribune" and the "Times."

H.M.JR: There is one paragraph in a "New York Times" editorial that I have got to kid Paul about after he reads it. I have got to read it. I won't even paraphrase it - on the Senate, on the tax bill. It is marvelous.

Herbert, have you got anything?

MR. GASTON: No, I haven't anything.

H.M.JR: Mr. Buffington?
MR. BUFFINGTON: You will recall that you talked to Chester Davis about suggesting a publicity man. He wrote you a letter suggesting Mr. R. Fullerton Place. I acknowledged the letter and told him you were considering it. I would like to ask him to come down and talk to us, if you see no objection.

H.M.JR: Well now, but you had better— we have kind of an over-all council on advertising, of which, I guess, Mr. Gaston is the senior member, so you had better talk with him—

MR. BUFFINGTON: I will talk with him.

H.M.JR: ... so we don't get our wires crossed. Will you do that?

MR. GASTON: Yes, I think it would be a good idea.

MR. BUFFINGTON: That is all.

H.M.JR: Ted?

MR. GAMBLE: I have nothing, sir.

MR. KUHN: Nothing.

H.M.JR: Kuhn gave me this bulletin which was addressed to farmers. I took it home last night. It was this—

MR. KUHN: Farm pamphlet.

H.M.JR: Yes, and I defy one farmer in a hundred to know what that chart in the middle means. We have the best people on charts in the Government working with George Haas, and it is silly not to make use of his facilities. The chart is just—it just doesn't mean anything. I read it three times last night. I think I know what it means, but that kind of stuff ought to go through George's shop.
MR. GRAVES: Is that Doctor Myers' pamphlet?

MR. KUHN: It is the farm pamphlet that the "Country Gentleman" prepared for us.

MR. ODEGARD: We raised that very question, Mr. Secretary, at the time, and we were assured by the people in "Country Gentleman" that they had done this thing dozens of times. They knew what the farmers wanted and what the farmers understood. We didn't.

H.M.JR: Who paid for it?

MR. ODEGARD: We paid for the printing of it.

H.M.JR: Well, Harold, in the future, if any pamphlet goes out from your group for anything that has to do with charts - statistics - will you clear it with George Haas, please?

MR. GRAVES: Yes.

H.M.JR: You might have read it once and understood it, but I read it and I think I know what - but it is silly, when we have good facilities, not to use them. Will you get out an order that sticks?

MR. GRAVES: Yes, sir. I understand they did that - "Country Gentleman" did all of the make-up.
MR. ODEGARD: "Country Gentleman" did the whole thing - the make-up and the composition.

H.M.JR: Talking of charts, I asked Tickton to make me a chart. I didn't realize he would have to stay up all night to do it; but it did go over last night to the President. I had discussed it with the President. This is just general information.

I analyzed two hundred and some odd orders that we received in August to buy for the Russians. Forty-two of them took over seven weeks from the time the Russians placed the orders until they were executed. The Procurement averaged about three days; but forty-two orders took over seven weeks. There was one order for electric motors that took over ninety days, the time being consumed in WPB and Lend-Lease.

I forget what the average was for the two hundred, but you couldn't strike an average because a lot of them, by October 5, had not yet been completed.

MR. WHITE: Do you remember a year ago, or - about a year ago you had a meeting with Lend-Lease and WPB, and Lend-Lease promised at that time they would get it out in forty-eight hours at the latest, and twenty-four hours on the average.

H.M.JR: It wasn't as long ago as that. I said something to the President. He said - the way he always said - "Give me some cases." So we did this. The reason I thought of it was because George's shop did such a beautiful job. They went right through the night on it. I didn't realize what I was asking for.
Now we are doing one on English orders. I am interested to see whether they just pick on the Russians or whether it is just as bad on the orders for the English. This is a very small piece. After all, we in Procurement are only doing a small part of the business and that is just placing orders. The next thing is when do they get deliveries. That is something else again. This is just actually signing a contract.

MR. BELL: We got quite a story on metals for the Mint, too, with WPB - a change in decision every week.

H.M.JR: Well, I am just passing it on - a bit of unpleasant news.

Ted, are you all right?

MR. GAMBLE: Yes, sir.

H.M.JR: Kuhn?

MR. KUHN: I have nothing.

H.M.JR: Roy?

MR. BLOUGH: Not changing the subject, I have a couple of charts I wonder if you have seen. (Charts entitled "Individual Income Tax" and "Estate Tax" handed to the Secretary.)

H.M.JR: Not changing the subject, you were supposed to give me a memorandum yesterday morning for the President.

MR. BLOUGH: I had the memorandum, but I didn’t understand I was supposed to give it to you. I was awaiting your call.

H.M.JR: Listen - no, I spoke to Paul and he said the two of you tried to get in, but then you never tried to get in again.
MR. BLOUGH: I didn't try yesterday morning at all, Mr. Secretary.

H.M.JR: You should have.

MR. BLOUGH: I am very sorry. We had the memorandum.

H.M.JR: If you have got something and I asked for it at a particular time, don't act as though you were in the Army. (Laughter)

MR. BLOUGH: I am very sorry, Mr. Secretary.

H.M.JR: No, seriously, will you?

MR. BLOUGH: We had the material.

H.M.JR: That goes for everybody when I ask for something for the President. I have so much I can't always remember. Paul says he is glad you didn't give it to me because it wasn't a good memorandum.

MR. BLOUGH: I don't think there was anything wrong with the memorandum, but I think the idea was probably bad.

H.M.JR: Maybe that is what he said. (Laughter)

MR. BLOUGH: You may have seen those. They were made a day or so ago. Mr. Paul wanted them, and I think they are very good. Maybe you can't understand some of those lines there.

H.M.JR: Why is the center line sort of fat and then it fades out?

MR. BLOUGH: I thought you might not understand that. Those lines that are fat, the center line and the Canadian line and the British line - the upper part of that represents - at the top side - represents the gross tax liability and the fatness represents the refund which is payable - the post-war refund which is
payable, or, in the case of the United States and Canada, part of that may never be paid in because of the deductions which are allowed for insurance, and that sort of thing.

That is just the estate tax, straight (indicating chart).

(Mr. Paul and Mr. Sullivan entered the conference.)

H.M.JR: You (Paul and Sullivan) missed a good one between Roy and me. I was just telling Roy to please not sit down in his office and wait to have me send for him on this memorandum, but I said that I understood that the memorandum was not any good, anyway. He said, "No, the memorandum is all right, but the idea isn't any good." (Laughter) The idea was mine. (Laughter)

MR. BLOUGH: I didn't realize the idea was yours, Mr. Secretary. (Laughter)

H.M.JR: What else?

MR. BLOUGH: I heard that the President had signed that letter on the Vandenberg amendment, but then there was a great silence. It was signed, was it?

H.M.JR: It was signed Monday night. I spoke to Altmeyer, and he and McNutt have been trying to get it out from the White House and have not been able to. I told them they should keep at it.

Mr. Paul had lunch Wednesday with the New York Times editorial staff. I just wanted to read this one paragraph. "The Senate has recently given us a fine demonstration of its traditional ability to rise above petty political considerations in a crisis. It could do the country another service now by writing into the new tax bill the Ruml plan, thereby providing for a genuine collection of these heavy income taxes at the source." But I mean, "The Senate has recently given us a fine demonstration of its traditional ability to rise above petty political considerations in a crisis."
MR. PAUL: Especially yesterday afternoon.

H.M.JR: I thought it was all-time tops.

MR. BLOUGH: I have nothing further, Mr. Secretary.

H.M.JR: But Mr. Paul told me, after being there, that he thought Mr. Bell had listened, but he didn't think anybody else had listened.

Cairns?

MR. CAIRNS: I have nothing.

H.M.JR: Are you (Blough) and I all right?

MR. BLOUGH: Yes. I feel very badly about not giving you that memorandum, but aside from that I feel all right. (Laughter)

H.M.JR: As I say, maybe it was better to let it die unborn.

I spoke to the President about taxes and so forth, drawing on my imagination, and got nowhere.

You stay a minute afterwards, will you, Cairns?

MR. CAIRNS: Yes, sir.

H.M.JR: Haas?

MR. HAAS: I have nothing.

H.M.JR: Mr. Odegard?

MR. ODEGARD: I have nothing.

H.M.JR: Chick?

MR. SCHWARZ: I have nothing.
MR. WHITE: Lend-Lease authorities have finally notified you that they are ready and willing to lend-lease silver under either of two schemes which would be acceptable to you. They said they prefer not to make a contract which would give them the silver back again. They prefer just to lend-lease it and get paid for it. However, they are willing to have it the way that you suggested. So I gather that the next step is to get a definite request from some country, which we have not yet had.

H.M.JR: You can get one, can't you?

MR. WHITE: We can get one, yes.

H.M.JR: Harold?

MR. GRAVES: I have nothing.

H.M.JR: Bell?

MR. BELL: I have nothing. I would like to see you sometime.

H.M.JR: Could I clean up these little things?

MR. BELL: Yes, no hurry. Are you going to be here tomorrow?

H.M.JR: Oh, yes, tomorrow will be all right. I will have time today or tomorrow morning. I will be here this week end.

MR. THOMPSON: I have two Internal Revenue deferment cases. (Papers handed to the Secretary.)

H.M.JR: Incidentally, McCloy was in here yesterday. Now he has suddenly discovered a lot of old men in the Army he has gotten worried about. He has been in two or three camps.

Mr. White: There was a lunch at which there were about fifteen men present and General Patterson repeated
the story. It showed how you found a letter on McNutt's desk. He told it in some detail. He also expressed considerable criticism of the practices of permitting college boys to be enlisted in the Reserves. All the most physically able young men are keeping out of the war by a device which, in his opinion, has no justification whatsoever. He said it is class legislation.

H.M.JR: He is right. The Navy--

MR. WHITE: He is quite concerned over it. I don't know if he is doing anything about it.

H.M.JR: Every time we meet here the Navy and he have a free-for-all, and nothing ever happens.

MR. GASTON: They all agree as to the right answer and then do nothing about it. The right answer is to take them in and send them for education if they need certain specific things, with the Army and Navy paying the cost to get that particular thing.

MR. WHITE: It is apparently an Army and Navy Reserve to be used after the war is over. (Laughter)

H.M.JR: It isn't the Army.

MR. WHITE: Yes, it is Army.

H.M.JR: Is it? I thought it was only Navy.

MR. WHITE: No, cadets, or something or other.

H.M.JR: I cut this to three months. (Deferment cases of Emil J. Nelson, six months, and Jacob S. Stern, three months, approved by the Secretary.)

MR. THOMPSON: That isn't a very strong case. That is right.

The reason for the mixup on the air raid yesterday was the President was to go down to the National Theater. They figured he would be back about five-thirty, and they wanted to have the air raid while he was out of the White House so as not to cause any inconvenience. But he got
back about ten minutes to five. It broke up the plans so they postponed it then to five-thirty, and between five and five-thirty they decided to call the whole thing off.

H.M.JR: It is silly. It is the silliest thing I ever heard of.

Now, you two twenty-five-thousand-dollar experts, do you want to report?

MR. SULLIVAN: Thanks for the raise. We had a very nice—(Laughter)

MR. PAUL: We have a big margin to get up to twenty-five thousand. (Laughter)

MR. GASTON: After taxes and war savings bonds? (Laughter)

H.M.JR: Will one of you report?

MR. SULLIVAN: We had an hour—

H.M.JR: Tell them—they don't know where you have been. For all they know they just think you are late. (Laughter)

MR. SULLIVAN: They know that I am not late. (Laughter) Randolph and I met with Byrnes, Ben Cohen, and Russell.

H.M.JR: Russell?

MR. SULLIVAN: Yes.

MR. WHITE: He is Cohen's assistant.

MR. SULLIVAN: He is the Spartansburg man you heard about. At five-thirty yesterday morning the Secretary was up, gentlemen. (Laughter) We discussed certain policy questions that we had to decide before we could submit final recommendations on regulations. The most interesting feature that arose out of it was the feeling on everybody's part over there that so far as any allowance for insurance or retirement of debt was concerned that would not be available to anybody who had other income than salary out of which they could pay that life insurance and pay the debt. They also felt that the restrictions were not to be limited to people
who were working for taxable corporations and should be extended to people who were working for Government agencies, and Section 101, exempt corporations. So it looks like this is an Executive order in the best totalitarian form. It is all-out from here on, I think.

H.M.JR: I wasn't far wrong when I called up Ben Cohen and said, "I am glad to see that you are on the left wing of the White House."

MR. SULLIVAN: Yes, and the chair on the left side, sir. (Laughter)

H.M.JR: He hadn't thought of that. He said, "What do you mean, the left wing of the White House?" I said, "Stand up and see where the sun is, and you can see which way you are."

MR. SULLIVAN: This opens the door, I think--

H.M.JR: East Executive.

MR. SULLIVAN: I think this opens the door to counteract to a little extent yesterday afternoon's vote.

H.M.JR: No, nothing can do that.

MR. SULLIVAN: I think we have got a chance for the first time to impose a little bit more pressure on income from tax-exempt securities, because in determining whether a person has other income out of which they can retire debt and pay insurance premiums, we can specify that they will not be allowed that privilege if they have other income, whether that is taxable income or not.

MR. PAUL: That doesn't prevent Tommy Manville's sixth marriage, though.

H.M.JR: Should you try to? (Laughter)
MR. PAUL: No, but make him pay.

MR. SULLIVAN: It is the first opening.

H.M.JR: Is everything else all right?

MR. SULLIVAN: We are going back tomorrow morning and discuss other things.

MR. PAUL: We will prepare the regulations now along the lines cleared with them.

I have one other thing, and that is we would like to block Mexican freight cars. The reason we want to do it is because a lot of time is lost in shifting loads from Mexican freight line cars to American at the border. We can't let the Mexican cars come in here - into this country - because there would be so many attachments against them, so therefore we suggest blocking them, which will prevent the creditors from seizing them and save a great deal of--

H.M.JR: Is that agreeable to the Mexican Embassy?

MR. PAUL: Yes. We have to take it up with Beatty at the Board of Economic Warfare.

MR. WHITE: You don't really have to.

H.M.JR: Have you cleared it with the State Department?

MR. PAUL: No, we haven't.

H.M.JR: You had better clear it. I am all for doing things carefully with the State Department.

MR. WHITE: We talked to them, but I don't think we got any official clearance.

MR. PAUL: It is obviously a thing that ought to be done.
H.M.JR: It is all right with me, but you had better get a clearance from Larry Duggan, or somebody.

MR. SULLIVAN: Did you get my memorandum on him?

H.M.JR: Yes.

MR. SULLIVAN: I have one other thing, Mr. Secretary. The War Department has asked us - the Bureau - to watch out in examining returns for companies that are making unreasonable profits on war contracts. We wrote to them and explained that our examination is a tax examination and not a cost analysis, but that whenever anything came to our attention that looked as though they were unreasonable - the profits - we would notify them.

Now, I had a talk with a Captain Dilks - and I think Dan talked with him, too - who is doing that type of work. I told him about these audits we are making on these big war contractors. I thought it might be helpful to them if we sent them the list of these companies which we have where we have cut down executive salaries, and other disallowances.

I think if we are really cooperating we should send that list to Army, Navy, WPB, and the Maritime Commission. I would like to do that.

H.M.JR: O.K. All right.
I told you this morning I was of the impression that the full page advertisement appearing in the New York papers this morning was prepared by Albert Frank-Guenther Law, which is not the case. They are doing some work for the Chase National Bank in connection with tax notes which will probably be made available to the Victory Fund Committee of the Second District for general distribution. The advertisement this morning was prepared by Doremus and Company and paid for by the banks. Confidentially, the idea did originate with the New York Victory Fund Committee.
October 9, 1942
10:44 a.m.

HMJr: Hello.
Operator: Judge Patterson.
HMJr: Bob?
Robert P. Patterson: Yup.
HMJr: Henry talking.
P: Yup.
HMJr: When we met here that time with Hershey, I asked you if you would be willing to send out some telegrams to the other reception centers to see whether their situation was similar to Fort Dix.
P: Yes.
HMJr: I wondered if you ever did it.
P: No. I did make inquiry about it, and understood that that - the situation was not similar - that was a rather exceptional lot, but....
HMJr: Oh.
P: ....nevertheless, it's - it's bad enough.
HMJr: You didn't - on second thought, you didn't want to do it, was that it?
P: Yeah, I didn't send out the telegrams.
HMJr: I see.
P: But I - I made the inquiry around....
HMJr: Oh.
P: ....here.
HMJr: Yeah.
P: It was thought not representative....

HMJr: Oh.

P: ....but near enough that something had to be done.

HMJr: Yeah. Well, McCloy was in here yesterday on another matter, and he said he's been to two or three places and he thought that they were getting many too old men.

P: That is true. I....

HMJr: Yeah.

P: ....I saw that myself two months ago.

HMJr: Yes. Okay, I just wondered.

P: All right. We're trying to - we're trying to get that bill still out of the Budget.

HMJr: You are.

P: I understood that they were going to lay it on the President's desk today.

HMJr: Yeah.

P: But they've told us that several times.

HMJr: Right. Well, I'm working on it too.

P: They've - they've been very dilatory about it. It's been there over a month, I think.

HMJr: Yeah.

P: It was down in McNutt's place for about three weeks, I believe.

HMJr: Oh, yeah - I....

P: You got it out of there, didn't you?

HMJr: That's right.
P: Yeah.
HMJr: That's right.
P: Okay.
HMJr: Right.
P: Goodbye.
October 9, 1942

About half past eleven the President called me and said, "How are you getting along with that job, Henry?" and I said, "Pretty well." He said, "Are you about finished?" and I said, "No, we need more time." I said, "We didn't get anything in this haul." Then I said, "We haven't put the first pack back yet." So he said, "That's all right. We won't say anything more about it until I see you after Cabinet." He asked me whether that would give me time enough, and I said, "Yes." He said, "Good." Then the President told me that they are having perfect "cat fits" over at the State Department, and it really is a scream, and he gave a good hearty laugh.

I asked the President whether he wanted me to change anything and he said, "No, don't change anything until I see you after Cabinet. Leave everything in effect just as it is." I said, "I can stop now if you say so," and he said, "No, leave everything just the way it is.

*************
Present: Mr. Gaston  
Mrs. Klotz

HM Jr: After Cabinet the President and I whispered into each other's ears, and he said, "I want to see you here because I am going to see Summer in my room afterwards." He said, "It is a perfect scream. Berle has been trying to get me. He called me all through the night last night, and I didn't answer the phone, and he has been trying to get me every five minutes today, so I am going to have a quiet talk with Summer now."

The President said, "How are you getting along?" So I said, "Well, we expect to put the bags back on the boat using one of our own men disguised as a day laborer. ONI is going to clear the docks and get the FBI out of the way, and we hope to have the bags back any moment." He said, "What did you find in the Irish bags?" I told him that it was mostly food, and I also told him that in some of the Spanish bags we found they were sending magazines and documents from the Spanish Legation in Tokyo via Washington to Madrid.

