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TELEGRAM

G33KC H16 STL 28-1046
HON HENRY MORGENTHAU JR
CARE FRB

ED. RES. BANK OF K.O.

1948 NOV 28 AM 11 02

PRIVATE WIRE DEPT.

I VERY MUCH HOPE YOU CAN ARRANGE TO BE WITH US MONDAY THROUGH THE LUNCHEON HOUR. OUR EIGHTH DISTRICT VICTORY FUND COMMITTEE MEETS HERE AT TEN OCLOCK. AT NOON WE ARE GIVING LUNCHEON TO SIX HUNDRED VICTORY FUND WORKERS IN METROPOLITAN STL WALTER HEAD PRESIDING W L HEMINGWAY PRESIDENT AMERICAN BANKERS ASSN ED HILLIARD OF LSVL AND OTHERS MAKING BRIEF TALKS. FOLLOWING LUNCHEON MEETING I AM HOLDING CONFERENCE AT BANK WITH PRESIDENTS AND SECRETARIES OF STATE BANKERS ASSNS THIS DISTRICT, ALSO WITH STATE BANK SUPERINTENDENTS. THIS IS OUR BIG DAY AND YOUR PRESENCE WILL GUARANTEE ITS SUCCESS. AT BUFFINGTONS SUGGESTION HAVE ARRANGED HOTEL ACCOMODATIONS HERE SUNDAY EVENING. PLEASE CALL ME FROM KC IF POSSIBLE

CHESTER C DAVIS.

ED. RES. BANK OF K.O.
1948 NOV 28 AM 11 02
PRIVATE WIRE DEPT.

APPOINTMENTS FOR THE SECRETARY

SATURDAY, NOVEMBER 28, 1942

- 11:00 A.M. - Meet with the Victory Fund Committee in the office of H. G. Leedy, President of the Kansas City Federal Reserve Bank.
- 12:00 NOON - Meet with Evan Griffith, State Administrator for Kansas, and Dan Nee, State Administrator for Missouri, in the Kansas City, Missouri, War Savings Office.

*H. G. Leedy
President
Kansas City
Federal Reserve Bank*

*Hotel Continental
1st Floor
Kansas City
6040*

11/28/42
11:30 AM.

To: DW Sell
 From: Secretary Morgenthau (en route
 to Kansas City VIBF)

In Manhattan Kansas, Circular
 from Victory Fund Committee
 received one week ago by
 National Banks only

- Circular from Federal Reserve
 describing 3 issues received Friday
 by National Banks only.

+ Joint statements of 3 Banks
 Examining Agencies received by
 State Banks only

- Circular dated November
 and signed by Eugene Sloan
 describing ^{series of} A-B Bonds only
 material received by Holme
 Building and Loan Ass.

- Nobody ~~has~~ received
 anything from ABA.

- The whole matter deserves
 serious checking up

Copy to Mrs. Klotz ✓

November 28, 1942

To the Editors of Industrial Publications:

The Treasury Department is deeply grateful to the industrial editors of the nation for their splendid cooperation on our War Savings Bond program.

Through your publications you have given valuable help to the Payroll Savings Plan and generally promoted War Savings Bonds. You have performed an outstanding service and we wish to extend to you our sincere thanks.

Your publications are an important line of communication between the Treasury Department and the workers of your organizations. Your assistance in acquainting your readers with our program and the necessity of purchasing War Savings Bonds will accelerate the War financing effort.

As our nation's war activity rises to an ever increasing tempo, we look forward to your continued cooperation.

Sincerely,

H. MORGENTHAU JR

NOV 28 1942

My dear Governor Jefferies:

In announcing the terms of the various securities to be offered by the Treasury to raise \$9,000,000,000 during the month of December to help pay the enormous costs of our war effort, I am counting on the whole-hearted support of every public official, business man and private citizen. The new issues which go on sale November 30 are designed to meet the needs of investors with accumulated savings and idle funds.

I, therefore, earnestly request that you bring this to the attention of your State treasurer and trustees of pension, sinking and other public funds, and also lend your fullest support to the Victory Fund Committee in your Federal Reserve District, which is directing the sales campaign for the Treasury.

We have undertaken a tremendous task, and we must not fail.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable R. M. Jefferies,
Governor of South Carolina,
Columbia, South Carolina.

SMP:ewtch

Copy (and list) in Diary

Copies to Thompson (1 cc to Mrs.
Brown in Buffington's office)
(Sent "Air Mail" to B.F.Sta.
12/3/42)

(Attached letter sent to following governors of the 48 States:

Hon. R. M. Jefferies,
Governor of South Carolina,
Columbia, South Carolina

Hon. John W. Bricker,
Governor of Ohio,
Columbus, Ohio.

Hon. Charles A. Sprague,
Governor of Oregon,
Salem, Oregon.

Hon. Sam C. Ford,
Governor of Montana,
Helena, Mont.

Hon. George A. Wilson,
Governor of Iowa,
Des Moines, Ia.

Hon. Coke R. Stevenson,
Governor of Texas,
Austin, Texas.

Hon. Sam H. Jones,
Governor of Louisiana,
Baton Rouge, La.

Hon. Eugene Talmadge,
Governor of Georgia,
Atlanta, Ga.

Hon. Paul B. Johnson,
Governor of Mississippi,
Jackson, Miss.

Hon. Colgate W. Darden, Jr.,
Governor of Virginia,
Richmond, Va.

Hon. J. Melville Broughton,
Governor of North Carolina,
Raleigh, N.C.

Hon. Charles Edison,
Governor of New Jersey,
Trenton, N.J.

Hon. Herbert B. Maw,
Governor of Utah,
Salt Lake City, Utah.

Hon. Julius P. Hell,
Governor of Wisconsin,
Madison, Wisconsin.

Hon. Harlan J. Bushfield,
Governor of South Dakota,
Pierre, South Dakota.

Hon. Robert O. Blood,
Governor of New Hampshire,
Concord, N. H.

Hon. Arthur B. Langlie,
Governor of Washington,
Olympia, Wash.

Hon. Henry F. Schricker,
Governor of Indiana,
Indianapolis, Ind.

Hon. Chase A. Clark,
Governor of Idaho,
Boise, Idaho.

Hon. Dwight H. Green,
Governor of Illinois,
Springfield, Ill.

Hon. Prentice Cooper,
Governor of Tennessee,
Nashville, Tenn.

Hon. Murray D. Van Wagoner,
Governor of Michigan,
Lansing, Mich.

Hon. John Moses,
Governor of North Dakota,
Bismarck, N. Dak.

Hon. Frank M. Dixon,
Governor of Alabama,
Montgomery, Ala.

Hon. William H. Wills,
Governor of Vermont,
Montpelier, Vermont.

Hon. Forrest C. Donnell,
Governor of Missouri,
Jefferson City, Missouri.

(Letters sent to Governors continued:)

Hon. Spessard L. Holland,
Governor of Florida,
Tallahassee, Fla.

Hon. Matthew M. Neely,
Governor of West Virginia,
Charleston, W. Va.

Hon. Nels H. Smith,
Governor of Wyoming,
Cheyenne, Wyoming.

Hon. Walter W. Bacon,
Governor of Delaware,
Dover, Delaware.

Hon. Harold E. Stassen,
Governor of Minnesota,
St. Paul, Minn.

Hon. Herbert R. O'Connor,
Governor of Maryland,
Annapolis, Md.

Hon. J. Howard McGrath,
Governor of Rhode Island,
Providence, Rhode Island.

Hon. Herbert H. Lehman,
Governor of New York,
Albany, New York.

Hon. Ralph L. Carr,
Governor of Colorado,
Denver, Colorado.

Hon. Sidney P. Osborn,
Governor of Arizona,
Phoenix, Ariz.

Hon. Leverett Saltonstall,
Governor of Massachusetts,
Boston, Mass.

Hon. Arthur H. James,
Governor of Pennsylvania,
Harrisburg, Pa.

Hon. Payne Ratner,
Governor of Kansas,
Topeka, Kansas.

Hon. Keen Johnson,
Governor of Kentucky,
Frankfort, Kentucky.

Hon. Sumner Sewall,
Governor of Maine,
Augusta, Maine.

Hon. Robert A. Hurley,
Governor of Connecticut,
Hartford, Conn.

Hon. E. P. Carville,
Governor of Nevada,
Carson City, Nevada.

Hon. Leon C. Phillips,
Governor of Oklahoma,
Oklahoma City, Okla.

Hon. Culbert L. Olson,
Governor of California,
Sacramento, Calif.

Hon. Homer M. Adkins,
Governor of Arkansas,
Little Rock, Ark.

Hon. Dwight Griswold,
Governor of Nebraska,
Lincoln, Nebr.

Hon. John E. Miles,
Governor of New Mexico,
Santa Fe, N.M.

UNITED STATES OF AMERICA

8

2½ PERCENT TREASURY BONDS OF 1963-68

Dated and bearing interest from December 1, 1942

Due December 15, 1968

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER DECEMBER 15, 1963

Interest payable June 15 and December 15

1942
Department Circular No. 781
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, November 30, 1942.

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for bonds of the United States, designated 2½ percent Treasury Bonds of 1963-68. These bonds will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits. The amount of the offering is not specifically limited.

II. DESCRIPTION OF BONDS

1. The bonds will be dated December 1, 1942, and will bear interest from that date at the rate of 2½ percent per annum, payable on a semiannual basis on June 15 and December 15, 1943, and thereafter on June 15 and December 15 in each year until the principal amount becomes payable. They will mature December 15, 1968, but may be redeemed at the option of the United States on and after December 15, 1963, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will not be acceptable to secure deposits of public moneys before December 1, 1952; they will not bear the circulation privilege, and they will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000 and \$100,000. Bonds registered as to principal and interest will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury, except that they may not, before December 1, 1952, be transferred to or be held by commercial banks, which are defined, for this purpose, as banks accepting demand deposits. However, the bonds may be pledged as collateral for loans, including loans by commercial banks, but any such bank acquiring such bonds before December 1, 1952, because of the failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks.

5. Any bonds issued hereunder which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate, at par and accrued interest to date of payment,¹ *Provided:*

¹ An exact half-year's interest is computed for each full half-year period irrespective of the actual number of days in the half year. For a fractional part of any half year, computation is on the basis of the actual number of days in such half year.

- (a) that the bonds were actually owned by the decedent at the time of his death; and
(b) that the Secretary of the Treasury be authorized to apply the entire proceeds of redemption to the payment of Federal estate taxes.

Registered bonds submitted for redemption hereunder must be duly assigned to "The Secretary of the Treasury for redemption, the proceeds to be paid to the Collector of Internal Revenue at _____ for credit on Federal estate taxes due from estate of _____". Owing to the periodic closing of the transfer

books and the impossibility of stopping payment of interest to the registered owner during the closed period, registered bonds received after the closing of the books for payment during such closed period will be paid only at par with a deduction of interest from the date of payment to the next interest payment date;² bonds received during the closed period for payment at a date after the books reopen will be paid at par plus accrued interest from the reopening of the books to the date of payment. In either case checks for the full six months interest due on the last day of the closed period will be forwarded to the owner in due course. All bonds submitted must be accompanied by Form PD 1782,³ properly completed, signed and sworn to, and by a certificate of the appointment of the personal representatives, under seal of the court, dated not more than 6 months prior to the submission of the bonds, which shall show that at the date thereof the appointment was still in force and effect. Upon payment of the bonds appropriate memorandum receipt will be forwarded to the representatives, which will be followed in due course by formal receipt from the Collector of Internal Revenue.

6. Except as provided in the preceding paragraphs, the bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Banking institutions and securities dealers generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Subscriptions must be accompanied by payment in full for the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made on or before December 1, 1942, or on later allotment. One day's accrued interest is \$0.068 per \$1,000. Any qualified depository will be permitted to make payment by credit for bonds allotted to its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

(Filed with the Division of the Federal Register, Nov. 30, 1942)

² The transfer books are closed from May 16 to June 15, and from November 16 to December 15 (both dates inclusive) in each year.

³ Copies of Form PD 1782 may be obtained from any Federal Reserve Bank or from the Treasury Department, Washington, D. C.

UNITED STATES OF AMERICA

1 3/4 PERCENT TREASURY BONDS OF 1948

Dated and bearing interest from December 1, 1942

Due June 15, 1948

Interest payable June 15 and December 15

1942
Department Circular No. 703
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, November 30, 1942.

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for bonds of the United States, designated 1 3/4 percent Treasury Bonds of 1948. The amount of the offering is not specifically limited, although allotments to commercial banks, which are defined for this purpose as banks accepting demand deposits, for their own account will be limited to \$2,000,000,000, or thereabouts. The books will be open today and until further notice for the receipt of subscriptions from others than commercial banks for their own account, and today, December 1 and December 2 for the receipt of subscriptions from commercial banks for their own account.

II. DESCRIPTION OF BONDS

1. The bonds will be dated December 1, 1942, and will bear interest from that date at the rate of 1 3/4 percent per annum, payable on a semiannual basis on June 15 and December 15, 1943, and thereafter on June 15 and December 15 in each year until the principal amount becomes payable. They will mature June 15, 1948, and will not be subject to call for redemption prior to maturity.

2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege and will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000 and \$100,000. Bonds registered as to principal and interest will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

5. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to December 3, 1942. Banking institutions and securities dealers generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions and securities dealers will not be permitted to enter subscriptions except for their own account. Subscriptions from commercial banks for their own account will be received without deposit. All other subscriptions must be accompanied by payment in full for the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, subscriptions for amounts up to and including \$100,000 from commercial

banks, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over \$100,000 from commercial banks will be allotted on an equal percentage basis, to be publicly announced. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder to or for the account of others than commercial banks must be made on or before December 1, 1942, or on later allotment. Payment at par and accrued interest to December 11, 1942, for bonds allotted hereunder to commercial banks must be made on that date. One day's accrued interest is \$0.048 per \$1,000. Any qualified depository will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

(Filed with the Division of the Federal Register, Nov. 30, 1942)

U. S. GOVERNMENT PRINTING OFFICE 490820

UNITED STATES OF AMERICA

$\frac{7}{8}$ PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES E-1943

Dated and bearing interest from December 1, 1942

Due December 1, 1943

1943
Department Circular No. 703
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, November 30, 1942.

I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for certificates of indebtedness of the United States, designated $\frac{7}{8}$ percent Treasury Certificates of Indebtedness of Series E-1943. The amount of the offering is not specifically limited, although allotments to commercial banks, which are defined for this purpose as banks accepting demand deposits, for their own account will be limited to \$2,000,000,000, or thereabouts. The books will be open today and until further notice for the receipt of subscriptions from others than commercial banks for their own account, and on December 16, December 17 and December 18 for the receipt of subscriptions from commercial banks for their own account.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated December 1, 1942, and will bear interest from that date at the rate of $\frac{7}{8}$ percent per annum, payable semiannually on June 1 and December 1, 1943. They will mature December 1, 1943, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes and will not bear the circulation privilege.

4. Bearer certificates with two interest coupons attached will be issued in denominations of \$1,000, \$5,000, \$10,000 and \$100,000. The certificates will not be issued in registered form.

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to December 19, 1942. Banking institutions and securities dealers generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions and securities dealers will not be permitted to enter subscriptions except for their own account. Subscriptions from commercial banks for their own account will be received without deposit. All other subscriptions must be accompanied by payment in full for the amount of certificates applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, subscriptions for amounts up to and including \$100,000 from commercial banks, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over \$100,000 from commercial banks will be allotted on an equal percentage basis, to be publicly announced. Allotment notices will be sent out promptly upon allotment.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE NOV 28 1942

TO Secretary Morgenthau
FROM Randolph Paul

In the course of the recent Foreign Funds Control investigations of the New York agencies of the Swiss Bank Corporation and the Credit Suisse, evidence was uncovered indicating that both agencies wilfully filed false TFR-300 reports with respect to securities held by them in accounts in the names of their home offices. Apparently both agencies were parties to almost identical plans to conceal the real ownership of such securities. Although it would appear that in many cases the agencies themselves were ignorant of the real owners, nevertheless in numerous instances where they were fully informed, they failed to report the true ownership of the securities.

In view of the gravity of the charges it seems desirable to institute administrative proceedings at which the officials of the agencies may be confronted with the evidence and given every opportunity to explain their conduct. The institution of such proceedings will, furthermore, have the salutary effect of serving notice on the financial community that the Department is inquiring into the truth of reports filed with it under Executive Order No. 8389, and intends to take appropriate action when such reports have been wilfully falsified. Consequently, it is intended to notify the New York Agency of the Swiss Bank Corporation the early part of next week that hearings will be commenced on December 16, 1942, with respect to specified TFR-300 reports filed by it, and certain miscellaneous matters which also seem to call for explanation. When this proceeding is completed, hearings will be commenced with respect to the New York Agency of the Credit Suisse, and its subsidiary, the Swiss-American Corporation.

Mr. Sam Bass Warner, of my office, will preside at the hearings. A graduate of Harvard College, class of 1912, and of the Harvard Law School, class of 1915, Mr. Warner has been for the past number of years a member of the Harvard Law School faculty.

hsj

TREASURY DEPARTMENT

14 ✓

INTER OFFICE COMMUNICATION

DATE NOV 28 1942

TO Secretary Morgenthau
FROM Randolph Paul

Information coming to our attention during the past several months indicated that the accounts of the Vatican and other facilities of the Roman Catholic Church were being used to effect certain transactions of a type which did not fall within the intended scope of General License No. 44.

The following remedial action has been taken:

(1) The problem was discussed with Monsignor McShea, acting for the Apostolic Delegate, who was furnished with a number of examples of such transactions. Monsignor McShea readily agreed that the Apostolic Delegate would take the necessary steps to prevent the church facilities from being used for such purposes.

(2) With the approval of the Apostolic Delegate, the banks holding the principal Vatican accounts were instructed that no funds may, except under specific license, be credited to such accounts by any person other than the Apostolic Delegate or persons designated by him unless the bank has received specific notice from the Apostolic Delegate of his approval of such transaction.

(3) An arrangement has been made with the Apostolic Delegate and the Office of Censorship in accordance with which instructions being sent to blocked countries requesting the saying of masses or remitting of funds in payment therefor will be returned by the Office of Censorship to the sender, together with an advice that, in view of the financial transaction necessarily involved, a special Treasury license is required and that applications for such licenses must be filed through the Apostolic Delegate, Washington, D. C. This step will increase the effectiveness of our control over funds which were

TREASURY DEPARTMENT

14

INTER OFFICE COMMUNICATION

DATE NOV 8 1942

TO Secretary Morgenthau
FROM Randolph Paul

Information coming to our attention during the past several months indicated that the accounts of the Vatican and other facilities of the Roman Catholic Church were being used to effect certain transactions of a type which did not fall within the intended scope of General License No. 44.

The following remedial action has been taken:

(1) The problem was discussed with Monsignor McShea, acting for the Apostolic Delegate, who was furnished with a number of examples of such transactions. Monsignor McShea readily agreed that the Apostolic Delegate would take the necessary steps to prevent the church facilities from being used for such purposes.

(2) With the approval of the Apostolic Delegate, the banks holding the principal Vatican accounts were instructed that no funds may, except under specific license, be credited to such accounts by any person other than the Apostolic Delegate or persons designated by him unless the bank has received specific notice from the Apostolic Delegate of his approval of such transaction.

(3) An arrangement has been made with the Apostolic Delegate and the Office of Censorship in accordance with which instructions being sent to blocked countries requesting the saying of masses or remitting of funds in payment therefor will be returned by the Office of Censorship to the sender, together with an advice that, in view of the financial transaction necessarily involved, a special Treasury license is required and that applications for such licenses must be filed through the Apostolic Delegate, Washington, D. C. This step will increase the effectiveness of our control over funds which were

- 2 -

hitherto being held by clerics throughout the country for account of persons in Europe and which were being used to effect unlicensed offset transactions.

Last Tuesday the Apostolic Delegate invited Pehle and me to luncheon. He was very friendly and was grateful for the frank and cooperative way in which the Treasury is handling these problems.

It is believed that these steps will go far toward remedying the situation about which several governmental agencies were concerned.

BA

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE NOV 28 1942

TO Secretary Morgenthau
FROM Randolph Paul

There is transmitted herewith for your information a copy of a letter which has been sent to Breckinridge Long with respect to the shipment of food parcels from Portugal to Poland. This letter was sent after Pehle had discussed the matter with Breckinridge Long. Upon receipt of the State Department's view with respect to the matters indicated therein, it is contemplated that we will be in a position to issue a license to the organization selected by the Department of State.

You may be interested to know that Breckinridge Long told Pehle informally that the President has instructed State to arrange for the shipment of 750,000 food packages to Norway. These packages will be of a value of approximately \$20 each; will be purchased by the American Red Cross out of the President's special fund; and will be sent in Swedish ships through Sweden to Norway. German consent to send such shipments through the blockade will have to be obtained, as well as German permission for the Swedish ships which are now in the Baltic to come to this country to pick up the food packages. If the trial shipment of 750,000 food packages is successful, it is anticipated there will be further shipments. The sending of food packages to Norway in this amount would appear to indicate that a definite shift in the Government's relief policy is under way.

RP

COPY

30168

November 28, 1942

Dear Mr. Long:

Reference is made to Mr. John Pehle's conversation with you with regard to the proposed sending of food parcels from Portugal to the Jewish communities in Poland.

There is now pending with the Foreign Funds Control the following applications with respect to this matter:

NY 479110 - filed on behalf of the World Jewish Congress; and

NY 479663 - filed by the American Jewish Joint Distribution Committee, Inc.

Photostatic copies of such applications are transmitted herewith.

This Department would appreciate being advised as to the decision of the Department of State with respect to the organization which should be licensed to engage in these activities.

We should also like to have the views of the Department of State with respect to the following:

1. It is assumed that food parcels aggregating four tons per month are to be purchased in Portugal for shipment to Poland. This Department would like to be formally advised as to the products which may be included in such food parcels. It is assumed that parcels may not contain products which are not produced in Portugal.
2. Are the food packages to be sent to communities in Poland for distribution by trusted persons in the communities or are the parcels to be addressed to individuals in such communities for consumption by such individuals.

- 2 -

3. Does the Department of State desire the American mission in Portugal to supervise the purchases of products in Portugal.

It is proposed by this Department that licenses be issued for a period of two months; that monthly reports be required as to the activities under the license; and that every effort be made to ascertain whether the parcels are actually received in the communities for which they are intended.

Very truly yours,

(Signed) Randolph Paul

Acting Secretary of the Treasury.

Honorable Breckinridge Long,
Assistant Secretary of State.

Enclosures

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

November 25, 1942

CONFIDENTIAL

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

(Init.) C. M. B.

1mc:12/7/42

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

November 27, 1942

CONFIDENTIALDear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended November 18, 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,

(Signed) 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)

Week Ended November 18, 1942 **Strictly Confidential**

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE							
	DEBITS			CREDITS					Net Incr. (+) or Decr. (-) in \$ Funds (d)	DEBITS			CREDITS			
	Total Debits	Gov't Expenditures (a)	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Other Credits (c)	Total Debits		Gov't Expenditures (e)	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits		
First year of war* War period through December, 1940	1,792.2	601.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	866.3(f)	416.6(f)	449.7	1,095.3(f)	900.2	195.1(f)	+229.0	
Second year of war** Third year of war*** 1942	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1	
Sept. 3 - Sept. 30	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1	
Oct. 1 - Oct. 28	1,235.6	904.8	330.8	1,361.5	21.8	5.5	1,334.2	+125.9	18.5	-	18.5	4.4	-	4.4	- 14.1	
Oct. 29 - Dec. 2	56.1	37.1	19.0	81.6	-	0.5	81.1	+ 25.5	10.1	-	10.1	0.4	-	0.4	- 9.7	
Dec. 3 - Dec. 30	46.7	27.4	19.3	57.5	-	-	57.5	+ 10.8	-	-	-	0.3	-	0.3	+ 0.3	
WEEK ENDED:																
Oct. 28	7.3	4.1	3.2	10.3	-	-	10.3	+ 3.0	-	-	-	0.1	-	0.1	+ 0.1	
Nov. 4	55.9	12.3	44.5	6.4	-	-	6.4	- 50.5	0.1	-	0.1	-	-	-	- 0.1	
10	10.1	5.5	4.6	12.6	-	-	12.6	+ 2.5	-	-	-	0.3	-	0.3	+ 0.3	
18	12.8	0.5	13.2	21.0	-	-	21.0(g)	+ 8.2	0.1	-	0.1	-	-	-	- 0.1	

Average Weekly Expenditures Since Outbreak of War
France (through June 19, 1940) \$19.5 million
England (through June 19, 1940) 27.6 million
England (since June 19, 1940) 33.7 million

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

Week ended November 18, 1942 \$ -
Cumulation from July 6, 1940 \$ 162.7

million
million

*For monthly breakdown see tabulations prior to April 23, 1941.
**For monthly breakdown see tabulations prior to October 8, 1941.
***For monthly breakdown see tabulations prior to October 14, 1942.
(See attached sheet for other footnotes)

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (e) Includes payments for account of French Air Commission and French Purchasing Commission.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) Includes \$10.6 million to be held for credit of U. S. armed forces abroad
4.8 million deposited by British Ministry of Supply.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended November 13, 1942

Strictly
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	D E B I T S				C R E D I T S				D E B I T S				C R E D I T S			
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds ^(a)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds ^(a)
First year of war*	323.0	16.6	306.4	504.7	432.7	20.9	28.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	20.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war***	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
1942																
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	15.6	-	-	34.9	+ 6.6	16.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2																
Dec. 3 - Dec. 30																
WEEK ENDED:																
Oct. 28	7.7	-	7.7	12.0	3.7	-	-	8.3	+ 4.3	0.9	-	0.9	2.0	-	2.0	+ 1.1
Nov. 4	12.8	-	12.8	15.6	3.4	-	-	12.2	+ 2.8	2.8	0.5	2.3	0.1	-	0.1	- 2.7
10	12.5	-	12.5	19.8	2.8	-	-	17.0	+ 7.3	1.1	-	1.1	1.3	-	1.3	+ 0.2
18	3.5(b)	-	3.5	14.7(b)	2.8	-	-	11.9(c)	+ 11.1	0.5	-	0.5	0.4	-	0.4	- 0.1

Weekly Average of Total Debits Since Outbreak of War
Through November 13, 1942 \$ 8.4 million

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

**For monthly breakdown see tabulations prior to October 8, 1941.

***For monthly breakdown see tabulations prior to October 14, 1942.

(a) Reflects changes in all dollar holdings payable on demand or maturing in one year.