The President said, "What do you think?" So I said, "Well, I don't know. Of course, they are using a slow boat and evidently they didn't send anything very confidential, but we are apt to pick up some diplomatic pouches any moment. I said, "What would you like us to do?" He said, "Well, what does Gaston think about it?" and I said, "Well, Gaston would like to keep on a little while longer, and maybe we will catch a Clipper." So the President said, "Well, keep the thing in a sort of a flux, and we will see just how excited the State Department gets. If they get too excited, I may have to do something. If I do have to do something, I am simply going to say that there was an important document which we were looking for, and through overzeal in looking for this document they opened too many pouches." He said, "I will simply tell them we found the document we were looking for, and so there won't be any more pouches opened."
The President asked me what kind of pouches we had opened, and I said, "Oh, we have opened a lot of pouches, and I want you to know particularly that we have broken the seals on a number of State Department pouches." I said, "I want you to know that," and I emphasized it.

So the President said, "Well, the whole thing is just a scream, and I am going to see Sumner now and I am going to quiet him down. I said, "Well, you know, Mr. President, I really would like to have this settled one way or the other before I go on Monday because it is too great a responsibility to leave behind me." He said, "We will settle it." I said, "You know I am coming to the White House tonight at midnight when you have "This Is The Army" cast for supper, and if I have any news I will give it to you then." He said, "That will be fine." He evidently is enjoying this greatly.

I also said to him, "You know, Mr. President, I just want to tell you that I looked up my conversation with Mr. Stimson, and I want to remind you of what he said. He said he called up Mr. Hull and told Mr. Hull that there were four outrageous cases of misuse of the diplomatic pouch, and Stimson recommended to Hull that this privilege be cancelled." The President said, "Who said that?" and I said, "That was what Stimson told Hull." He said, "Good."

I asked the President whether he got my memo from the Chiefs of Staff, and he said, "You know you mean the Joint Chiefs of Staff," and he seemed to be very much amused about that. He said, "Yes, I got it and I read it."

The President said, "When will the next pouch either come in or leave the country?" and I said, "I don't know, but I will let you know just as soon as we find out." But the interesting thing is that he has had plenty of time to think the thing over and in spite of the fact that he said State Department was "having kittens," he still said we should go on.

Gaston: Johnson checked on the Clipper and he says they have no information. Philadelphia had one case they inquired about but they said to let that go, and I agreed that was the right thing to do because it was the case of a Swedish pouch coming from Buenos Aires to the Swedish Embassy. That's not the same as if it was coming from Sweden. It's an incoming - not an outgoing pouch."
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I also said to him, "You know, Mr. President, I just want to tell you that I looked up my conversation with Mr. Stimson, and I want to remind you of what he said. He said he called up Mr. Hull and told Mr. Hull that there were four outrageous cases of misuse of the diplomatic pouch, and Stimson recommended to Hull that this privilege be cancelled." The President said, "Who said that?" and I said, "That was what Stimson told Hull." He said, "Good."

I asked the President whether he got my memo from the Chiefs of Staff, and he said, "You know you mean the Joint Chiefs of Staff," and he seemed to be very much amused about that. He said, "Yes, I got it and I read it."

The President said, "When will the next pouch either come in or leave the country?" and I said, "I don't know, but I will let you know just as soon as we find out." But the interesting thing is that he has had plenty of time to think the thing over and in spite of the fact that he said State Department was "having kittens", he still said we should go on.

Gaston: Johnson checked on the Clipper and he says they have no information. Philadelphia had one case they inquired about but they said to let that go, and I agreed that was the right thing to do because it was the case of a Swedish pouch coming from Buenos Aires to the Swedish Embassy. That's not the same as if it was coming from Sweden. It's an incoming - not an outgoing pouch."
HM Jr: That's right.

Sumner Welles was certainly nice to me today, and made conversation about everything. The amusing thing that happened was this - the President is always kidding me about the fact that I promised to give the Trustees of his Church at Hyde Park a champagne dinner when they buy some Government bonds. He asked me how the bonds were going and I said, "Fine." Then I said, "If you want that champagne dinner you better act quickly because my champagne is almost exhausted." He said, "Well, I understand there is lots of it coming in on Spanish boats," and I looked at Welles and grinned from ear to ear.

Gaston: When you called me, I had just hung up after talking to Johnson who, in turn, had just finished talking to New Orleans. The body is buried. Fleishman did as had been planned, and put this stuff in unlabelled truck, drove on to the dock, and he was challenged by the dock patrolman. They drove right on, but then they met a corporal who said, "What are you doing and why didn't you stop when he told you to?" Fleishman, who is a diplomat, said, "Shut up", and they went on to the side of the vessel, put the stuff on the deck, and the mate who was there counted the bags checking them off on his fingers. He apparently made no other comment. The Master was on the ship was not in view. A Chief Petty Officer of the Coast Guard was there, and he said that these fellows were making a mistake, that they had no right to censor diplomatic mail, and again Fleishman, very diplomatically, said, "Why don't you button up your lip, fellow?"

Fleishman said he was quite sure that he wasn't recognized.

(At this point, HM Jr phoned Miss Tully and asked her to go in to see the President as promptly as possible, particularly if Sumner Welles was in there, and to tell him that all the fish were returned to the fish bowl at New Orleans.)
Hello.
Mr. Murphy.
Joe?
Yes.
When I went up to the Hill to see Mr. Doughton of the Ways and Means, there's one of your men spotted in front of the door. Now I don't know whether he called up Mr. Doughton's secretary, but he said, "What do you have to do? Have to have a bodyguard? What are you afraid of?" he said to me. Well, I asked my doorman about it, the man - Bouck on the door...

Yes.

....and he says he's got instructions to phone when I go out. Well, I'd like to know what those instructions are, because it makes....

Well, he didn't phone here. He must have phoned to the District Office, and they don't send anyone up there.

No, but they were there - I mean, I don't need anybody in the Capitol.

No. No, I know what he means then. He must have - we have a man by the name of Pat Smith from Boston who has been on a detail up there and another fellow from Pittsburgh there. 'Twas about a year ago, and we've had them around the Capitol for....

Well, now look, I don't - I don't want the man, Bouck, on the door. Don't know what it - if he's got instructions to phone where I'm going, I don't want him to phone where I'm going unless he gets permission from me.

Okay. That's countermanded then.
HMJr: What?
M: Yes, then we'll countermand that right away, if that's in effect.
HMJr: Does he - does he phone - where else does he phone....
M: Well, he would phone - he would phone the District Office. He didn't telephone up here ever.
HMJr: Is it - where I'm going?
M: Well, he - I - to my knowledge, I never knew he did that.
HMJr: Well, look into it, and I want a written report on it.
M: Yes, I'll do that.
HMJr: I want to know what his instructions are and what he's been doing.
M: Okay.
HMJr: If you please.
M: Okay.
Memorandum for the Secretary

From: Chief, U. S. Secret Service

In accordance with your telephone call today to Assistant Chief Murphy, instructions have been issued to Agent Bouck as per attached communication not to inform anyone regarding your destination when you leave your office unless you give him definite instructions to do so.

Heretofore, as we had Agents on duty at the Capitol they have been given advance notice by our Field Office when you were to visit the Capitol in order that they might render such assistance to the Secretary as the occasion demanded. At other times during the day when you left your office for appointments at places other than the Capitol, no information to that effect has been given by Agent Bouck to others unless you gave specific instructions that it should be done.
U. S. SECRET SERVICE  
INTER-OFFICE COMMUNICATION

From: M. R. Allen  
Date: October 9, 1942

To: Chief Frank J. Wilson 
Subject: Information re Destination of Secretary

In compliance with instructions received today from Assistant Chief Murphy, I have instructed Agent Bouck not to reveal the destination of Secretary Morgenthau to anyone unless he receives specific instructions from the Secretary himself.

It has been the practice, for some time, for Agent Bouck to inform the Agent on duty at the Capitol, either directly or through me, when he knows that the Secretary is going there so that the Agent there may be in the vicinity to assist the Secretary should there be occasion therefor.

Agent Bouck has been instructed to report to me when the Secretary leaves the office for the day so that I may know when he discontinues his assignment, as we have endeavored to keep an Agent on duty at the Secretary's entrance at all times when he is in his office or expected to arrive.

M. R. Allen
Agent in Charge
October 9, 1942
4:28 p.m.

HMJr: Hello.
Operator: Mr. Sproul.
Allan Sproul: Hello, Mr. Secretary.
HMJr: Right. Allan?
S: Yeah.
HMJr: This thing - according to Bell, he doesn't think it's going too well, and - have you got the latest figures?
S: I just have the figures here which are about a billion a hundred and seventy million.
HMJr: Well, now wait a minute. Well, these are the figures that he gave me: seven hundred and five of bonds and eight hundred and two of notes. Hello?
S: Yeah.
HMJr: That's a billion five. Now what have you got?
S: I have a billion one right here.
HMJr: A billion one?
S: Yeah.
HMJr: How are they divided?
S: About six hundred and fifty of - of bonds, and about five hundred plus of the notes.
HMJr: Well, his four o'clock figures are what I - three o'clock. (Talks aside) What did you say? Now wait a minute. The figures that Bell gave me were three o'clock.
S: Three o'clock figures?
HMJr: Were the ones that he gave me.
Yeah. Well, now at three o'clock here....

Yeah.

Yes.

We were about - a little under eight hundred million.

So it's gone up four hundred million since....

And we're now over eleven fifty.

That's just the New York.

Yeah.

Well, how do you think that is?

Well, as far as this district's concerned, it looks all right.

Well. Now let me just get it again. You've got a billion how much? A billion....

Well - a billion a hundred and fifty million.

Hundred and fifty million. Well, it's just - the thing that we're sitting here talking about is should we ask Eccles to do anything? Call up the presidents or anything. Hello?

Well, I don't think with the three o'clock figures that you know enough yet.

Yeah. Well, I think the thing to do is - is for us to get the four o'clock and then the five o'clock figures - get them every hour.

That's right, and I know that -- because I talked with him earlier....

Yeah.

...... that he has asked all of the presidents to stand by until he - they hear from him.

Yeah, yeah. Well, then - then you'll be there and I'll be here until this thing is settled one way or the other.
S: Right.
HMJr: What is your own hunch on it?
S: I think it will go.
HMJr: I see. All right, thank you.
S: All right.
October 9, 1942
4:35 p.m.

HMJr: Marriner?

Marriner
Eccles: Hello.

HMJr: This thing – at the moment, our bond issue doesn't look like a sure success yet. Hello?

E: Yeah.

HMJr: Now I'm sitting here, and we've had the three o'clock reports. We haven't got the four o'clock yet.

E: Yeah.

HMJr: How long are you going to stay at your desk?

E: Well, I'm going to stay here till it gets over.

HMJr: Well, that's what I'm going to do.

E: Yeah, I'll – I'll stay here as long as it – what I've done is advised every one of the bank presidents to stay on the job until we release them.

HMJr: Yeah.

E: To stay right where they are.

HMJr: Now....

E: And I talked to Dan awhile ago about getting a six o'clock report.

HMJr: Well, we're going to get a five o'clock report.

E: Well, and even one at six. Keep it....

HMJr: Oh, yes. Oh, yes.

E: ....open – keep it right open until six.

HMJr: Yes, we'll get a five and a six.
E: Yeah.

HMJr: Now New York at four o'clock had one billion one hundred and fifty million, which was - I think they were up four hundred million in the - since three o'clock.

E: Yeah. Now I just got a wire from Young at Chicago ....

HMJr: Yes.

E: ....it says, "Subscriptions from Continental hundred and fifty million"....

HMJr: I see.

E: "....First National a hundred million"....

HMJr: Yeah.

E: "....talked to bankers Indianapolis and Detroit, Des Moines, Milwaukee, and all have indicated they would increase their subscriptions to amount necessary"....

HMJr: Yeah.

E: "....also talked with fire and casualty companies and they will be subscribing this afternoon"....

HMJr: Yeah.

E: "....and - am sure Detroit will increase its subscription above amount previously discussed"....

HMJr: Yeah.

E: "....Will keep you advised. Young."

HMJr: I see. Well,....

E: You see, this is one of the dif... - there's two difficulties on this issue.

HMJr: Yeah.
E: In the first place, as I - and Young - what Young told me typifies the thing. He says that - that they were terribly disappointed yesterday morning over there, because New York had assured them....

HMJr: Yeah.

E: ....see, that there would be a one and three quarter and a two and a quarter issue....

HMJr: Yeah.

E: ....and that they felt - New York was so sure of it that - that the Chicago people had depended on it, he said.

HMJr: Yeah.

E: And then he said it was a big let-down to find out that New York wasn't right. (Laughs)

HMJr: Yeah.

E: So he said that was - one difficulty to overcome was the propaganda before.

HMJr: Yeah.

E: Now another one he said was that we were so late making a decision....

HMJr: Yeah.

E: ....that - that they didn't get the stuff until late in the evening, and he said that the Victory Fund Committee didn't get off to a start, and so forth....

HMJr: Yeah.

E: ....that he thought that if we had - could have announced it the day before....

HMJr: Yeah.

E: ....and given them a little time to do some work, that they would have - it would have been easier.
E: Yeah.

HMJr: And I think that is true. We were awful late in giving them a - a chance to do anything on it.

HMJr: Well, Buffington told me he couldn't find out until five-thirty Wednesday, and so he couldn't let his people know.

E: Well, that's - I'm just saying that so far as the field is concerned, the trouble is they - today's about the only day they've really had a chance to do anything. It took yesterday to get organized, and - and get adjusted.

HMJr: Yeah.

E: So that it - it is unfortunate that we got off to a bad start, but of course this darn propaganda by those fellows....

HMJr: Yeah.

E: ....and if we had followed their recommendations....

HMJr: Yeah.

E: ....then, of course, it would have meant Chicago and the rest of the country to have said, "Well, New York - New York decides the issues."

HMJr: Well, that's not so important. I mean, they know by now where the financial capital is.

E: Well, they ought to.

HMJr: They know it's in Washington.

E: They ought to know it. Now - but we're going to keep these fellows in the banks. They'll be there...

HMJr: All right.

E: ....and I - we'll get this thing over.

HMJr: All right.
E: If the banks directly don't come in and do it when I think they will....

HMJr: Yeah.

E: ....we - we'll see that a subscription comes in from Fed for enough to do it, and then to the extent that enough stuff comes in the mail, why, we can - we can pull out what's necessary.

HMJr: Yeah.

E: You see?

HMJr: Yeah, because I'd hate....

E: Oh, it's - no, as far as the public announcement is concerned, the thing will be fully subscribed....

HMJr: Yeah.

E: ....and no one - no one - if Fed has to take some of it, no one necessarily needs to know whether they've taken it.

HMJr: Well, you know how it is. They'll know it.

E: Well, the point is that - that, of course, we'd only do that as a last resort....

HMJr: Yeah.

E: ....and - and whatever - we've put the subscription in, and there'll be a lot of stuff come in the mail that you never know until tomorrow.

HMJr: That's right.

E: And to that extent we can reduce our subscription, and it may be enough come in the mail to completely offset it if we don't have enough tonight without it.

HMJr: Well, I'll keep in touch with you. I'll be here with Dan.

E: Yeah, okay.
HMJr: Thank you.
E: All right. Goodbye.
October 9, 1942
5:23 p.m.

HMJr: Hello, Marriner?

Marriner Eccles: Hello, Henry.

HMJr: We've got the four o'clock figures now....

E: Yeah.

HMJr: ....and the total for the bonds is one million one hundred and eighteen million....

E: Yeah.

HMJr: ....and for the notes is one billion and forty million.

E: Yeah.

HMJr: So we've still got a long way to go.

E: Yeah, yes, we have, and I've been talking to the - I've been talking to the - most of the banks....

HMJr: Yeah.

E: ....and, of course, what you get at four o'clock is - is possibly what they got by three o'clock, I mean....

HMJr: Ah....

E: ....isn't it?

HMJr: I don't know. It's - no, it's....

E: Yes.

HMJr: Possibly, yes.

E: Yeah. Well, there's always quite a lag in it.

HMJr: Yeah, but this is....

E: Yeah, it's - it ought to be - it ought to be more.

Regraded Unclassified
HMJr: It ought to be....
E: I was just talking to Chester Davis in St. Louis....
HMJr: Yeah.
E: ....and he says this is really only a one-day subscription for them because we were so late getting it that they didn't get their stuff in the mail until - that there - that no one got their circulars and letters until late last night.
HMJr: Yes.
E: So that really they've had one day only to work on it....
HMJr: Yeah.
E: ....which is unfortunate.
HMJr: Yeah.
E: But what we're doing is getting all we can get in and then we can bring in some of the bigger banks and put in subscriptions, you know, in the last - end of the thing.
HMJr: Yes, now - will - will they - will anybody be in these big banks?
E: Well, I talked to Sproul in New York, and they can - they'll keep - they'll get in touch with some of these fellows. Now another thing we can do is Fed will put in a subscription....
HMJr: Yes.
E: ....and then we can withdraw it. Say, we can put in a subscription for tonight....
HMJr: Yeah.
E: ....so that it's subscribed....
HMJr: Yeah.
E: ....and - and then we can - we can sell our subscription tomorrow, you see?
E: I see. You mean, still work on it tomorrow?

E: That's - in other words, we can put in our subscription tonight, and then we can dispose of it tomorrow if need be.

E: Yeah.

E: And I think we could work it that way.

E: Yeah.

E: We're prepared - we've covered all the machinery here for Fed to put in whatever subscription is necessary.

E: Yeah.

E: So that so far as the - so far as the - the thing being subscribed, it will be subscribed....

E: Yeah, but that....

E: ...but we want - we'd like to avoid Fed doing it if we can. I got this reaction that you'll be interested in....

E: Yeah.

E: ...from Al Williams in Philadelphia.

E: Yeah.

E: Al says that - that - that there's - it looked like, in talking to some of these bankers, that there'd been a ganging up....

E: Yes.

E: ...that some of them were fine. There are two or three of them said, "Just let us know what you want," see? He said there was a couple of others they talked to, they said, "Well, you wouldn't give us what we wanted. Maybe you'll learn. Maybe next time you will."

E: I see.
E: Now that's a hell of an attitude.

HMJr: Yeah.

E: And it's - it's that sort of thing that these fellows are - that we - we've - I don't mind some direct purchasing to show bastards like that, because that's what it is. It's a - it's a typical sit-down strike on the part of some of these fellows that want a higher interest rate.

HMJr: Yeah.

E: And that's all - that's all there is to it.

HMJr: Yeah.

E: And Al Williams just confirmed it to me a few minutes ago.

HMJr: I see.

E: And I asked Chester Davis about it, and Chester said, "Well," he said, "There's - I - I..." - he said there wasn't much enthusiasm, and - but he said, "I wouldn't - I couldn't say that there was any concerted effort," you see?

HMJr: Yeah.

E: But it - I think there's more of an undercurrent that's been put out by these dealers and these fellows have made up their mind, by gosh, that now the Treasury has to have all this money, they were going to start to - writin' the ticket.

HMJr: Yeah.

E: And they thought this was a good time.

HMJr: Yeah.

E: And I just think that the sooner we meet that issue, the better.

HMJr: That's right. Okay, I'll be talking to you a little later, Marriner.
E: All right. Goodbye.
October 9, 1942
5:54 p.m.

HMJr: Hello.
Operator: Mr. Sproul.
HMJr: Hello.
Allan Sproul: Hello, Mr. Secretary.
HMJr: Does it look any better to you now?
S: Well, it still looks close.
HMJr: Yes.
S: Very close. How's the — how're the figures for the country?
HMJr: Well, at four o'clock — our figures are four o'clock figures — we only had a little over two billion.
S: Well, we're now one billion three here.
HMJr: Yeah. Yeah. Well, that's — for New York that isn't nearly enough, is it?
S: Well, I'd say we ought to have one billion seven fifty to be on the — on the job.
HMJr: Yeah. Well, evidently they didn't like it as well as we thought they did, eh?
S: No, it looks that way, more so out through the country than in the money centers.
HMJr: Yeah. Ah....
S: You haven't any figures since four?
HMJr: Well, what we call the four o'clock figures, they were just a little over two billion, and that's....
S: Because we need the latest figures we can get to determine just how much we have to do.
Well, I don't know when the five o'clock figures will be in, and when they are I'll let you know, and I'm just staying here.

Right.

But - because it's - you can think of - the fact they say that we got it out late and all that, well, we've got it out late before, haven't we? It was no later than usual.

Well, it was - I think it was later than usual, as we didn't get the forms until six o'clock night before last....

Yeah, yeah.

....and that's later than usual, so it took some humping to get the stuff out in the mails that night.

I see. Okay.

All right.

Goodbye.
October 9, 1942
6:01 p.m.

HMJr: Hello.
Operator: Mr. Kilby.
HMJr: Kilby?
Edwin: Yes, sir.
Kilby: When will you have the five o'clock's.
K: I'm all in except one.
HMJr: Which one?
K: That's Cleveland.
HMJr: Well, bring it up, will you, please?
K: All right, sir. Be right up.
Hello.

Mr. Sproul.

Hello, Allan?

Yes, Mr. Secretary.

For the five o'clock on the bonds, it's about a billion three with Cleveland still to be heard from. Hello?

The five o'clock?

Yeah.

Two billion three?

No, no, just the bonds - one billion three.

Oh, the bonds one billion three.

And the notes approximately a billion and a quarter - a billion two hundred and fifteen million with Cleveland still to be heard from.

In both cases.

Yeah, because they - they'd be good - it comes to, we figured around - a little bit better than two and a half billion - two billion - no, about two billion six.

That is, if you include Cleveland it would be around two six.

Two six. Now let me ask your advice. Which do you think is the - the lesser of two evils: to ask the various presidents of the Fed Banks to call up the commercial banks or to have the Fed put in a subscription tonight and then try to get 'em to sell them tomorrow.

Well, I think it depends on how much we're - we're going for. If we're going for a very large amount so we'd have to approach a lot of

(cont.)
S: people, then I think we might as well put in the direct subscription. If we're going for only a small amount that we could get from relatively few people, then I think we could go to the banks.

HMJr: Yeah.

S: If - if your people could make any estimate of about how much they would expect to get after they get their six o'clock figure....

HMJr: Yeah.

S: ....then we'd know about what we're shooting at.

HMJr: Yeah.

S: And then I think we could decide whether to do it by direct purchase or by trying to get the banks to do it.

HMJr: Well, Dan's sitting here with me, and he says he can't tell. He can't - it'd just be a guess.

S: Well, it would be a guess within - we'd know within some....

HMJr: He says on the mail it might be a half a billion and it might be a billion. He - he wouldn't want to guess.

S: I see. Well, we - we could get the six o'clock - the - we could wait another hour. Get the six o'clock report....

HMJr: Yeah.

S: ...and then decide which one we're going to do, I should say.

HMJr: Dan says have you got - have you cleaned up what you have received? I mean, in your bank are they behind - I mean, are all the subscriptions been entered?

S: No, they're pretty much up to date here.

HMJr: They're pretty much up to date.
S: Yeah, there are no big ones that are out.

HMJr: Well, what does, for instance, New York show on bonds?

S: Well, we show seven twenty-seven on bonds....

HMJr: Yeah, well, I got you for six sixty-two.

S: ....and five seventy-eight on notes.

HMJr: Well, I got you five forty, you see, so there isn't much more.

S: No. Now on our mail we're in the same position Dan is. On our mail we could be - a wide range of what we get, between one hundred million, say, and - and three hundred million.

HMJr: Yeah, yeah. Well, I tell you we'll just have to wait until the - we get one more return. What?

S: I think that's the thing to do, and then to decide which way we'll go after it.

HMJr: Right. Thank you.

S: All right.
October 9, 1942
6:17 p.m.

HM Jr: Hello.
Operator: Eccles.
HM Jr: Hello.
Marriner Eccles: Hello.
HM Jr: Marriner?
E: Yes, Henry.
HM Jr: It's approximately two billion six for five o'clock.
E: For five?
HM Jr: Yeah.
E: Well, it's - it's going to come in considerably more before you - before you get through. That's - at six - I'd - you see, you've got very little from California yet....
HM Jr: Yeah.
E: ....and you'll get some more, I think, out of Kansas City and Minneapolis, and, of course, New York is....
HM Jr: Well, they're pretty well in. I've just been talking to them.
E: Well, they're in unless we call them for some more.
HM Jr: Well, now I was just talking to Sproul which he thought was the lesser of two evils, to have the Fed put in a subscription tonight or to have them call up some of the banks.
E: That's right.
HM Jr: So he just said that - "Well, it depends upon how much we need."
Well, that's well, I think that's right. If if it isn't too much...

Yeah.

...I would say that Fed had could put in a subscription, and then the mail tomorrow there'll be a good deal of this stuff, you see, is in the mail.

Yeah.

These there's all kinds of country banks just that always mail their subscriptions in.

Yeah.

So that it may well be that the mail tomorrow we can delete or reduce our subscriptions by the amount of the mail.

Yeah.

See?

Well, you're disinclined to have them call up the banks tonight?

No, no, I wouldn't be disinclined at all, because I think that these banks might just as well know that that it's an underwriting job for the banks....

Yeah.

...that it's it's a question if do the banks want to do it or do they want Fed to do it.

Yeah.

I think they might just as well face that issue because they're going to have it from now out.

Yeah, well, my own inclination is I mean, I I think that we'd better put a little pressure on the banks tonight.

Well, I'd just as soon do it. I'd just as soon put it on the banks and let them let them come through on their subscriptions.
Yeah.

That's what I've been doing outside of New York. I left Allan and the New York, but I've been discussing it with - I've discussed - I've talked to every - everyone except Dallas and Atlanta, and they're so damn small anyway it doesn't amount to much.

Well, Allan said he'd like to see now until this - the next lot come in, you see? I mean, what we have at six o'clock.

Yeah, I - I - I told Allan I'd call him again at seven....

Yeah, well, I'm - well, then - let's....

....and at least....

....but - but I'd like you to know how I feel. I think of the - that....

Let the banks put more in.

Well, do both. I think we ought to get a subscription from you.

Well, we're prepared.

Yeah.

We've already got authority, and I've given it to Allan.

Yeah.

See, we've passed it on to Allan for the Open Market Committee to subscribe any amount that's necessary. So that we're just waiting to see what's necessary, and we can subscribe any amount that's necessary.

Well, I think we'll have to - have to call on you for both.

Well, it may be but it's - what we....
HMJr: Yes.
E: ....I think we may want to subscribe, and then in the morning it may well be we - there'd be enough in the mail that we can take it out.
HMJr: Yeah, well, that would be a lucky break.
E: Yeah.
HMJr: But I think - what I'm thinking about is this, I think that some of the big banks will have to be called up tonight, and we'll have to get a subscription from you also.
E: Yes.
HMJr: Both.
E: Well, I - I think so. There's - there's this thing about calling them at night. Some of them you can get it tonight. Some of them you can't. Now this is what I - in talking to Al Williams in Philadelphia....
HMJr: Yes.
E: ....Al says that - that in 1919....
HMJr: Yeah.
E: ....in talking to the banks - some of the bankers up there, that what they did they put a subscription in the next morning just as though it were a mail subscription.
HMJr: Yeah.
E: Your mail subscriptions are coming in....
HMJr: Yeah.
E: ....and he said that he could talk to some of the banks in the morning that he might not be able to reach tonight....
HMJr: Yeah.
E: ....and get a subscription in in the morning and treat it as a mail subscription....

HMJr: I see.

E: ....and take out our subscription to the extent it was offset. You see?

HMJr: Well, let's think about it between now and seven.

E: So there's several ways of doing it.

HMJr: Right.

E: Okay.

HMJr: Thank you.

E: All right. Goodbye.
October 9, 1942
6:41 p.m.

HMJr: I've been meaning to call you up for a long time in response to your note.

Walter Stewart: Oh, yes.

HMJr: But you asked me not to, so I didn't.

S: Oh, yes. There was no reason for bothering about that, Henry.

HMJr: How - how have you been?

S: Feeling all right. Thank you very much.

HMJr: You're not on a party wire, are you?

S: No.

HMJr: Well, are you where you can talk a minute?

S: Yes, I'm quite free.

HMJr: Walter, here's my dilemma which I thought - that I hoped I never would be in. We got out this two per cent bond - hello?

S: Yes, I get it.

HMJr: And the financial community wanted a two and a quarter....

S: Yeah.

HMJr: .... even told everybody that was what they expected.

S: Yeah.

HMJr: Now it looks as though we're - we're not going to get all the subscriptions.

S: Aha, that's too bad.

HMJr: Now I got a choice of two evils.

S: Yes.
HMJr: Eccles has the presidents of the Federal Reserve Banks standing on hand all over the country....
S: Yes.
HMJr: ...ready to call up the bigger commercial banks and ask them to subscribe....
S: Yes.
HMJr: ...tonight....
S: Yes.
HMJr: ...or the Fed could put in a subscription for whatever we need tonight....
S: Yes.
HMJr: ...which is not public - hello?
S: Yes, I get it.
HMJr: ...and then we could take a look at the mails tomorrow and see what comes in....
S: Uh huh.
HMJr: ...and they could always, tomorrow, still ask the banks to take a larger subscription.
S: Right.
HMJr: Now I just wanted your horseback opinion which you thought was the lesser of two evils.
S: I'd say the - the second.
HMJr: The second?
S: Yes, I think there is a real question as to whether, if you did the first....
HMJr: Yes.
S: ...well, if you did the second intending not to have any publicity at all....
HMJr: Pardon?
S: If you did the second....
HMJr: Yes.
S: ....and it turned out that you had a margin they'd still have to take....
HMJr: Yes.
S: ....I'd be inclined to make it public.
HMJr: If....
S: If you did the second and the - and the outside subscriptions took care of it....
HMJr: Now....
S: ....then you wouldn't have anything that wouldn't be entirely satisfactory.
HMJr: Now you'll have to say that again, Walter. I don't get that.
S: Well, as I get it there are - there are two parts. One, the banks are standing by and might now take everything that is not already....
HMJr: The commercial banks.
S: Yeah.
HMJr: Yeah.
S: The Federal Reserves.
HMJr: Yeah.
S: Or you can wait until tomorrow....
HMJr: Yeah.
S: ....find what the mails carry....
HMJr: Yeah.
S: ....and still have the Fed do the same thing.

HMJr: That's right.

S: In either of these cases, you're faced with the question as to whether you make public....

HMJr: Yeah.

S: ....what the Fed does.

HMJr: Yeah.

S: You're no more committed in one case than you are in the other.

HMJr: Yeah.

S: That still leaves open that question.

HMJr: Yeah.

S: My feeling would be that you probably would want to make it in some form....

HMJr: Yeah.

S: ....public.

HMJr: Well, I hadn't thought of that yet.

S: I see. I thought perhaps that's what you were going - going on to.

HMJr: No, I hadn't crossed that bridge.

S: Oh. Right. Are those - those are eligible for bank subscriptions?

HMJr: Oh, yes.

S: And the banks have not taken them?

HMJr: Well, they haven't - we've only got in altogether up to five o'clock, two and a half billion.

S: Uh huh.
HMJr: And, of course....
S: Well, Henry, if - if the Federal - if the Fed took what was not subscribed....
HMJr: Yes.
S: ...it's quite possible for the banks to take those tomorrow, isn't it?
HMJr: Oh, yes.
S: Yeah, I mean outside the Fed?
HMJr: Yes. What Williams in Philadelphia said they can do is, they can ask them to subscribe and they can enter them as mail subscriptions tomorrow.
S: That's right.
HMJr: Yeah.
S: I - I think there's a distinct advantage in leaving the Fed out of this if possible.
HMJr: You mean the calling up of the banks?
S: Yeah.
HMJr: Tonight?
S: I do, yes.
HMJr: Of course, it's late and they get a call at this hour....
S: Oh, yes, it sounds sort of panicky.
HMJr: What?
S: It sounds sort of panicky to me.
HMJr: It does?
S: Oh, yeah.
HMJr: Well, I....
S: There's a distinct advantage in not doing that. I think there's also an advantage tomorrow, if the - if the Fed does intervene, to let the member banks take it so it never shows up in the Fed statement.

HMJr: Let the member banks take it?
S: Yes, I mean as a - let's - thus give them encouragement.

HMJr: Pardon me?
S: Let the Fed call up some of the member banks and tell them to take it....

HMJr: Oh. Oh, yes.
S: Yeah.

HMJr: So it - you mean, let the - what I - well, I was calling them commercial banks.

S: That's right.

HMJr: You mean let the - let them sell it tomorrow?
S: That's right.

HMJr: And they could do it with a few, and I don't suppose that would....
S: That's right.

HMJr: ...necessarily get out.

S: No, that's right.

HMJr: Because I don't know whether I was right or wrong, but evidently I - this was....(Lauges)

S: Yes, that - that surprises me a little.

HMJr: Well, this was something - what the Federal Reserve Board wanted....
S: Yeah.

HMJr: ...and the New York bank didn't want, and - and these experts I called in didn't want.
S: I see.
HMJr: But they - they felt we should keep it down to two....
S: Yeah.
HMJr: ....and we've done it, and....
S: Yeah, who was for the two and a quarter?
HMJr: Everybody outside of the Federal Reserve Board.
S: I see, yes. (Laughs) Yeah. (Laughs)
HMJr: Yeah.
S: Yeah.
HMJr: Yeah.
S: Right.
HMJr: But the trouble is when they bring a man like Sproul
down, he doesn't stand up, you see?
S: No, that's the trouble, that's the trouble.
HMJr: I mean, he's - he's still a clerk....
S: That's right, yeah.
HMJr: ....and....
S: Yeah. Henry, there - I think there's another thing
that's worth examining now.
HMJr: Yeah.
S: That's that whole curve, you know. I've never been
too hot.
HMJr: Curve?
S: That maturity curve. I think it ought to be reexamined
in the light of this.
HMJr: I don't know as I follow you.
The curve that George has of the - money rate curve that....

Oh, yes. Oh, yes. Yeah.

That's such a neat device....

Yeah.

....that when anything goes wrong with it - I mean, and I don't know that - whether this means it has gone wrong....

Yeah.

....but it's always worth reexamining the formula....

Yeah.

....when something doesn't quite fit.

That's right.

And I think that's worth a reexamining.

Yeah. Well, needless to say, this is just between the two of us.

Oh, yes, absolutely, Henry.

But - because I....

Are you at home now?

No, I'm sitting in the Treasury.

Right, right.

No, I'm waiting for the next report.

Right. Well....

Well, you gave me what - what I - I mean - what I mean - the kind - you answered my questions, and I think I'm going to follow your advice.

Right.
HMJr: But....
S: Well, as you say, it's horseback.
HMJr: And, of course, there's - there's a chance that the mail subscription may be bigger than what they thought.
S: That's right.
HMJr: They - they handled the thing mechanically very badly.
S: Uh huh.
HMJr: They didn't get it out in time.
S: Well, I think there's a lot of individual reason too for not getting the Fed as your first underwriter there.
HMJr: Yeah.
S: I'd rather not have the Fed Board in that position myself.
HMJr: Well, you and me both.
S: That's right. (Laughs) I thought maybe.
HMJr: But - I - what I want to do is - of course, I - I've - I've - after this experience I - I've got to reexamine the whole thing, but....
S: That's right, Henry.
HMJr: ....but the way Congress feels, I don't know whether I - what I could get today.
S: I know, I know, I know.
HMJr: Yeah.
S: Say, Henry?
HMJr: Yes.
S: So far as my coming down is concerned....
HWW: Yes.
S: ....don't hesitate to ask me....
HWW: Yes.
S: ....at the time when you think it's worthwhile.
HWW: Right.
S: But if possible give me a little advance notice.
HWW: I'll do that.
S: Then what I would do, I'd come down to spend the better part of a week, you see?
HWW: I see.
S: And that would ease up on the number of times I come and go.
HWW: Well, it's like - it's - I - I didn't need you this week - if that isn't - I didn't call you because I didn't - because I - I really didn't need you.
S: No, that's all right, that's all right.
HWW: And I will talk to you when I do need you, then you can tell me how you feel.
S: That's fine, that's fine, Henry.
HWW: It isn't - it isn't a question of the number of days, you know, it's - it's - I mean, this is - if you came down and spent a week here, I couldn't get any more out of you....
S: That's right. (Laughs)
HWW: ....than I have in the last five minutes.
S: That's right.
HWW: That's the trouble.
S: That's right.
HMJr: So I mean - thank you.
S: All right. Good luck.
HMJr: Yes.
S: Bye-bye.
October 9, 1942
6:53 p.m.

HMJr: Hello.
Operator: Mr. Eccles.
HMJr: Hello, Marriner?
Eccles: Yeah.
HMJr: The six o'clock is about two billion seven.
E: Total?
HMJr: Total. Bond and — and notes.
E: Well, I estimated it would be considerably more than that. On the basis of — the New York is a billion three without the mail.
HMJr: Yeah.
E: And on the basis of the way it's been running, the percentage....
HMJr: Yes.
E: ...that if the — all the other — the rest of the country was all in, same relation....
HMJr: Yeah.
E: ...it would be about three five.
HMJr: Well, it's not there. Of course, they told us that the rest of the country wanted a two and a quarter, but Dan and I have been talking it over — hello....
E: Yeah.
HMJr: ...and we feel that to have the presidents of the banks call up the commercial banks at this hour sounds too panicky.
E: Well, I don't think that I agree with you. I — they have already done some work before the banks left.
HMJr: Yeah.
E: But I think to go outside and call them up, unless there's been arrangements beforehand....

HMJr: Yeah.

E: ....to call them up as a....

HMJr: I think....

E: The only place that that could be done is New York. Now I talked to Allan - it was arranged....

HMJr: Yeah.

E: ....for Allan to - he'd left word with some of the presidents that he'd - that he'd get in touch with them later, you see, and it's left that way so they're expecting a call.

HMJr: Well....

E: Now so far as the other banks are concerned, the....

HMJr: Well, he can call them in the morning and tell them to put a subscription in just as well.

E: Yeah, that's right. Then he could put it in as a mail subscription today.