(b) Does not reflect transactions in U. S. Treasury bills and certificates.

(c) Includes \$4.0 million deposited by War Supplies, Ltd.

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 373

Information received up to 7 A.M., 28th October, 1942.

1. MILITARY

EGYPT. In the Northern sector during the night 26th/27th, movement by enemy infantry against 9th Australian Division's foremost defended localities was checked by defensive fire. Further south infantry of First Armoured Division carried out a successful attack, capturing KIDNEY RIDGE 5 miles west of TEL EL MAKH KHAD and beat off a counter attack by tanks with considerable enemy loss. At 8 a.m. 27th, the attack was supported by armour which, however, was unable to exploit further westwards owing to heavy anti-tank fire. Another small advance was made by New Zealand and South African troops in the DEIR EL DHIB area where our troops moved forward to the edge of an enemy minefield and eventually occupied 4 platoon positions 1000 yards further west. In the EL HEMEIMAT area 44th Division cleared all gaps but one in the second minefield despite enemy interference.

MADAGASCAR. Owing to extensive obstructions on the direct road to ALAKAMISY, our forces have been compelled to advance on 3 roads. At 8 p.m. 26th, our leading troops were 12 miles north of ALAKAMISY. Weather is good, but road blocks continue to delay our advance.

2. AIR OPERATIONS

WESTERN FRONT. 27th. Submarine slipways at FLENSBURG were bombed by Mosquitos and a 2500 ton ship was set on fire in the port. Other Mosquitos attacked objectives in HOLLAND. During sweeps off the French coast, 2 enemy fighters were damaged, 2 Spitfires are missing. A Beaufighter damaged a JU 88 off the SHETLANDS. 27th/28th. 36 aircraft were sent mine-laying and 4 to drop leaflets. All returned safely.

EGYPT. 26th. 602 bomber and fighter sorties were flown over the battle area. 15 enemy aircraft were destroyed, 8 probably destroyed and 14 damaged by our aircraft and anti-aircraft fire destroyed another. 4 of our fighters are missing. 7 attacks were made by medium bombers on enemy M.T. in the northern sector to prevent enemy counter attacks which did not develop. Light bombers made 4 raids on enemy landing grounds, 2 aircraft were damaged on the ground. Fighters disabled 4 tanks, 2 armoured cars and 3 petrol lorries. Several attacks on an escorted tanker and 2 ships resulted in the destruction of one ship, the tanker being set on fire and 2 enemy aircraft being shot down and 3 damaged from an escort of 5. 6 of our aircraft were lost. 26th/27th. A threatened counter attack was prevented by

accurate bombing. Scattered bombing by the enemy had little effect. 27th. Throughout the morning enemy concentrations in the northern sector were bombed successfully.

MALTA. 27th. Between 6 A.M. and 2 P.M., 124 bomb-carrying fighters with escort operated against the Island. Only a few crossed the coast, bombs round TAKALI aerodrome caused no serious damage, but at LUQA a Wellington was destroyed and a Spitfire damaged. One enemy aircraft was probably destroyed by antiaircraft fire and 3 were damaged by fighters.

BURMA. One Blenheim was destroyed at CHITTAGONG Aerodrome by Japanese aircraft on the 25th. During 25th and 26th about 95 enemy aircraft attacked aerodromes in north east ASSAM, some U.S. aircraft were destroyed on the ground (details unknown) and at least 4 enemy aircraft were shot down.

NOT TO BE RE-TRANSMITTEDU.S. SECRET
BRITISH MOST SECRETCOPY NO. 13OPTEL NO. 414.

Information received up to 7 A.M. 28th November, 1942.

1. NAVAL

Two Norwegian-manned motor torpedo boats returned from Norwegian waters yesterday. They report having torpedoed and left sinking two fully laden 5,000 ton ships in Askevold Bay, North of Bergen. The Russian Ice-breaker "MIKOYAN" was damaged by explosion at the entrance to the White Sea on 26th but could proceed. The only official report so far received confirms that at least part of the French Fleet at Toulon has been scuttled. Early on 27th one of H.M. submarines torpedoed a ship in Southbound convoy North of Tunis.

2. MILITARYLibya - 26th.

Air reconnaissance showed continued digging on the El Agheila defences.

French North Africa

The first Army has continued to advance in three columns. One moving along the Coastal road from Tabarka has reported fighting West of Mateur. On the 25th a strong armoured column penetrated the enemy outpost line and by evening was half-way between Mateur and Tebourba. On 26th this centre column co-operating with aircraft destroyed 40 enemy aircraft on an advanced landing ground. The third column drove the enemy from Medjes El Bab. French Forces have taken up covering positions on our right flank.

Russia

The Germans announce that the Russians have launched the 'Expected' offensive on the Central sector West of Moscow and that the attacks have everywhere been repulsed with heavy Russian losses. There is no mention in the Soviet Communiques of the scale of the operation. The Russian attacks North-West and South of Stalingrad have made further progress and their forces are now established for some distance on both banks of the Don Bend. The German forces East of the Don Bend are thus surrounded and the Russians are making every effort to exterminate them.

3. AIR OPERATIONSWestern Front - 27th.

Mustangs and Spitfires attacked transport objectives in Northern France and the Low Countries. Several locomotives were disabled, one Mustang is missing. Three Bostons successfully bombed IJmuiden Steel Works and a factory in Holland. A Hudson bombed and hit a 2,500 ton ship off Texel. Two F.W. 190's attacked with cannon-fire Railway property in Kent, one of them was destroyed.

27th-28th

Ten of our aircraft carried out sea-mining.

French North Africa - 23rd/24th.

15 Bisley's bombed Bizerta docks. Enemy aircraft bombed Bone airfield setting fire to petrol and ammunition dumps.

25th

Heavy air fighting developed in Tunisia. Enemy casualties 12-13-22. Ours 7-0-0. Three pilots safe.

Libya - 26th

Liberators bombed the harbours of Tripoli (L) and Homs (L) hitting two ships.

SICILY - 26th/27th

9 Wellingtons bombed Gerbini Airfield hitting runways and hangars.

25th/26th

9 Liberators bombed an oil refinery at Bangkok.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTCL No. 415

Information received up to 7 A.M., 29th November, 1942.

1. NAVAL

BONÉ. 28th. One of H.M. Destroyers was damaged during continuous bombing from midnight to 6.30 a.m. The German S.S. RAMSES (8,000 tons) bound from KONA to GERMANY via BATAVIA was intercepted yesterday south of COCOS ISLANDS by one of H.M. Australian Cruisers and a Dutch Cruiser. The ship was scuttled and 78 Germans captured and 10 Norwegians rescued.

TOULON. Air reconnaissance 28th showed following French warships apparently undamaged. Two old battleships, one eight inch cruiser, two six inch cruisers, five contre-torpilleurs and two destroyers, also four submarines under construction. All the remaining Naval units located were either sunk or damaged. No submarines afloat were seen. No fires were seen burning on land and no major destruction was apparent. Magazines at MILHAUD and oil cisterns at MONDRIER were intact. Merchant shipping, including five tankers, all appeared undamaged except for one ship partly sunk. A small Norwegian Petrol Carrier in an eastbound convoy was sunk off BOUGIE by air attack yesterday.

2. MILITARY

LIBYA. 27th. Our advanced armoured elements made contact with the enemy 25 miles east of AGHEILA and to the South. Considerable enemy activity was seen south of MARSA EL BREGA, and air reconnaissance reported movement in both directions between EL AGHEILA and SIRTA.

FRENCH NORTH AFRICA. 27th. The advance of the First Army continues steadily, although the enemy has attempted to slow it down by blowing bridges and cratering roads. The enemy's attitude is mainly defensive. Our armoured units are now operating west of DJEDEIDA, fifteen miles west of TUNIS and have destroyed 15 enemy tanks. 7 of our tanks were knocked out but were recovered. Our infantry columns are advancing steadily and have thrown off enemy counter attacks. TEBOUBA is now in our hands and the enemy is believed to have evacuated MATEUR. Our Commandos were active east of DJEBEL ABIOD on 23/24 and 24th.

RUSSIA. DON SECTOR. The Russians appear to have formed a defensive front facing West and are actively mopping up the area of the DON Bend, having now captured KLETSKAYA. They are pressing from all sides against the German forces encircled east of the DON Bend but their progress is not yet known. The Germans claim to have held these attacks.

3. AIR OPERATIONS

WESTERN FRONT. 23th. Fighters attacked locomotives and transport objectives in Occupied territory. Enemy casualties one, nil, nil. Ours 4, nil, 3.

28th/29th. 277 aircraft were sent out - TURIN 228, Intruders 25, leaflets 19, leaflets 5. 3 aircraft are missing and one crashed. TURIN - preliminary report weather good, many large fires started, including some in the Fiat Works and an exceptionally big one in the Royal Arsenal.

FRENCH NORTH AFRICA. 27th. United States aircraft bombed MATEUR and at night Wellingtons dropped 31 tons of bombs on BIZERTA docks.

MEDITERRANEAN. 27th. Fortresses dropped 10 tons of bombs on docks at LEROS ISLAND. 28th. Spitfires attacked COMISO Airfield, SICILY.

Mr. Bell recommended that this not
be done.

*Copy for
Mrs Klotz*

Treasury Department

TELEGRAPH OFFICE

WE20.54 GOVT NL COLLECT

KANSASCITY MO NOV 29 1942

1942 NOV 30 AM 8 01

DAN BELL

OFFICE OF THE SECY TREASURY

WISH YOU WOULD DISCUSS WITH KUHN & BUFFINGTON AND HAROLD THOMAS
HAVING ADVERTISING AGENCY MAKE A STUDY PROMPTLY OF ALL LITERATURE
THAT WE SEND TO BANKS AND SEE IF THEY CANNOT PUT SOME SALES APPEAL
INTO IT. PERIOD PLEASE LET ME KNOW TUESDAY WHAT CAN BE DONE PERIOD
COPY TO MRS KLOTZ

HENRY MORGENTHAU JR

746A NOV 30.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE November 30, 1942.

TO Secretary Morgenthau
FROM George Buffington *G.B.*

Subject: Your message of November 28, 11:30 A.M., to Mr. D. W. Bell.

1. The Victory Fund Committee and the Federal Reserve Bank mailed circulars to all banks prior to last Friday.
2. The joint statement of three bank examining agencies was sent out by the Comptroller of the Currency to all national banks, the Federal Deposit Insurance Corporation issued the statement to all insured nonmember banks, and the Federal Reserve Bank sent the statement to all insured State banks. A copy of the statement is attached.
3. The F and G circulars are being mailed today by the Kansas City Victory Fund Committee, in line with the instructions in your wire of November 15, stating that the Victory Fund Committee would be responsible for their sale as of December 1. Home building and loan associations are on this list.
4. Mr. Hemingway's letter dated November 20 was mailed to all banks who are members of the American Bankers Association on or about November 20. The attached booklet was mailed first class on the 25th, to arrive at the most distant points at the latest on November 30.

Attachments.

THE AMERICAN BANKERS ASSOCIATION
OFFICE OF THE PRESIDENT

MERCANTILE-COMMERCE BANK AND TRUST CO.
ST. LOUIS, MISSOURI

W. L. HEMINGWAY
PRESIDENT

November 20, 1942

To Members of the American Bankers Association:

This, my first message to you as President of your Association, deals with what is the greatest single problem before us--that of financing the war.

As we all know, the money required to win the war must and will be raised, but it should be raised in a way which will put the least strain on the nation's economic structure and have the least inflationary effect. This means that as much as possible of the necessary revenue should be secured through taxation and through the sale of government securities outside of the banking system. If such a program is to be successful it must have the active support of the banks.

We have received many compliments on our splendid job in the selling of War Savings Bonds to the public. But it is not expected that War Savings Bonds alone will finance this war. A still larger volume of these and other government obligations must be taken by non-bank investors.

This has seemed so important to the officers of the Association that we offered our services to the Secretary of the Treasury and appointed a special committee to consider what we might do as an Association to cooperate with him to bring about the necessary distribution of government securities. This committee met in Washington last week at the invitation of the Secretary and held a series of conferences. Upon the recommendation of this committee, the officers of your Association have stated to the Secretary that we will undertake to give all-out aid and we urge our members to go the limit in supporting the work of the Victory Fund Committees in the sale of government securities to the public.

But after all when the public has taken all the bonds that it will take, then the Treasury must look to the banks. Therefore, we strongly recommend that you employ your surplus funds by investing in government securities and that you take your full share of future issues in some general relationship to your size.

- 2 -

In order to discuss with you in more detail the ways and means of accomplishing these objectives and to answer the numerous questions that will undoubtedly occur to many of you regarding this program, a booklet is being prepared on the subject. A copy will be mailed to every member of the Association shortly. When you receive it, I earnestly urge you to read it carefully and give the subject the consideration that it deserves. If you have any doubts, questions, or suggestions regarding any part of it, I will be glad to have you write me.

Of all the added responsibilities that our banks have assumed and have had placed upon them in recent months, I know of none of more far-reaching importance to our country and to our banks themselves than this job of seeing to it that the financing of the war is accomplished in the best possible manner.

Please give us your full cooperation.

Sincerely yours,

W. H. Flemingway

I am pleased to announce that the following men have consented to serve with me on this special committee:

Edward E. Brown, President
The First National Bank of Chicago
Chicago, Illinois

W. Randolph Burgess, Vice Chairman of the Board
The National City Bank of New York
New York, N. Y.

Robert V. Fleming, President
Riggs National Bank
Washington, D. C.

William C. Potter, Chairman of the Executive Committee
Guaranty Trust Company of New York
New York, N. Y.

Thomas M. Steele, President
First National Bank & Trust Company of New Haven
New Haven, Connecticut

Robert Strickland, President
Trust Company of Georgia
Atlanta, Georgia

W. H. Wood, President
American Trust Company
Charlotte, North Carolina

A. L. M. Wiggins, President
Bank of Hartsville
Hartsville, South Carolina
Vice President, American Bankers Association

W. L. Hemingway, President
Mercantile-Commerce Bank and Trust Company
St. Louis, Missouri
President, American Bankers Association

Harold Stonier, Executive Manager
American Bankers Association, Secretary

FINANCING TOTAL WAR



OUR JOB IN DECEMBER

AMERICAN BANKERS ASSOCIATION

22 East 40th Street



New York City, N. Y.

A. B. A. COMMITTEE ON TREASURY WAR BORROWING

Edward E. Brown, *President*
The First National Bank of Chicago
Chicago, Illinois

W. Randolph Burgess, *Vice Chairman of the Board*
The National City Bank of New York
New York, N. Y.

Robert V. Fleming, *President*
Riggs National Bank
Washington, D. C.

William C. Potter, *Chairman of the Executive Committee*
Guaranty Trust Company of New York
New York, N. Y.

Thomas M. Steele, *President*
First National Bank & Trust Company of New Haven
New Haven, Connecticut

Robert Strickland, *President*
Trust Company of Georgia
Atlanta, Georgia

W. H. Wood, *President*
American Trust Company
Charlotte, North Carolina

A. L. M. Wiggins, *President*
Bank of Hartsville
Hartsville, South Carolina
Vice President, American Bankers Association

W. L. Hemingway, *President*
Mercantile-Commerce Bank and Trust Company
St. Louis, Missouri
President, American Bankers Association, *Chairman*

Harold Stonier, *Executive Manager*
American Bankers Association, *Secretary*

THE TREASURY has just announced the greatest drive for funds in history. It is asking every one of us to take part in a gigantic war financing campaign to sell \$9,000,000,000 of government securities during December.

Securities that will appeal to every type of investor from the individual who buys a \$25 U. S. Savings Bond to corporations and other organizations that invest millions are to be offered.

The December campaign with its \$9,000,000,000 goal includes a wide variety of government securities, many of them already well known, and others new in their appeal. Included are Treasury Bills, Certificates of Indebtedness, and Tax Savings Notes A and C which are rapidly growing in importance. There are included, too, the familiar United States Savings Bond of Series F and G (formerly called War Savings Bonds, Series F and G) and Treasury Bonds.

The three new offerings are — the Twenty-Six Year 2½% Bonds, the Six and One-Half Year 1¾% Bonds, and the Seven-Eighths of 1% Certificates of Indebtedness.

The distinctive characteristics of these securities are clearly outlined in the inside pages of this booklet. In addition, you will receive complete information regarding them from the sales organization that has been established in your Federal Reserve District.

THE VICTORY FUND ORGANIZATION

The challenging job of selling \$9,000,000,000 worth of securities in December has been placed in the hands of a group called the Victory Fund Committee. It operates in every Federal Reserve District, every state, most counties, and many cities. It is a nationwide organization of bankers, security dealers and other business leaders. Its operations extend from the headquarters in each reserve district to your community.

Perhaps you have been named to membership in a formal committee or perhaps you are one of the 45,000 volunteer workers from the banks of the country who will patriotically contribute their experience and skill in finance, their knowledge of the investment habits of their communities and their time and effort. Officially or otherwise, we are all a part — and a vital part — of this great sales organization.

You undoubtedly will be given specific tasks to perform in order to assure the quick and complete success of this \$9,000,000,000 drive. These tasks will be made known to you by those in charge of the campaign in your district. But don't wait for formal instructions. You are now acquainted with the securities that are included in the December offering. You know the people of your community and they know you. Start now to take part in the nation's drive for the money that must be raised to win the war.

Distinctive Characteristics of

	MATURITY	OFFERED
TREASURY BILLS	Usually 91 days.	Weekly on discount basis to high bidder.
CERTIFICATES OF INDEBTEDNESS	Series E-1943.	Time to time at par, plus accrued interest on subscription. There are currently three issues outstanding maturing quarterly as follows: $\frac{5}{8}\%$ due 2-1-43 0.65% due 5-1-43 $\frac{7}{8}\%$ due 8-1-43
TREASURY TAX SAVINGS NOTES Tax Series A-1945	Sept. 1, 1945.	Available at all times during 1945 at par, plus accrued interest.
TREASURY TAX SAVINGS NOTES Tax Series C	Three years from first day of month in which purchased.	Available at all times at par in any amount in multiples of \$1,000.
UNITED STATES SAVINGS BONDS SERIES F	12 years from first day of month in which purchased.	Available at all times at 74% of maturity value to all buyers, other than commercial banks. Not more than \$100,000 cost price annually of Series "F" and/or Series "G" Bonds.
UNITED STATES SAVINGS BONDS SERIES G	12 years from first day of month in which purchased.	Available at all times at par to all buyers other than commercial banks. Not more than \$100,000 cost price annually of Series "G" and/or Series "F" Bonds.
TREASURY BONDS	1948	Par, plus accrued interest.
TREASURY BONDS	1963-68	Par, plus accrued interest.

States Government Securities

RETURN	COMMENT
<p>ount bid. average rate accepted for due 12-16-42 was 9%.</p>	<p>Traded in open market. Federal Reserve Purchase and Resale rate $\frac{3}{8}\%$ per annum.</p>
<p>5%.</p>	<p>Traded in open market. Available as collateral for bank loans.</p>
<p>proximately 1.92% per um when applied in ment of taxes.</p>	<p>Principal plus interest may be applied in payment of Federal income, estate and gift taxes. Not more than \$5,000 plus interest may be applied in payment of any one class of tax in any one year. Redeemable for cash at purchase price, on demand. Issued in denominations of \$25, \$50, \$100, \$500, \$1,000 and \$5,000. Not salable or available for hypothecation.</p>
<p>est accrues each month aduated scale. Aver- interest return about 7% a year if held to ma- turity.</p>	<p>Principal plus interest may be applied in payment of Federal income, estate and gift taxes. Redeemable at option of holder, for cash at par and accrued interest, after 6 months from issue date, on 30 days' notice, or at maturity. Issued in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000 and \$1,000,000. May be pledged as collateral for loans from banking institutions.</p>
<p>3% per annum (if held maturity).</p>	<p>Payable at face amount if held to maturity. Not salable or available for hypothecation. Redeemable after 6 months from issue date, on one month's notice, at cost plus interest at reduced rate.</p>
<p>0% per annum (if held maturity).</p>	<p>Interest paid semi-annually. Not salable or available for hypothecation. Redeemable after 6 months from issue date, on one month's notice, at various discounts over life of bond.</p>
<p>5% per annum.</p>	<p>Traded in open market. Available as collateral for bank loans. Issued in denominations of \$500, \$1,000, \$5,000, \$10,000, \$100,000 (\$1,000,000 registered only).</p>
<p>per annum.</p>	<p>Traded in open market but not eligible for transfer to commercial banks until 12-1-52. Available as collateral for bank loans. Issued in denominations of \$500, \$1,000, \$5,000, \$10,000, \$100,000 (\$1,000,000 registered only).</p>

BUILDING A PROSPECT LIST

Whether you are cooperating with other members of the regularly organized Victory Fund Committee in your area, or whether in the absence of such a committee you are acting alone, one of your first contributions to the success of the campaign will be the preparation of a prospect list of investors who can and should purchase some of the securities offered by the Treasury. Your list should include such investors as:

1. Individual investors capable of making substantial purchases, say in excess of \$5,000. Whether or not they have bought their quotas of United States Savings Bonds, they may be prospects for other issues;
2. Counties, various school funds, pension funds, and other sinking funds; cities, towns and villages; school districts; and other political subdivisions;
3. Savings banks;
4. Endowed institutions; universities, colleges, hospitals, orphanages, religious institutions;
5. Insurance companies: life, casualty, fire;
6. Labor organizations, service groups, fraternal organizations;
7. Corporations which may have idle cash available (due perhaps to priorities) which cannot be used for the present in the normal course of business.
8. Small corporations having war contracts which may have produced new money for investment.

YOUR VICTORY FUND COMMITTEE WILL COOPERATE

If you cannot call on all these prospects yourself, you can obtain competent and effective help by appealing to the chairman or manager of the Victory Fund Committee in your district. He will provide trained salesmen who will help you cover the field. Make use of these men when you yourself cannot personally visit all your prospects to tell them the merits of the various offerings, to recommend the securities that best serve their investment needs, and to urge their unlimited support of the war fund drive.

You should receive from your Victory Fund Committee in your area complete information regarding the offerings, including order forms, advertising and publicity material, posters, booklets and folders. If this material has not reached you, get in touch immediately with your area chairman or write directly to the executive manager of the Victory Fund Committee located at the Federal Reserve Bank of your district.

You have already established a splendid record in selling War Savings Bonds to the public and it is important that you continue to give whole-

hearted support to the Series E War Savings Bond Program.

The importance of your activity in selling as many Government securities as possible to investors other than commercial banks is obvious. The greater the amount of Government securities purchased by these investors, the more effective will the control of inflation become. In carrying out this assignment you will be doing much more than raising urgently needed money for war finance. You will be strengthening the controls on inflation, protecting the banking system, and performing a service to the people of America who look to you for guidance and leadership in maintaining a sound economy.

BANKS SHOULD BUY THEIR SHARE

All of the Treasury's securities will not be bought by non-bank investors. As President W. L. Hemingway pointed out in his recent letter to the members of the American Bankers Association, "When the public has taken all the bonds it will take, the Treasury must look to the banks.

"Therefore," Mr. Hemingway continued, "we strongly recommend that you employ your surplus funds by investing in Government securities and that you take your full share of future issues in some general relationship to your size.

"Of all the added responsibilities that our banks have assumed and have had placed upon them in recent months, I know of none of more far-reaching importance to our country and to our banks themselves than this job of seeing to it that the financing of the war is accomplished in the best possible manner."