HMJr: Sure.

E: Yeah, he could do that. In fact, the other banks could do likewise.

HMJr: I think there'd better be no calling up tonight.

E: Well, there'd be none unless it's New York. I wouldn't ....

HMJr: Well....

E: ....I - as far as the rest of the country is concerned, they're all - they've all - they're doing their....

HMJr: Well....

E: ....calling or have done it already.
HMJr: Well, I don't think they better do it in New York. They - he can do it in the morning.

E: Well, that's - as a matter of fact, I don't have any concern about Fed putting in a subscription. It doesn't worry me.

HMJr: Yeah.

E: Here's the way I feel about it. If we had bought five hundred million beforehand, see?

HMJr: Yes.

E: Then they could have said, "Well, hell, we didn't subscribe because you didn't give us a chance, and the hell with it, if you're going to do that." Now we're in a position to have said, "We've given you fellows a chance. The thing's been offered to you. Fed has not subscribed, and you don't subscribe" - then we have every reason for us to put a direct subscription in because we've given them the chance first.

HMJr: Yes.

E: Now I think it's very much better for us to do it now than to have done it beforehand.

HMJr: Well, I - I'd hoped you wouldn't have had to do it either time.

E: Well, that's right, but a volume of four billion dollars right on top of other offerings that have been made without more preparation than we've had - it's - it's a - it's a pretty big job. The Victory Fund Committees have had a chance to do practically nothing....

HMJr: That's right.

E: ....and the banks outside of New York have had only about one day.

HMJr: Yes. Now....

E: And it really is a hell of a big job to be done in one day.
HMJr: Yeah. Now, look, what did you have in mind that the Fed will - how much they'll put in?

E: Well, I had....

HMJr: Have you....

E: I was going to talk it over with Allan, and arrange for them to put in whatever was necessary. Now they've got - we've got plenty of authority to put in whatever it requires.

HMJr: Well, do you want to know what my idea is?

E: Yeah.

HMJr: Well, we think you should take seven hundred and fifty million of each.

E: A billion and a half.

HMJr: Yeah.

E: Well, let's see - and then we can delete whatever is necessary.

HMJr: That's right.

E: Yeah. Well, we'll - we'll take whatever is necessary on it. We can - in other words, you'd like it to go over.

HMJr: Oh, yes. It's got to.

E: No, but I mean over the amount substantially.

HMJr: Oh, yes. Then we can talk tomorrow.

E: Yeah. Well, we can - we can put that in. I don't see any objection to it. I think Sproul would like it to not show it very much over.

HMJr: Well, let - let's have this - we can talk about that in the morning.

E: Do you - do you think it's any particular advantage to show it over?
HMJr: Well, we don't want to have just four billion.
E: Oh, no. Well, I agree. You've got a lot of mail subscriptions coming in on that.
HMJr: Yes.
E: If you had four billion now plus your mail subscriptions, you're going to have - oh hell, you'll have come in in the morning three or four hundred million altogether, all over the country from banks and everywhere. You see, all you've got is your big stuff today.
HMJr: Yeah. Well, now - but let's understand - I mean I don't want to hang up the phone until I have a commitment from you.
E: Well, that's right. Let me talk to Allan, will you, and call you back?
HMJr: How long will that be?
E: Well, I can call you back in fifteen minutes, ten minutes.
HMJr: Well, make it as soon as possible, will you?
E: Yeah, yeah, I'll put a call in right now.
HMJr: And then call me back.
E: Okay.
HMJr: And tell him that this isn't - that unless he wants to talk to me, I won't call him. I said I was going to call him around seven.
E: Yeah, okay, I'll tell him.
HMJr: But there're two things, we here feel it's much better not to call up the banks tonight.
E: Yeah.
HMJr: See?
E: Yeah. Well, I think - I think you're right.
HMJr: Yeah.
E: I think you're right on it.
HMJr: Okay.
E: All right. Goodbye.
October 9, 1942
7:08 p.m.

HMJr: Hello.
Operator: Chairman Eccles calling.
HMJr: Right. Hello.
Operator: Go ahead.
HMJr: Hello.
Marriner Eccles: Hello.
HMJr: Go ahead, Marriner.
E: That’s okay. We’ll put in for seven hundred and fifty million of each....
HMJr: Good.
E: ....with the understanding that tomorrow after we can see what the whole story is....
HMJr: Yes.
E: ....that we can then reduce it by whatever amount seems to be advisable. Allan doesn’t think it would be advisable to show too much of an over-subscription because there’s been practically no padding. Everybody has expected to get what they wanted, and there has been no padding.
HMJr: Yeah.
E: So we might just as well give them nearly a full subscription.
HMJr: And did he agree on not calling up the banks to-night?
E: That’s right.
HMJr: Well, then....
E: Yeah, he says that he thought the amount was too much to bother about it, and that - that tomorrow - that we can, if we want to - if we find that with the mail in and with the late subscriptions coming in, that it’s - it’s enough, then we could get the

(cont.)
E: (cont.) banks to put subscriptions in in the morning as of today.

HMJr: Yeah.

E: Same as you - same as if we - same as the mail subscription.

HMJr: Now do you think that we can keep this thing fairly quiet for awhile?

E: Well, I don't see any reason why we can't, because there's no public statement.

HMJr: No.

E: We would see that they don't know whether we've bought them in the market or what we've done.

HMJr: Well, let's try and keep it quiet for awhile, eh?

E: That's all - it's okay with me. We'll say nothing about it. There's no point in it.

HMJr: Can you caution your boys over there?

E: Yeah, I will.

HMJr: All right.

E: In fact, the boys don't - there's none of them - none of them know about it because, well, they've all gone home except Szymczak.

HMJr: I see.

E: And so that no one except Sproul, at the moment, and Szymczak and Morrill know about it.

HMJr: Yes.

E: And then I'll tell - get - get them together in the morning and tell them.

HMJr: Right. Okay.

E: Now I'll get in touch with you in the morning.
I'll be right here.
All right.
Thank you.
Goodbye.
October 9, 1942

Dear Sergeant Uhl:

Before you leave Washington, I want you to know that the Treasury is greatly pleased with the work you have done for us. Your songs are the kind I feel the country needs, and I hope we shall soon hear the country singing them.

Your help with Treasury radio programs and your cheerful cooperation with several divisions of the War Savings Staff have been appreciated. You will be missed.

With good wishes to you and cordial regards in which Mrs. Morgenthau joins me, I am

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Sergeant Richard Uhl
2 Professor Welch
Room 1629
Treasury Department
Washington, D. C.

PHO:jre

Copy in Diary
Copies to Thompson
October 9, 1942

Dear Corporal Adair:

I want you to know that the work you have done for the Treasury has given me great satisfaction, and I believe it a valuable contribution to the war effort. Your songs seem to me to have the spirit needed in the country at this moment. I hope we shall soon hear the country singing them.

The help you have given Treasury radio programs and your cheerful cooperation with several divisions of the War Savings Staff have been greatly appreciated.

Mrs. Morgenthau joins me in all good wishes to you.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Corporal Tom Adair
2 Professor Welch
Room 1186
Treasury Department
Washington, D. C.

Copy in Diary
Copies to Thompson
### Analysis of Exposure to Payroll Savings Plans

**October 3, 1942**

<table>
<thead>
<tr>
<th>Part A - Summary by Number of Organizations Exposed</th>
<th>Number exposed to payroll savings plans</th>
<th>Total number in the country (estimated)</th>
<th>Percent of total exposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Business organizations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Firms with 5,000 employees or more.............</td>
<td>487</td>
<td>490</td>
<td>99</td>
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<tr>
<td>(2) Firms with 500 to 4,999 employees..............</td>
<td>5,410</td>
<td>5,868</td>
<td>92</td>
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<tr>
<td>(3) Firms with 100 to 499 employees.................</td>
<td>23,508</td>
<td>28,018</td>
<td>81</td>
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<tr>
<td>(4) Subtotal - large firms..........................</td>
<td>29,405</td>
<td>34,376</td>
<td>86</td>
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<tr>
<td>(5) Firms with less than 100 employees..............</td>
<td>117,101</td>
<td>*</td>
<td>*</td>
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<tr>
<td>(6) Total business organizations....................</td>
<td>146,506</td>
<td>*</td>
<td>*</td>
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<tr>
<td><strong>II. Governmental organizations</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>III. Grand total</strong></td>
<td><strong>146,506</strong></td>
<td></td>
<td></td>
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</table>

| Part B - Summary by Number of Employees Exposed |

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<tr>
<th>I. Business organizations</th>
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<tr>
<td>(1) Firms with 5,000 employees or more</td>
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<td>(2) Firms with 500 to 4,999 employees</td>
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<td>(3) Firms with 100 to 499 employees</td>
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<td>(4) Subtotal - large firms</td>
<td>20,411,838</td>
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<td>(5) Firms with less than 100 employees</td>
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<tr>
<td>(6) Total business organizations</td>
<td>23,319,089</td>
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</table>

| II. Governmental organizations |

| (1) Federal Government | 2,181,131 | 2,600,000 1/ | 84 |
| (2) State and local governments | 1,283,564 | 2,700,000 | 52 |
| (3) Total governmental organizations | 3,564,715 | 5,300,000 | 67 |

| III. Grand total | 26,863,804 | 37,700,000 1/ | 72 |

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

1/ Excludes agricultural employees, military personnel, employees on WPA or NYA or CCC projects, proprietors, firm members, self-employed, casual workers and persons in domestic service.  
* Data not available.
<table>
<thead>
<tr>
<th>State</th>
<th>Number of firms with payroll savings plans</th>
<th>Total number of firms (estimated)</th>
<th>Percent of total having payroll savings plans</th>
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<td>Oct. 3</td>
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Office of the Secretary of the Treasury, Division of Research and Statistics.
October 9, 1942.

* Data are for September 26, inasmuch as no October 3 report was received.
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Office of the Secretary of the Treasury, Division of Research and Statistics.

October 9, 1942.

* Data are for September 26, inasmuch as no October 3 report was received.
DR. NAHUM GOLDMAN was born in Russia in 1894. At the age of six his family migrated to Frankfort, Germany. He attended the Universities of Heidelberg, Marburg and Berlin, and graduated with a Doctorate in Law and Philosophy. He lived in Berlin from 1915 to 1933, where he published Hebrew books and was political reviewer for Martin Buber's Der Jude. From 1933 to 1940 he lived in Geneva where he represented the World's Zionist Organization and the World's Jewish Congress. Since June 1940 he has lived in New York devoting his time to the Zionist Organization and the American Jewish Congress. He has to his credit several books and articles on Palestine, general Jewish topics, and general political and philosophical topics.
MEMORANDUM FOR THE SECRETARY.

October 9, 1942.

Mail Report

Although Bonds continued to hold a slight lead among the subjects included in this week's correspondence, taxes regained much of the interest that was lost last week; and the mail in general was heavier than for the preceding two weeks. Throughout the letters on taxes, discontent with Congress for its tardiness in adopting a revenue bill was expressed repeatedly, both by individuals and by corporations. Several telegrams and letters, apparently part of a CIO-sponsored campaign, endorsed the President's seven-point program, and urged adoption of most of the tax measures proposed by the Treasury.

Of the 20 letters relating to higher personal taxes, only 5 agreed that rates must be higher in the low income brackets, as well as in the upper ones. The Ruml Plan, along with a general withholding tax, drew the approval of 17 correspondents, with no word of direct opposition. The sale of tax stamps was suggested several times as a simple means of collecting taxes at the source. The gross income tax was opposed 4 to 1; the spending tax provoked little comment this week; and an excess profits tax on the income of individuals had but 4 proponents.

Higher corporation taxes were favored by 3 and opposed by 3. Another writer argued that the proposed tax bill discriminates against corporations that operate on the basis of a calendar year, rather than of a fiscal year. Opinion was rather evenly divided as to whether or not tax-exempt securities should now be taxed. Hostility to increased Social Security taxes was unmistakable. Of the 8 letters discussing the question, only 1 favored a higher rate. In suggesting sources of additional revenue, correspondents listed as taxable such items as outdoor ads, bets collected at race tracks, pets, matches, caskets and burial lots, cooperative associations, Labor Unions, checks, and money hoarded by refugees in this country.
Memorandum for the Secretary.  
October 9, 1942.

In regard to Bonds, many of the comments were constructive in nature, and nearly all of them were cordial. Adoption of some plan of compulsory savings was recommended by 12 persons, and there was no outspoken opposition to such measure. Some 15 letters outlined plans whereby Bonds and Stamps could be used as Christmas gifts, and 6 others cited December 7 as auspicious for the sale of Bonds. Others suggested that Christmas Club Savings be paid in Stamps or Bonds, that annuity Bonds be issued, that insurance salesmen be employed to sell Bonds, that hoarders of gold be permitted, without penalty, to convert it into Bonds, and that Defense Stamps be sold with each admission to a place of amusement.

The form letter, "A MESSAGE TO THE AMERICAN FARMER", and the pamphlet, "LONG MAY IT WAVE", occasionally provoked unfavorable reaction, sometimes to the expense involved in preparing the material, and sometimes to the plea that farmers buy Bonds. Individual complaints as to delay in delivery of Bonds, bought under payroll deduction plans, number only 8, of which 3 came from members of the armed forces, and 5 from employees of private industry. A few others related to the period required for the redemption of Bonds, and the failure to receive interest when it was due.

Toward the end of the week there were a few communications requesting that Christmas gifts mailed home by soldiers and sailors, who are stationed abroad, be admitted customs-free.

The outcry for Governmental economy was unusually strong, a great deal of it coming in unsigned communications; and warnings against inflation were contained in a dozen or more letters. At least 10 communications expressed antagonism toward the practices of Labor Unions. The number of letters protesting restrictions on commercial silver dropped to 10, most of them originally addressed to Congressmen, who referred the communications to the Treasury for reply.

E. F. F.
by Ray Pearson
Senator Hattie W. Caraway forwards a letter she has received from H. T. Purvis, President, Arkansas Retail Jewelers Association, commenting as follows: "The silver situation is becoming more critical as each day passes, and deserves your most careful and prompt consideration. With more silver than can possibly be used on hand, and to prohibit the releasing of it (except at ridiculous prices which no one can pay with processed merchandise at ceiling prices) seems very unfair to us. Think of the thousands of people, many of them untrained for any other type of work, that will be thrown out of employment, and of the many, many small businesses like my own, as well as the many manufacturers, that will be ruined. How are we going to pay taxes if we are put out of business? We know that winning the war is more important than anything else and you can count on the jewelry industry for 100% cooperation in this regard. Every type of manufacturer within the industry that can convert to war production has already done so - many of these 100%, not producing one dime's worth of civilian merchandise. Clock manufacturers are one example, and I could name others. We want silver and we want it now - next month may be too late! We are asking the same Uncle Sam not to hoard silver that is asking us not to hoard rubber, tin, aluminum, copper, etc. "

Rudolph Bruening, Elmhurst, Ill. I call your attention to a very serious defect in arranging and handling of the people paying and filing their income tax in Chicago. Early in January, 1942, people had to stand in line for a very long time in a stuffy, drafty, corridor -- a few fainted -- waiting for their turn to file. Attention was paid of these conditions to Mr. Carter Harrison, but no help. It was said, "Washington don't provide better accommodations". Now this should not be so again in 1943, and improvement must be made. **

Charles W. Davis, Detroit, Mich. I am enclosing Disability Compensation Check for $50, endorsed, "Payable to the Treasurer of the U. S. for National Defense Purposes". I am pleased to return this check to be used for defense purposes, and will continue to do so whenever possible.
Julius Frankel, Bronx, N.Y. * * * I am a clerk in the Division of Disbursement, New York Regional Office. * * * Scattered about my office is about a ton of scrap metal that nearly every one trips over, and several more tons hidden under layers of dust, oil cloth covers, and behind locked storage-room doors. There are literally pailsful of outmoded and unused rubber stamps that are just hardening and rotting away. This condition, I am most certain, is iterated in the twenty disbursement offices throughout the country. If the total scrap collected does not equal at least fifty tons, I'll eat every ounce of it! * * * To sum up, I ask that you authorize all disbursement officers, and the like, permission to roundup and dispose of, immediately, scrap metal, outmoded rubber stamps, and obsolete equipment, electrical and otherwise.

Nicholas S. DeJohn, Adjutant, American Legion, Lyons, N.Y. Through the sale for scrap of a captured German Cannon, we had received as a souvenir of the last War, which amounted to $17, a resolution was adopted by our Post in regular meeting assembled that this amount be donated to our Government to be used in any way your office deems necessary in the War effort. It is a rather small amount, but we contribute it willingly. * * *

G. C. Gasber, Martins Ferry, Ohio. Enclosed is Post Office Money Order for $10, same being for the Defense Fund of the Treasury Department. * * * I am 49 years of age, and have a wife and an 80 year old father to support. For the past year and a half, I have been engaged in travelling as an independent salesman. * * * Whenever I have made money above necessary expenses, I have sent in a Money Order to the Treasury Department. However, of late, due to gasoline rationing, I have been hard put to keep going and donate also. My work necessitates travelling, mostly in the Eastern States from Boston to Miami, and so we have no home. My wife travels with me, and so our automobile is the only home that we know, outside of hotels. * * * Incidentally, I refused to purchase an S Ration Book that was offered me last week at the Sidney Garage at 69th and West End Avenue, by a man employed at said garage. However, I did go to the Rationing
Board in New York the other day in order to make application for an increase in my gasoline allowance, and was turned away by the girl in the front office with the statement that it was useless for me to apply for additional gasoline, and so I walked out in disgust. ** * I have an Oldsmobile Sedan, 1941 Model with five good U. S. Royal Master tires, which I purchased in August, 1941, and they are good for at least 30,000 miles yet. ** * We cannot afford the expense of a home because of the travel required in my business. We carry four suitcases, a typewriter and a radio in the car, and it is impossible for us to cart this luggage on a train, and so my car is my all. I suppose I could enter into some kind of war work, but I am not skilled at any manual labor, and so I believe that I can do more toward helping win the war at my own vocation, and contributing what cash I am able to at various times when the money is available. However, if you are of the opinion that my work is unnecessary in times like these, and that it would be better that I did not use my car in my work, then I hereby offer my car to the Treasury Department to use as they see fit in order to help win the war. ** * Also, I would wish that the Government would place me where I would be needed most. I am of German descent, three generations ago, my grandfather being born in Germany, but even he despised the German Rulers. My aim is to see them utterly crushed so they never will menace civilization again. Thank God that we have President Roosevelt as our great Leader in these troublesome times. ** * I will appreciate your informing me of your decision by dropping me a line at the address listed below, same being the address of my son, who is a welder at the Wheeling Mold & Foundry Company in Wheeling, West Virginia. He is working on tanks. ** *

Carlin S. French, President, Station WTMV, East St. Louis, Ill. Enclosed please find check in the amount of $68.21, a contribution to the Treasury Department of the United States. Radio Station WTMV conducted an automobile license plate collection drive from January 7 to March 21,
of this current year. A total of 4 3/4 tons of license plates were collected and sold to scrap dealers. The attached check represents the amount of money received from the scrap dealers for the license plates collected. The listeners of WTMV voted that this money should be turned over to your Department for furthering Uncle Sam's war effort.

The following letter from Mrs. Lee Hummel, Salem, New Jersey, was elicited by the Secretary's form letter, "A MESSAGE TO THE AMERICAN FARMER": This seems a particularly silly way of wasting money, and I wish most respectfully to suggest that the cost of such advertising be applied to the War effort. I am not going to mention the taste which prompted such an effort. But the whole thing seems a very telling insult to the intelligence of the American Citizen.
Mrs. Arthur J. Bowles, Philadelphia, Pa. This family has just heard the inspiring "Treasury Star Parade", with Mr. Edwin C. Hill telling of the "Newspaper Carrier Stamp" plan. We were especially thrilled because Mr. Bowles is with the Evening Bulletin Home Delivery Service. Through his work, he knows first hand of the pride, enthusiasm, and interest of these boys in selling War Stamps. Through this plan, the newspaper carrier boys have sold over fifty million 10¢ War Stamps.

Whipple Jacobs, President, Belden Manufacturing Company, Chicago, Ill. When the directors of this Company declared a dividend on August 3, they voted to make it available in either War Bonds or Stamps, or cash, at the option of the shareholders, and special forms were prepared to facilitate the ordering of the Bonds or Stamps. The plan was commented on favorably by the press, and a telegram signed by you stated that you hoped such a plan would be as widely adopted as the payroll allotment plan. I was very disappointed to read in the Chicago Journal of Commerce of October 2, under a date line from Washington, October 1, a statement attributed to you that "the Treasury is making no attempt to have corporations pay dividends on their capital stock in War Savings Bonds instead of in cash". The general comments I have had, not only from our shareholders, but many others, indicate an interest in such a plan. It does reach a group of income receivers not covered by the payroll allotment plan. It is less expensive to the issuing corporation than the payroll allotment plan, and has the same voluntary feature. * * * The average corporation director does not think in terms of these small shareholders, and if the plan is to become widespread, it will take the same type of selling campaign that was necessary to make the payroll allotment plan as widespread and as successful as it has been. This must come from the Treasury, and I feel sure that if a concerted effort was made by the War Savings Staff that a very substantial addition in the sale of War Bonds could be effected. Certainly it should not be dismissed without a reasonable trial.
R. N. Lockart, Gloucester, N.J. Robert McFarland served newspapers over a route operated by myself for nearly a year. During that period he sold War Stamps and won the three awards given by the Philadelphia Evening Bulletin for salesmanship. Three weeks ago he was stricken with appendicitis. When he was operated upon, they found that the appendix had burst. Peritonitis set in and his life was despaired of. Yesterday he was pronounced out of danger and when the doctor asked him what he wanted to do while convalescing, he answered, "Sell Defense Stamps". It has been arranged for him to do so while confined to the hospital. Would it be too much trouble to write him a note of commendation for his patriotism and zeal?
First Lieutenant Eli T. Conner, Camp Beauregard, La.

*** Yesterday my wife, in response to urgent publicity to attend a movie star banquet, took my Milford, Pennsylvania, check for $750 to the Guaranty Bank and Trust Company of Alexandria, La., and before the Bond was delivered to her, she was "hi-jacked" out of 75% (1%), as a banking charge. Never before had any check charge been made to me therefor, and I had been careful to draw this particular check to the order of the "Treasurer of the United States", because I intended that there should be no clearing charge, and also intended that the money go directly to the Government. Apparently, in order to make sure of its right to profit upon my check, the bank required my wife to add to the check the words, "or bearer". For your information, Mrs. Conner had no alternative as to the place of the purchase of the Bond, having gone first to the Chamber of Commerce, whence she was directed to go to the Paramount Theatre, which in turn sent her to the Bank. ***

William H. Westover, Attorney-at-Law, Yuma, Arizona.

*** I have spoken to many citizens in our community and almost uniformly they have agreed that the voluntary program is unfair and should be abandoned and instead, a program adopted whereby every citizen is required to buy Bonds. Frankly, it will please me greatly to see the day come when the authorities in Washington are closer to the people than they are now, and know how the people feel. I am certain that as far as my community is concerned, that the great majority of the people would prefer to see War Bond buying going upon a compulsory basis than to take the chance of failure through a voluntary effort.
Dr. Thomas D. Blair, Plainfield, N.J. You know and I know the anti-inflation bill will not stop inflation. The proper way to cure is to remove the cause of the trouble. The Administration has repeatedly stated the correct cause of inflation -- too much money in circulation for the amount of consumers' goods available. The anti-inflation bill does not touch the cause. It merely deals with effects. Tax enough where the defense money is being paid, and impose a Sales Tax, and you will stop inflation. The general public understands this thing. There is too much politics in Washington.
C. S. Boothby, Jahn & Ollier Engraving Company, Chicago, Ill. Of course, it was to be expected, but it is none-theless resented that you persist -- acting as a mouth-piece for the smear-dealers -- in trying to increase the tremendous tax burden of the so-called "Social Security" hoax as an underhanded method of grabbing millions through a payroll tax which your gang doesn’t dare to face under that particular name. The trouble with this payroll tax is that a firm has to pay that tax whether it makes a million dollars or loses a million dollars, and just this morning I heard of three firms in our industry which have had liens placed on their plants because they were unable to carry this preposterous burden any longer. Considering the fact that this subterfuge has collected between three and four billion dollars MORE in unemployment taxes than has been needed or used, and millions and millions more than you have needed for the pension requirements, I would say to you that employees as well as employers throughout the country are now waking up to the fact that under the guise of a philanthropic title, we both are being gouged most beautifully. *** This subterfuge has now become a definite menace to the country and unless some of you people in the Roosevelt die-nasty can learn to tell the truth occasionally, and face the public with honest statements of all taxes being collected and spent, I prophesy you are fast approaching a climax between the taxpayers and the tax-grabbers.

A. L. Mason, Mason’s Appliance Store, Tigard, Oregon. When 1942 rolls to an end, my small business, started in 1937, will also have to come to an end because I shall be out of merchandise. Last year it did about $25,000. I made net about $3,000. This year I shall probably net about $3,500. *** These are the only good years I’ve had. They have been good in the sense that they have enabled me to pay back on money borrowed on my home and on my life insurance in times prior to 1937. Each year since 1937, I have hopefully plowed earnings
back into the business, $1,250 for store remodelling, $750 for special tools, another $200 for store lighting, linoleum, etc. ** ** However, the contemplated high rate of tax on 1942 income is going to put me, and thousands of others like me, back into the red. My point in writing this letter to you is to ask if there can't be given to us who are being forced out of business some form of exemption that will at least enable us to close our doors with our heads up. I think it's only good Governmental policy to leave small or large businesses in such a position that they can quickly and easily resume their part in America's enterprises after the war. ** *

Henry Greenfield, N.Y.C. When I bought the current $5 automobile stamp at the West 83rd Street Post Office, in June, 1942, I asked to be permitted to register the stamp as I had previously done with last year's stamp. I was told that this was not being done, and that my only protection was in filling in the blanks on the stamp and attaching it to my car. I marked the stamp heavily in ink, adding the license number across the face for added protection and shellacked the stamp to the windshield. My car is garaged with G. Gandolfo at 600 East 82nd Street, where there is a watchman 24 hours a day. The car is not locked while there, but I have been told it is adequately protected. ** ** Some time between September 27 and October 2, during which time the car was not taken out, the stamp disappeared from the windshield. ** ** I have learned that stolen stamps are on sale by boys at $1 up a piece along First Avenue in the vicinity of the gas stations from 90th Street North. Stamps are being taken from cars in large numbers. ** **
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 September 30, 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.

(contin.) Ex. 13.
In accordance with your telephone authorization re: April 1, 1942, we are happy to report that on October 17, 1942, the Chinese government purchased a total of 166,000,000 yuan for $45,000,000 on special account of the United States dollar exchange 15 of our Special Account to credit the amount of $45,000,000, the proceeds of the sale of the Special Account, the amount of which was credited to the account of the Chinese government in the United States dollar exchange 15 of the United States dollar exchange 15 of the Special Account, the proceeds of which were paid to the Chinese government. The amount of the sale was $45,000,000, the proceeds of which were paid to the Chinese government.

Under the terms of our letter of July 14, 1942, we agreed to send to the Central Bank of China, the sum of 1,750,000 yuan as additional guarantees for the performance of obligations under the agreement of August 15, 1942. The value of these guarantees as of August 15, 1942, was $45,000,000. The proceeds of these guarantees were $45,000,000, the proceeds of which were paid to the Chinese government.

Regarded Unclassified
We submit below a resume of the yuan purchased and resold and the gold pledged and released for sale under the agreement of July 14, 1937, as amended.

### YUAN

<table>
<thead>
<tr>
<th>Date Purchased</th>
<th>Yuan</th>
<th>Rate</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 10, 1937</td>
<td>50,000,000</td>
<td>$0.29375</td>
<td>$14,687,500.00</td>
</tr>
<tr>
<td>November 26, 1937</td>
<td>50,000,000</td>
<td>$0.29375</td>
<td>$14,687,500.00</td>
</tr>
<tr>
<td>December 30, 1937</td>
<td>50,000,000</td>
<td>$0.29375</td>
<td>$14,687,500.00</td>
</tr>
<tr>
<td>February 10, 1938</td>
<td>15,000,000</td>
<td>$0.29500</td>
<td>$4,625,000.00</td>
</tr>
<tr>
<td></td>
<td>165,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date Sold</th>
<th>Yuan</th>
<th>Rate</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 15, 1939</td>
<td>50,000,000</td>
<td>$0.29375</td>
<td>$14,687,500.00</td>
</tr>
<tr>
<td>February 28, 1939</td>
<td>50,000,000</td>
<td>$0.29375</td>
<td>$14,687,500.00</td>
</tr>
<tr>
<td>October 8, 1942</td>
<td>50,000,000</td>
<td>$0.29375</td>
<td>$14,687,500.00</td>
</tr>
<tr>
<td></td>
<td>150,000,000</td>
<td></td>
<td>$44,062,500.00</td>
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</table>

**Balance**

<table>
<thead>
<tr>
<th>Yuan</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,000,000</td>
<td>$4,625,000.00</td>
</tr>
</tbody>
</table>

### GOLD

Pledged to us as fiscal agent of the United States out of gold held under earmark for the Central Bank of China as security for the performance of its agreement

<table>
<thead>
<tr>
<th>Fine Ounces</th>
<th>Value @ $35 per Fine Ounce</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,395.381.168</td>
<td>$68,838,340.89</td>
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Less gold released and purchased by us on February 15, 1939

<table>
<thead>
<tr>
<th>Fine Ounces</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>420,880.600</td>
<td>14,730,821.00</td>
</tr>
</tbody>
</table>

Less gold released and purchased by us on February 28, 1939

<table>
<thead>
<tr>
<th>Fine Ounces</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>420,614.406</td>
<td>14,728,504.24</td>
</tr>
</tbody>
</table>

Less gold released and purchased by us on October 8, 1942

<table>
<thead>
<tr>
<th>Fine Ounces</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>420,723.601</td>
<td>14,725,326.01</td>
</tr>
<tr>
<td>1,262.418.607</td>
<td>44,134,651.25</td>
</tr>
</tbody>
</table>

**Balance**

<table>
<thead>
<tr>
<th>Fine Ounces</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>132,962.561</td>
<td>$4,653,689.64</td>
</tr>
</tbody>
</table>

Very truly yours,

/s/ H. L. SANFORD,
H. L. Sanford
Manager, Foreign Department.

The Honorable,
Secretary of the Treasury,
Washington, D.C.
C O P Y
INCOMING CABLEGRAM
October 13, 1912

Chungking, October 12, 1912

Federal Reserve Bank of New York
New York
No. 25
Your cable No. 31 We confirm.

Central Bank of China
Central Bank of China
Chungking
No. 31

Your No. 24 Have sold today 120,723.601 fine ounces of gold crediting your special account with net proceeds $11,688,512.69. Have debited your Special Account $11,687,500 representing repurchase by you of yuan 50,000,000 at 29 3/8 which we authorize you to debit to the account on your books of "Federal Bank of New York as fiscal agent of the United States". Details by mail Your cable refers to your and our "Gold Operation" accounts but we believe you intended to refer to the above mentioned accounts. Please confirm.

Federal Reserve Bank of New York
Federal Reserve Bank of New York
New York
No. 24

Referring to your letter July 14, 1937 we request that you sell for our account gold to the value of $14,687,500 being a part of the gold held by you as security for the performance of our agreement as set forth in your letter of July 14, 1937 and credit proceeds of our Gold Operation Account. Thereupon please debit our gold operation account $14,687,500 and sell to us yuan 50,000,000 being the equivalent thereof at 29 3/8 to the debit of the Gold Operation Account in our books in the name of "Federal Reserve Bank of New York as Fiscal Agent of the United States" which debit please authorize.

Central Bank of China
CONFIDENTIAL

Major General George V. Strong,
Senior Member,
Joint Security Control,
War Department,
Washington, D. C.

Dear General Strong:

I have your letter of October 5, 1942, referring to Admiral Leahy's letter of October 2 to me regarding the Joint Security Control activities.

This is to advise you that I expect to be away from Washington for a period of about two weeks. In the meantime, if it is necessary for you to get in touch with any one in the Treasury, I suggest that you contact Under Secretary Bell, who will be in charge in my absence.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

DWB:NLE

Sent By Messenger 12:45 P.M.
October 8, 1942.

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

By action of the JOINT U. S. CHIEFS OF STAFF, on August 26, 1942, a single agency, known as Joint Security Control, was organized for the purpose of regulating and coordinating the activities of certain governmental agencies with respect to special operations.

The membership of Joint Security Control consists of the undersigned and Captain George C. Dyer, U.S.N.

Inasmuch as pertinent parts of the directive (J.C.S. 79/A/D) has been previously furnished for your information, the functions of Joint Security Control will not be repeated.

In view of your letter of October 2 to Admiral Leahy, when Joint Security Control members have occasion to contact the Treasury Department the arrangements will be made through your office.

Sincerely yours,

GEO. V. STRONG,
Major General, U.S.A.,
Senior Member, Joint Security Control.
In the course of the investigation of Swiss insurance companies currently being made by the Foreign Funds Control certain information has come to our attention, illustrating (1) the manner in which specific information with respect to ship movements and losses is disseminated in the normal course of business operations of insurance companies, and (2) the manner in which information regarding ship movements and losses during specified periods is collated so that it is readily available to the employees of 72 insurance companies in this country.

We have prepared a memorandum, a copy of which is attached hereto and supported by relevant documents, showing how, in a single typical case, specific information regarding the movement and loss of a ship reached a steadily increasing group of people in this country and abroad.

Despite the fact that this general problem is apparently receiving attention by the several government agencies most directly concerned, we feel it is worthwhile to bring to the attention of these agencies our memorandum which points up the problem in a very graphic way.

We propose to send a copy of this memorandum, with the supporting documents, to the following:

The Attorney General
The Secretary of the Navy
The Secretary of War
The Director, Board of Economic Warfare
The Director of Censorship
The Administrator, War Shipping Administration.
All of the above agencies are represented on the Inter-Departmental Security Service Committee, which is considering the general problem of safeguarding vital information from the enemy.

If this action meets with your approval, will you please so indicate below?

R.E.P

Approved:

Attachments.
The following shows how, in a single typical case, specific information regarding the movement and loss of a ship reached a steadily increasing group of people in this country and abroad. Although some of the documents referred to do not state the exact sailing date, a pattern is created from which probabilities can readily be calculated.

May 24  Goods shipped via Pennsylvania Railroad from New York City to New Orleans.
        (approx.)

        At this point, employees of the shipper and a certain number of the employees of the Pennsylvania Railroad knew that the SS Sixaola would sail from New Orleans bound for Guatemala within a few days.

May 27  Bill of lading issued by United Fruit Company in New Orleans. (Exhibit 1.)

        At this point, employees of the United Fruit Company, which owns and operates the ship, knew that the SS Sixaola would sail from New Orleans for Guatemala.

May 30  SS Sixaola sailed from New Orleans.

June 2   Copy of Certificate of Insurance sent to Switzerland General Insurance Company, Limited, New York. (Exhibit 3.)
June 2  
Original Certificate of Insurance 
sent to the Banco de Londres y America 
del Sur, San Salvador (the collecting 
bank), accompanied by invoice, ocean 
bill of lading and draft. (Exhibits 1, 
4, 5, 6.)

The information sent to the bank 
includes the name of the ship and 
the number of the voyage. Had this 
shipment been sent on open credit 
instead of against draft, this 
information would have been sent 
directly to the consignee.

June 4  
Certificate of Insurance received by 
Switzerland General Insurance Company. 
(Exhibit 3.)

At this point, certain employees 
of the insurer, in addition to the 
persons mentioned above, know that 
this ship sailed from New Orleans 
and is enroute to Guatemala.

June 4  
Line card prepared, stating all risks 
insured by Switzerland General Insur-
ance Company on this ship. (Exhibit 7.)

At this point, additional clerical 
employees of the insurer know of the 
sailing of this ship and its route.

June 4  
Insurance certificate entered in daily 
report. (Exhibit 8.)

At this point, additional employees 
of the insurer know of the sailing of 
this ship and its route and also know
of any ships sailing concurrently and the respective cargoes and destinations of such ships. This would clearly indicate to such clerical employees the departure of a convoy.

June 4
Original Certificate of Insurance, invoice, ocean bill of lading and draft received by the collecting bank. This date is established approximately. A stamp placed on the documents by the collecting bank does not indicate date of receipt. (Exhibits 1, 4, 5, 6.) However, the documents were sent by airmail and in normal course would be received at this time.

At this point, employees of the collecting bank and also, presumably, employees of the consignee, both located outside of this country, know that the SS Sixaola sailed from New Orleans for Guatemala.

June 12
Ship sunk.

June 14
Exchange premium bordereau sent by the insurer to the American Cargo War Risk Reinsurance Exchange. (Exhibit 9.)

At this point, employees of the 72 insurance companies which are members of the Exchange and employees of all underwriting agents representing such companies know that the SS Sixaola sailed from New Orleans to Guatemala. They also know the cargo carried and
have identical information as to every other ship on the cargo of which insurance has been written within the preceding ten days.

Exhibit 9 is not dated, but we have been informed by the manager of one of the insurance companies that these bordereaux are prepared and sent to the Exchange at least every ten days. This is a routine activity of the insurer.

June 22 Steamship company notified the shipper, by mail, of the loss of the ship. (Exhibit 2.) This exhibit states that the ship was sunk by an enemy submarine.

Immediately thereafter, the shipper's insurance broker notified the bank in San Salvador to return the documents. (Exhibits 1, 4, 5, bear stamps indicating they were returned by the bank.) It is extremely probable that the bank also notified the consignee.

At this point, the loss of the ship due to enemy action is known to employees of the company operating the ship, employees of the shipper, employees of the shipper's insurance agent, and is sent by airmail to employees of the collecting bank and the consignee, both of which are located outside of the United States.
July 3  
Loss Committee Bulletin issued by the American Cargo War Risk Reinsurance Exchange and sent to every member of the Exchange. (Exhibit 10.)