The sale of \$9,000,000,000 of Government securities in December is vital to the prosecution of the war. Banking knows the needs of the nation and stands ready to do its part. The banks will help America — swiftly, eagerly, effectively, and with all the skill, experience, and facilities at their command.

AMERICAN BANKERS ASSOCIATION

You will receive directly from the Treasury Department a newspaper advertisement in mat form announcing the \$9,000,000,000 campaign, which the Treasury suggests be used on November 30 or as soon thereafter as possible. This advertisement may be published by banks individually or cooperatively in groups.

November 30, 1942

Dear George:

I am glad that you sent me a copy of your circular letter to life insurance companies regarding the use of insurance agents in the sale of E, F and G Bonds and other Treasury issues. It is a tremendous help to us to have the services of life insurance agents in the sale of our securities, and I feel sure that they will do just as well under the Victory Fund Committees as they would have done under the original War Savings Staff plan.

As I read your letter, it should make clear to every insurance agent the distinction between Series E Bonds and those in the "basket" of securities to be sold in December through the Victory Fund Committees.

Please don't worry about giving me a middle initial to which I am not entitled. It isn't important, but I appreciate your letter of explanation all the same.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. George L. Harrison,
Life Insurance Coordinating Committee,
51 Madison Avenue,
New York, N. Y.

FK/ogk

File in Diary

Life Insurance Coordinating Committee

51 Madison Avenue, New York, N. Y.

November 24, 1942

Chairman:

GEORGE L. HARRISON

CLARIS ADAMS
WILLIAM H. ANDREWS, JR.
PATRICK A. COLLINS
FRANKLIN D'OLIER
W. T. GRANT
LEROY A. LINCOLN
JAMES LEE LOOMIS
A. J. McANDLESS
GERARD S. NOLLEN
R. B. RICHARDSON
GRANT TAGGART
SEABORN T. WHATLEY
JOHN A. WITHERSPOON

Executive Committee:

FRANKLIN D'OLIER
GEORGE L. HARRISON
LEROY A. LINCOLN
GERARD S. NOLLEN
JOHN A. WITHERSPOON

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

Dear Mr. Secretary:

For your information and files I am enclosing a copy of a letter which I have today sent to all American legal reserve Life Insurance companies concerning the use of insurance agents to facilitate the sale of "E", "F" and "G" bonds as well as other Treasury market issues. I am also sending a copy to Mr. Buffington and to Mr. Graves for their information.

May I assure you that the Life Insurance Coordinating Committee, the various Life companies and their agents are enthusiastically responding to this opportunity to aid in the sale of Treasury issues.

I hope you will observe that as you requested in your letter of November 17th we have endeavored to make sure that the selection of agents to aid the Victory Fund Committees in the sale of "F" and "G" bonds and other Treasury market issues will not interfere with the fine work that Life Underwriters have been doing in the matter of Payroll Savings and "E" bonds under the jurisdiction of the War Savings Staffs.

Faithfully yours,

George L. Harrison
George L. Harrison
Chairman

GLH:RB
Encs.

Life Insurance Coordinating Committee

51 Madison Avenue

New York, N. Y.

November 23, 1942

Chairman:
George L. Harrison
Claris Adams
William H. Andrews, Jr.
Patrick A. Collins
Franklin D'Olier
W. T. Grant
Leroy A. Lincoln
James Lee Loomis
A. J. McArdless
Gerard S. Nollen
R. B. Richardson
Grant Taggart
Seaborn T. Whalley
John A. Witherspoon

Executive Committee:
Franklin D'Olier
George L. Harrison
Leroy A. Lincoln
Gerard S. Nollen
John A. Witherspoon

LETTER TO ALL AMERICAN LEGAL RESERVE LIFE INSURANCE COMPANIES

On September 11, 1942, I wrote to you and all other life insurance companies outlining the program which had been worked out with the Treasury to make available a selected group of life insurance agents to assist the Treasury Department in the sale of F and G Bonds.

The response to that letter was excellent and many companies have since then sent to the Coordinating Committee or to the local state chairman of the Life Underwriters Committee lists of agents who might be considered available for this work or the names of general agents and managers who could provide such lists. Over 5,000 names have come directly to the Coordinating Committee and many others have been sent directly to the local state chairmen of the Life Underwriters Committees. On the whole, therefore, we have fairly well prepared our part of the program agreed upon with the Treasury. I have to inform you, however, that while a Treasury drive for the sale of F and G Bonds under the auspices of the various State War Savings Staffs had been arranged to begin on December 1, it has now been decided by the Treasury not to pursue that particular program for the reasons indicated in the enclosed letter from the Secretary of the Treasury.

The Executive Committee of the Coordinating Committee has authorized me to inform the Secretary, in reply to his communication, that the groups of agents selected to aid the War Savings Committees in the sale of F and G Bonds may be made available to the Victory Fund Committees on substantially the same basis as was planned for use through the War Savings Committees. In either case the aid is to the Treasury which has now simply selected a different set of committees to assume responsibility for the sale of F and G Bonds. In working for the Victory Fund Committees it is contemplated that agents may be asked to facilitate the sale not only of F and G Bonds but also other available Treasury market issues as well. It is assumed that this will meet with your approval since it should afford selected agents an even more important and interesting opportunity for patriotic and useful service.

LETTER TO ALL AMERICAN LEGAL RESERVE LIFE INSURANCE COMPANIES

- 2 -

November 23, 1942

You will notice that the Secretary of the Treasury has asked that this program be adopted without interfering with the work that many life underwriters are already doing in the establishment of Payroll Savings Plans and the sale of E Bonds which will continue to be pressed through the War Savings Committees. The Coordinating Committee recognizes, as does the Treasury, what a fine job the life underwriters have done and are still doing in those fields and it is hoped that the various companies will give their blessings to those efforts as well as the work other agents may now be asked to perform in connection with the drive planned to begin November 30, 1942, under the jurisdiction of the Victory Fund Committees. Both the Treasury and the Coordinating Committee will appreciate the continued cooperation of the companies in these all-important efforts.

For your information I am enclosing a copy of a letter which I am today sending to the chairmen of each of the local State Underwriters Committees.

Sincerely yours,



Chairman

Encs. (2)

Life Insurance Coordinating Committee
51 Madison Avenue
New York, N. Y.

November 23, 1942

Chairman:
George L. Harrison
Chris Adams
William H. Andrews, Jr.
Patrick A. Collins
Franklin D'Olier
W. T. Grant
Leroy A. Lincoln
James Lee Loomis
A. J. McArdless
Gerard S. Nollen
R. B. Richardson
Grant Taggart
Seaborn T. Whalley
John A. Witherspoon

Executive Committee:
Franklin D'Olier
George L. Harrison
Leroy A. Lincoln
Gerard S. Nollen
John A. Witherspoon

LETTER TO CHAIRMEN OF LOCAL STATE UNDERWRITERS' COMMITTEES

You are, of course, acquainted with the plans which this Committee has worked out with the Treasury Department relative to the utilization of life insurance agents in the sale of "F" and "G" bonds. Those plans have been somewhat changed as a result of the fact that the responsibility for the sale of "F" and "G" bonds has been shifted from the War Savings Staffs to the Victory Fund Committees and their subordinate committees. It is hoped that this change will make no difference in the effective use of life underwriters in the sale of these securities and that you will be prepared to cooperate with the Treasury through working with the Victory Fund Committee just as you were prepared to do with the War Savings Staff.

The War Savings Staffs will maintain complete jurisdiction over the development of the Payroll Savings Plan and the sale of "E" bonds as in the past. In this connection, the Coordinating Committee hopes that you will realize how much it and the company managements appreciate the excellent work which the life underwriters have done in the Payroll Savings Plan. It has been a most important contribution to its success and is, I know, much appreciated by the Treasury authorities.

This Committee has requested all United States companies and Canadian companies doing business in this country to cooperate with the Treasury in the "F" and "G" campaign. Their support has been most heartening. Each company was requested to forward either to you or to this Committee the names of such agents as would in their opinion be desirable for this campaign. It is possible that some such lists have already come to you, but in addition we are now sending to you cards containing the names and addresses of all those agents which have been sent directly to this Committee.

LETTER TO CHAIRMEN OF LOCAL STATE UNDERWRITERS' COMMITTEES

- 8 -

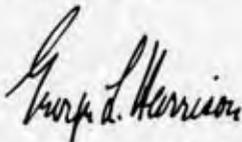
November 23, 1942

The responsibility for the use of these men must, of course, in the last analysis rest upon you as State Chairman for the Life Underwriters Committee and it is hoped that you will be willing to cooperate with the Victory Fund Committee in whatever way will best facilitate their most effective utilization.

In some cases the Victory Fund Committee may apply to you for help in areas not covered by any of the names which you now have on hand. In such cases it is suggested that you will make the necessary appeal to the companies which you know are doing business in those areas. This appeal, of course, you may make through the local Managers or General Agents of the companies themselves, as you deem best. In short, while the responsibility is perhaps a large one, the Coordinating Committee hopes you will be willing to assume it in the interests of doing the job well. The time is short in view of the fact that the proposed drive is to begin the end of November, and under the new set-up it may be that the Victory Fund Committee will ask to have available agents work not only on the "F" and "G" bonds but on other available Treasury market issues as well. Any agents who volunteer to do this work will, of course, have to do so subject to the supervision and direction of the Victory Fund Committee or their local sub-committees in cooperation with yourself.

I am enclosing for your information a copy of a letter which was addressed to me by the Secretary of the Treasury. It may explain some of the background of this matter to you.

Sincerely yours,



Chairman

GLH:RB
Encs.

C O P Y

THE SECRETARY OF THE TREASURY

WASHINGTON

November 17, 1948

Dear Mr. Harrison:

As the Chairman of the Life Insurance Coordinating Committee, you recently made available to the Treasury a carefully selected group of agents to assist the War Savings Staff in the sale of F and G Bonds. This very generous offer of cooperation was accepted and we had completed plans for a program whereby we would be able to take full advantage of this talent.

As you know now, however, it has been decided in the light of our overall task not to pursue this particular activity.

I wish to express my appreciation to you and to the members of your committee, as well as to the Insurance Agents who had volunteered their services for this undertaking.

I would like to suggest further that their services not be lost to us as a result of this decision affecting F and G Bond promotion. You are somewhat familiar with our whole program, and if you feel that this new group of Insurance Men could give assistance to the program of the Victory Fund Committees, I would appreciate your so advising me.

I am informed by Mr. Graves that a few of these men who have recently been made available to us have already taken up new duties in the promotion of the sale of E Bonds. This request should in no way involve the men who are working under the Life Underwriters Association on Payroll Savings nor any others who are currently engaged in various "E" Bond activities.

In closing, may I thank you and the members of your committee for your continuing support.

Sincerely yours,

(Signed) H. M. Morgenthau, Jr.

Mr. George L. Harrison
Chairman, Life Insurance Coordinating Committee
c/o New York Life Insurance Company
New York, New York

FIFTY ONE MADISON AVENUE
NEW YORK

Personal

November 25, 1942.

Dear Henry:

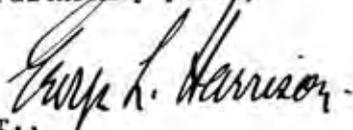
I am deeply chagrined to discover that in the rush incident to forwarding to all life insurance companies as well as to the Chairmen of the State Underwriters' Committees, the copy of your letter to me dated November 17 the signature was quite erroneously typewritten as "H. M. Morgenthau, Jr." The copy was corrected as soon as the error was discovered but not in time to avoid sending to you the copy which quite gratuitously contributed a middle initial to your name.

I hope you will excuse this unpardonable error and attribute it only to the rush incident to our desire to communicate, as promptly as possible, with all of the life insurance companies about our program to make insurance agents available to you in the drive which begins next week.

Perhaps you did not notice the error yourself but somebody else will and I want to make my confession in advance!

I am enclosing a photostat of your letter to me and a corrected copy of that letter which you may care to substitute for the one previously sent to you.

Faithfully yours,



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

Enc.



THE SECRETARY OF THE TREASURY
WASHINGTON

RECEIVED

43 G. L. H.

NOV 18 1942

ANSWERED _____

November 17, 1942

Dear Mr. Harrison:

As the Chairman of the Life Insurance Coordinating Committee, you recently made available to the Treasury a carefully selected group of agents to assist the War Savings Staff in the sale of F and G Bonds. This very generous offer of cooperation was accepted and we had completed plans for a program whereby we would be able to take full advantage of this talent.

As you know now, however, it has been decided in the light of our overall task not to pursue this particular activity.

I wish to express my appreciation to you and to the members of your committee, as well as to the Insurance Agents who had volunteered their services for this undertaking.

I would like to suggest further that their services not be lost to us as a result of this decision affecting F and G Bond promotion. You are somewhat familiar with our whole program, and if you feel that this new group of Insurance Men could give assistance to the program of the Victory Fund Committees, I would appreciate your so advising me.

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In closing, may I thank you and the members of your committee for your continuing support.

Sincerely yours,

Mr. George L. Harrison
Chairman, Life Insurance Coordinating Committee
c/o New York Life Insurance Company
New York, New York

FOR DEFENSE



UNITED STATES SAVINGS BONDS - SERIES F AND G

1942
Department Circular No. 654, Revised
First Amendment

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 30, 1942.

1. The inclusion of United States Savings Bonds of Series F and G in the designation United States War Savings Bonds, pursuant to Department Circular No. 654, Revised, dated June 1, 1942, having been revoked, said circular is amended, effective December 1, 1942, by striking out any reference to or designation of such bonds as War Savings Bonds.

2. The sale of United States Savings Bonds of Series F and G will continue until further notice under the provisions of Department Circular No. 654, Revised, dated June 1, 1942, and this amendment. The issue of bonds of these series bearing the designation "United States War Savings Bond" will be continued until existing stocks are exhausted, after which bonds without that designation will be issued.

Henry Morgenthau, Jr.,
Secretary of the Treasury.

(Filed with the Division of the Federal Register, Dec. 3, 1942)

Same letter sent to following: (/s/ Henry)

Mrs. Franklin D. Roosevelt
The Honorable, The Vice President
Hon. Cordell Hull, Secretary of State,
Hon. Stephen Early
Hon. Francis Biddle, Attorney General
Miss Grace Tully
Hon. Frank C. Walker, Postmaster General
Hon. Frank Knox, Secretary of Navy
Hon. Harold L. Ickes, Secretary of Int.
Hon. Claude R. Wickard, Secy of Agric.
Hon. Jesse H. Jones, Secretary of Com.
Hon. Frances Perkins, Secretary of Labor

(Copies to Thompson)

The President, Mrs. Roosevelt, Miss Tully,
Early, Hull, Ickes, Knox - delivered by
Manus 9:35 12/2/42.

Jones, Walker, Vice President, Biddle,
Perkins, Wickard, (Stimson) - delivered
by Dixon 9:35 12/2/42.

November 30, 1942.

My dear Mr. President:

I think you will enjoy hearing this record of a song that was written for us by two Army boys who were detailed to the Treasury for a time in connection with the War Bond campaign. The authors, Sergeant Richard Uhl and Corporal Tom Adair, have now gone back to military duty.

I feel that their song will be a great help to us in our drive to get thirty million Americans to set aside at least ten percent of their pay in War Bonds every pay day.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

Del. by Manus 9:35 12/2/42

Copy in Diary
Copies to Thompson

November 30, 1942.

Dear Henry:

I think you will enjoy hearing this record of a song that was written for us by two Army boys who were detailed to the Treasury for a time in connection with the War Bond campaign. The authors, Sergeant Richard Uhl and Corporal Tom Adair, have now gone back to military duty.

In sending this to you, I should like to express to you and the War Department my own thanks and those of the Treasury Department for having let us use these two talented soldiers. I feel that their song will be a great help to us in our drive to get thirty million Americans to set aside at least ten percent of their pay in War Bonds every pay day.

It will be appreciated here if you would send a copy of this letter to their respective Commanding Officers. Sergeant Uhl is with the 80th Division at Camp Forrest, Tennessee, and Corporal Adair is with the Post Public Relations Office at Fort Jackson, South Carolina.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Del. by Dixon 9:35 12/2/42

Hon. Henry L. Stimson,
Secretary of War,
Washington, D. C.

Copy in Diary
Copies to Thompson

FK:eg ✓

Treasury Department
Division of Monetary Research 40

Date Dec. 1, 1942 19

To: Miss Chauncey

I think the Secretary should
glance at the appended memorandum.
Copies have been distributed to
Mr. Bell, Mr. Paul and Mr. Gaston.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

49

INTER OFFICE COMMUNICATION

DATE November 30, 1942

TO Mr. White

FROM Mr. Cass

Subject: Corporate Profits and Tax Policy

1. The Department of Commerce has released 1/ a study showing that acknowledged corporate profits after taxes were only 5 percent lower in the first nine months of 1942 than in the first nine months of 1941. The actual figures are \$4,903 million in 1942 against \$5,150 million in 1941.
2. There is every reason to believe that these figures understate actual corporate profits after taxes. It is quite likely that corporate profits, even after the new and increased taxes, will be larger in 1942 than they were in 1941.

I have discussed this issue with the author of the Commerce study. 2/ He agrees that corporations have made greater efforts to conceal their profits this year than ever before. Excessive depreciation and depletion have been claimed. Capital improvements have been charged to current expense. High levels of operation have furnished opportunities for concealment, and high taxes have provided the incentive.

3. Corporate profits, after taxes, have increased over 60 percent since the outbreak of war. On a base of 1939 = 100, profits in the third quarter of 1942 were equal to 161.
4. Unless corporate tax rates are increased, corporate profits after taxes will probably be larger in the calendar year 1943 than they are in 1942. The total of corporate profits is lower in 1942 than it would have been otherwise because of a temporary reduction in the profits of such industries as automobiles due to the curtailment in activity incident to their conversion to war production. Such "growing pains" will be much less in 1943. We started the calendar year 1942 with war expenditures at an annual rate of \$26 billion; we will start the calendar year 1943 with war expenditures at an annual rate of about \$76 billion.
5. In the light of these high corporate profits, it may be desirable to review the suggestion made by the Secretary on March 3, 1942 that the normal corporate tax rate be fixed at 55 percent. If a 55 percent rate was justified then, when we were contemplating a war expenditure program at an annual rate of \$56 billion, it is doubly justified now when war expenditures are substantially above an annual rate of \$70 billion and are reaching towards a rate of \$100 billion.

1/ November 28, 1941
2/ Mr. Tynan Smith

November 30, 1942 .

Dear General Fleming:

I am returning herewith the amended contracts covering the construction of the East Wing of The White House, which you forwarded to me under date of November 20, 1942 in compliance with the President's request.

The contracts have been reviewed and the proposed modifications are satisfactory to the Treasury Department.

Sincerely yours,

(Signed) D. W. BELL

Assistant Secretary of the Treasury.

Philip B. Fleming
Major General, U. S. A.
Administrator
Federal Works Agency
Washington, D. C.

NOT:AS
11/28/42

To:

The Inspector

The Bureau
will not regard
us as taxable

11/28/42

[Handwritten signature]

MR. WENCHEL

NOV 24 1942

The Honorable

The Secretary of the Treasury

Attention: Mr. Daniel W. Bell

My dear Mr. Secretary:

I have been directed by the President to work out with Mr. Charles H. Tompkins whatever details may be necessary to give effect to the desire of Mr. Tompkins to have the work done by his organization at The White House since last December performed without fee or profit.

In accordance with General Watson's suggestion that it might be well to clear the proposed changes in Mr. Tompkins' contracts with you before they are finally made, I enclose herewith copies of two proposed agreements which appear necessary to effectuate such changes.

I will appreciate your returning the proposed agreements with whatever comments you may have.

Respectfully yours,


Philip B. Fleming
Major General, U. S. A.
Administrator



THE WHITE HOUSE
WASHINGTON

November 30, 1942

My dear Mr. Secretary:

I have by reference from the President your letters of November 19 and November 25 requesting authority to ask for deferment from induction into military service on the following cases:

William Heffelfinger
Louis Kaplan
Herbert Potthoff
Morris Curtes
George W. Romig, Jr.
John A. Fischer
Emil J. Nelson
Walter D. Perry
Louis J. Lazarus
Richard Nickell
J. Lawrence Bailey
Attilio F. Porcelli

These cases were referred to me along with other such requests with instruction "to take care of." Pursuant to this instruction I have examined these cases and unhesitatingly approve your requests.

Very sincerely yours,



For the President:
Wm. H. McReynolds
Administrative Assistant

The Honorable
The Secretary of Treasury

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

November 30, 1942.

To the Secretary:

The proposals recently presented to you regarding the negro employees of the Chicago Office of the Bureau of the Public Debt were discussed with Mr. Houghteling and, at his suggestion, with Mr. Thomas, a leading negro on Mr. Houghteling's staff. As you will recall, two proposals were made: (1) that the separate units of negro employees shall be discontinued, and that all employees shall be assigned to duty without regard to their race; and (2) that a properly qualified negro be appointed on the staff of the Deputy Commissioner in charge, as personnel assistant.

Mr. Houghteling and Mr. Thomas expressed their approval of these proposals, and also agreed that any question about negro supervisors would have to be worked out and would take time. Both counseled that precipitated action not be taken but that the change be made at our early convenience and after talking with two prominent negro leaders in Chicago, which Mr. Thomas undertook to arrange, Mr. Spencer Thompson adding the suggestion that Miss Carr be invited.

AWB

Approved: December 1, 1942

W. M. Houghteling Jr.
Secretary of the Treasury.





BUREAU OF THE PUBLIC DEBT
OFFICE OF THE COMMISSIONER

TREASURY DEPARTMENT

FISCAL SERVICE

WASHINGTON

November 21, 1942

MEMORANDUM FOR THE FILES:

Recently, on visiting the Chicago Office, on Monday, November 9, on instructions from the Secretary through Mr. Bell, I telephoned Miss Charlotte Carr, Director of Hull House, and extended to her an invitation to visit our Chicago Office. Miss Carr accepted and spent about two hours with Mr. Spencer Thompson and myself on Tuesday afternoon, November 10. During that time the colored situation was exhaustively discussed and we made a complete tour of the office. It was explained to Miss Carr that colored employees constituted about 17 percent of the entire force of about 4,000 employees and about 13 percent of the clerical employees; that there were two small colored units in the Division of Loans and Currency and one in the Register's office, and that more than 80 percent of the colored employees were not segregated but were employed with white employees. Colored employees, on appointment, were designated where needed, and if assigned either to colored units or to other units, requests for re-assignment would receive consideration. It was further explained that there was under consideration breaking up the colored units, as such, and the appointing on the staff of the Deputy Commissioner a personnel assistant, if a properly qualified colored person could be found. A complete tour of the office followed, including the Chicago branches of the Division of Loans and Currency, the Office of the Register of the Treasury, the Division of Public Debt Accounts and Audit, and the Office of the Treasurer of the United States.

After the tour of the office, I conveyed to Miss Carr the Secretary's request that she write him personally if she approved what we were doing, or had other suggestions to offer. Miss Carr then expressed the opinion that any semblance of segregation should be done away with, and that it probably would be wise to appoint a proper colored person on the staff as Personnel Assistant. As regards colored employees as supervisors, which was brought up, she agreed this would have to be worked out and would take time. In particular, Miss Carr expressed the



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opinion that the picket line was a reproach, and that it was her belief that with some slight concession it probably would be abandoned. She further stated it was believed in Chicago the policy regarding colored employees was imposed by Washington and did not originate in Chicago.

On returning to Washington, I reported to Mr. Bell, and later, calling Mr. Spencer Thompson to Washington, Mr. Bell arranged a conference in his office on Wednesday, November 18, at which, in addition to Mr. Bell, there were present Mr. Kilby, Mr. Spencer Thompson, Mr. Ross Heffelfinger, Mr. Bush, Mr. Wesley, Dr. Dolan and myself from the Bureau of the Public Debt, and Mr. Norman Thompson and Mr. Ted Wilson. The colored situation at the Chicago Office was exhaustively discussed, and conclusions generally reached that the so-called segregated units should be broken up, a personnel assistant appointed, and the matter of supervisory colored employees worked out in due course.

On Thursday, November 19, the Secretary saw Mr. Bell, Mr. Norman Thompson, Mr. Spencer Thompson and myself. The foregoing conclusions were presented, and the Secretary directed that Mr. Houghteling be consulted, and if he approved, such would be the policy.

Meanwhile, Ex-Congressman DePriest telephoned and asked for an appointment to see me, which was made for 3 p.m., Friday, November 20. When Mr. DePriest appeared, he was accompanied by Mr. Edgar G. Brown, previously unknown to me, but whom I later learned is rather well known as a promoter of colored interests. When the object of the call was made known, as it concerned the Chicago Office, I called in Mr. Spencer Thompson, and Mr. Norman Thompson also joined us. Mr. DePriest spoke of the Chicago situation and made a plea for doing away with segregation in that office. We explained what we were doing, and told him we were working on the situation, with every confidence of a proper solution. And then Mr. Brown began, and in a loud voice expressed his opinions and made several charges and accusations which either were not true, or were beside the question. At several points Mr. Norman Thompson and I stopped him and he would start on another track.

By arrangement previously made by Mr. Norman Thompson, later in the same afternoon, Mr. Houghteling called at my office and we discussed with him the Chicago situation. He expressed general approval of the proposals under consideration, but as regards certain aspects, however, he stated he would like to take counsel with Mr. Thomas, of his staff, who would be available on Saturday morning. The DePriest-Brown call, and the conference with Mr. Houghteling on Friday were reported to Mr. Bell that evening.

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On the following morning, Saturday, November 21, Mr. Houghteling and Mr. Thomas called, and with Mr. Kilby, Mr. Spencer Thompson and myself, the colored situation in the Chicago Office was again gone over. Mr. Houghteling and Mr. Thomas approved of discontinuing the separate colored units, and the appointment of a colored personnel assistant on Mr. Spencer Thompson's staff. Both said not to worry about the call by Mr. DePriest and Mr. Edgar Brown, that the charges should be made without precipitation. Mr. Thomas suggested the advisability of talking with two substantial colored leaders in Chicago when we were ready to act, Mr. Barnett, influential with the colored press, and Mr. Foster, Executive Manager of the Urban League (Mr. Thompson had already talked with Mr. Gould, Industrial Manager of the Urban League). The question was raised as to publicity and Mr. Thomas counseled against it, stating that the object of talking to Mr. Barnett was to prevent publicity. He thought it would be wise to make the change in regular course and let results speak for themselves. Mr. Houghteling expressed agreement. Mr. Spencer Thompson asked Mr. Thomas if he knew the colored woman under consideration for personnel assistant. Mr. Thomas stated that he did, and that he endorsed her.

Mr. Thomas attempted to get in touch with Mr. Barnett by telephone, but was unable to do so, and stated he would get in touch with him later. He offered to make arrangements for a meeting in Chicago with Mr. Barnett, Mr. Foster, Mr. Spencer Thompson and himself, which, subject to Mr. Bell's approval, was agreed to. Mr. Thompson suggested that Miss Carr also be invited to the meeting.

November 24, 1942.

On Monday morning, November 23, Mr. Thomas' office called, requesting the full name, title, and address of Mr. Spencer Thompson, stating that Mr. Thomas had been in touch with Mr. Barnett and found that Mr. Barnett would not be in Chicago until December 10 or 11, and that he wished to write Mr. Thompson to this effect and ask if one of those days would be convenient.

On Tuesday, November 24, I reported to Mr. Bell the Saturday meeting, and Mr. Thomas' call on Monday. Mr. Bell expressed approval of the plans and instructed me to prepare a memorandum for the approval of the Secretary making effective the Chicago policy.

Mr. Thompson having returned to Chicago on Saturday, I thereupon telephoned advising him of Mr. Bell's approval of the program, of Mr. Thomas' suggestion for a meeting on December 10 or 11, and of the memorandum to be prepared for the Secretary's approval. He expressed approval on all counts.

My

United States Senate

COMMITTEE ON FOREIGN RELATIONS

November 30, 1942.

TOM CONNALLY, TEX., CHAIRMAN
 WALTER F. GEORGE, GA.
 ROBERT F. WAGNER, N. Y.
 ALBERT D. THOMAS, UTAH
 EDERICK VAN HUYB, IND.
 MEL E. MURRAY, MONT.
 CLAUDE PEPPER, FLA.
 THEODORE FRANCIS GREEN, R. I.
 ALBEN W. BARKLEY, KY.
 ROBERT R. REYNOLDS, N. C.
 JOSEPH F. GUFFEY, PA.
 GUY M. GILLETTE, IOWA
 BENNETT CHAMP CLARK, MO.
 CARTER BLISS, VA.
 JOHN LEE, OKLA.
 JAMES H. TURNELL, DEL.

ROLAND YOUNG, CLERK

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

Dear Henry:

Thank you very much for your fine interest
 and splendid cooperation in having the film sent
 to Sergeant Donald Huntley's mother.

I am advising Mr. Lafe Pfeifer of your
 fine spirit of cooperation.

Sincerely,



TC/3a

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

FROM Mr. Paul

In accordance with the existing instructions, there is submitted herewith a summary report of activities and accomplishments carried on by the Legal Staff for the month of November, 1942.

A handwritten signature in cursive script, appearing to be 'RSP', is written below the main text.

Attachment.

SUMMARY REPORT ON ACTIVITIES AND ACCOMPLISHMENTS
IN THE OFFICE OF THE GENERAL COUNSEL
NOVEMBER, 1942.

The following matters received attention in the Office of the Chief Counsel for the Bureau of Internal Revenue:

1. Court Decides in Favor of Ford Motor Company in Refund Case. On November 2, 1942, the Court of Claims rendered a decision in favor of the Ford Motor Company in its suit for refund of income taxes for 1921 to 1926, inclusive. The principal sum of the judgment to be entered, exclusive of interest, is approximately \$2,002,000. The company had brought a prior suit for a larger sum for 1920, which was defeated when the Government pleaded an offset on account of barred deficiency for the same year attributable to liquidation of a subsidiary corporation. This operated to give the company a stepped-up basis for depreciation in the later years. Counsel now proposes to relinquish \$100,000 of the interest on the judgment if paid by December 21, 1942. Justice has been informed that certiorari is not recommended. The judgment may not be paid prior to the expiration of time for certiorari, unless the parties stipulate a waiver of right to petition. Justice has agreed to follow that course to expedite payment of the judgment.

2. Important Case involving Incentive Compensation paid Corporation Officers. A suit was brought in the Court of Claims by the American Tobacco Company to recover, in round figures \$2,817,000, plus interest, for 1929, 1930, and 1931. The principal issue is the reasonableness of compensation paid to the president and four vice-presidents of the corporation, characterized as incentive compensation. The Commissioner disallowed deductions for all incentive compensation; doubled the regular salaries paid to these individuals, and allowed for 1930, \$640,000, in the aggregate, and for 1931, \$581,600. By amended petition, the company reduced the amount of its original claim to approximately \$426,300 based upon a formula prescribed by a State court decision, in which stockholders were litigating the same question from their standpoint. The litigation between the company and its stockholders is discussed in "Corporate Executive's Compensation" by Washington, pages 270 to 279, where it is stated that Judge Manton's conviction was based in part upon the receipt by him of payments aggregating \$250,000 (loans which were never repaid) from a firm which handled the advertising for the company. An informal inquiry was received recently from the Department of Justice to know the attitude

of the Chief Counsel's Office concerning a possible proposal of the company to accept \$300,000 to settle the pending suit. Justice has been informed the Commissioner prefers that the case be tried. Special preparations are being made by the Department of Justice to defend the suit.

3. Tax Court Passes upon Status of Oklahoma Community Property Law for Income Tax Purposes. Upon advice of the Chief Counsel's Office, the Commissioner declined to give effect to the Oklahoma community property law (effective August 12, 1939) for Federal income tax purposes. The question was made a special study in the case of C. C. Harmon, 1 T.C. #8, which was decided November 18, 1942, adversely to the Government. The Government contended the law was not self operating, came into operation only when invoked by voluntary agreements between the spouses, and such agreements contravened the rule of Lucas v. Earl requiring income be reported by the spouse who earns it. The Tax Court held this contention unsound, saying they could see but little practical difference between a community property law "which is operative only when expressly invoked and one which operates unless expressly revoked," citing contracts between husbands and wives changing or modifying operation

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of community property laws of other states which have been given effect. It is the purpose of the Chief Counsel's Office to request authority to file a petition for review.

4. Recommendation to Joint Committee based on Litigation Hazard. In 1934 and 1935 Mr. Josiah K. Lilly, Jr., of Indianapolis, Indiana, one of the principal stockholders of Eli Lilly Company, transferred to himself as trustee two large blocks of the stock of the Eli Lilly Company, making his wife, Mrs. Ruth B. Lilly, and two children the beneficiaries but reserving to himself as trustee complete control of the corpus with large discretion as to the income. For the years 1938, 1939, and 1940 the beneficiaries reported the income from the trusts and paid an income tax on it. The revenue agent thought the income was taxable to Mr. Lilly and recommended deficiencies amounting to \$405,235.07 against him and overassessments amounting to \$240,085.30 in favor of his wife and children. The Technical Staff has settled the tax liability on the basis of deficiencies in the amount of \$315,085.30 against him and overassessments of \$240,085.30 to the wife and children, a net increase of \$75,000 in tax liability, as against a net increase of \$165,149.77 proposed by the revenue agent. The Chief Counsel's Office recommended

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that the settlement be approved and reported to the Joint Committee on November 20. Obviously, the settlement cannot be supported on legal grounds or on any other basis than an attempt to appraise the litigation hazard. On this basis the settlement appears to be favorable to the Government; but it is the type that the Staff of the Joint Committee has repeatedly criticised. If the cases are tried the Government will win net additional taxes of \$165,149.77 or nothing.

5. Treatment of Patents as Emergency Facilities for Amortization Purposes. The cases of the Todd-California Shipbuilding Corp. and Goodyear Aircraft Corporation involve deductions for amortization of alleged emergency facilities consisting of patents, applications and licenses for magnesium processes, etc., for which the War and Navy Departments have issued necessity certificates for purposes of amortization deductions. The Chief Counsel's Office has advised the Income Tax Unit that the patents, etc., as such, are not emergency facilities within the revenue statute, section 124 (e)(1), but the bases thereof may be otherwise deductible. However, if the patents, etc., constitute a proper part of the adjusted basis of any emergency facility

under the statute, with proper certification, deduction with respect to amortization of the entire adjusted basis of the emergency facility may be allowed under the statute, but excluding the part of the basis attributable to the patent monopoly.

6. Alimony and Income Tax Difficulties of Joseph Briggs Wells. Information has been received that Wells has been indicted for willful failure to file an income tax return for the years 1939 and 1941. This is a peculiar case in that the defense is based on Wells' contention that he should be allowed a deduction for alimony payments to two former wives. Every opportunity was afforded him to file a return for 1939, but he refused, stating that he believed the quickest way to get his case before the Tax Court was refusing to file a return. The procedure for placing his case before the Tax Court was explained to him in detail on several occasions. Thus, the case was referred to the Department of Justice with a recommendation for prosecution.

7. Regulations - Revenue Act of 1942. Considerable headway has been made. All of the excise tax regulations made necessary by Title VI have been prepared and reviewed except one. Other excise tax regulations made necessary by

- 7 -

the 1942 Act have been prepared and are under review. Of the 173 subjects covered by the act, 122 involve income and excess profits taxes. Approximately 40 Treasury decisions are made necessary by these income and excess profits tax sections. For these sections several miscellaneous Treasury decisions are being prepared (grouping the less involved subjects dealing with the same kind of taxes), and separate Treasury decisions are being prepared for a number of important and involved subjects including non-trade or non-business deductions, pension trusts, victory tax, post-war refunds of excess profits tax, alimony and separate maintenance payments, last-in first-out inventory, withholding, etc. Many of these subjects have been considered and drafts of regulations prepared. It is expected that a number of Treasury decisions will be forwarded to the Commissioner in the near future, including the regulations to be issued under the Canadian Treaty, recently ratified by the Senate.

8. War Bond Advertising by Newspapers and Broadcasters as Business Expense. With respect to questions presented by the Marshall Evening Chronicle and National Association of Broadcasters, the Chief Counsel's Office has ruled that a newspaper which devotes part of its space to the promotion

of the sale of war bonds and stamps and the furthering of Red Cross drives may deduct the cost thereof as a business expense. Since such cost is included in the regular expenses of publishing the paper, which are deductible, no segregation of the cost of space devoted to the sale of war bonds, etc. is necessary. A similar ruling has been made with respect to expenses incurred by radio stations which broadcast information as to war bonds. It will be noted that these rulings differ somewhat from the published ruling which sanctions deduction of reasonable expenses for institutional or goodwill advertising which promotes the sale of war bonds and stamps. In the cases first discussed it is the newspaper or the broadcasting company itself which is doing the promotion.

The following work was done under the supervision of Assistant General Counsel Cairns:

9. The Direct Sales Company, Inc. Case. The Direct Sales Company, Inc., was a registered manufacturer of narcotic drugs in the form of hypodermic tablets, which it sold directly to medical practitioners throughout the United States. The company encouraged sales by reducing prices. Many of its

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customer-physicians were diverting narcotic drugs so purchased to improper purposes. Notwithstanding warnings, the company continued to sell narcotics to such customers. After a careful investigation, the Direct Sales Company and one of its physician-customers, with two other persons, were indicted for conspiracy to violate the Federal narcotic law, on the basis of improper sales by the physician of quantities of narcotics purchased from the company. The physician and the company were convicted, the company appealing to the Circuit Court of Appeals for the Fourth Circuit. On November 12, 1942, that Court affirmed the judgment of conviction. The case is unique in that it is the first case in which a wholesale dealer and a physician have been joined in an indictment for conspiracy to violate the narcotic law.

10. Participation of a Naval Reserve Officer in Profits of a Firm Engaged in Federal Tax Practice. An opinion, addressed to Mr. Hanna, which was prepared by Mr. Meyer and signed on November 3, 1942, stated that a Naval Reserve officer on active duty may accept his share of the firm's profits from its tax practice before the Treasury Department, by virtue of special statutory authorization applicable to Naval Reserve officers (U.S.C., 1940 ed., title 34, sec. 853b).

11. Admission Free of Duty of Emergency Acquisitions of War Materials Abroad. An opinion, addressed to Secretary Morgenthau, pertaining to the bringing into the United States by armed forces of (1) captured materials, (2) materials requisitioned by United States forces abroad, (3) rebuilt materials, and (4) material received from abroad for study and testing, was prepared by Mr. Meyer and Mr. Feidler and signed on November 6, 1942. The opinion concluded that the Tariff Act should not be construed to require that war materials brought into the United States by the armed forces in the conduct of war be subject to customs procedures and duties. However, should there be any doubt on the point, the acquisition of those materials could probably be certified by officers of the War Department as an "emergency purchase of war material abroad" entitled to be admitted free of duty under the Act of June 30, 1914, 38 Stat., 399 (U.S.C., title 34, sec. 568) and Executive Order No. 9177 dated May 30, 1942.

12. Membership on a Regional Board of the Board of Legal Examiners as Affecting Eligibility to Practice Before Treasury Department. An opinion, in the form of a letter to Professor Roswell Magill, was prepared by Mr. Meyer and signed on November 23, 1942. It concluded that the appointment of

Mr. Magill as a member of the New York Regional Board of the Board of Legal Examiners, a part time and uncompensated position under the Civil Service Commission, will not prevent him from practicing before the Treasury Department. Since section 190 of Rev. Stat. (U.S.C., title 5, sec. 99) is limited to officers and employees of "departments", it has no application to one serving under the Civil Service Commission. Sections 108 and 113 of the Criminal Code (U.S.C., title 18, secs. 198 and 203) are probably inapplicable to an uncompensated position not under any executive department of the United States.

The following work was done under the supervision of Assistant General Counsel Tietjens:

13. Public Debt. (a) Financing. On November 20 Mr. Tietjens and Mr. Cunningham examined the papers in connection with the following offerings for their legal sufficiency: 1-3/4 Percent Treasury Bonds of 1948, dated December 1, 1942; 2-1/2 Percent Treasury Bonds of 1963-68, dated December 1, 1942; and 7/8 Percent Treasury Certificates of Indebtedness of Series E-1943, dated December 1, 1942.

(b) Proof of death of Army and Navy Personnel. A recommendation was prepared, addressed to the Secretary of the

Treasury, providing for the acceptance of original letters from the War or Navy Department, or photostatic copies thereof, as proof of death.

(c) Tax Notes. The first case involving payment of Tax Savings Notes as a result of judicial proceedings has come to our attention. No provision was made in the circular for transfer of such notes through judicial proceedings, although in the applicable FRB Memorandum it might be considered that there was an implication to that effect in that the banks were advised to refer such cases, among others, to the Treasury. A letter was prepared for the Under Secretary's signature suggesting that payment to a creditor who has reduced his claim to judgment and purchased the notes at execution sale would be considered. The evidence called for is similar to that in other judicial transfer cases.

(d) Corporate succession by Operation of Law. In the past voluminous evidence has been required where bonds registered in the name of a corporation were presented for reissue (re-registration) in the name of another corporation alleged to have succeeded it as the result of a merger, consolidation or similar succession. This, of course, necessitated complicated correspondence and subsequent lengthy examination of

evidence submitted. Where it is possible to presume that the issuance of a certificate by the proper state authority evidencing such transactions is predicated upon examination and approval of evidence showing due compliance with applicable statutes, requirements of stockholders' and directors' resolutions and other similar documents as original evidence of statutory compliance is being eliminated.

(e) Commodity Credit Corporation. Mr. Tietjens and Mr. Cunningham attended, with Mr. Heffelfinger, a meeting with representatives of the Commodity Credit Corporation and Mr. Awalt, counsel for a New York bank, with reference to short term letters of credit applications in use by the Commodity Credit Corporation and which the New York banks were of the opinion should be approved by the Secretary of the Treasury. The Commodity Credit Corporation is to prepare and submit forms for specific approval in order to satisfy the bank's request that the Treasury approval be couched in specific rather than general terms.

(f) Claims Cases. For the purpose of simplifying procedure, a memorandum for the signature of the Secretary, addressed to the Commissioner of the Public Debt, supplementing and amending to some extent the instructions on Form PD 1048,

Application for Relief on Account of the Loss, Theft, or Destruction, of United States Savings Bonds, was drafted in collaboration with Mr. DeMik, Manager of Claims and Ruling Section, by Mr. Fuller. Provision was made for certain cases in which the owner or coowner should not be required to execute the form, for acceptance of statements certified by officers authorized to certify requests for payment of savings bonds in lieu of affidavits, for requiring that applications in coownership cases be sworn to or affirmed by one coowner and merely signed by the other, for the delivery of substitute bonds to recognized agents, for the application of redemption provisions to Claims cases, and for correction of errors in approved schedules and cancellation of items therefrom without resubmission to the Secretary.

(g) Department Circular. Mr. Tietjens and Mr. Cunningham assisted in the drafting of a Department Circular pursuant to which the Secretary will designate United States Savings Bonds Series E, F and G as the bonds, the purchase of which will be allowed as a credit against the Victory Tax as provided in Subchapter D, Part I, Sec. 453(a)(3) of the Internal Revenue Code.

(h) Savings Bonds. Extended conferences were held with the administrative people concerning proposed changes in the

regulations governing Savings Bonds. One of the most troublesome problems has been the policing of excess holdings, and administrative procedure has been suggested whereby the problem of handling these cases will be lightened to a very substantial degree. It has also been recommended that the regulations be changed in order to permit the elimination or change of designated beneficiary upon the request of the registered owner alone. This change would, of course, apply only to bonds issued after the regulations had been amended.

(i) Litigation. A hearing was held in the Deyo v. Adams case in New York on November 4, and a hearing in the Andrew S. Levy Estate case in Camden, New Jersey, on November 5, both of which were attended by Mr. Norr of the Department of Justice. Mr. Sloan of the War Savings Staff and Mr. Wesley, Chief of the Division of Loans and Currency, went as witnesses in the Levy case. Mr. Norr has told us that there is a very real possibility that the Deyo case will be settled although he strongly urged counsel not to take such action. Mrs. Adams, the defendant, is very old and in a nervous condition. This has been given as the reason for considering settlement. Mr. Norr further reports that he was encouraged by the attitude of the presiding Justice in this case.

The Levy case has developed in such a manner that it is doubtful whether it will be of value to us. It has developed into a dispute between a second wife and children by the first wife with a very strong likelihood that the Court may find that the funds with which Mrs. Levy purchased the bonds were not her funds but were funds earned by the husband and his first wife. This kind of a case does not involve a direct attack upon the validity of our regulations.

14. Subpoena Served on Guy F. Allen, Chief Disbursing Officer, to Appear as a Witness in Case of Thompson v. Deal. Mr. Guy F. Allen, Chief Disbursing Officer, conferred with Mr. Tietjens about a subpoena ordering him to appear as a witness in the case of Thompson v. Deal. This case, now being tried before the United States District Court for the District of Columbia, in which Mr. Julian, Treasurer of the United States, is one of the defendants, involves a class suit brought by certain cotton producers against the manager of the National Surplus Cotton Tax Exemption Certificate Pool, 1935, and other Federal officers to recover amounts paid for tax exemption certificates and enjoin payment to producers who had deposited such certificates in the Pool. After it was determined from the attorneys in the Department of Justice representing the

defendants in the case that there would be no objection to Mr. Allen testifying, there was prepared, in compliance with Departmental regulations governing the disclosure of official information, a letter for signature by the Under Secretary authorizing Mr. Allen to testify in court with respect to matters relating to the Division of Disbursement which are not of a confidential nature.

15. Authorization of Foreign Exchange Transactions in Connection with Military Activities. Mr. Tietjens and Mr. Reeves, along with representatives of the War and Navy Departments, attended a conference in Mr. Heffelfinger's office concerning proposed legislation to be sponsored by the War Department which would authorize disbursing officers of the United States to make exchange transactions of certain types. Such legislation would authorize the exchange of United States currency and coin and foreign currency and coin for checks of disbursing officers drawn in their official capacities, United States Postal Money Orders, or for such foreign currency, coin, or checks of such classes as the Secretary of the Treasury may from time to time approve.

16. Recovery of Excess Profits in Connection with Renegotiation of War Contracts. At the request of Colonel

Kenneth C. Royall, Chief of the Legal Section of the Fiscal Division, Service of Supply, and with the approval of Under Secretary Bell, Mr. Reeves and Mr. Bartelt attended a conference in Colonel Royall's office which had been called to discuss certain problems relating to the recovery of excess profits in connection with the renegotiation of war contracts. The discussion at the conference was confined largely to problems arising in connection with the use of the credit memoranda procedure whereby the War and Navy Departments and the Maritime Commission accept in lieu of a cash refund of excessive profits a credit memorandum which may be applied to future payments on the same or another contract. Mr. Bartelt and Mr. Reeves made it clear that they were attending the conference solely in an advisory capacity with respect to appropriation procedure and that the manner in which repayments resulting from the renegotiation of war contracts are handled is one for determination by the agencies concerned and by the General Accounting Office.

17. Release of Gold Bullion to the Chartered Bank of India, Australia and China (See September 1942 report, item 19(b)). A request of the above bank for the release and purchase by the United States of three bars of gold bullion

produced by the Tambis Gold Dredging Company, Inc., which were delivered to High Commissioner Sayre during the emergency in the Philippines and are now held in custody by the United States Mint at San Francisco, was considered. There were prepared an agreement of indemnity for execution by the New York agent of the Bank, and a letter of transmittal advising him that upon receipt of the executed agreement of indemnity, the Treasury Department will direct the Superintendent of the United States Mint at San Francisco to receive the gold in question for purchase by the United States in accordance with the provisions of the Gold Reserve Act of 1934 and the regulations issued thereunder. Payment therefor will be made by credit to a special blocked account in the name of the Cebu branch of the Bank and the Tambis Gold Dredging Company, Inc.

18. Material for Inclusion in 1941 Supplement to the Code of Federal Regulations. At the request of Miss Chatfield, Treasury Archivist, galley proofs of regulations issued by the Fiscal Service of the Treasury Department during the calendar year 1941 which will be included in the 1941 Supplement to the Code of Federal Regulations were reviewed for accuracy and completeness. Various corrections and suggested changes were made on the page proof.

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19. Elimination of F.D.I.C. Assessment of and Maintenance of Reserves for War Loan Account Deposits. Considerable time was devoted to a proposal that, in the interest of facilitating the war financing program, the existing requirement that banks pay the Federal Deposit Insurance Corporation assessment upon War Loan Account deposits and maintain the usual reserves against such deposits be eliminated. These deposits arise solely as a result of subscriptions made by or through banks for United States Government securities and are fully secured by collateral security. In this connection, Mr. Reeves, along with Mr. Batchelder of the Under Secretary's office, conferred with Francis Brown, General Counsel of the Federal Deposit Insurance Corporation.

20. Railroad Reorganization. (a) Claim of the Prince George and Chesterfield Railroad v. Seaboard Air Line Railway for Payment of Rental (See September 1942 report, item 23(b)). On November 12, 1942, Mr. Proctor and Mr. Zarky traveled to Norfolk, Va., for a conference on the petition of the Government in the above matter, with the special master, attorneys for the receivers of the Seaboard, and attorneys for other interested parties. After some perfunctory discussions of the merits of the Government's petition and of the Receiver's

answer, Mr. W. R. S. Cocke, one of the attorneys for the Receivers, proposed that the Government and the Receivers endeavor to enter into a stipulation of certain correspondence respecting this action. Messrs. Proctor and Zarky agreed to the proposal.