This Bulletin indicates that the ships mentioned, whose nationalities are given, were lost. In this case, it indicates that the SS Sixaola, an American ship, was lost on the outward voyage.

At this point, certain employees of all 72 insurance companies belonging to the Exchange know the SS Sixaola was lost.

July 13  
Loss Report sent by insurer to Exchange. (Exhibit 11.) This Report is in response to the Bulletin mentioned above and states all cargoes insured by the company on the SS Sixaola.

July 16  
Letter confirming loss of the ship sent by Exchange to insurer. (Exhibit 12.)

This letter purports to state the date of the sinking, which is euphemistically designated as "the accident." (It also gives the sailing date, which is, however, at variance with the date stated by the company operating the ship. In this memorandum we have disregarded the sailing date mentioned in this letter.)

July 24  
Claim of loss received by the insurer from the shipper's insurance broker, enclosing documents obtained from the collecting bank in San Salvador. (Exhibit 13.)
Loss paid by the insurer and debit notes sent to the Exchange and to the shipper's agent, stating the date of loss and the fact that loss was caused by enemy action. (Exhibits 14, 15.)

Loss bordereau received from Exchange. (Exhibit 16.) This bordereau is sent to all 72 members of the Exchange. It is in code, but the code is not a difficult one. It states flatly that the ship was sunk due to enemy action.

At this point, certain employees of every member of the Exchange have additional information of the progress of the submarine campaign. In the Loss Committee Bulletins all ship losses have been reported. In this loss bordereau all losses are received in a single list, so that these employees have ready access to information indicating practically all losses of merchant shipping, including tonnage and cargo, due to enemy action, since the American Cargo War Risk Reinsurance Exchange writes 98 per cent of all cargo war risk insurance.

Information as to the name of the ship, its tonnage, and cargo is generally not made available to the public.
| Exhibit 1  | Bill of Lading.                       |
| Exhibit 3  | Certificate of Insurance.             |
| Exhibit 4  | Sight Draft.                          |
| Exhibit 5  | Original Certificate of Insurance.    |
| Exhibit 6  | Invoice.                              |
| Exhibit 7  | Line Card.                            |
| Exhibit 8  | Daily Report.                         |
| Exhibit 9  | Exchange Premium Bordereau No. A424.  |
| Exhibit 10 | Loss Committee Bulletin No. 750.      |
| Exhibit 11 | Loss Report.                          |
| Exhibit 12 | Confirmation from the Exchange re Loss of the SS SIXAOLA. |
| Exhibit 14 | Payment of Rojo Loss Claim.           |
| Exhibit 15 | Debit Note.                           |
| Exhibit 16 | Loss Bordereau No. 558.               |
**DESCRIPTION OF GOODS**

<table>
<thead>
<tr>
<th>Masses</th>
<th>Numbers</th>
<th>Quantities</th>
<th>Shippers' Description of Class and Contents of Package</th>
<th>Shippers' Measurements</th>
<th>Shippers' Remarks</th>
<th>Rate</th>
<th>Seamen's Freight</th>
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<td>306</td>
<td>139</td>
<td>374</td>
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**PAID**

MP RR PRO 5M 30548

C873

Vista en el Consulado de la Republica,

C.P. en esta sede en la Republica de la Republica,

Ult. Consignee

ANTONIO P. HASBURN HNO.

SAN SALVADOR EL SALVADOR

This bill of lading shall be subject to the provisions of the Carriage of Goods by Sea Act of the United States, as amended April 10, 1930, which shall be deemed to be incorporated hereof, and shall be deemed a surrender by the carrier of any of its right or dominion or in respect of any of the commodities or fixtures under said Act. If any term of this bill of lading is inconsistent with said Act in any respect, such term shall be void to that extent, but no further.

Total Stevedore Freight, $1.50

Total U.S. Currency, $12.68

PREPAID subject to provisions of Article five (5) hereof

Prepared by: E.M. 5/27/42

By:
Roje-Fabian & Co. Inc.
362 Broadway
New York City, N. Y.

Dear Sir:

You are advised that a shipment of

<table>
<thead>
<tr>
<th>MARKS &amp; NO.</th>
<th>PKGS.</th>
<th>DESCRIPTION</th>
<th>WEIGHT</th>
</tr>
</thead>
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<td>A P H &amp; ENO</td>
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<td>Rayon Piece</td>
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<tr>
<td>(R) Aduana Central</td>
<td></td>
<td>Goods</td>
<td></td>
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<tr>
<td>San Salvador Via New Orleans Via Pto. Barrios</td>
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<td></td>
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</tr>
<tr>
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<td>125</td>
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was manifested and on board the SS Sixnola sailing from New Orleans on the 28th day of May, 1942.

We regret to advise you that the SS Sixnola on the 12th day of June was sunk by an enemy submarine.

Very truly yours,

E. L. Maier
Freight Agent
CERTIFICATE OF INSURANCE

"SWITZERLAND"
GENERAL INSURANCE COMPANY, LIMITED
ZURICH

BERTSCHMANN & MALOY, Attorneys
64 BEAVER STREET, NEW YORK

COPY

No. R-152318

185 77 340
19 68 324
116 69 33 21

THIS IS TO CERTIFY, that on the 2nd day of June 1940, the property from Rojo-Fabian & Co., Inc. was insured under Policy No. 12928 made for: Rojo-Fabian & Co., Inc., valued at $0.75, inclusive of the cost of insurance.


It is understood and agreed that in case of loss the same is payable to the order of the insured on surrender of this certificate, which conveys the right of collecting any such loss as fully as if the property were covered by a special policy direct to the holder hereof, and free from any liability for unpaid premiums. This certificate is subject to all the terms of the open policy, provided, however, that the rights of a bona fide holder of this certificate for value shall not be prejudiced by any terms of the open policy which are in conflict with the terms of this certificate.

Not valid unless countersigned by

Bertschmann Maloy.

Countersigned.

MARKS AND NUMBERS

A P & H Encl.
Sun Salvador
Via New Orleans
Via Toro, Barrio

SPECIAL CLAUSES

Free of particular average under 3% unless general or the vessel be stranded, sunk, burned, or in collision, such damage, cases, or shipping packages separately insured.

This insurance also covers damage, theft, pilferage, breakage or destruction of the property insured directly caused by strikers, locked-out workmen, or persons taking part in any labor disturbances, or civil commotions and destruction of or damage to the property directly caused by persons acting maliciously; but the foregoing shall not be construed to include or cover any loss, damage, or expense caused by or resulting from (a) delay, deterioration or loss of market, or (b) conditions arising from strikes, lockouts, workmen's dissatisfaction, civil war, revolution, rebellion or insurrection, or civil strife arising therefrom.

CONDITIONS

Warranted free from capture, seizure, arrest, retainment, detention, expropriation, occupation, requisition or nationalization, and all consequences thereof or any attempt thereto, whether by force of war or not, whenever or otherwise, except if otherwise stated in this certificate.

General Average and Salvage Charges payable according to Foreign Statements or as per Tech-Assurance if in accordance with the Contract of Affreightment.

Held, covered, at a premium to be arranged, in case of deviation or change of voyage or of collision or any of the above in the description of the insured vessel, to be fully protected in all respects as herein before set forth.

Including all average and special losses covered by this policy from shipwreck of sunken vessels of any nature, whether or not the same occurs during the ordinary course of transit, except as result of collision or any named peril, or to the extent of any amount upon the voyage or in transit, as stated in this certificate.

Not liable for damage or breakage, or any other average whatsoever within the meaning of any first or last marine or other comprehensive insurance.

Not liable for losses arising from the war, civil war, or from any cause whatsoever, unless specifically excluded.

Not liable for leakage or breakage, or any other average whatsoever within the meaning of any first or last marine or other comprehensive insurance.

The names of the insured vessels and the names of the vessel on which the cargo is insured, and the names of the cargo masters, are subject to the approval of the Underwriters.

The policy shall continue in force until surrendered or canceled by the insured, and may be renewed by mutual consent to a period of one year from the date of such surrender or cancelation.

The policy shall be subject to the laws and customs of the place where the property policy is issued, and is subject to the laws and customs of the place where the insurance policy is issued.

Form 161

Paid at the market price of the time of the loss and not less than 90% of the average value of the property insured at the time of the loss. In case of total loss, the insured is entitled to the full amount of the policy without deduction.

The policy is subject to the laws and customs of the place where the property policy is issued, and is subject to the laws and customs of the place where the insurance policy is issued.
CERTIFICATE OF INSURANCE

"SWITZERLAND"
GENERAL INSURANCE COMPANY, LIMITED
ZURICH
BERTSCHMANN & MALOY, Attorneys
84 BEAVERT STREET, NEW YORK

June 2nd, 1942

ORIGINAL

This is to certify, that on the 2nd day of June, 1942, this Company
insured under Policy No. 19,385 made for ROJO-FABIAN & CO., INC.
--- Six hundred fifteen and no/100--- Dollars.

On 1 Bale Rayon Piece Goods

Valued at Sum Insured

On Board Pennsylvania Railroad to New Orleans S/S Sixmoa United Fruit S/S Co.
From New Orleans, to Pto. San Salvador, El Salvador.

It is understood and agreed that in case of loss the same is payable to the order of
Assured on surrender of this certificate, which conveys the
right of collecting any such loss as fully as if the property were covered by a special policy direct to
the holder hereof, and free from any liability for unpaid premiums. This certificate is subject to all the
terms of the open policy, provided, however, that the rights of a bona fide holder of this certificate for value
shall not be prejudiced by any terms of the open policy which are in conflict with the terms of this certificate.

Not valid unless countersigned by

Countersigned

MARKS AND NUMBERS

SPECIAL CLAUSES

These special clauses override the conditions stated at the bottom of this certificate whenever
they are in conflict therewith.

Free of particular average under 3% unless general or the vessel be stranded, sunk,
burned, or in collision, each half, case, or shipping package separately insured.

This insurance also covers damage by theft, pilferage, breakage or destruction of the
property insured directly caused by strikers, locked-out workmen, or persons taking part in
in labor disturbances or riots or civil commotions and destruction of or damage to the
property directly caused by persons acting maliciously; but the foregoing shall not be
construed to include or cover any loss, damage or expense caused or resulting from
(a) delay, deterioration or loss of market, or (b) hostilities, warlike operations, civil war,
revolution, rebellion or insurrection, or civil strife or warlike expeditions.

PAID

Against all risks including war

CONDITIONS

Warranted free from capture, seizure, arrest, restraint, detention, condemnation, possession, requisition or nationalization, and the consequences thereof, of any aircraft thereof, whether in time of peace or war and whether lawful or otherwise, also warranted free from all consequences of hostilities or warlike operations (whether there be a declaration of war or not), parcel, civil war, revolution, rebellion or insurrection, or civil strife or warlike expeditions.

Warranted free of loss or damage caused by or resulting from strikes, lockouts, labor disturbances, riots, civil commotions or the acts of any person or persons taking part in such occurrences or disorders.

Free of particular average under 3% unless general or the vessel be stranded, sunk,
burned, or in collision, each half, case, or shipping package separately insured.

Including (subject to the terms of the policy) all risks covered by this Policy from departure of vessel or from its destination stated in this Certificate, except in respect to shipments to the River Plate, the risks under this Certificate shall cease upon arrival at any Shed (transit or otherwise), Foreign Warehouse, or wharf, or upon the expiry of ten (10) days subsequent to landing, whichever may first occur.

Including risks of fire, theft and/or pilferage in and from the vessel. Each craft, raft and/or lighter to be deemed a separate insurance. The Assured are not to be prejudiced by any agreement exempting shippers from liability.

Including all losses as per coverage of the policy. The Assured are not to be prejudiced by the presence of the negligence clause and/or latent
defect clause in the Bill of Lading or/and Charter Party. The insurability of the vessel as between the Assured and Assurers is hereby declared.

When by terms express or implied the vessel shall be deemed to be insured against loss or damage arising from fire, collision, or derailment, the vessel as to any of the above risks shall be deemed insured on fire of earth (meaning cargo navigable waters) when on deck, wharf, wharf, or wharf, or elsewhere on shore.

Not liable for leakage or breakage (whether of which shall be treated as particular average within the meaning of any franchise in this certificate), unless occasioned by striking or colliding with another vessel.

It is understood that the Claims and Adjusting Agents are only to intervene for the purpose of ascertaining the nature, cause, and extent of the damage and, if deemed advisable, the settlement of claims under this insurance; and that they cannot be cited in any legal proceedings in the States where this insurance is subject to any law affecting the place where the respective policy was issued. It is also understood that the insurance is subject to any law affecting the place where the respective policy was issued.
ROJO-FABIAN & CO., INC.
362 BROADWAY
NEW YORK, N.Y. 7 de mayo de 1942

SOLD TO Sres. Antonio P. Basualdo Hno.,
San Salvador
El Salvador, S.A.

TERMS: Giro a la vista:

Admiral Central
San Salvador
Via New Orleans
Via Fto. Barrios

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SHIPPED BY Penn. R.R. to New Orleans
United Fruit Co. to Fto. Barrios

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Declaramos bajo juro que somos los vendedores de las mercancías arriba relacionadas, que son ciertos los precios, pesos y demás particulares que consignamos y que dichas mercancías son el producto del suelo de la industria de los Estados Unidos.

ROJO-FABIAN & CO

炽

We certify that this is a true and exact copy of the original invoice.

ROJO-FABIAN & CO., Inc.

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| TOTAL   |               |              |              |               |                       | 58387  |      |               |

| PAID   |               |              |              |               |                       | 58387  | 6.00 |               |

| 630.00 |               |              |              |               |                       | 330.00 | 6.00 |               |

| TOTAL  |               |              |              |               |                       | 9880.00| 6.00 |               |

Regraded Unclassified
LOSS COMMITTEE BULLETIN

July 8, 1942

No. 750

"TENA" (American) OUTWARD
Apportionment No. 2- Our File 1405

"SIDAOL" (American) OUTWARD
Apportionment No. 2- Our File 1605

"PRAIRI" (Dutch) OUTWARD
Apportionment No. 2- Our File 1606

"J. T. JESUS" (Norwegian) INWARD
Apportionment No. 2- Our File 1617

Subscribers are requested to send in promptly loss reports advising their lines by the above mentioned vessels.
## Loss Report

To

American Cargo War Risk Reinsurance Exchange

Company: World Fire & Marine Insurance Co. (Bermuda & ExRep)

Steamer: S/S Ginko

Flag: American

Sailing Date

Nature and Date of Loss: Ballistic / 760

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July 16th, 1942

CONFIDENTIAL

Mr. Wm. Schmitt
World Fire and Marine Insurance Company
56 Beaver Street
New York City

Dear Sir:

"SYXCLA" (Amer.) Our 1628

The Committee has confirmed that claims on cargo carried by this vessel can be dealt with on the basis of a total loss resulting from war perils.

Very truly yours,

LOSS COMMITTEE,

W. K. Weidensaul, Secretary

Sailing Date May 31, 1942
Accident June 12th, 1942

PAID
July 30th, 1948

Switzerland General Insurance Co.
56 Beaver Street
New York, N. Y.

Gentlemen: M. M. Hasbun & Co., Inc.

E. J. SIXAOLA

We enclose herewith documents in support of claim for total loss on shipments per S.S. "Sixaola", sunk by enemy action on June 16th.

Elias Dehoub: 1 Invoice, Letter from United Fruit Co., Duplicate and original ins. cert. #2-155223, original B/L dated May 16.

David Barruch: 1 Invoice, Unpaid Draft, Letter from United Fruit Co., original and duplicate ins. cert. #2-155223, original B/L dated May 15, 1942.

Antonio P. Hasbun: 1 Invoice, Unpaid Draft, Letter from United Fruit Co., original and duplicate ins. cert. #2-155223, original B/L dated May 27, 1942.

Yours very truly,

CLARENCE E. COOPER & CO., Inc.

JMH:JS
eng.

Et.
August 12, 1942

American Cargo War Risk Reinsurance Exchange
99 John Street
New York, New York

Gentlemen:

We enclose debit note, as undernoted, covering War Risk Loss paid by this company, applicable to our Reinsurance Contract with the American Cargo War Risk Reinsurance Exchange. This claim has been supported by the customary documents or suitable indemnities for those which are missing and has been adjusted and settled according to usual marine insurance practice. The settlement conforms in all respects to the conditions of the insurance.

After approval by the Loss Committee, please collect the proportion due from the subscribers of the Exchange and remit to us the amount so collected.

Very truly yours,

WORLD FIRE & MARINE INSURANCE CO.

Herzog & Hesel, Agents.

Regraded Unclassified
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**New Orleans to NYC, Service**

**Sailing Day 31, 1963**

**Funds due to enemy action June 12, 1963**

**One Dollar Payee Please**

**Amount of Insurance $15.00**

**Amount paid and due from Exchange**

**Total, Agent's $35.00**

**Assured: Berta-Patton & Co., Inc.**

---

*PLEASE SEND REMITTANCES DIRECT TO BERTSCHMANN & MALOY, AGENTS, 56 BEAVER STREET, NEW YORK*
# Attachement No. 7

**AMERICAN CARGO WAR RISK REINSURANCE EXCHANGE**

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**NOTE:** A check in favor of the American Cargo War Risk Reinsurance Exchange must be in the hands of Albert W. Ross & Co. in not less than seven days from date, otherwise said deal will be charged.

(Taken from "Warrantee's Book" of date 5/1/53.)

The above items have been approved by the Loss Committee for payment.


By Order, M. E. Wernick.

Regraded Unclassified
# AMERICAN CARGO WAR RISK REINSURANCE EXCHANGE

## LOOII BORDEAII No. 220

**APPOINTMENT NO. 7**

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**NOTE:** A check in favor of the American Cargo War Risk Reinsurance Exchange must by in the hands of Albert Wilcox & Co., Inc. not later than seven days from date, otherwise sight draft will be drawn.

The within items have been approved by the Loss Committee for approval.

**ALBERT WILCOX & CO., Inc.,**

**By (Sig.)** M. E. WICKHAM, Jr. 

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The above items are approved by the Loss Committee for payment.

ALBERT WELLOX & CO., Ltd., London

By (sign) M. W. WELCHER.
**AMERICAN CARGO WAR RISK REINSURANCE EXCHANGE**

**LOST BORDEAUX No. 520**

**APPORTIONMENT NO. 7**

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<td>P-7</td>
<td>01/04</td>
<td>52,000</td>
<td>ND</td>
<td>N. Y.</td>
<td>DC</td>
<td>52,000</td>
</tr>
<tr>
<td>ST. PAUL</td>
<td>JULY 1942</td>
<td>17615</td>
<td>P-7</td>
<td>01/04</td>
<td>223,000</td>
<td>ND</td>
<td>N. Y.</td>
<td>DC</td>
<td>223,000</td>
</tr>
</tbody>
</table>

**Note:** A check in favor of the American Cargo War Risk Reinsurance Exchange must be in the hands of Albert Wilcox & Co., Inc. not later than seven days from date, otherwise sight draft will be drawn.

**By (Sgd.)** M. K. WILCOX

**Applicable to Apportionment No. 7 as Attached** $561,299.20
Re: Protection of Mexican Railroad Equipment Used in the United States.

The Board of Economic Warfare is attempting to work out with Mexican authorities a procedure for permitting United States purchases of war materials in Mexico to be brought into the United States on Mexican freight cars. Today such purchases are brought to the Mexican border on Mexican freight cars and there unloaded and reloaded into United States freight cars. The volume of such shipping is large, and this impediment is both time consuming and wasteful of the nation’s freight car capacity.

Under the Board of Economic Warfare’s proposed plan, Mexican freight cars could carry the supplies directly to their destination in the United States. However, one of the biggest stumbling blocks to the execution of this program is the fear that United States creditors of Mexican railroads will seize this opportunity to attach the Mexican freight cars. This appears to be a real possibility since there are huge blocks of defaulted Mexican railroad bonds being held in the United States.

The Board of Economic Warfare has considered several “schemes” to protect against this attachment of Mexican freight cars but while some of them might be eventually sustained in the courts, still the freight cars in question might be immobilized indefinitely and defeat the whole program.

Representatives of the Board of Economic Warfare have informally approached us on the question of whether we might not be able to give them some help under our
freezing techniques. We feel that we have adequate authority under section 5(b) of the Trading with the enemy Act, as amended, to cope with the problem, and, in fact, we have already successfully dealt with similar problems twice.

In connection with the Japanese evacuation program on the West Coast, we invoked our freezing powers to protect the evacuees against unscrupulous creditors. We issued a special regulation which required such creditors to get a license before they could touch the evacuee's assets.

Under General Ruling No. 10A issued August 12, 1942, we announced a moratorium on obligations of Philippine companies held in the United States. This ruling protected such companies against bondholders actions, foreclosure proceedings, attachments, etc., in all cases where the assets of the company were in the Philippines and default stemmed from the occupation of the Philippines by Japan.

We feel that we can cope with the instant problem along the same lines and without freezing Mexican assets generally. We would simply declare all the freight cars in question to be "special blocked property" and prohibit any attempt to "tie up" the cars through court process unless the creditor got a license from us — which he would not get. We feel that the program would have popular approval and we would issue a press release which would afford the public a full understanding of the relation of this program to the nation's war effort.

If you are in agreement in principal with this program, we will advise the Board of Economic Warfare that we are prepared to cooperate with them and the State Department in this matter.
NOT TO BE RE-TRANSMITTED

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 349

Information received up to 7 A.M., 9th October, 1942.

1. NAVAL

U-boats have started operations in the CAPETOWN area where six ships were reported sunk on 7th and 8th.

2. AIR OPERATIONS

WESTERN FRONT. 8th. A Mosquito bombed a factory near SAARBRUCKEN. A Beaufighter attacked and damaged an E-boat off the FRISIAN ISLANDS and other Beaufighters shot down a JU 88 off USHANT.

8th/9th. 57 aircraft were sent mine-laying off the Dutch and French Atlantic Coasts. Two are missing.

EGYPT. Kittyhawks made 11 bombing attacks on enemy M.T. and camps causing considerable damage. Beaufighters attacked tank landing craft off SIDI BARRANI and the sea plane base at BOMBA damaging 5 seaplanes. Two ME 109's were shot down.

CRETE. 6th/7th. Wellingtons bombed NALEME aerodrome and set fire to 3 aircraft on the ground.
TO Secretary Morgenthau
FROM Mr. Hoflich
Subject: Japanese and United States Pacific Naval Losses.

I. U.S. Naval communiques dated October 3-5, 1942 reveal the following additional Japanese and U.S. Naval losses in the Pacific:

A. Japanese:
   1. Aleutians. Sunk - 3 cargo ships; probably sunk - one transport and one submarine; damaged - 2 transports.
   2. Solomons. Damaged - 5 cruisers, 2 destroyers, one seaplane tender, one transport, 4 cargo ships, and one unidentified vessel.

B. United States: One submarine lost.

II. Losses announced in U.S. Naval communiques since Pearl Harbor total:

A. Japanese: 159 vessels sunk, 30 probably sunk, 129 damaged.

B. United States: 46 vessels lost, 12 damaged.
<table>
<thead>
<tr>
<th>Type</th>
<th>Sunk</th>
<th>Probably Sunk</th>
<th>Damaged</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battleships</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Aircraft Carriers</td>
<td>6</td>
<td>1</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Cruisers</td>
<td>11</td>
<td>3</td>
<td>29 *</td>
<td>43</td>
</tr>
<tr>
<td>Destroyers</td>
<td>26</td>
<td>8</td>
<td>15</td>
<td>49</td>
</tr>
<tr>
<td>Submarines</td>
<td>6</td>
<td>1</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Tenders</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Others</td>
<td>13</td>
<td>2</td>
<td>14</td>
<td>29</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>63</td>
<td>16</td>
<td>79</td>
<td>158</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type</th>
<th>Sunk</th>
<th>Possibly Sunk</th>
<th>Damaged</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fleet tankers</td>
<td>10</td>
<td>0</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Transports</td>
<td>25</td>
<td>7</td>
<td>16 *</td>
<td>48</td>
</tr>
<tr>
<td>Cargo and supply</td>
<td>48 *</td>
<td>5</td>
<td>18</td>
<td>71</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>13</td>
<td>2</td>
<td>11 *</td>
<td>26</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>96</td>
<td>14</td>
<td>50</td>
<td>160</td>
</tr>
</tbody>
</table>

**TOTAL ALL TYPES** 159 30 129 318

* Also several additional vessels.
### Table II
American Naval Vessels Sunk and Damaged to Oct. 8, 1942

<table>
<thead>
<tr>
<th>Type</th>
<th>Lost</th>
<th>Demolished to Prevent Capture</th>
<th>Damaged</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battleships</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Aircraft Carriers</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Cruisers</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Destroyers</td>
<td>11</td>
<td>1</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>Submarines</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Motor Torpedo Boats</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Submarine Tender</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Aux. Seaplane Tender</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Mine Craft</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Gunboats</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Tankers</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Tugs</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Transports</td>
<td>4</td>
<td>0</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Target Ship</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Floating Drydock</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>37</td>
<td>9</td>
<td>12</td>
<td>58</td>
</tr>
</tbody>
</table>
Table III
Japanese and American Vessels Sunk and Damaged in the Solomon Islands (August 7-Oct.8, 1942)

<table>
<thead>
<tr>
<th>Japanese Losses</th>
<th>Sunk</th>
<th>Probably Sunk</th>
<th>Damaged</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Battleships</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Aircraft Carriers</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Cruisers</td>
<td>0</td>
<td>0</td>
<td>12*</td>
<td>12</td>
</tr>
<tr>
<td>Destroyers</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Submarines</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Tenders</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Tankers</td>
<td>0</td>
<td>0</td>
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<td>1</td>
</tr>
<tr>
<td>Transports</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>3</td>
</tr>
<tr>
<td>Cargo and Supply</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Miscellaneous</td>
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<td>10</td>
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<tr>
<td><strong>Total</strong></td>
<td>7</td>
<td>2</td>
<td>34</td>
<td>43</td>
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<table>
<thead>
<tr>
<th>American Losses</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cruisers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Destroyers</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Transports</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7</td>
<td>5</td>
<td>12</td>
<td></td>
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</table>

* Also several additional vessels.
Japanese Vessels Sunk and Damaged in the Aleutian Islands (June 15 - October 8, 1942) *

<table>
<thead>
<tr>
<th>Type</th>
<th>Sunk</th>
<th>Probably Sunk</th>
<th>Damaged</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cruisers</td>
<td>1</td>
<td>0</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Destroyers</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Submarines</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Transports</td>
<td>2</td>
<td>1</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Cargo and Supply</td>
<td>4</td>
<td>0</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Minesweepers</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1</td>
<td>0</td>
<td>1**</td>
<td>2</td>
</tr>
</tbody>
</table>

Total: 16 3 24 43

* No American vessels have been reported lost or damaged in this area to date.

** Also several additional vessels.
INTELLIGENCE REPORT 44

CONFIDENTIAL

OFFICE OF WAR INFORMATION
BUREAU OF INTELLIGENCE
COPY No. 7
Henry Morgenthau, Jr.

Regraded Unclassified
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATTENTION FOCUS</td>
<td>1</td>
</tr>
<tr>
<td>EDITORIAL ATTITUDES</td>
<td>1</td>
</tr>
<tr>
<td>Censorship</td>
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<tr>
<td>Economic Problems</td>
<td>2</td>
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<tr>
<td>Progress of the War</td>
<td>3</td>
</tr>
<tr>
<td>POPULAR REACTIONS</td>
<td>5</td>
</tr>
<tr>
<td>Spirit</td>
<td>5</td>
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<tr>
<td>Pride</td>
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<td>Views about the Army</td>
<td>10</td>
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<tr>
<td>Aleutians</td>
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<td>Salary Limitations</td>
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<td>DEVELOPING SITUATIONS</td>
<td>14</td>
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<td>The War and Family Life</td>
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<td>Congress</td>
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<td>Rubber and Nationwide Gasoline</td>
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<td>Rationing</td>
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<td>Rumors in Wartime</td>
<td>20</td>
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<tr>
<td>ENEMY PROPAGANDA</td>
<td>21</td>
</tr>
<tr>
<td>Shift</td>
<td>21</td>
</tr>
</tbody>
</table>
ATTENTION FOCUS

The war was presented to the American public this week in an extremely encouraging light. Resistance at Stalingrad and in the Caucasus, American initiative in the Aleutians, Australian advances in New Guinea and action in the Solomons were all optimistically reported.

The only damper on the week's good cheer came through signs of controversy with Russia over the second front issue.

At home, enactment of the anti-inflation bill, together with the President's swift action to implement it, occasioned dramatic headlines. Mr. Roosevelt's heartening report about the spirit of the American public was offset, to some extent, by a tendency in the press to portray his trip as a horrid instance of censorship.

Even the World Series baseball games, by no means ignored in the stress of war developments, contributed to the hopeful atmosphere.

EDITORIAL ATTITUDES

CENSORSHIP

Editorial reaction to the President's cross-country tour seemed to reflect an underlying antagonism on the part of the press toward Mr. Roosevelt. Many commentators grasped the secrecy surrounding the trip as a flail with which to flagellate themselves into a frenzy over censorship.

Journalistic impatience with Government information policy is not new.
But the excitement over this particular application of it seemed out of all proportion to its real significance. Criticism of the censorship was widespread and generally along the lines enunciated in a front-page editorial of the Washington Post:

"This newspaper feels a solemn obligation to protest a policy that is (1) unnecessary and inadvisable; (2) stimulating to malicious rumor and distrust, and (3) a step that can easily lead to abuse endangering a fundamental guarantee of our Bill of Rights."

A few newspapers defended the accuracy as necessary to safeguard the President. A larger number approved of the trip itself, reasoning that it would have beneficial effects on morale.

Editorial ire was aggravated by the President's animadversions on the press when he returned. His dilution of the "tough" statements made recently by Administration spokesmen increased the irritation. A number of comments argued that Mr. Roosevelt could blame no one but himself if Washington lags behind the people of the United States in its thinking about the war.

**ECONOMIC PROBLEMS**

Newspapers in all parts of the country expressed strong dissatisfaction with the compromise anti-inflation measure which finally emerged from Congress. They viewed it as a partial victory for the farm bloc and feared it would not effectively check inflation.

The discontent was markedly relieved, however, by the swift action which President Roosevelt took to implement the legislative effort. The scope and vigor of the anti-inflation controls which he put into operation greatly reassured the critics.

There was almost universal praise, in addition, for the selection of Supreme Court Justice Byrnes as Director of the economic program. Most comments on the appointment reasoned that he possessed the tact, patience, fairness and knowledge of Government procedure requisite for the job. Considerable satisfaction was expressed, besides, over the President's delegation to Mr. Byrnes of broad powers for the execution of his functions.

With action on the inflation front satisfactorily under way, the manpower problem is now emerging as the dominant concern of editorial analysts. There is a majority feeling that Government policy, or rather an absence of Government policy, is responsible for national confusion in this field; it is widely believed that the conflict between the Army and the war industries has stymied decisive action in regard to manpower. An over-all manpower draft action appears to be generally favored.

The shortage of labor on the farms of the nation is the particular aspect of the manpower problem which excited most attention during the past week. Discussion of this subject is commonly based on an assumption that a farm labor shortage now actually exists. Many commentators blame the Administration for this assumed condition on the grounds that it has "pampered" labor to a point where high wages inevitably lure workers from rural areas to industrial centers.
the public against overconfidence. American action in the Aleutians was hailed enthusiastically as the beginning of a full-fledged drive which would cost the Japanese invaders. Air successes in the Solomons and the continued land drive in New Guinea evoked a flurry of optimistic comment. Most observers took these events as indications that our strength has grown to such an extent that we are now able to take the offensive at both ends of the Pacific. The Atlanta Constitution, for example, said: "We have started to come back. That is the one sign to which we can pin our faith in the future victory."

Hitler's speech, followed by that of Goebbels', stimulated considerable discussion about Nazi power. The prevailing view was that the Hitler pronouncement showed unmistakable signs of strain and placed Germany definitely on the defensive. But this interpretation was generally accompanied by a warning against under-rating the enemy's strength.

One development of the week, Stalin's letter to a correspondent of the Associated Press, served as a sobering influence to news interpreters. They are distinctly uneasy about relations between the Soviet Union and the western members of the United Nations. The New York Times refers to the Stalin statement as a demand for "payment on a promissory note" and contends somewhat impatiently that "nothing he can say can prod his allies more than they are prodded by their own vital interest to strike."

There are indications that prodding from such a source will not sit well with commentators here. A number of them have already expressed annoyance over espousal of second front action by domestic Communists. Some now go so far as to lump together Communists and all other proponents of such a venture.

The Pittsburgh Sun Telegram, for example, remarked that "Mr. Browder and Mr. Willkie have added nothing to the second front discussion but dissension and confusion." The Detroit News quipped: "More spectacular even than the leap from log cabin to White House is Brother Willkie's — from Commonwealth and Southern to the Kremlin in four years."

Great respect for the Russian stand at Stalingrad, and equally great impatience with current democratic aid to the Soviet Union, continue to find expression in the press. The overwhelming view about a second front is that the question at issue is not its desirability, but its feasibility.

**POPULAR REACTIONS**

**SPIRIT**

There are abundant indications in public opinion to support President Roosevelt's recent observation that the people of the United States are well ahead of the Government in their thinking about the war. Americans show virtually no tendency to grumble at the hardships which the war has imposed upon them. On the contrary, an overwhelming majority of them would like to make greater contributions to the national effort than they have had an opportunity to make thus far.

Such complaints as have come from the people concerning economic restrictions have been confined almost entirely to the manner in which these restrictions have been imposed. Sometimes the necessity, the equity or the efficacy of economic measures have been questioned. But only rarely have there been complaints that the Government has asked too much of its citizens.
Interviewing of a national sample conducted in late August and early September indicates that people all over the country feel that the Government has not made adequate demands upon them. Only a tiny minority of two per cent said that they had been required to give up too much. The prevailing spirit among the American people is attested by a majority of 70 per cent, who asserted that not enough sacrifice has yet been asked of them.

There is, moreover, a general feeling that hardships have, in the main, been distributed equitably. Most people think that they have made sacrifices about equal to those of their neighbors. But it is noteworthy that nearly a quarter of the whole public feel, not that they have had to sacrifice more than their fellow-Americans, but that they have had to sacrifice less. The questions offered to the national sample and the division of responses are shown in the chart below:

**DO YOU THINK THE PEOPLE IN THIS COMMUNITY HAVE BEEN ASKED TO MAKE TOO MANY SACRIFICES OR NOT ENOUGH?**

<table>
<thead>
<tr>
<th>Too many</th>
<th>About the right amount</th>
<th>Not enough</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%</td>
<td>22%</td>
<td>70%</td>
<td>8%</td>
</tr>
</tbody>
</table>

**SO FAR IN THE WAR, DO YOU FEEL THAT YOU PERSONALLY HAVE HAD TO MAKE MORE SACRIFICES OR LESS SACRIFICES THAN OTHER PEOPLE IN THIS COMMUNITY?**

<table>
<thead>
<tr>
<th>More</th>
<th>About the same</th>
<th>Less</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>91%</td>
<td>85%</td>
<td>23%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Further evidence of the popular eagerness for full participation in the war effort is evidenced by the answers to another question asked of the same national cross section: "As the war goes on, will you be willing to make more sacrifices, even though other people are not making as many as you?" The responses, no doubt, were motivated, in part, by a desire to appear patriotic. It seems significant, nevertheless, that 91 per cent of the American people expressed a willingness to accept even greater burdens than their fellow-citizens.

**PRIDE**

Americans, naturally enough, have a high regard for the importance of their country in the United Nations war effort. They are inclined to feel that their armed forces are superior to those of any other nation. And many of them think that the American industrial machine is the prime source of allied strength. Such sentiments undoubtedly reflect patriotism and a healthy national pride, but they seem to be tinged to some extent with chauvinism and may indicate a failure to appreciate the contributions which other members of the United Nations are making to the common cause. In addition, they suggest rather more patriotism than realism.

In September, the Bureau of Intelligence posed to a national sample several questions about the merits of America's fighting forces as compared with those of other countries. The questions and the distribution of answers are shown in the chart on the following page.

The only one of these questions in respect to which a majority failed to give first place to the United States was about the Army. A plurality
acknowledged that the strongest Army among the countries mentioned belongs to Germany. But this recognition of Germany's military might is somewhat offset by the prevailing belief that America has smarter generals, better equipment and superior fighting spirit.

--

QUALITY OF AMERICAN FIGHTING FORCES COMPARED WITH OTHER COUNTRIES

<table>
<thead>
<tr>
<th>Country</th>
<th>Strongest Army</th>
<th>Strongest Air Force</th>
<th>Smarter Generals</th>
<th>Best Army Equipment</th>
<th>Best Fighting Spirit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>15%</td>
<td>25%</td>
<td>10%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Japan</td>
<td>65%</td>
<td>62%</td>
<td>55%</td>
<td>60%</td>
<td>75%</td>
</tr>
<tr>
<td>Germany</td>
<td>35%</td>
<td>27%</td>
<td>15%</td>
<td>30%</td>
<td>15%</td>
</tr>
<tr>
<td>England</td>
<td>15%</td>
<td>23%</td>
<td>5%</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>United States</td>
<td>5%</td>
<td>15%</td>
<td>25%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Don't Know</td>
<td>25%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
</tbody>
</table>

When this question is broached in somewhat different terms, the tendency to rate America's military strength as unchallengeable becomes even more apparent. In August, the Bureau of Intelligence asked, "From what you know or have heard, would you say the all-around fighting ability of the American armed forces is better, about the same or poorer than Germany's (Russia's)?" Only 15 per cent admitted that the Germans' fighting ability is greater than that of our own men, while no more than five per cent made a like acknowledgment respecting the Red army. Fifty-seven per cent said that our all-around fighting ability is greater than that of the Germans; 65 per cent asserted that it is greater than the Russians.