(b) Washington, Brandywine and Point Lookout Railroad (See October 1942 report, item 22). Mr. Tietjens and Mr. Proctor attended a conference with Mr. Heffelfinger and officials of the above Railway on the subject of the Treasury's interest in the condemnation proceedings now pending against the railroad in the United States District Court in Baltimore. As the Navy Department's appraisal of the railroad property was not known, it was impossible to enter into any real discussion of the approximate value of the Treasury's claim against this railroad. The officials of the railroad were advised to confer with the Navy Department, and were invited to return again for further discussions.

21. Mexican Claims Act, 1942. Mr. Proctor attended the committee conference of the House and the Senate on the disagreeing votes of the two bodies on the amendment of S. 2528, to provide for the settlement of claims of American nationals against the Government of Mexico, and, after conference agreement,

assisted Mr. Wood, Legislative Counsel of the Senate, and Mr. English, attorney for the State Department, in redrafting the bill in accordance with the views of the conference.

22. Chicago Office - (Division of Loans and Currency).

During the week of November 30 Mr. Tietjens spent several days in the Chicago office for the purpose of familiarizing himself with the organization and getting at first hand some of the problems with which the legal unit there is faced. Mr. Cunningham, who accompanied him, remained in Chicago for another week to permit Mr. Fuller to take a well-earned rest.

The following work was done under the supervision of Assistant General Counsel O'Connell:

23. Interpretation of Exemption Clause in Renegotiation Law. Representatives of the Chief Counsel's Office of the Procurement Division held two meetings with representatives of the War and Navy Departments and the Maritime Commission relative to the interpretation of the clause of the renegotiation law exempting products of mines, oil and gas wells, other mineral or natural deposits, and timber from renegotiation. It was agreed that each department would write the regulations which it believes will best define and interpret this exemption, and

that the representatives would meet again to agree upon a uniform regulation. It was further proposed that a meeting be held with Senator Vandenberg, who was responsible for the inclusion of this exemption in the amended renegotiation law, to determine whether the proposed regulation exempts the products he had in mind.

24. Standards of Profit Control Used in Negotiation and Renegotiation Contracts. In response to the letter of November 23, 1942, from James F. Byrnes, Economic Stabilization Director, requesting to be advised as to the standards of profit control used by the Treasury Department in the negotiation and renegotiation of contracts, a reply was prepared for the signature of the Secretary by Mr. Stephens and rewritten by Mr. O'Connell.

25. Russian Oil Refinery Program. As a result of two conferences held with E. B. Badger & Sons Company relative to the Russian Oil Refinery program, Badger agreed to accept a fixed fee of \$1,079,000, based on an estimated f.a.s. material cost of \$26,975,000, provided that the contract would provide for the reimbursement of all direct costs and of certain items of cost which would ordinarily be included in overhead, but which it may be possible to allocate

directly to the work. He is to submit a list of such items to the Procurement Division, and the Chief Counsel's Office will draft a contract on the aforesaid basis.

Also, a conference was held with Mr. C. D. McCoy, of the Foster Wheeler Corporation, representing the Petroleum Rectifying Corporation of California, owner of the Petreco desalting and dehydrating processes, who agreed to proceed with the ordering of materials for the Petreco units upon the settlement of certain specifications by the Russians and E. B. Badger & Sons Company. Letters containing offers for the use of the process involved in the refinery program were prepared and sent to the owners of such processes, Foster Wheeler Corporation, Houdry Process Corporation, International Catalytic Oil Processes Corporation, Max B. Miller Company, Texaco Development Corporation and Universal Oil Products. The letters stated a fixed amount which is to be paid as compensation for the use of the process during the war.

26. War Communications Board (for description see November 1940 report, item 23). Mr. Shea attended a meeting of the Law Committee of the War Communications Board on November 5.

27. Board of Legal Examiners (for description see

July 1941 report, item 15). On November 21, 1942, Mr. Shea sat on the Examining Committee of the Board of Legal Examiners, and on the 27th attended the examination of an attorney considered for appointment in the Treasury Department.

28. Coordination Conference of Treasury Law Enforcement Agencies. Mr. Shea attended a meeting of the enforcement agencies on November 24.

29. Opium Poppy Control Bill (See October 1942 report, item 27). Mr. Shea and Miss McDuff prepared a letter to the Secretary of State, in answer to his letter relative to our proposed legislation, the Opium Poppy Bill (H.R. 7568). On November 3, Mr. Shea and Mr. Tennyson, Chief Counsel of the Bureau of Narcotics, conferred at length with Mr. Oscar R. Ewing, a representative of the three large manufacturers of opium products, who had suggested several changes to this bill. No commitments were made on behalf of this Department. On November 13, these proposed amendments were discussed at a conference in Assistant Secretary Gaston's office.

Mr. Shea accompanied Mr. Gaston to the hearing on November 19 before the Senate Finance Committee on the Opium Poppy Control Bill, and on November 25, he attended, with Commissioner Anslinger, another hearing before that committee

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and testified in favor of the proposed legislation. The committee voted that the bill be favorably reported with three amendments. At the request of Chairman George a committee report was prepared by Mr. Shea and Miss McDuff. On November 30 the bill was reported in the Senate (Rept. No. 1764) and passed.

30. Proposed Legislation Relating to Suspension of Customs Barriers. (see October 1942 report, item 28). Mr. Speck attended a conference in the War Department on November 6 to consider the anticipated hearings on the President's message of November 2 to the Congress on proposed war legislation to provide for the free movement of persons, property and information into and out of the United States. The bill was subsequently introduced as H.R. 7762 and on November 18 the House Ways and Means Committee met in executive session to consider it. Assistant Secretary Gaston represented the Treasury Department and read a prepared statement. The bill was referred to a subcommittee of the Ways and Means Committee and was considered by the subcommittee in executive session on November 20 and November 30. Mr. Speck was in attendance at the executive session and handled the matter for the Legislative Section.

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31. Minor Coinage Bill. A memorandum pertaining to S. 2889, our proposed legislation to further the war effort by authorizing the substitution of other materials for strategic metals used in minor coinage, to authorize the forming of worn and uncurrent standard silver dollars into bars, and for other purposes, was given to Senator Wagner and Congressman Somers. This memorandum, which was prepared by Mr. Shea and Mr. Brenner, was printed in the Congressional Record for November 9. In response to a request from the Senate Committee on Banking and Currency, a report was prepared on this bill.

On November 17 and 18, Mr. Shea attended, with the Director of the Mint, the hearings before the Senate Banking and Currency Committee and testified in favor of the bill. It was reported with minor amendments on November 19, 1942. On November 23, Mr. Shea conferred with Congressman Somers about this proposed legislation.

32. Proposed Bill to Authorize Acceptance of Permanent Loan Made By Board of Trustees of the National Gallery of Art. A certain charitable organization has proposed to give to the National Gallery of Art \$5,000,000 in cash to be held and administered by the Board of Trustees in the establishment of an endowment fund for the benefit of the Gallery, the

income from which, it will be specified, shall be used and applied for stated purposes of the Gallery other than those for which public funds are made available. In response to an informal request of Mr. Donald Shepard, Secretary-Treasurer and general counsel of the National Gallery of Art, a proposed bill was drafted (1) to authorize the Secretary of the Treasury to receive the funds as a permanent loan and to pay 4 percent interest thereon and (2) to permanently appropriate such interest for payment to the Board of Trustees of the National Gallery of Art. Mr. Shea and Miss McDuff prepared drafts of the letters of transmittal to the Congress.

33. Free Importation of Soldiers' Gifts. The Ways and Means Committee met in executive session on November 19 to consider H.R. 7792, to permit the free entry of gifts from members of the armed forces serving abroad. Mr. Speck and representatives of the Bureau of Customs were in attendance. This bill was prepared in the Treasury Department.

34. Proposed Legislation to Aid in the War Production of Hemp. It is understood that a large part of the supply of imported hard fiber on which the manufacturers of rope and other hard fiber products have depended has been cut off by the war conditions, and that an adequate supply of domestic fiber from American hemp (marihuana) is an absolute necessity to

supply rope and fiber products essential for war needs of the Navy, Army, and Merchant Marine. This Department has been informally requested by the Commodity Credit Corporation and the War Production Board to present legislation to the Congress to amend the Internal Revenue Code so as to provide for a reasonable method of taxation of persons who manufacture or produce hemp, twine, or fiber products from marihuana, and for other purposes. In connection with the consideration of such legislation, Miss McDuff attended a conference on November 23, at which Mr. Tennyson and Mr. Mitchell of the Bureau of Narcotics, Mr. McIntire of the Commodity Credit Corporation, and Mr. Gilmore were present.

35. Proposed Legislation Authorizing Department of Agriculture to Compromise Certain Indebtedness Due United States. Mr. Shea attended a conference on November 19 in Mr. Bartelt's office to consider S. 1339, which would authorize the Governor of the Farm Credit Administration and the Secretary of Agriculture to compromise, adjust, or cancel certain indebtedness due the United States. There was discussed a redraft of the bill, which was submitted by the Department of Agriculture to remedy the objections advanced against the original bill by this Department in a letter to the Bureau of the Budget dated

April 6, 1942.

36. Proposed Executive Order Authorizing the Treasury Department to Acquire and Dispose of Property. A proposed executive order, to authorize the Secretary of the Treasury to exercise, through such officials of the Department of the Treasury and its bureaus and divisions as he may designate, the power contained in Title II of the Second War Powers Act, 1942, pertaining to the acquisition, use and disposition of real property, and a letter of transmittal to the President, were prepared by Miss McDuff.

37. Proposed Executive Order Authorizing the Treasury Department to Contract for Architectural Engineering Services. On November 2, Mr. Shea, with Mr. Davis of the Procurement Division, conferred with the Director of the Bureau of the Budget on our proposed executive order authorizing the Treasury Department to contract for architectural and engineering services and limiting the fees to be paid for such services. The order had been, in accordance with Budget's suggestion, redrafted to only apply to Lease-Lend projects. Several changes in form were agreed to at this conference. The order was signed by the President on November 11, 1942, and is Executive Order No. 9269.

38. Proposed Executive Order Consolidating Certain

Agricultural Lending Agencies. Mr. Shea conferred with Mr. Droste and Mr. McConnaughey, of the Farm Credit Administration, on November 9, 1942. An executive order proposed by that agency was discussed. The order would consolidate certain agricultural lending agencies and functions into an agricultural loan agency to be administered under the direction and supervision of the Governor of the Farm Credit Administration, subject to the general direction and supervision of the Secretary of Agriculture.

39. Proposed Executive Order Establishing Interdepartmental Board to Consider Subversive Activities. Mr. Shea conferred with members of the Bureau of the Budget on an executive order proposed by the Department of Justice. The order would establish an interdepartmental board to consider cases of subversive activity on the part of Federal employees. Mr. Ranta prepared a letter to the Bureau of the Budget stating that this Department had no objection to the approval of the order.

40. Memoranda Re Salary of Treasury Employee Presently Interned by the Enemy. A memorandum discussing whether or not salary and per diem allowance checks of a Treasury employee at present interned by the enemy (Maxwell Anderson) might be issued and transferred to his account in a bank in

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the United States, pursuant to a power of attorney, was prepared by Mr. Filachek.

41. Reproduction of War Savings Stamps. Mr. Ranta prepared a letter for Mr. Gaston's signature advising Senator Connally that the Department had no objection to the use of an illustration of a War Savings stamp in the A W V S News of Houston, Texas, inasmuch as the illustration was to be in black and white and about one-half the size of an actual stamp.

A letter addressed to Mr. Fred Knoop, which was prepared by Mr. Filachek, denied a request to use a reproduction of War Savings stamps for the December cover of Minicam Photography.

42. Threats Against the President. In response to a request from Assistant Attorney General Berge for our views on United States v. Metzdorf, 252 Fed. 933, relating to an alleged threat against the President, Mr. Filachek prepared a letter advising that this Department was of the opinion that the conclusion reached in the decision was unsound.

43. Dismissal of Indictment. Mr. Filachek prepared a letter to Assistant Attorney General Berge advising that indictments against Mr. and Mrs. Creed J. Short should not be removed from the court docket at this time to permit further

search for counterfeiting plates believed to be in Short's possession. Mr. Ranta prepared a letter advising that this Department had no objection to the dismissal of three counts of an indictment charging William Butynski with possessing and passing counterfeit Federal Reserve notes.

44. Compromise Offers. The offers made by John Preuss, Grants Pass, Oregon, and the United States Hoffman Machinery Corporation, in settlement of claims in favor of the United States were duly accepted by the Acting Secretary of the Treasury. A letter recommending acceptance of the offer made by Clark L. Corey in settlement of a debt due the United States was prepared. Miss McDuff handled these cases.

45. Congressional Action on Treasury-sponsored Legislation.

(a) Minor Coinage Bill. On November 9, 1942, Senator Wagner introduced S. 2889, "To further the war effort by authorizing the substitution of other materials for strategic metals used in minor coinage, to authorize the forming of worn and uncurrent standard silver dollars into bars, and for other purposes", which bill was referred to the Senate Committee on Banking and Currency. The bill was introduced by Representative Somers as H.R. 7767 on November 10, 1942, and referred to the Committee on Coinage, Weights and Measures. S. 2889 was

reported with amendments (S. Rept. No. 1699) on November 19. It was passed by the Senate on November 23 and referred to the Committee on Coinage, Weights and Measures on November 24.

(b) Huntsville, Texas, First National Bank. On November 16, 1942, S. 2761, for the relief of the First National Bank of Huntsville, Texas, was reported from the Senate Committee on Claims without amendment (S. Rept. No. 1676). It was passed by the Senate on November 23 and on the next day referred to the House Committee on Claims.

(c) G. F. Allen Relief Bill. On November 16, 1942, H.R. 6990, for the relief of G. F. Allen, Chief Disbursing Officer, Treasury Department, and for other purposes, was reported from the Senate Committee on Claims, without amendment (S. Rept. No. 1694), and was passed by the Senate on November 23, 1942. This bill was presented to the President for his approval on November 25.

(d) Free Importation of Soldiers' Gifts. On November 19, 1942, Representative Doughton introduced H.R. 7792, "To accord free entry to bona fide gifts from members of the armed forces of the United States on duty abroad", which was referred to the Committee on Ways and Means. On November 23 it was reported (H. Rept. No. 2643), and passed by the House. It

was reported from the Committee on Finance (S. Rept. 1706) and passed by the Senate on November 25.

(e) Opium Poppy Bill. H.R. 7568, "To discharge more effectively the obligations of the United States under certain treaties relating to the manufacture and distribution of narcotic drugs, by providing for domestic control of the production and distribution of the opium poppy and its products, and for other purposes", was reported from the Committee on Finance (S. Rept. No. 1764) and passed by the Senate on November 30, 1942.

The following work was done under the supervision of Assistant General Counsel O'Connell and Mr. Luxford, Chief Counsel of Foreign Funds Control:

46. Staff Reorganization. On November 20, 1942, a General Counsel's staff letter was issued, designating Mr. Ansel F. Luxford as Chief Counsel of Foreign Funds Control and Messrs. Josiah E. DuBois, Jr. and Lehman C. Aarons as Assistants Chief Counsel of Foreign Funds Control, under the general supervision of Mr. Joseph J. O'Connell, Jr., Assistant General Counsel. The following assignment of duties was made:

Division A, headed by Mr. DuBois, is concerned with the issuance of public documents; Latin American and neutral country problems; stabilization operations and matters relating

to silver; liaison with the Army regarding fiscal operations and problems connected with allied occupation of enemy territory; foreign decrees, and certifications under the Federal Reserve Act.

Division B, under the supervision of Mr. Aarons, is responsible for the preparation of briefs, legal research, and study of litigation affecting Foreign Funds Control, and handles censorship problems and matters relating to control of currency, securities, and negotiable instruments. It also deals with territorial problems, questions arising under scorched earth regulations, the China program, questions relating to gold, coinage, and the Mint Bureau, and provides general assistance to Foreign Funds Control on licensing and administrative problems.

Division C, headed by Mr. Lesser, does legal work connected with enforcement, selecting and developing cases for criminal prosecution, initiating grand jury proceedings, cooperating with Department of Justice and United States attorneys on criminal matters and on foreign agent registration problems, and participating in the work of the Committee on Enforcement and Investigations. It is responsible for holding hearings and conducting investigations relating to enforcement, including the Swiss Banks investigation.

Division D, headed by Mr. Lawler, deals with ad hoc blocking, participating in the ad hoc committee, and conducts hearings under General Ruling No. 13 on applications for unblocking. It handles business enterprise problems, including investigations, investigations of blocked insurance companies doing business in the United States and of I. G. Farben connections in the Western Hemisphere, and participates in the work of the Committee on Enforcement and Investigations. It deals with vesting problems, does liaison work with the Alien Property Custodian, and handles questions involving conflicting allied Alien Property Custodian claims, patents, trademarks, and copyrights, repatriation cases, and internees.

Division E, under the supervision of Mr. W. H. Reeves, handles all matters relating to TFR-300 and TFR-400 and any other census reports, including drafting work and studies of how census reports may most effectively be utilized. It advises Foreign Funds Control on applications involving attachments or other types of litigation, including attorneys fees cases, and deals with problems arising under General Ruling No. 12. It is responsible for matters involving trusts and decedents estates, insurance and reinsurance.

47. Continental France as Enemy Territory. On

November 8, 1941, as a result of the Nazi invasion of unoccupied France, General Ruling No. 11 was amended so as to include all continental France in the definition of enemy territory. Prior to this, occupied France was enemy territory, but unoccupied France was not so designated. On November 27, 1942, by Public Interpretation No. 9, attention was called to the fact that Monaco was also considered enemy territory. In order to assuage the fears of resident French nationals who were not enemy nationals, Messrs. DuBois and Murphy participated in the preparation of a press release pointing out that their status was not affected by the amendment to General Ruling No. 11.

48. Conflicting APC Claims. A conference was held at the State Department at the request of the Canadian Alien Property Custodian. Representatives of our Alien Property Custodian, of the British Ministry of Economic Warfare, and of the Foreign Funds Control were present. It was proposed by the Canadians and the British that the conference arrive at general principles governing the handling of assets with respect to which the allied governments had conflicting claims. The Treasury representatives agreed to assist in working out the solution to specific problems of an urgent character but were not hopeful of being able to work out overall solutions to conflicting custodian claims until after the war. A number of pressing

published. This request was made because of certain language used by the Comptroller General with respect to the relationship between the Geneva Convention of 1929 and section 5(b) of the Trading with the Enemy Act.

Every civilian who has been interned for the duration of the war is being notified that his assets held outside of the camp are frozen. Withdrawals not to exceed \$150 per month will be permitted to defray the support of his dependents, and to meet his current obligations, and the sum of \$30 a month may be withdrawn to pay his personal expenses in the camp. Messrs. Aarons and Alk worked on this matter in conjunction with members of the administrative staff.

51. Estates (See October 1942 report, item 43). Prior to the issuance of General License No. 30A, the consuls of various neutral and enemy occupied countries appeared in estate proceedings to represent the interest of their nationals. The various neutral generallicenses were also frequently used to receive payment of distributive shares. Under General License No. 30A, however, unless a special license is obtained, a blocked national cannot act as personal representative or represent any person in estate proceedings. The neutral general licenses have thus been amended so as to be inapplicable to

administration of decedents' estates.

Blanket licenses were, therefore, prepared and issued to the Legation of Switzerland, the Legation of Portugal, the Minister of Sweden, and the Spanish Embassy, authorizing the consuls of the respective countries to represent their nationals, and to receive payment of distributive shares, provided the payments are made in the manner specified by General License No. 30A, or by deposit in a blocked account in a domestic bank in the name of the appropriate consul in trust for the beneficiary. In addition, blanket licenses were issued to the Norwegian Embassy and the Netherlands Embassy, which authorized the respective consuls to act as personal representative of a decedent's estate and provided for payment of distributive shares by deposits in Special Custodian Accounts established by the embassies. Conferences were held with representatives of the various embassies explaining the various documents. Messrs. Aarons and Alk worked on this in conjunction with members of the administrative staff.

52. Changes in Patents Procedure (See October 1942 report, item 54). General Licenses No. 72, as amended, and No. 72A, and Public Circular No. 5, as amended, relating to patent, trademark, and copyright transactions were issued on November 17, 1942. General License No. 72 was amended so as to relinquish

to the Alien Property Custodian authority over United States patents, trademarks, and copyrights in which there is a blocked interest. The Alien Property Custodian has now assumed the jurisdiction given to him under section 2(d) of Executive Order No. 9193 with respect to the filing and prosecution of applications for United States patents, trademarks, and copyrights, and transfers or other dealings with respect thereto, if any blocked interest is involved. The Treasury Department retains jurisdiction over payments and financial transfers incident to these transactions. General License No. 72A authorizes persons not nationals of any blocked country to file and prosecute applications for patents, trademarks, and copyrights in any foreign country in which a blocked national, other than an enemy national, has an interest. This general license also authorizes the receipt of documents issued in connection with such applications, the payment of fees currently due to foreign governments, and, within limitations, the payment of attorneys' fees. Public Circular No. 5 explains the general licenses and advises of the relinquishment of jurisdiction by the Treasury Department in the domestic patent field, and the taking over of that field by the Alien Property Custodian. Messrs. Aarons, Murphy and Kehl worked on these matters.

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53. Securities Control (See October 1942 report, item 56).

(a) General License No. 84 -- Importation of War Savings Bonds. General License No. 84 was issued on November 25, 1942, exempting United States War Savings Bonds or Stamps and tax notes from the importation restrictions of General Ruling No. 5. The license was issued so that servicemen buying such securities abroad might send them to the United States. Messrs. DuBois and Daum handled this matter.

(b) General License No. 29 -- Confidential Circular No. 8A. General License No. 29 was amended on November 6, 1942, to provide that no coupons might be removed for collection from a General Ruling No. 6 account unless the bonds to which the coupons relate are in such General Ruling No. 6 account. Confidential Circular No. 8A, which was prepared by Mr. Daum, instructed the Federal Reserve Banks to deny applications to collect detached coupons held in General Ruling No. 6 accounts where such coupons were imported from any country which has not broken off diplomatic relations with the Axis.

(c) Study of Applications Involving Securities Transactions. An analysis was made by Mr. Kehl of an application by General Safety, Inc., to purchase 10,800 shares of stock of Houston Milling Company, a Texas corporation, from

Comptoir Generale, a Swiss corporation. The application was denied because of its repatriation aspects and possible prejudice to unrepresented persons in France. Because of the complicated nature of the transactions, and prior actions taken by Foreign Funds Control, a letter was sent to the attorneys for the applicant giving the reasons for denial of the pending application.

(d) Philippine Securities (See October 1942 report, item 59). A plan has been prepared whereby securities and obligations of the government of the Commonwealth of the Philippines, its political subdivisions, or corporations organized under its laws, and "frozen" in reputable banks in various countries in the generally licensed trade area, may be released. The program contemplated calls for the reports of these securities to be filed by the New York agency of the Philippine National Bank, the transmission of Form TFEL-2 by the Federal Reserve Bank of New York to the bank holding the securities and the release of the securities after attachment of Form TFEL-2. The basic documents, which were drafted in the past months and cleared in the Treasury Department, the Department of State, Interior Department, and informally by the Philippine Government, have been transmitted to the

Resident Commissioner of the Philippines from the United States. They are pending before him and President Quezon at the present time. Mr. Murphy worked on this matter.

54. Sale of Assets to Residents of Blocked Territory.

A general ruling is being prepared by Mr. Daum which will prohibit the sale of assets owned by persons in the United States to persons residing in blocked territory.

55. Checks and Drafts Sent from Blocked Areas. Study is being made by Messrs. Rains, Daum and Mrs. Rogan, with members of the administrative staff, of a proposed general ruling restricting the receiving or holding of checks, drafts and promissory notes sent from blocked areas.

56. Census of American-owned Property Abroad. (See October 1942 report, item 62). Proposed regulations and instructions concerning the census of American-owned property abroad have been redrafted and forms revised by Messrs. Reeves, Arnold and Warner to incorporate suggestions and ideas which were made by the administrative and legal staffs of Foreign Funds Control, by the Monetary Research Division, and by other agencies of government.

57. Litigation (See October 1942 report, item 57). In two recent cases, Justice Collins of the New York Supreme Court

permitted actions to be brought by corporations--one French and the other Dutch--located in enemy territory, and directed that the proceeds of any judgment be paid to the Alien Property Custodian. A letter has been prepared by Messrs. Aarons, Golding, Murphy and Alk calling the Justice's attention to the fact that two agencies are administering the powers of the President under section 5(b), and requesting a revision of the decision so as to direct that the proceeds be subject to the Trading with the Enemy Act, as amended, the Executive Orders thereunder, and action pursuant thereto. In this manner, appropriate action may be taken by the proper agency. It has been suggested that the Alien Property Custodian send a letter approving the proposed action, and action is being delayed until he has had an opportunity to study the matter.

The Department of Justice transmitted for consideration a proposed state bill submitted by the Alien Property Custodian to provide for service upon him of process or notice. In a conference held with representatives of the Alien Property Custodian the bill was discussed and objections presented. A memorandum was sent to the Alien Property Custodian embodying the criticisms of this Department. Messrs. Reeves, Alk and Warner handled this matter.