The concept of America as the arsenal of democracy appears to have taken a very firm hold upon the imaginations of the American people. Half of them feel that this country is the major source of supplies for the United Nations. Eighteen per cent believe that virtually all of the allied war material is made in the U.S.A. Such estimates of America's share in the production job of the allied war effort may reflect an ignorance of the great productive efforts which are being made by other members of the United Nations. The chart below shows the division of opinions expressed by the national sample interviewed in August.

FROM WHAT YOU HAVE HEARD, WOULD YOU SAY THE UNITED STATES IS PRODUCING LESS THAN HALF OR MORE THAN HALF OF THE WAR MATERIAL USED BY THE ALLIES?

<table>
<thead>
<tr>
<th>Less than half</th>
<th>About half</th>
<th>More than half</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>125</td>
<td>105</td>
<td>615</td>
<td>195</td>
</tr>
</tbody>
</table>

[chart showing distribution]

(if more than half) Would you say the United States is producing practically all of it?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>105</td>
<td>205</td>
<td>95</td>
</tr>
</tbody>
</table>
VIEWS ABOUT THE ARMY

The identification of the average American with the United States Army has been growing at a rapid pace. There are now 63 per cent of the people in America who have members of their immediate families or relatives in the armed forces. And 75 per cent of the public say that they have close friends in some branch of the service.

Although most of the American public believe that the Army chooses its officers on a merit basis, there remains a considerable minority — nearly a quarter of the whole population — which believes that Army commissions can be obtained by "inside influence." The national sample interviewed by the Bureau in September was asked, "Do you think a person has to have pull or influence to become an officer in the American Army?" The answers were as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>23%</td>
</tr>
<tr>
<td>No</td>
<td>70</td>
</tr>
<tr>
<td>Don't know</td>
<td>7</td>
</tr>
</tbody>
</table>

There is also a minority which feels dissatisfied about the training given to American troops. The same sample was asked, "Do you think the American soldiers are getting enough training before they go into battle?" Opinion was divided as shown below.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>67%</td>
</tr>
<tr>
<td>No</td>
<td>18</td>
</tr>
<tr>
<td>Don't know</td>
<td>15</td>
</tr>
</tbody>
</table>

There is an overwhelming belief, however, that the Government is pursuing the proper policy in sending our troops abroad. The question asked was, "As things are now, do you think we are doing the right thing in sending our men overseas to fight?" The following results were obtained:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>87%</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
</tr>
<tr>
<td>Don't know</td>
<td>5</td>
</tr>
</tbody>
</table>

Most Americans are also satisfied that the rank and file spirit in the United States Army is thoroughly healthy. The sample interviewed in September was asked, "Have you heard of any cases of discontent among soldiers in the camps here in the United States?" Four-fifths answered negatively, while one-fifth gave an affirmative response. The one-fifth who had heard of discontent among enlisted men were asked, "Do you think this discontent is serious enough to hurt the fighting spirit of our Army as a whole, or do you think it doesn't amount to much?" Only three per cent thought it was serious enough to hurt; 15 per cent said that it didn't amount to much and two per cent said that they didn't know.

ALEUTIANS

Despite considerable clamor in the press over Japanese occupation of American territory in the Aleutian Islands, a surprisingly large proportion of the people interviewed by the Bureau of Intelligence in September did not know that the Japanese had established bases on these outposts west of Alaska. It is possible that some of those interviewed misunderstood the question and answered negatively on the assumption that it referred only to those Aleutian Islands close to the Alaskan mainland — rather than to the westernmost tip of the Aleutian chain.

- 11 -
Among those who were aware of the Japanese occupation, there was a prevailing belief that the invaders could not easily be ousted. When questioned in September shortly before the recent announcement of the Joint Army-Navy drive to destroy the enemy's establishments at Attu, Agattu and Kiska, the sample divided about three to two over the question of whether eviction of the Japanese would be a hard or an easy job. The chart below shows the degree of public ignorance about conditions in the Aleutians and the divisions of opinion as to the difficulty involved in recapturing these island bases.

FROM WHAT YOU HAVE HEARD OR READ, HAVE THE JAPANESE SUCCEEDED IN OCCUPYING ANY OF THE ALEUTIAN ISLANDS — THAT IS, OUR ISLANDS NEAR ALASKA?

<table>
<thead>
<tr>
<th>Yes, they have</th>
<th>No, they haven't</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>57%</td>
<td>23%</td>
<td>20%</td>
</tr>
</tbody>
</table>

(If "Yes") Do you think we can drive them out fairly easily, or that it will be a pretty hard job to get them out of there?

<table>
<thead>
<tr>
<th>Fairly easy</th>
<th>Hard Job</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>23%</td>
<td>31%</td>
<td>3%</td>
</tr>
</tbody>
</table>

SALARY LIMITATIONS

The President's imposition this week of a $25,000 ceiling on individual salaries has the support of an overwhelming popular belief that wages and salaries should be limited for the duration of the war. In August, the Bureau of Intelligence asked a national sample the question, "Do you think there should be any limit on how high wages and salaries should go during the war?" More than four-fifths answered affirmatively.

This does not mean, however, that the public favors the rigid freezing of individual earnings at their current levels. The following chart shows that, while there is extremely strong sentiment for the imposition of a ceiling at some unspecified point, a full half of the public feels that adjustments are necessary.

DO YOU THINK THERE SHOULD BE ANY LIMIT ON HOW HIGH WAGES AND SALARIES SHOULD GO DURING THE WAR?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>62%</td>
<td>15%</td>
<td>23%</td>
</tr>
</tbody>
</table>

(If "Yes") Do you think all wages and salaries should be kept where they are or do you think some should be allowed to go higher?

<table>
<thead>
<tr>
<th>Kept where they are</th>
<th>Some go higher</th>
<th>Some go lower</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>40%</td>
<td>25%</td>
<td>9%</td>
</tr>
</tbody>
</table>

The proposal twice advanced by the President that individual income from all sources be restricted to $25,000 has been largely ignored by daily newspapers. Editorial commentators, in general, have tended to treat it as a political gesture too fantastic to merit serious consideration. The labor press, however, has taken the proposition very seriously indeed, regarding it as an important, integral part of the seven-point anti-inflation program. To labor commentators, the $25,000 ceiling constitutes a symbol of the Government's willingness to require sacrifices from wage payers, as well as from wage earners.
DEVELOPING SITUATIONS
THE WAR AND FAMILY LIFE

Wartime conditions have an inevitable impact upon the everyday life of the American family. Case histories furnished the Bureau of Intelligence by social workers, psychiatrists and ministers show that the mobilization of millions of men into the armed forces and the transformation of the nation's economy to a war basis tend to disrupt the normal patterns of family association.

Migration is one of the most powerful forces at work. Many families have followed service men to camp areas or moved to new localities to accept war work. These uprooted families face the task of establishing ties and a new pattern of life under extremely difficult conditions. Old residents of their new communities often regard them with suspicion or active hostility. As brought out in previous Intelligence Reports, housing conditions in most war centers are deplorable.

Migrating families represent only a fraction of those whose lives have been transformed by the war. Many families have been disrupted by the absence of service men from their homes or the employment of women. The absence of the head of the family means the loss of an important integrative influence. As one Negro recently interviewed by the Bureau of Intelligence put it: "Those kids are not the same without the old man around in spite of how good a mother they may have."

Working women may not be able to give their children, their husbands or their homes as much attention as they would like. Because of the operation of the shift system, the members of the family who work may not even be home at the same time, so that all usual living arrangements become disorganized. Marital ties may be weakened by separation or the psychological repercussions of the wife's financial independence.

Family disorganization, and the tensions and anxieties generated by war, have led to an increase in juvenile delinquency and a relaxation of moral standards. Families living near Army or Navy stations in particular have to reckon with the attraction men in uniform have for their adolescent daughters and for young women in general.

Economic conditions may contribute to personal demoralization. Many people are making more money than they are accustomed to, and there is a growing shortage of goods for which their money may be spent. The "tomorrow-we-may-die" spirit bred by war tempts some of them to squander their surplus dollars on drinking, gambling and other personal indulgences. In some cases the fear of inflation provides a justification for careless spending. Many young people with large earnings are breaking away from parental control.

Economic conditions and fears sometimes operate in the opposite direction. The low pay of service men often poses serious problems for their families. The decreased buying power of those workers whose pay has not increased as rapidly as prices usually leads to scrimping and a sacrifice of many prized satisfactions. War prosperity is a mockery in certain areas where priorities have forced the shutdown of numerous civilian consumption industries. The widespread fear that the war will be followed by a deep depression everywhere impairs morale.
By no means all of the effects of war are deleterious to family relationships. If increased earnings and the employment of women have created problems in some cases, they have eased matters in others by bringing family incomes to a more satisfactory level. In many instances, formerly undisciplined youths have been sobered down and given a new sense of responsibility as a result of being in the armed services. In many — possibly in most — cases, the prospect of war service strengthens family ties and gives new value to accustomed relationships. Many families have been absorbed more fully into community life as a result of their participation in civilian defense activities.

The process of orientation to changed conditions and novel surroundings can be eased in some measure by governmental assistance, particularly at the community level. Communities must accept responsibility for integrating newcomers into their war activities and their social and cultural life; this integration is, indeed, of itself an essential war activity. Federal information efforts can usefully be directed toward promoting awareness of the need for simplicity and self-discipline in living habits and toward relieving unjustified anxieties about the future.

(These findings summarize Report #29 of the Special Services Division, "Impact of the War on the American Family," available to authorized individuals upon request to the Bureau of Intelligence)

CONGRESS

Public aspersions upon Congress, as well as sharp editorial criticism, have been rather prevalent in recent months. In addition, there have been signs of strain between the Executive and Legislative branches of the Government. Some elements in and out of Congress have shown serious concern about it. Several recent statements indicate the development of the situation, and imply real efforts to meet it.

The speech of Senator Prentice Brown of Michigan in the Senate on September 21 opened with the warning,

"...in my judgment the Congress of the United States and the President are headed toward a bitter conflict."

The thesis of his speech was indicated in the statement:

"...I have felt that it was my duty and the duty of all of us who have had anything to do with the pending legislation to exert to the utmost our efforts to avoid the impending crisis."

Senator Tom Connally spoke on the same issue in another connection on October 1, when he warned the Senate against speeches on our relations with Vichy, or other topics legitimately within executive responsibility:

"...I hope that Senators and Members of the other House will be content to allow the President and the Secretary State, who have vastly more information and more knowledge and more intimate contact than Members of the Congress can possibly have, to deal with this situation unhindered and untied by congressional or senatorial efforts to mold or shape their opinions or to direct their course."

"So, Mr. President, realizing that this is a field into which Congress cannot safely enter, in which the Senate cannot with any degree of wisdom or authority intervene, I trust that Senators and Members of the other House will be content to trust the President of the United States, who has daily information of the most intimate character with relation to all aspects of this matter. Amidst his other burdens, amidst the other pressing loads which bear him down, I hope that Senators and Representatives will not add to his burdens, and will not add to his vexations, and will not increase the harassment under
which he suffers, by pressing here in the Senate or in the House of Representatives these delicate, or these dangerous, if I may use the term, references to foreign relations and to foreign nations."

Hostility between the President and Congress, accompanied by popular impatience with or distrust of legislative action, can have serious consequences for representative government. Anti-parliamentarism has been one of the familiar symptoms of democratic decay in other countries. Signs of its development in the United States call for careful scrutiny and preventive action.

**Rubber and Nationwide Gasoline Rationing**

Despite the good reception accorded the Baruch report, a formidable informational job looms ahead to persuade Americans of the necessity for nationwide gas rationing. Surveys conducted by the Bureau of Intelligence show that the number of people who see the need for such a measure increased sharply between mid-July and mid-September. Nevertheless, as of the latter date, more than half of the people in areas which do not now have gasoline rationing were unwilling to admit that nationwide rationing is necessary. Even in areas which now have rationing, a substantial minority did not recognize the need for extending the program to the rest of the country.

To a considerable extent these attitudes are a heritage of the confusion with which the facts about rubber have been presented to the American public prior to the time of the Baruch report. In part because so many agencies were dealing with the rubber problem, even the statements of Government officials were often fragmentary and contradictory. Representatives of the rubber and petroleum industries issued statements which were at variance with those of Government spokesmen and one another. Confusion was confounded by the frequent misinterpretations of these statements in the press and the publicity given the pronouncements of an assorted group of crackpots, each with his own panacea for the rubber crisis.

The Baruch report undertook to terminate the confusion and controversy about the rubber situation, and was accepted with relief. It received widespread publicity in various media and editorial approval even from many newspapers which had opposed nationwide gas rationing. It gave those people it reached a clearer realization of the seriousness of the rubber shortage. Following its issuance, people generally expressed a willingness to restrict their mileage and their driving speed. At least in part as a result of the report, in mid-September there was a greater awareness than there had been two months earlier that gas rationing was the best way to save tires and that a nationwide rationing program was imperative.

The fact that, in September, many people were still unwilling to accept rationing as a means of conserving the nation’s meager rubber supply emphasizes the need for wider dissemination of the findings of the Baruch Committee. To combat the reluctance of people to make sacrifices they do not recognize as necessary, continued emphasis has to be put on the facts of America’s rubber situation, and special efforts must be made to overcome the resistance to rationing in areas where gasoline is plentiful. If such an informational program is not undertaken, compliance with the rationing program may be half-hearted, and a black market in gasoline, comparable to the bootleg traffic in liquor during the prohibition era, may
become a dangerous possibility.

(The findings summarize a Special Intelligence Report, "Rubber and Nationwide Gasoline Rationing," issued October 5, and available to authorized individuals upon request to the Bureau of Intelligence.)

RUMORS IN WARTIME

Rumors develop out of situations in which information is inadequate to satisfy public interest. People tend to invent and circulate explanations which reflect their individual emotional biases.

Rumors may be classified, therefore, on the basis of their psychological motivation: Hostility rumors are those which give expression to prejudices and animosities. Anxiety rumors are those which reflect underlying uneasiness and fear. Escape rumors are those which tend to deny reality and minimize problems on a wishful basis.

In a nation at war, the conditions which promote rumor are intensified. The focus of public interest is sharper and more homogeneous, while censorship clogs the formal channels of information. Wartime dislocations foster frustrations and fears.

Rumors have a contagious influence, spreading the emotional weaknesses they reflect. Hostility rumors act to disrupt national unity, widening cleavages between elements of the population. Anxiety rumors promote defeatism and dismay. Escape rumors encourage complacency.

For this reason, enemy propaganda gives impetus, if not inspiration, to rumor-mongering. Many current rumors are paralleled by Axis radio broadcasts.

The danger of rumors lies, not, as popularly believed, in the information which they may give to the enemy, but in the misinformation they disseminate among the American people. Official denials provide an inadequate means of combating them. Such underlying psychological factors as tension and prejudice cannot be removed through direct negation. Positive information, designed to overcome the tension and prejudice, affords a more effective means of minimizing rumor.

(These findings summarize a Special Intelligence Report, "Rumors in Wartime," issued September 30, and available to authorized individuals upon request to the Bureau of Intelligence.)

ENEMY PROPAGANDA

SHIFT

The announced shift in German military operations from the offensive to the defensive is being accompanied by sharp changes in Germany's propaganda approach to her own people, as well as to neutral countries.

Nazi Home Front Propaganda

Nazi leaders have taken a number of significant steps designed to distract the attention of the German people from the fact that the war has not been won this year as promised, and to keep them from being discouraged by the prospective shift to a strategy of consolidation and defense.

First: The Germans have been given bribes and have been promised more for the future. Bread and meat rations have been increased. Additional Christmas rations have been promised. Soldiers on furlough are to be
given food packages to be taken to their relatives. The Germans have been promised that they will be the first in Europe to eat, and the last to starve.

Second: The Germans have been given a version of the military situation calculated to support their expectations of victory. Russia is represented as cut off from the greatest portion of its population, its industrial plant, and its raw materials, all of which are now available to Germany. Russian resistance, it is promised, will become less and less effective. The United States is portrayed as an impotent foe, despite its economic strength, because it lacks experience in armament manufacture and because its soldiers have little taste for war. The first attempt at a second front is said to have failed, and Germans are assured that future attempts will meet a similar fate. Europe is invulnerable. British air raids are dismissed as not affecting the German military potential.

Third: A special effort is being made to prevent Germans from drawing parallels to 1918. The Germany of 1942, it is insisted, is utterly different from the Germany of 1918, because of the accomplishments of National Socialism. The Nazis maintain that it is England which is being blockaded this time, not Germany. Shortages in Germany are attributed, not to the blockade, but to poor harvests or transportation difficulties. Fears that Germany may be the inevitable loser in a war of attrition, as she was in 1918, are counteracted by the new slogan, "Time works for Germany." The slogan is supported by statements stressing the tremendous raw material resources, manpower and industrial plant which Germany controls in Europe.

Fourth: Two threats are used to discourage defeatism and disloyalty:

(1) the alleged official threat of the United Nations to exterminate Germany, and (2) the threat, stressed by Hitler, that the Nazis will deal ruthlessly with "saboteurs of the German community."

The Nazis in Conquered and Neutral Europe

Germany is also stepping up her efforts to persuade the conquered and neutral countries of Europe that she is invulnerable, despite her shift to a strategy of defense. One of the main goals of Nazi policy is to consolidate and convert the whole of Europe into a German arsenal. Propaganda is used to supplement diplomatic pressure.

Threats are freely employed. The Germans threaten to employ force if they encounter resistance or disloyalty, to withhold food if countries fail to collaborate. Goebbels proclaims that in the future victorious "New Europe" the "neutrals will need Europe more than Europe needs them."

A recent Goebbels article in Das Reich attempts to bolster this pistolpoint propaganda with a more palatable type of appeal. The "New Europe," says Goebbels, is an inevitable historical development, which is threatened by England, Russia and the United States. All parts of Europe have common material, political and spiritual interests, he argues, and should join in the defense of the continent. The governments in exile and "misguided" leaders in neutral countries are portrayed as representatives of a replaced social class which does not understand the "New Europe" and is a tool of Europe's enemies.

The Nazis in the United States

A logical final component of Germany's shift to the defensive would be an
attempt to convince the United Nations of the desirability of a negotiated peace. The foundation for such a campaign has already been laid. But the military situation does not seem to permit Hitler to proceed with a full-fledged peace offensive at this time. Russian resistance at Stalingrad may be delaying a propaganda attack, as well as further military operations. Hitler cannot now say with any hope of being believed that Russia is substantially defeated; that the whole weight of a Wehrmacht is available to defend the continent against invasion; or that Germany is now a satisfied, "have" power, and that therefore the only sound policy is to negotiate a peace with her.

Radio Debunk, and, occasionally, official German commentators take this line, but these propaganda channels do not commit Nazi leaders to any particular position. Much as they would like to, these leaders probably dare not bid explicitly for peace, because of the fear that their offer would accomplish nothing and would be interpreted throughout the world as a sign of weakness. Should Stalingrad fall, however, full-fledged peace offerings may be anticipated. There is need for domestic preparedness against them.