A study is being made of the various cases now in litigation or out of which further litigation may arise. This includes Littau v. Ore & Chemical, Brown v. Morgan, and Feuchtwanger v. Central Hanover Bank. Brown v. Morgan involves, among other things, the obligation which one party to a law suit has vis-a-vis the other parties with respect to applying for a Treasury Department License. Inasmuch as the prohibitions in Executive Order No. 8389, as amended, are coming into play more and more, as legal defenses, the holding in Brown v. Morgan (that before a person may plead the freezing order as a defense, he must first show that a license was applied for and denied) are receiving greater consideration. For example, the Brown v. Morgan problem has been raised in Aickelin v. General Aniline & Film discussed last month. Messrs. DuBois, Reeves, Golding, Alk and Murphy are working on these cases.

Two problems in public relations have arisen as the result of the decision of the New York State Court of Appeals in the Polish Relief case. An article appeared in the American Banker which, it was felt, contained an erroneous interpretation of the decision, as well as the position of the United States as amicus curiae and that of the Treasury Department in General Ruling No. 12. A letter was prepared by Messrs. DuBois, Reeves, Alk,

Golding, Arnold and Murphy explaining these matters in detail and setting forth the feeling of this Department that the decision of the Court of Appeals was consistent, in all respects, with our position. Also, Messrs. DuBois and Murphy prepared a letter pertaining to a note on the Polish Relief case appearing in the Illinois Law Review.

58. Hawaiian Scorched Earth Program (See October 1942 report, item 58). Efforts have been made to complete the various phases of this program. Conferences were held with representatives of the Bureau of the Public Debt, the Treasurer's office, and the Foreign Funds Control with respect to measures to handle the Hawaiian Series currency imported into the United States. Since most of these imports appear to have been accidental and perhaps unavoidable, emphasis has been to facilitate the ready exchange of any Hawaiian currency which turns up in the United States.

Confidential Circular No. 173 and instructions to Collectors of Customs which provided that they should permit persons having Hawaiian series currency to pass through customs, upon executing a certification that they will exchange the currency promptly with a bank in the United States, were issued. Banks were authorized to effect such exchanges and to deliver the currency

so received to a Federal Reserve Bank. A plan is being worked out which will authorize any bank in the United States to receive Hawaiian currency from any person having possession of it and to turn such currency over to a Federal Reserve Bank. A letter has been prepared by Mr. Murphy for Mr. D. W. Bell's signature and is presently awaiting clearance.

59. Strategic Information (See October 1942 report, items 65 and 55; August 1942 report, item 51). Many departments of the government have been concerned lest strategic information with respect to war production, shipping dates, cargoes, etc., be sent to the enemy through certain insurance and reinsurance transactions, particularly those involving foreign countries or their nationals. In that connection, a study has been made of the Secretary of the Treasury's authority in World War I to control the transmission of insurance information and the activities of foreign insurance companies within the United States. Upon the basis of this study a conference was held and arrangements made for further control over this field. Messrs. Aarons, Kehl, Golding and Murphy worked on this.

A study is also being made by Messrs. Lawler and Proctor with respect to freight forwarding concerns for the purpose of determining whether general government control over such firms

is advisable in view of their access to confidential information concerning ship movements and the possibility that they might make such information available to the enemy. Mr. Marcel Holzer of the American Union Transport Company is lending assistance in furnishing information concerning the freight forwarding business as a whole and concerning particular firms about which he has knowledge. When this study has been completed, the Treasury will be in a position to propose action which should be taken by this Department or other Government agencies.

60. Enforcement and Investigations (See October 1942 report, item 65). (a) Draeger Shipping Company. An investigation has been made of the possible violation of a directive license by the Draeger Shipping Company, Inc., in conspiracy with CH.CH.Sztejn and Harry Sztejn relative to the sale of certain horse and cattle hair. Under the directive license, Draeger was authorized to sell horse and cattle hair at the prevailing market price, as agent for A. G. Schnyder of Switzerland. Because of the large profit which Messrs. CH. CH. Sztejn and Harry Sztejn, purchasers of the hair from Draeger, made on the resale, there is reason to believe that Draeger did not sell at the prevailing market price. A study was made of WPB and OPA regulations and of practices of reliable firms in the horse hair business

in an effort to determine whether the directive license was violated. In connection with this, the Swiss firm has sued Draeger, the Alien Property Custodian, and CH. CH. Szejn and Harry Szejn for fraud. While no decision has been reached, it is likely that Draeger will be prosecuted for a violation of the directive license. Messrs. Lawler, Proctor and Locker are working on this case.

(b) Viktor Bator. In cooperation with the Bureau of Internal Revenue, an investigation is being made of Viktor Bator, a Hungarian national, who entered the United States on February 26, 1939. Since his arrival in the United States, it appears that he has acted on behalf of the Hungarian Government and other nationals of Germany. There is some indication also that Bator failed to report certain profits realized in transactions involving nationals of Hungary. Miss Klein is working on this case.

(c) Swiss Insurance Investigation. The investigation of the Swiss Insurance Company and the Switzerland General Re-insurance Company, Ltd., is continuing. Reports of the investigation to date indicate that certain omnibus accounts contained funds of enemy nationals. Mr. Lawler is handling this matter.

(d) Other Investigations and Studies Connected with Enforcement. Field investigations were concluded and final reports submitted with respect to Ferd. Muelhens, Inc. and Maxwell C. Katz by Mr. Quint; Anton Smit & Co., Inc. by Mr. Schwartz; E. S. Halsted & Company, Scholtz & Co. and Jorge and Juan Caputo by Mr. King; and Jules and Suzanne Levee by Mr. King.

Investigative studies were concluded and definitive reports were submitted with respect to William J. Topken by Miss Mayer; Eurasia Import Co. and Paper Co. Van Reekum by Mr. Cook; Swiss Bank Corporation and Credit Suisse by Mr. Ewing.

The following matters are presently being studied and investigated: American Giese Wire Corporation and Horst Albrecht Wegener, accountant and agent for the corporation; Valentine Joseph Peter and the law firm acting for him, Peter & Dalton; Acme Continental Corporation and George Biedermann, president of the corporation (Mr. Ackermann); Auchincloss, Parker & Redpath by Miss Mayer; S.K.S. Dyestuff Corporation and its manager, H.A.P. Rossiger by Mr. King; Auchincloss, Alley & Duncan, a law firm; Wildenstein, Inc., art dealers, and David Van Buuren by Messrs. King and Quint; Draeger Shipping Company by Mr. Ewing; and New York Match Company by Mr. Cook. In several of these matters, members of the office of the Chief Counsel,

Foreign Funds Control, are working with the Department of Justice, and are also cooperating with the Securities & Exchange Commission in one case.

(e) General License No. 58. A study is being made by Mr. Cook of the operation of General License No. 58 and the use of the offset device as a means of avoiding the prohibitions of the Executive Order, particularly in the case of remittances from China.

(f) Reports on Violations. Letters were written by Mr. Ackermann to twelve persons who appeared to have violated the Executive Order, requiring the submission of oral or written explanations. Eight explanations have been received to date. In all eight cases it would appear that further action is necessary in view of the nature of the proffered explanations.

(g) Hearings on Violations by Swiss Banks. It is contemplated that within the near future the Swiss Bank Corporation and the Credit Suisse will be notified that hearings are to be held, commencing shortly after the first of the year, with respect to their numerous violations of the Executive Order. Mr. Lesser is working on this case.

61. Public Education (See October 1942 report, item 67). Messrs. DuBois and Lawler have been working on a revision of.

the handbook prepared for the Inter-American Conference on Systems of Economic and Financial Controls in order that it may be published. The proposed revision is presently being considered by other interested agencies of the Government.

62. Latin American Problems (See October 1942 report, item 48). (a) Mexican Securities Program (See October 1942 report, item 56). In connection with the program relating to the registration of certain Mexican securities and the vesting of those determined to be "enemy owned", the following documents have been drafted:

(1) A general license permitting the registration in the United States of securities presently in blocked or General Ruling No. 6 accounts, pursuant to the Mexican Registration Decree, with appropriate provisions for continued control by this Department of these securities and ultimate return to the blocked or General Ruling No. 6 accounts from which they came.

(2) A decree to be issued by the President of Mexico providing for the vesting by the Mexican Government of certain "enemy owned" securities.

(3) A letter to be sent by the Secretary of State to the Secretary of the Treasury recognizing the validity of the proposed Mexican vesting decree.

(4) A letter from the Secretary of State to the Attorney General instructing the latter to make specified representations to indicate that the proposed Mexican vesting decree was recognized as valid by this Government and that the proposed act involved a "political question", since it arose in connection with and in furtherance of an international compact to which our Government and the Mexican Government were parties.

(5) A memorandum of law discussing a number of problems which may arise in connection with the effect that will be given to the proposed Mexican decree by the courts of the United States. The memorandum dealt with such problems as jurisdiction based upon the control of the debtor; United States cases involving seizure of securities and other debts, where the physical evidences of ownership were not within the jurisdiction of the United States or otherwise unavailable; similar action in connection with shares of stock in domestic corporations physically held outside of the jurisdiction of the United States or otherwise unavailable; and the effect given State Department representations in connection with (i) the validity of foreign decrees or acts of a foreign sovereign, (ii) the claim of sovereign immunity to suit, and (iii) the problem of whether or not a "political question" is involved.

Further study is being given to these matters by Messrs. DuBois and Minskoff in collaboration with representatives of the Mexican Government and agencies of this Government.

(b) Argentina. In cooperation with the Inter-American Section of Foreign Funds Control, further measures were taken to implement the program which had been agreed upon with the State Department. This included the preparation of additional lists of names to be investigated for the purpose of blocking as "special blocked nationals" under existing arrangements. Additional cases are being prepared for submission to the State Department as candidates for ad hoc freezing. In this connection, it is interesting to note that Shaw Strupp, which was recommended for ad hoc freezing, attempted to transmit to Chase Bank for collection some 58 checks, all bearing Yugoslav

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names, all endorsed by the same person, and all 2 or 3 years old. Since all but two of the checks had been collected, the proceeds were immediately blocked, and a thorough investigation of the matter begun.

The reports filed on Form TFR-149 under the general licenses relating to the neutral European countries as they involve transactions with Argentina are being studied. This will provide important background for a proposed general ruling which will require all blocked accounts in which persons outside the United States have an interest to be regarded as General Ruling No. 6 accounts. In that connection, a comprehensive study of Argentine trade and financial transactions is being made to establish whether it is necessary for Argentina to draw on its blocked dollar accounts in order to maintain its trade with the European neutrals or whether the transactions with European neutrals are merely necessary to build up foreign exchange balances. Messrs. DuBois and Moskovitz are working on these matters.

Mr. DuBois prepared a list of firms, including Banco de la Nacion, proposed for ad hoc treatment, which was transmitted to the State Department. He also prepared a letter to the Secretary of State covering the general aspects of Argentine program.

(c) In General. A number of problems involving the Latin American Republics were handled in connection with transactions between this country and the Latin American Republics and also in connection with the freezing control laws of the various Latin American Republics. A memorandum was prepared by Mr. Cassoday discussing the conflicts between Latin American laws and proposed regulations for the removal from the mails of certain dollar currency and dollar drafts being sent between Latin American countries. Mr. DuBois participated in further study of the reinsurance problems.

(d) Missions. Mr. Froelich, of Foreign Funds Control, and Mr. Lawrence Moore went to South America to aid in the development of the Treasury Department's program with respect to the activities of certain blocked business enterprises, such as Sterling Products, in that area. Mr. Rains went to Puerto Rico to assist in the institution of a Foreign Funds Control office and further to develop a Foreign Funds Control program in that area.

63. Currency Control (See October 1942 report, item 52).

(a) "Big Money" Program. A method by which all United States currency in bills of \$500 denominations or over will be called in has been considered by Messrs. DuBois and Rains. This

program contemplates the deposit of such bills in domestic banks for exchange into bills of \$100 denominations or smaller on or before a stated deadline. Persons and banks outside the United States may deposit the currency held by them in local banking institutions which will take such currency on a collection basis and forward it to a Federal Reserve Bank in the United States. This would be a further step to prevent the introduction in the United States of looted currency, much of which is in bills of large denomination. The "big money" program was studied by Mr. Rains with a view toward its possible utilization in Puerto Rico.

(b) Import Controls. Problems connected with the administration and enforcement of currency control measures under General Rulings No. 5, 6A, and 14 were handled by Messrs. Rains, Murphy and Mrs. Rogan, in collaboration with members of the administrative staff. Instructions were issued to all collectors of customs requiring them to report to this office information with respect to all persons leaving the United States who are carrying more than \$50 in United States currency. This requirement represents a preliminary survey to ascertain the desirability of imposing export control restrictions on United States currency. Likewise, on November 19, 1942, collectors of customs were

authorized to exempt from the currency import controls United States Government funds brought in by members of the armed forces. There has also been drafted by Messrs. DuBois, Rains and Murphy a plan by which the importation of currency by the crews of merchant vessels and shipmasters may be subjected to control through the Maritime Commission.

(c) North African currency controls. In connection with the Allied occupation of portions of North Africa, a special issue of currency was printed and made available to the occupying forces. It is hoped that this will prevent the liquidation of Axis-looted currency in occupied areas, and will aid the populations of these areas in their financial transactions.

64. Neutral European Countries (See October 1942 report, item 47). (a) Spain. In conjunction with the recent development with respect to Vichy France, a program has been prepared to meet any contingency which may arise should Spain upon its own initiative or through occupation of Axis forces lose its status as a neutral country. Documents have been drafted by Mr. DuBois, and a complete program has been worked out with respect to any contingencies which may arise in this connection. Mr. Rains visited Puerto Rico recently in order to institute a Foreign Funds Control office in that area. At that time, he

studied the applicability of the Spanish program in Puerto Rico should this contingency arise.

(b) Sweden. Mr. DuBois collaborated with the State Department in the preparation of a memorandum discussing recent problems which have arisen and outlining a program which embodied the results of this study.

65. Certifications under Section 25(b) of the Federal Reserve Act (See October 1942 report, item 51). A number of licenses, ratifications and certifications pursuant to section 25(b) of the Federal Reserve Act, involving the account of friendly refugee governments, have been reviewed by Messrs. DuBois, Daum and Sommerfield. Among those studied were accounts involving Thailand, De Surimnassche Bank, Banque de Grece, and the Denmark National bank.

66. Diplomatic Pouches. (See September 1942 report, item 62). Mr. Minskoff prepared a draft of a telegram to be sent to all collectors of customs directing them to make weekly reports containing specific information with respect to all matters for which diplomatic immunity is claimed. These reports would also provide information with respect to the carriers of these matters. It is hoped that the intelligence thus obtained will lay the groundwork for tightening the control of the diplomatic pouch in order to prevent or minimize

violations of Treasury and Censorship regulations through the abuse of the diplomatic privilege.

67. Insurance Problems (See October 1942 report, item 55). An analysis was prepared by Messrs. Aarons, Alk, Murphy and Kehl of various pending insurance problems with a view to drafting a general license which will obviate the necessity of specific licenses in certain insurance transactions in which a blocked interest exists. Discussions are being held on the scope of such a general license.

68. Treatment of Attorneys Blocked "Ad Hoc". The study of the problems involved with respect to the extent to which "ad hoc" blocked attorneys should be permitted to represent blocked nationals in legal proceedings is being continued by Messrs. Aarons and Alk with members of the administrative staff. Plans are being formulated to amend all business operating licenses which have been issued so as to require special licenses for the representation of blocked nationals. No decision has been arrived at as yet with respect to the policies to be followed.

69. Censorship (See October 1942 report, item 53). The Office of Censorship has established a Philatelic Control Unit in New York which passes on applications for permits to send

postage stamps and other philatelic material outside the United States and examines all stamps imported into the United States. When a report from the Office of Censorship on certain aspects of this contact is received, appropriate modifications in present Foreign Funds Control instructions to Collectors of Customs may be made. Mrs. Rogan, with members of the administrative staff, is working on this matter.

70. Proclaimed List and Trading With The Enemy (See October 1942 report, item 50). A conference was held and general study made by Mr. DuBois of the manner in which the introduction to The Proclaimed List of Certain Blocked Nationals can be revised. As a result of this study, the "General Notes", which is part of the prefatory material, will be altered.

At the time Vichy France became enemy territory, a critical problem arose with respect to the completion of shipments of goods, etc. Likewise, a similar problem arose with respect to the purchase of critical supplies from blacklisted persons. Instructions were sent to American missions concerning these matters as well as general instructions in response to the amendment to General Ruling No. 11, which brought unoccupied European France within the definition of enemy territory. Mr. DuBois worked on these problems.

71. Silver (See October 1942 report, item 70). Mr. Brenner accompanied a representative of the Mint Bureau to New York for the purpose of studying conditions in the industrial silver market. Producers, banks, and processors were contacted, and it was found that there was a surplus of foreign silver which was probably temporary. Partly as a result of this investigation, the Metals Reserve Company began to purchase silver in order to build up a stock-pile for future use and to keep up the price in order to prevent a disturbance of our relations with Mexico.

Miss Hodel and Mr. Brenner cooperated with another branch of the Government in making arrangements for the use of a large quantity of "free silver" in a war project. A contract and accompanying documents for the moving of the Spanish silver from New York to Philadelphia, where its copper content will be made use of in the production of subsidiary silver coins, were prepared.

In response to an inquiry from the Defense Plant Corporation, Mr. Brenner prepared a memorandum for the Secretary pointing out that there were no legal obstacles to the use of free silver in the Canadian Plant of the Aluminum Company of Canada, pursuant to the terms of an agreement dated May 6, 1942.

72. Gold (See October 1942 report, item 73). As a result of restrictions on the use of copper, manufacturers of gold articles may be unable to use stocks of gold which are not eligible for sale to the United States. In order to prevent the forced sale of such gold at a price below \$35 per ounce, a memorandum was prepared by Miss Hodel and Mr. Brenner for the Secretary recommending that it be purchased by the United States where the owner could show that he wanted to dispose of it because it could not be used without copper.

73. Mexican Railways (See October 1942 report, item 68). A supplementary memorandum has been prepared by Mr. Minskoff providing further information with respect to the proposed general ruling which would immunize Mexican railway property. The purpose of this general ruling is to ease the transportation problem with relation to war materials received from Mexico. At the present time, there is great delay and loss of time and labor which results from unloading and reloading trains which reach the American border. This is substantially attributable to the reluctance on the part of the Mexicans to bring their equipment within the jurisdiction of the United States for fear of attachment by creditors of the railway.

74. Exchange Problems (See October 1942 report, item 69).

An investigation was conducted with respect to the exchange stabilization problem which, according to General Stilwell has caused considerable inconvenience to the members of the armed forces stationed in China. A supplementary memorandum was prepared by Mr. Minskoff outlining the procedure to be adopted for putting a program into effect by which the members of the armed forces would be compensated for losses which were attributable to exchange fluctuations. It is believed that this program could be put into effect without attendant publicity either by Executive instruction or an unpublished Executive order. Further study has been given to the Exchange Relief Act, the Federal Register Act, and attendant regulations.

75. North Africa Program. Messrs. Bernstein, Luxford and DuBois cooperated in the formulation and drafting of various monetary and financial measures which might be necessary in connection with the Allied occupation of North and West Africa. A "cram course" was given to certain Army officers who were going to deal with these problems in North Africa.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE November 30, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending November 28, 1942.

Summary

Industrial production: Expansion in armament output raised industrial production to new high levels in October and the first half of November. About 41 percent of our total production of goods and services in last quarter will be for war uses, according to Department of Commerce estimates.

Steel supplies: Production outlook for winter months improved by rise in steel scrap supplies. Seven-months' supply of ore on hand.

Rationing: OPA and WPB take further measures to make price control and distribution of civilian supplies more effective. Ration banking to be inaugurated on nation-wide basis in January. Department of Agriculture takes steps to expand food production in 1943.

Wholesale prices: BLS all-commodity index unchanged at 100.1 in week ended November 21. Basic commodity prices steady during past week.

Retail trade: Department store sales maintained at recent high levels. Gain over year-earlier levels widened to 30 percent from 13 percent due to earlier observance of Thanksgiving last year.

Inventories: Seasonally-adjusted department store inventories in October declined for the third consecutive month. However, at the end of the month stocks (in dollar value) were still 19 percent above year-earlier levels, while average prices were 6 percent higher.

Corporate income: Net income of all corporations in the first 9 months of 1942 (after reserves for estimated tax requirements) was only 5 percent below the corresponding period in 1941, according to Department of Commerce.

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General situation

Increasing importance is being assumed by problems of rationing and distribution of available supplies, and by the re-vamping of production schedules to conform to more immediate war requirements. Meanwhile, the basic production problems associated with the initial phases of the war effort are receding somewhat into the background. Thus, coincident with heightened concern over food and gasoline rationing and East Coast fuel oil supplies, machine tool output (a former bottleneck) has reached such heavy volume that machine tool leaders are suggesting that some producers convert their facilities to other products, in view of the possible dearth of orders six months hence. Likewise the tremendous upsurge in contract awards for war plant construction has probably passed its peak, and structural steel orders and shipments showed declines in October.

Armament output pushes industrial production higher

Largely due to further gains in armament output, industrial production continues to increase rapidly. The FRB adjusted production index rose 3 points to 188 in October and showed further expansion in the first half of November. Currently it is estimated by the Federal Reserve Board that approximately 80 percent of durable goods production consists of products essential to the war effort.

The October advance carried the FRB index to a new peak 22 points (over 13 percent) above the levels prevailing in November 1941 just before our entry into the war. (See Chart 1.) During the intervening 11 months, the rise in the index has been led by output of ships, planes, tanks, and other items comprising the transportation equipment component, which has advanced 79 percent. The second largest gain has occurred in machinery output, which has increased about one third during the same period. However, in some lines, such as machine tools, output in this industry appears to be nearing its peak. After showing very little gain since last Spring, steel output spurted noticeably in October and was about 11 percent above pre-Pearl Harbor levels. (Refer to Chart 1, lower section.)

Of our total national production of goods and services in the last quarter of the year, about 41 percent will be for war purposes, according to Department of Commerce estimates.

Rise in steel scrap and iron ore supplies

The steel industry appears to be going into the winter months with a somewhat better supply of basic materials than was expected earlier in the year. The steel scrap inventory is reported to have been built up to about 4,750,000 tons, which is the highest level since January 1, 1942, when stocks totaled 5 million tons. Moreover, if the present rate of scrap collections continues, the WPB Conservation Division expects scrap piles to be built up to the projected goal of 7 million tons by the beginning of 1943.

An even more comfortable position will prevail with respect to iron ore supplies as a result of this year's record-breaking shipment of ore down the Great Lakes. On November 1 stocks of iron ore at furnaces and Lake Erie docks totaled nearly 53 million tons, or 20 percent more than a year earlier. This stock was equivalent to nearly 7 months' supply at the current rate of use.

Railroad equipment request partially granted

Steps are being taken to improve the carrying capacity of the railroads. In view of the unprecedented heavy volume of freight traffic in 1942, and the further gains anticipated next year, the Association of American Railroads some time ago requested the WPB for authorization to acquire in the next 10 months at least 80,000 new freight cars, 900 new locomotives and 2 million tons of rails. The WPB recently met this request in part by authorizing the acquisition of 20,000 freight cars and 100 switching engines in the first 6 months of 1943, in addition to 286 road locomotives in the first 8 months of 1943 and 480,000 tons of rails in the first quarter of the year.

Although the fall peak in freight traffic has been passed, the President of the Association of American Railroads recently reiterated the railroads' need for locomotives as well as special and open top freight cars. It is estimated that this year's total freight traffic in ton-miles will run almost 33 percent above last year, while a further increase of from 10 to 15 percent is anticipated in 1943.

Price control and distribution action

Under growing public criticism of the Government's handling of rationing and retail price control, the Government took several steps last week to make price control and distribution of civilian supplies more effective. Measures taken included the following:

(1) Retailers were warned by the OPA against price evasions through changing brand names, whereby resale prices are determined by replacement costs rather than by March ceiling prices. In New York, 35 executives of garment trade associations were charged by an OPA official of violations by their industry of OPA price regulations. Clinics for "retail merchants who do not understand Government price and ceiling regulations" are being held throughout the country.

(2) In accordance with the demand by the Director of Economic Stabilization for simplification and standardization, the OPA has authorized retailers to discontinue or curtail many specified services without requiring reductions in ceiling prices.

(3) Apparently in an attempt to prevent panic buying, the WPB has limited deliveries of most canned goods to retailers. This action was taken by restricting deliveries to specified monthly quotas.

(4) Ration banking, by which the country's commercial banks will handle ration coupons in checking accounts similar to those used in the handling of money, will be put into operation throughout the country in January, the OPA has announced. The banks will act as agents for, and will be paid on a cost basis by, the OPA.

The system will replace the present cumbersome method of clearing coupons through local price and rationing boards. Decision to use this method was made after a test of the plan begun October 28 in the Albany-Schenectady-Troy area of New York. Thirty-three banking offices have been cooperating in this test, which will continue until merged with the national program.

1943 food production goals

New record food production goals for 1943 have been announced by Secretary Wickard, reflecting the Government's concern over the wartime food supply. As part of the attempt to increase food production, the program includes specific price supports for many major commodities. The Secretary said that the requirements for our own military forces and for our Allies now represent about one-fourth of estimated total food production in 1943. Changes from the 1942 pattern of production will throw emphasis on foods of most value in the wartime diet, including meat, eggs, milk, feed grains, dried beans and peas, poultry, essential vegetables, and oil crops.

Hog prices to be supported

Previously established hog production goals for 1943 have been revised upward by Secretary Wickard from 110 to 115 percent of this year's record crop. The revision was accompanied by announcement of a potential subsidy to ensure maximum production, in that hog prices will be supported through Government purchase operations in such a manner as to maintain a price level of \$13.25 at Chicago for good and choice hogs, 240 to 270 pounds, until the fall of 1944. In order to sustain this price level, the Agricultural Marketing Administration purchase policy will include the following provisions:

- (1) Ceiling prices will be paid by the AMA for pork products, unless live hog prices appear to have been reduced by pork processors unreasonably in view of the ceiling prices, or margins appear to have been inflated unduly. In such instances the Agricultural Marketing Administration's price will be reduced proportionately.
- (2) If prices fall below the support level, the Agricultural Marketing Administration will buy live hogs at the support price and arrange for their processing on a custom basis.

In announcing the program, Secretary Wickard said in part, "In view of the constantly increasing demands for pork products... prices should stay above the \$13.25 Chicago level during the next two years without special Government action... However, since we want no question of prices to exist in the minds of the hog farmers... the Department of Agriculture is making this guarantee".

As the seasonal movement of hogs to market has slowly got under way, hog prices have declined substantially from their wartime peak in early October. (See Chart 2.) In the week ended November 20, slaughter at 27 centers was the largest since January. Although it was more than 16 percent larger than a year ago, much greater supplies must come on the market before receipts are in proportion to supplies on farms. It will be noted that the Department of Agriculture's purchases have continued relatively small for several months. Since hog prices have declined, press reports suggest that it is unlikely now that ceilings will be placed on live hogs.

Wholesale prices unchanged at high wartime levels

Despite our intensified war activity in 1942, the rise in the wholesale price level has become more gradual. In the week ended November 21, the BLS all-commodity index was unchanged

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from a week earlier at its 16-year high. Compared with its gain of 33.5 percent since the pre-war month of August 1939, the general price index in the corresponding period of World War I rose more than 80 percent. (See Chart 3, upper section.) It will be noted, however, that the latter part of 1917 also experienced a levelling-out of prices, which was followed by a sharp rise in 1918.

In World War I, prices of foods were among the first to be placed under control, and the control of basic industrial commodities came nearly a year later. During the present war, in direct contrast, controls were quickly applied to basic industrial commodities while foods have been allowed to rise. (See Chart 3, lower section.) Price controls in World War I were first authorized by the Food and Fuel Control Act, which was approved August 10, 1917. Prices of foods "and other necessaries" were administered by the Food Authority set up by the President in May 1917 in anticipation of passage of the Act. Substantial control over prices was exercised through an elaborate licensing system for processors and distributors of foodstuffs. It was not until March 1918 that the Government actually established a comprehensive price control program, but by that time it was too late to prevent general price inflation.

Since price control in Canada became effective last December, the Dominion's wholesale price level has continued to show general stability with a gradual upward trend. (See Chart 4.) In the period since application of the general maximum price regulation in the United States last May, however, the rise in our price level has been at a somewhat slower rate than has the recent rise in the Canadian index.

Basic price index steady

Last week the BLS price index of 28 basic commodities remained unchanged close to its wartime high. (See Chart 5.) The index of 9 uncontrolled commodities advanced, following its recession of the preceding week, reflecting increases in prices for grains and steers. As cattle receipts passed their seasonal peak and demand for beef continued heavy, prices of steers again reached their wartime high. Hog prices declined for the fifth successive week.

A small decline occurred in the index of controlled commodities owing to a marked decrease in the price of wool tops and a smaller decrease in the price of cottonseed oil. A falling off in Government orders and restrictions placed on civilian production have effected a decline in activity of wool textile mills since early October.

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Retail sales sustained at high level

After reaching the second highest level on record in October, retail trade in November has been sustained at high levels. During the week ended November 21 department store sales were virtually unchanged from the previous week. However, the gain over year-earlier levels widened from 13 percent to 30 percent due to the fact that sales in the corresponding week last year slumped because of the earlier Thanksgiving holiday in most states. (See Chart 6.) It will be noted that department store sales during November have been running at the highest levels (with one exception) since last December.

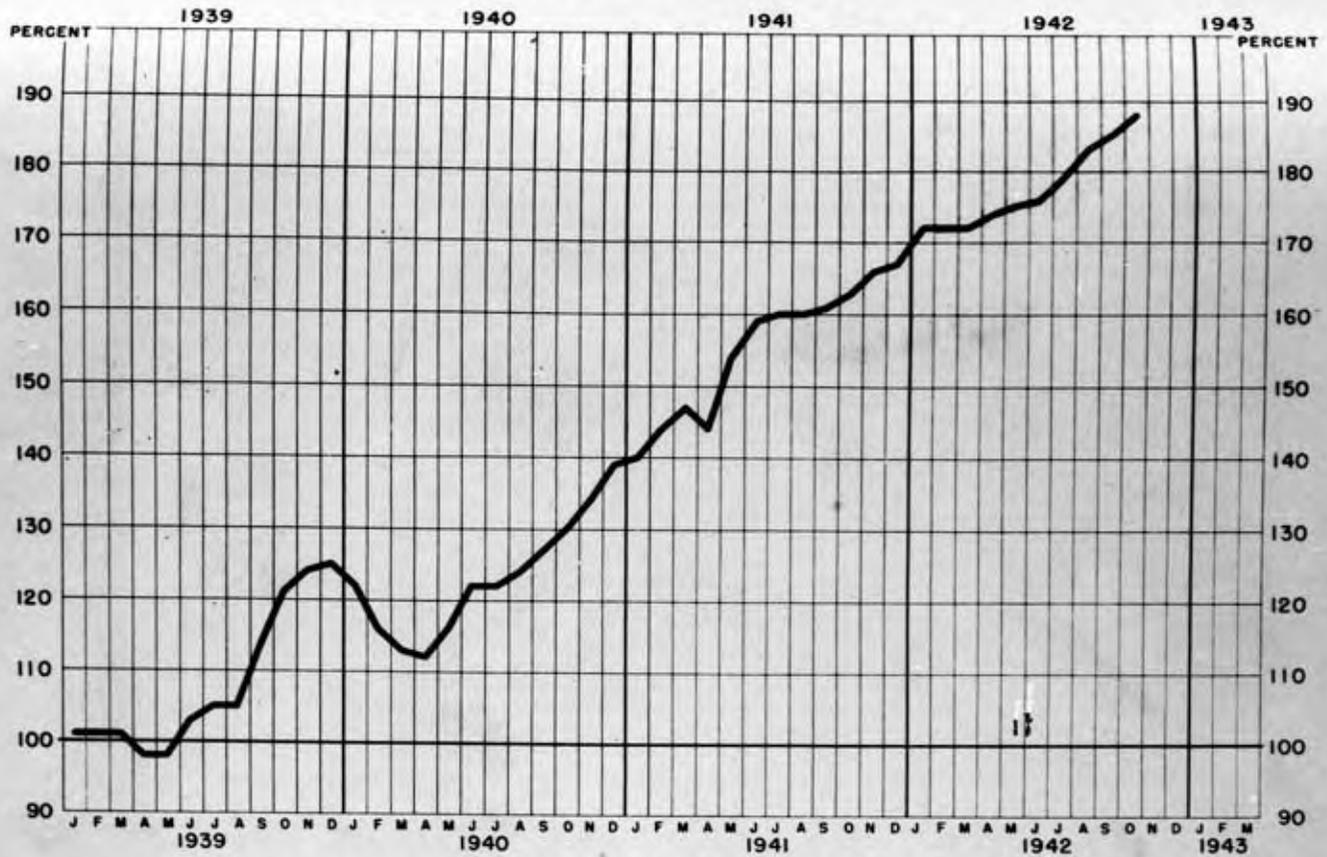
A combination of heavier sales volume, and more cautious buying policies engendered by WPB's plans for inventory restrictions, kept department store inventories from showing the usual seasonal expansion during October. As a result, seasonally-adjusted inventories of department stores during the month showed the third consecutive decline from the peak reached at the end of July. (See Chart 7.) Despite this sharp decline, stocks at the end of the month were still nearly 19 percent above year-earlier levels. Only a moderate part of this rise can be ascribed to price factors, since the price advance in the intervening period amounted to about 6 percent.

Decline in corporate net income

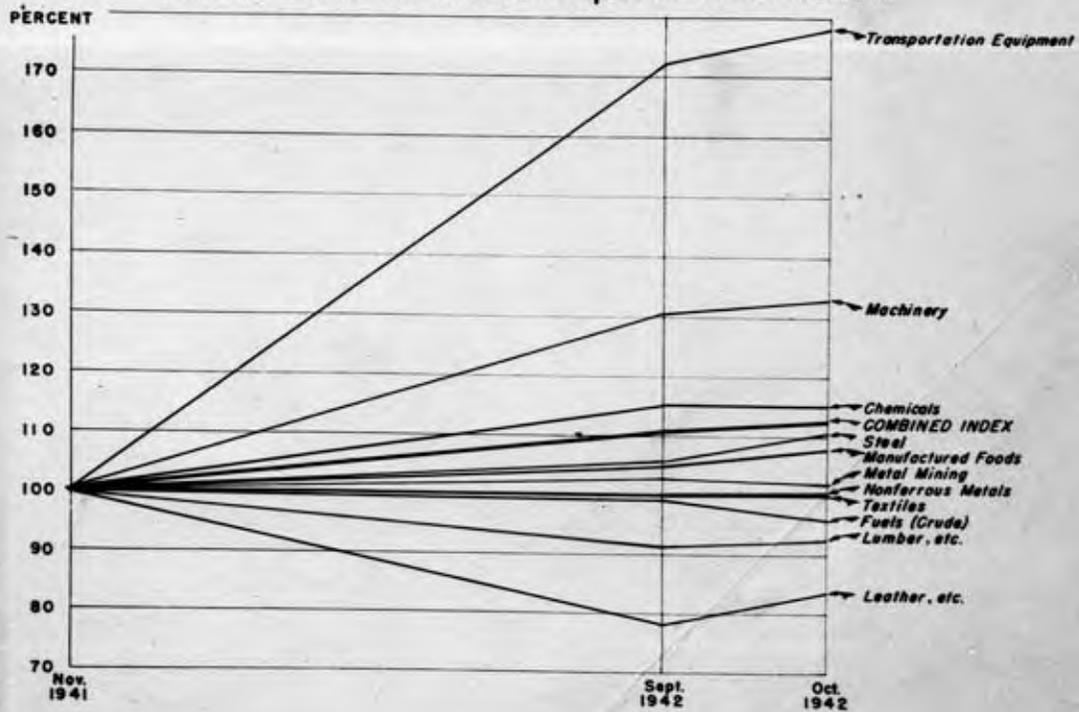
Despite the rise in taxes, net income of all corporations in the first 9 months of 1942 is reported by the Department of Commerce to have declined only 5 percent below the relatively high levels attained in the corresponding period of 1941. Corporate profits, before deductions for income taxes, rose nearly 40 percent during the 1942 period. Reserves for Federal income and excess profits taxes, however, were stepped up to nearly two-thirds of such profits as compared with about one-half a year earlier.

The 5 percent decline in corporation net income was largely due to a 15 percent drop in earnings of manufacturing companies. Within the manufacturing group, earnings changes ranged from a 42 percent drop for printing and publishing concerns to a 60 percent gain for transportation equipment manufacturers. Companies engaged in retail trade showed a 14 percent gain in net income, but wholesale trade registered a 25 percent drop. The most favorable showing of all major groups occurred in transportation (mainly the railroad group) which reported net income 35 percent higher than in the first 9 months of 1941.

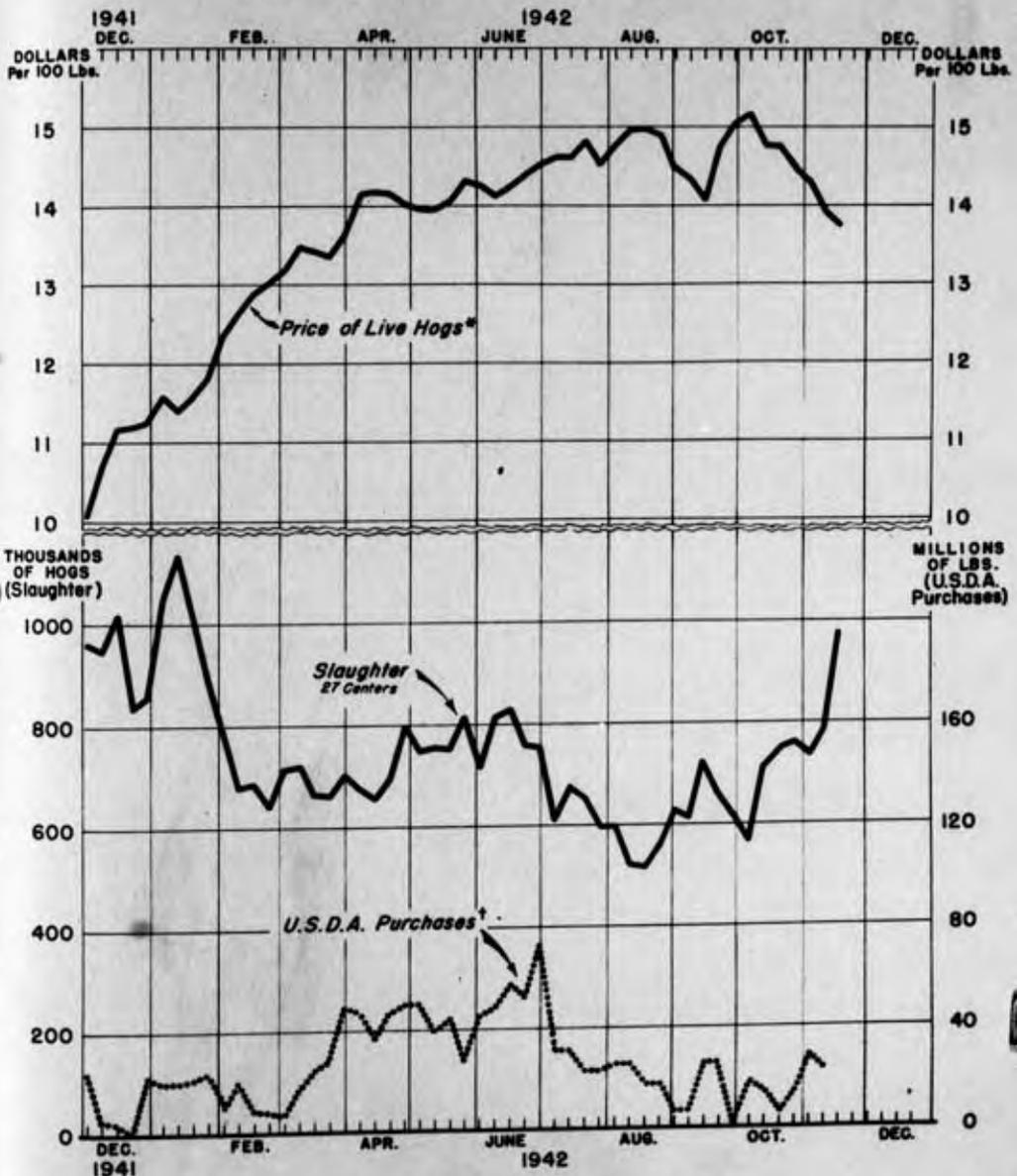
F.R.B. INDEX OF INDUSTRIAL PRODUCTION
1935-'39 = 100, Seasonally Adjusted



Selected Components
Sept. 1942 and Oct. 1942 Compared with Nov. 1941



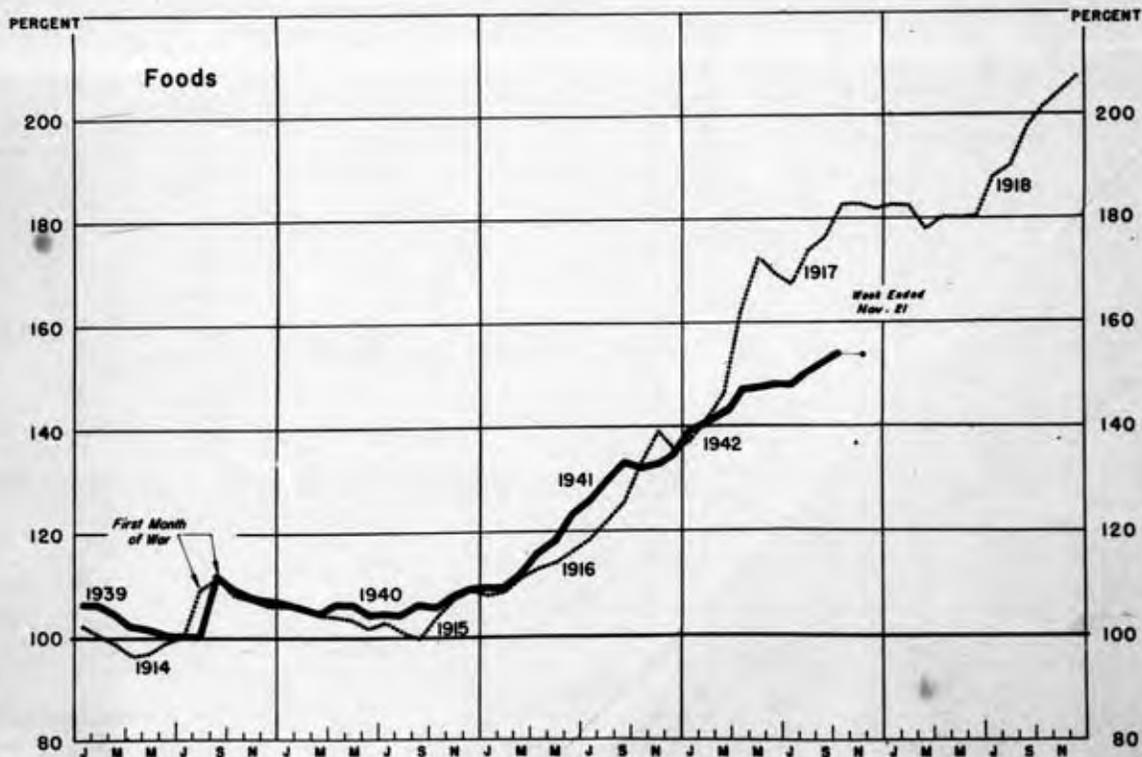
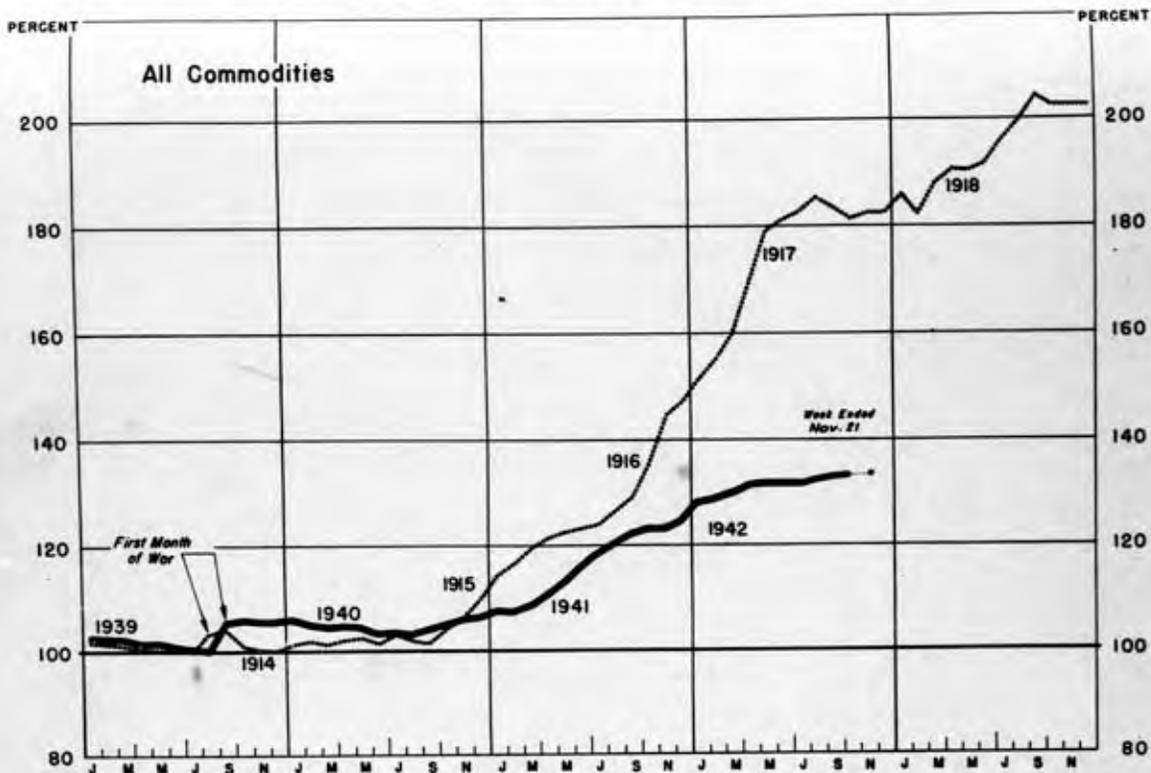
HOG PRICES COMPARED WITH HOG SLAUGHTER AND U.S.D.A. PURCHASES



* Chicago, good to choice, 180-200 pounds
 † Weekly averages since July 3, based on reports for 2-week periods.
 Source: Department of Agriculture

PRICES, 1939 TO DATE COMPARED WITH 1914 TO 1918

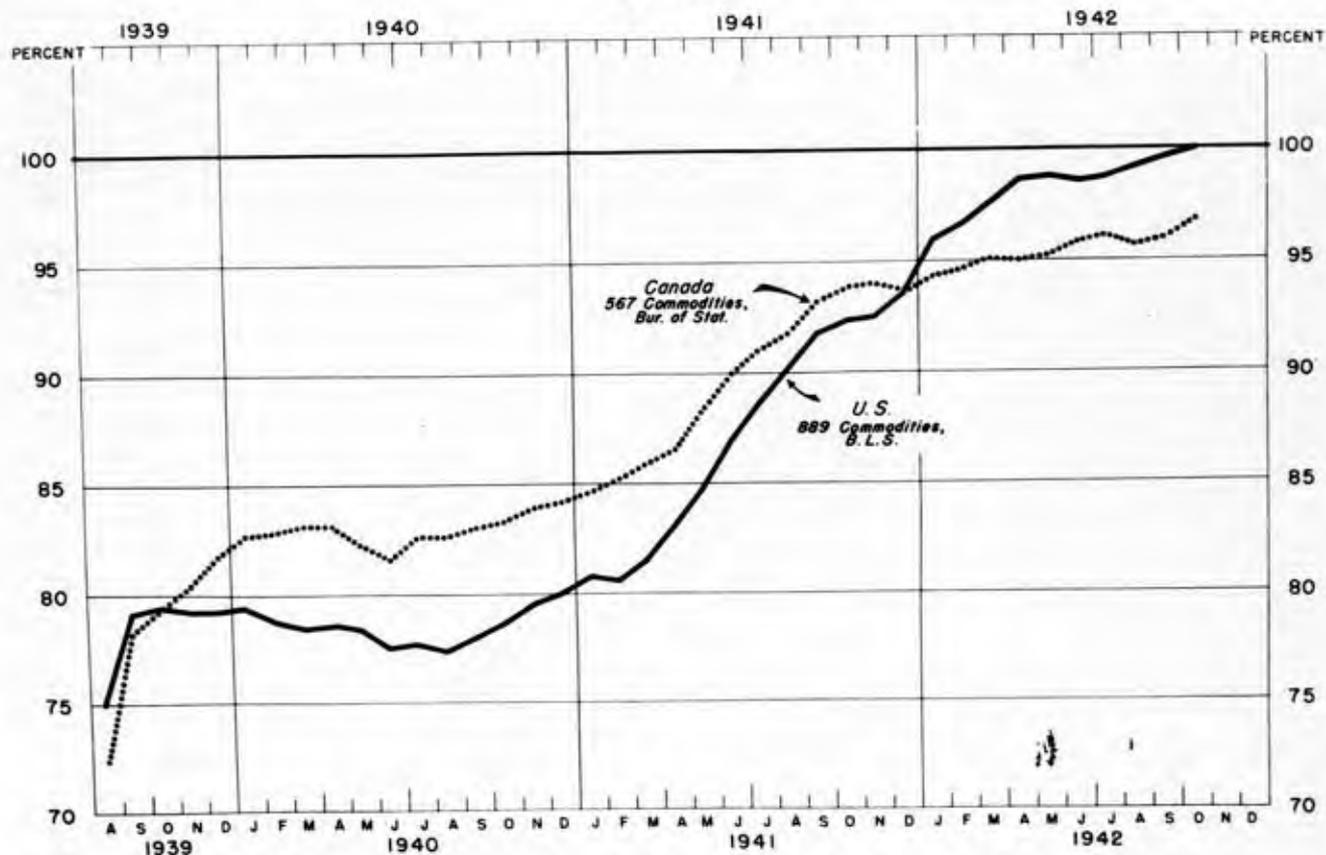
July 1914 = 100 World War Period; Aug. 1939 = 100 Present Period



Source: B.L.S.

WHOLESALE PRICE INDEXES IN U.S. AND CANADA

1926 = 100



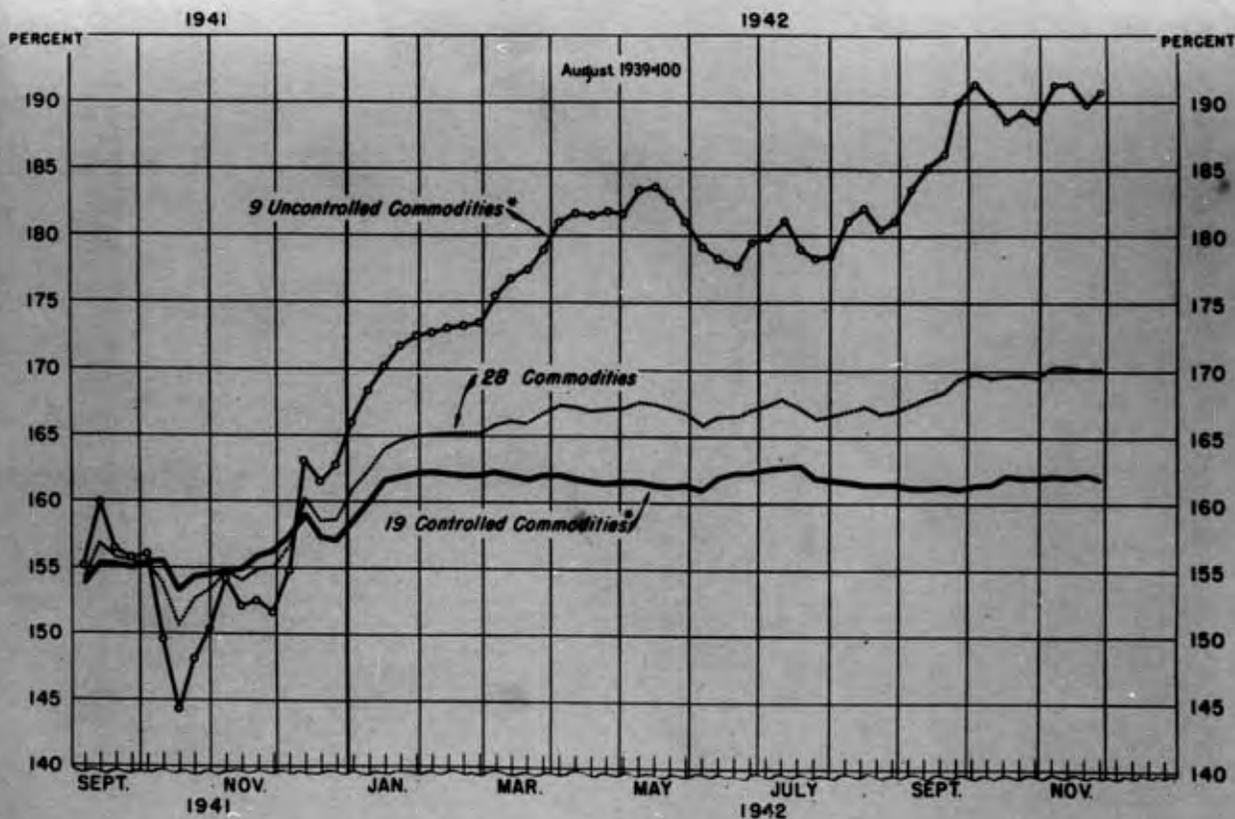
Office of the Secretary of the Treasury
Division of Research and Statistics

P-240

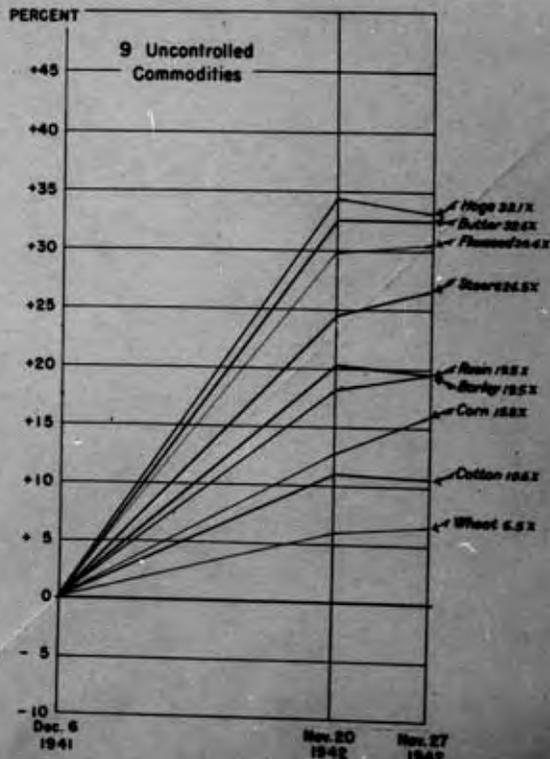
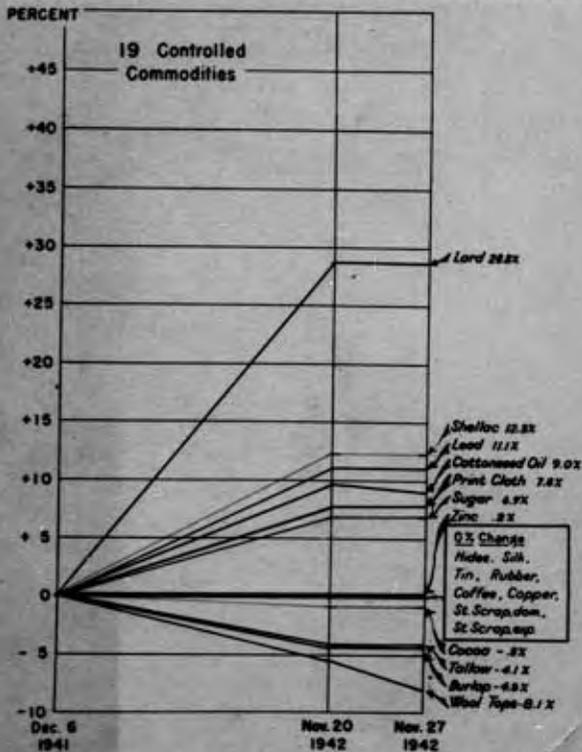
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Chart 4

MOVEMENT OF BASIC COMMODITY PRICES



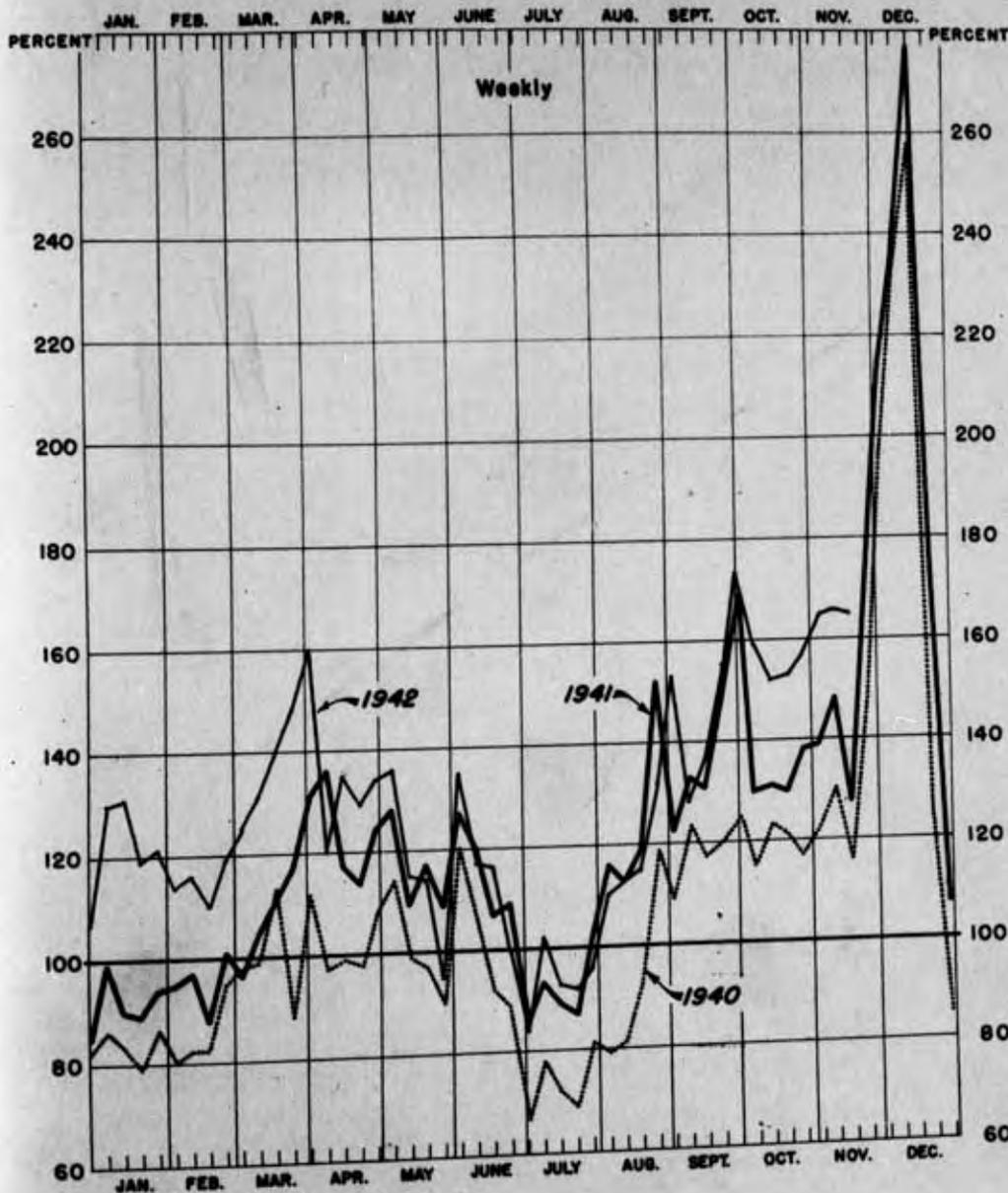
PERCENTAGE CHANGE DEC. 6, 1941 TO NOV. 20 AND NOV. 27, 1942



* 20 Controlled and 8 Uncontrolled previous to June 25

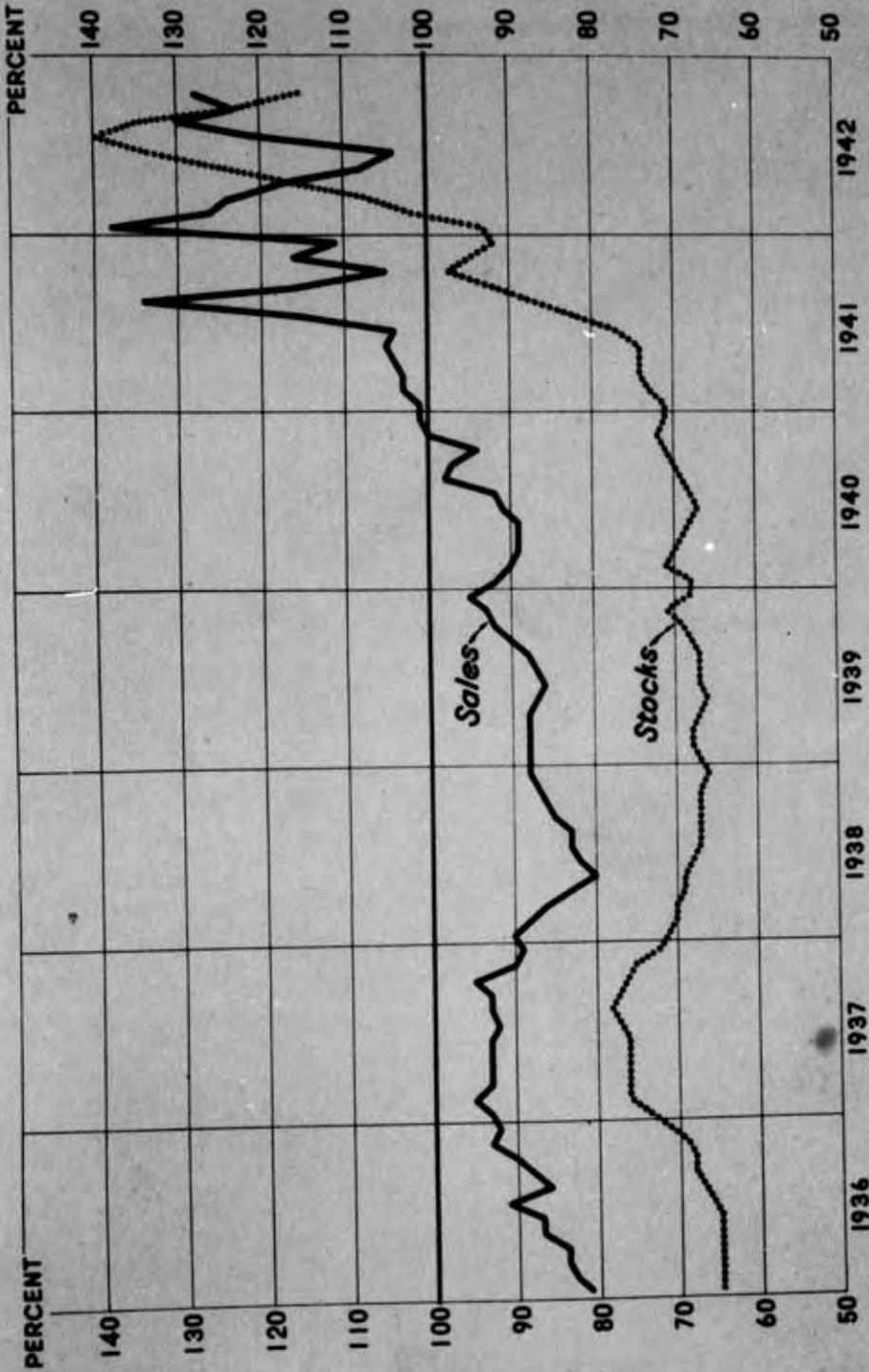
DEPARTMENT STORE SALES

1935 - '39 = 100, Unadjusted



DEPARTMENT STORE SALES AND STOCKS

Dollar Values, 1923-25 = 100, Adjusted



Source: Federal Reserve Board

Office of the Secretary of the Treasury
Bureau of Research and Statistics

November 30, 1942.

Telephone Conversation
Mr. White - Mr. Reis, Pan Airways

Mr. White informed Mr. Reis that when Secretary Morgenthau passed through Fisherman's Lake, Liberia, that the manager of the airport at Fisherman's Lake had discussed the serious situation that existed there with respect to the shortage of coins of small denomination. Mr. White went on to say that Secretary Morgenthau had stated he would be glad to cooperate with Pan Airways and provide silver dimes to be sent by air if the Pan Airways officials requested it.

Mr. White further stated that we had not heard from Pan Airways and he was calling to make certain the next move was not the Treasury's. Mr. Reis stated he would investigate the matter at once and would let Mr. White know. He also said from now on the responsibility with respect to the matter would be the Pan Airway's and the Treasury could forget about it unless he let us know to the contrary.

H. D. White

Treasury Department
Division of Monetary Research

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Date November 30 19 42

To: Secretary Morgenthau

From: Mr. White

Original of this report appended to
prepared letter to President.

November 30, 1942

Exports to Russia, Free China and selected blocked countries as reported to the Treasury Department during the ten-day period ending November 20, 1942

1. Exports to Russia

Exports to Russia as reported during the ten-day period ending November 20, 1942 amounted to \$45,867,000 as compared with \$53,144,000 during the previous ten-day period. Military equipment accounted for \$24,452,000 of the total and included 48 light bombers, 87 fighter planes and 20 tanks. (See Appendix G.)

2. Exports to Free China

Exports to Free China as reported during the period under review amounted to \$2,032,000, of which military equipment accounted for \$773,000. (See Appendix D.)

3. Exports to selected blocked countries

Exports to selected blocked countries are given in Appendix A. Most important were exports to Switzerland and Portugal amounting to \$443,000 and \$396,000 respectively.

ISF/efc
11/30/42

APPENDIX A

Summary of United States Exports to Selected
Countries as Reported to the Treasury Department
from Export Declarations Received
During the Period Indicated ^{1/}

(In thousands of Dollars)

	10-day Period ended Nov. 20, 1942	10-day Period ended Nov. 10, 1942	Total Domestic Exports Aug. 1, 1942 to Nov. 20, 1942	Total Domestic Exports July 28, 1941 to July 31, 1942
U. S. S. R.	\$ 45,867	\$ 53,144	\$ 464,866	\$ 742,941
Free China	2,032	233	9,198	97,720
India	3	9	769	2,858
Switzerland	443	2	4,694	11,537
Sweden	-	1	2,626	18,056
Portugal	396	-	1,192	9,743
French North Africa ^{2/}	-	-	2,088	6,305

Treasury Department, Division of Monetary Research

November 30, 1942

^{1/} Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period.

^{2/} Includes Morocco, Algeria and Tunisia.

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APPENDIX B

Exports from the U. S. to Free China and U.S.S.R.
as reported to the Treasury Department
July 28, 1941 - November 20, 1942 1/

(Thousands of Dollars)

	Exports to Free China	Exports to U.S.S.R.
July 28, 1941 - Jan. 24, 1942	\$ 32,758	\$ 98,902
1942		
Jan. 26 - Jan. 31	6,938	9,608
Feb. 1 - Feb. 10 2/	4,889	13,315
Feb. 10 - Feb. 20	4,853	26,174
Feb. 20 - Feb. 28 3/	2,921	28,119
Mar. 1 - Mar. 10	2,879	32,509
Mar. 10 - Mar. 20	8,058	28,556
Mar. 20 - Mar. 31 4/	2	42,435
Apr. 1 - Apr. 10	4,836	51,698
Apr. 11 - Apr. 20	5,335	66,906
Apr. 21 - Apr. 30	2,827	50,958
May 1 - May 10 5/	296	28,652
May 11 - May 20	1,872	18,000
May 21 - May 31 4/	2,533	26,180
June 1 - June 10	3,399	12,764
June 11 - June 20	2,707	53,799
June 21 - June 30	1,664	49,919
July 1 - July 10	7,900	35,657
July 11 - July 20	590	33,940
July 21 - July 31 4/	3,066	35,669
Aug. 1 - Aug. 10	208	14,970
Aug. 11 - Aug. 20	192	23,325
Aug. 21 - Aug. 31 4/	2,850	112,492
Sept. 1 - Sept. 10	855	24,339
Sept. 11 - Sept. 20	11	44,454
Sept. 21 - Sept. 30	902	30,947
Oct. 1 - Oct. 10	1,885	14,564
Oct. 11 - Oct. 20	30	55,083
Oct. 21 - Oct. 31 4/	--	45,701
Nov. 1 - Nov. 10	233	53,144
Nov. 11 - Nov. 20	2,032	45,867
Total	\$ 109,521	\$ 1,208,626

1. These figures are in part taken from copies of shipping manifests.
2. Beginning with February 1, figures are given for 10-day period instead of week, except where otherwise indicated.
3. 8-day period.
4. 11-day period.
5. Due to changes in reporting procedure by the Department of Commerce, this report is incomplete for the period indicated.

Treasury Department, Division of Monetary Research November 30, 1942

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APPENDIX G

**Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the ten-day period ending
November 20, 1942**

	<u>Unit of Quantity</u>	<u>Quantity</u>	<u>Value (Thousands of dollars)</u>
TOTAL EXPORTS			\$ 45,667
<u>Military Equipment (\$24,452)</u>			
Aircraft			
Light bombers (2 eng. A-20)	No.	48	13,645
Fighters (1 eng. P-39)	No.	70	
Fighters (1 eng. P-40)	No.	17	
Ammunition			
	-	-	4,206
Aircraft parts and accessories			
	-	-	2,439
Ordnance combat vehicles			
Scout cars	No.	1,112	1,200
Armored cars, medium	No.	15	
Ordnance combat vehicles, n.e.s.	No.	11	
Explosives			
	-	-	1,078
Military tanks			
Light tanks (M-3, M-3A-1, M5 or T7)	No.	10	1,040
Medium tanks (M-4, A-8)	No.	10	
All other			
	-	-	644
<u>Non-Military goods (\$21,415)</u>			
Motor trucks, motorcycles and auto replacement parts			
	-	-	4,626
Meat products			
	-	-	3,784
Industrial, electrical, agricultural machinery and parts			
	-	-	3,415
Iron and steel manufactures and semimanufactures			
	-	-	2,715

Appendix C (Continued)

Page 2

	<u>Unit of Quantity</u>	<u>Quantity</u>	<u>Value (Thousands of Dollars)</u>
Aluminum, copper, zinc and molybdenum ore	-	-	1,327
Leather and rubber manufactures	-	-	1,085
Brass and bronze and manufactures	-	-	1,009
Petroleum and products	-	-	853
Relief supplies	-	-	605
All other	-	-	1,794

APPENDIX D

**Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the ten-day period ending
November 20, 1942.**

(Thousands of Dollars)

TOTAL EXPORTS **\$ 2,032**

Principal Items:

Printed matter	673
Military equipment	773
Electrical machinery and apparatus	139
Cameras and photographic supplies	99
Rubber and manufactures	37
Writing paper	26
Graphite electrodes	19
Wire rope and cable	18
Wheels, except automobile and car	18
Iron and steel hand tools	10
Industrial machinery and parts	7
Relief supplies	6

Treasury Department, Division of Monetary Research **November 30, 1942**

EPM/efs 11/30/42

NOT TO BE RE-TRANSMITTED

MOST SECRETCOPY NO. 13OPTEL NO. 416

Information received up to 7 A.M. 30th.

1. NAVAL

An outward bound blockade runner was sighted off the north coast of Spain yesterday.

On 29th morning a French sub is reported to have left Valencia for Oren damaged and requiring British protection.

One of H.M. submarines is overdue and must be presumed lost.

On 17th another of H.M. submarines torpedoed a north-bound 9,000 ton ship off the Nicobar Islands. The ship was last seen low in the water making for Penang.

A Fighting French destroyer arrived at Reunion on 28th and made successful landings. The northern part of the island comprising St. Denis, St. Benoit and Point Des Galets is under control. The Governor has fled to the mountains with 400 military.

A 12,900 ton merchant ship with war stores for Middle East struck a submerged object off the southwest African coast yesterday and has been beached.

2. AIR OPERATIONS

WESTERN FRONT. 28th/29th. Turin. About 182 tons H.E. and 189 tons incendiaries dropped including two 8,000 pound and 35 4,000 pound bombs. Thick cloud en route but cloudless and good visibility over objective although haze and smoke interfered with visibility. Attack lasted 75 minutes, was successful and well concentrated especially near Royal Arsenal. Direct hits claimed on Lancia Works. Several direct hits and fires seen in Fiat Works. Town confirmed well alight towards end of attack. Many fights with enemy aircraft en route. One F W 190 claimed shot down. A/A defences ineffective although increased.

29th. Our fighters again attacked locomotives in northern France. Days casualties, enemy nil, nil, 5, ours six, nil, nil.

29th/30th. 36 heavy bombers were sent to Turin and 5 Intruders to attack railways in Belgium. Owing to late start reports not repeat not yet available.

FRENCH NORTH AFRICA. 28th. Wellingtons from Malta dropped 23 tons of bombs on Bizerta Docks.

29th. MALTA. Beaufighters destroyed two Italian seaplanes at their moorings at Zouara and two J.U. 52's in the air. Locomotives and road transport on the Tunisian-Tripolitanian coast routes were successfully attacked.

SICILY. 29th. Spitfire bombers attacked Comiso airfield.

BURMA. 28th. 12 Blenheims bombed Shwebu Airfield.

3. LATE NEWS

BRITISH SOMALILAND. About 60 percent of white and 25 percent of African personnel of total Djibouti Garrison including one Senegalese battalion almost complete, and most of artillery, crossed frontier into Seila on 28th.

CORRECTION - TOULON. Ref. Optel 415. For 'Five Contre-Torpilleurs' read 'Three'.