

Book No. 598

CONTINUED

FROM

PAGE 305

THE SECRETARY OF THE TREASURY
WASHINGTON

Mr. Donald M. Nelson
Chairman,
War Production Board.

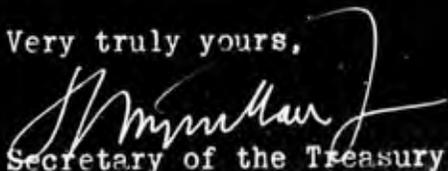
DEC 23 1942

Dear Mr. Nelson:

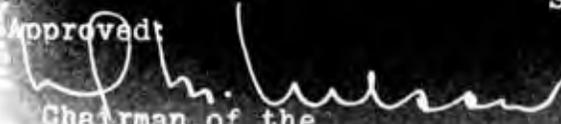
Pursuant to the Provisions of Section 1(b) of the Act of December 13, 1942, (Public Law No. 815, 77th Congress), consultations have been held at which representatives of this Department and representatives of your office have discussed the problem of coining a one-cent piece out of such materials as will operate to conserve strategic metals in furtherance of the war effort.

A plan has been adopted for the use of steel with a coating of zinc in the one-cent piece. If you agree that the use of such materials will operate to conserve strategic metals in furtherance of the war effort, will you please signify your approval by signing the notation at the foot hereof and returning the same to me.

Very truly yours,


Secretary of the Treasury

Approved:


Chairman of the
War Production Board.

THE SECRETARY OF THE TREASURY
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War Production Board.

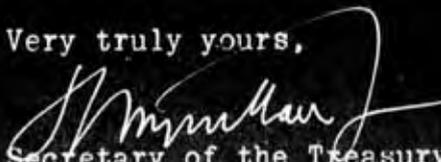
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Secretary of the Treasury

Approved: 

Chairman of the
War Production Board.

TITLE 31, MONEY AND FINANCE: TREASURY
CHAPTER 1, MONETARY OFFICES
PART 101, SECRETARY'S ORDER PRESCRIBING
THE PHYSICAL PROPERTIES OF
THE 1-CENT PIECE.

WHEREAS, the Act of December 18, 1942, (Public Law No. 215, 77th Congress) provides in part as follows:

Sec. 1. "(a) There shall be included among the coins of the United States one or more special series of coins: Provided, That the coinage, issuance, and circulation of the coins provided for by this section shall be subject in all respects to the conditions, terms, provisions, limitations, and exceptions specified in subsections (b) to (j) hereof.

"(b) No denomination or series of coins provided for by this section shall be coined unless and until the Secretary of the Treasury shall have issued an order that shall (1) prescribe the particular denomination or series, stating the pertinent physical properties, including content, weight, dimensions, shape, and design; Provided, That in determining such physical properties the Secretary shall take into consideration the use of such coins in coin-operated devices; and (2) state that he has determined, after consultation with the appropriate officials charged with the production of war material, that the coinage and circulation of the particular series will operate to conserve strategic metals in furtherance of the war effort.

"(c) There shall be no coinage pursuant to the provisions of this section after December 31, 1946.

"(d) The coinage provided for by this section shall not be of other denominations than 1-cent piece and 3-cent piece and the amount of coinage of each such denomination shall be prescribed by the Secretary of the Treasury.

"(e) Each denomination of coins provided for by this section shall constitute a series: Provided, That if one denomination is coined in more than one physical form or composition, the

pieces of each different physical form or composition shall constitute a separate series.

"(f) The coinage provided for by this section shall be in pieces of such metallic, or other or different content, weight, dimensions, shape, limits of tolerance, and design (including devices and legends), as the Secretary of the Treasury may by regulation prescribe for the particular denomination or series: Provided, That no silver shall be used for the coinage provided for by this section except as specified in subsection (g) hereof.

"(g) For the coinage of any series, the Secretary of the Treasury is hereby authorized to allocate to the Director of the Mint, at such times and in such amounts as the Secretary of the Treasury deems necessary, any silver bullion in the monetary stocks of the United States not then held for redemption of any outstanding silver certificates. Silver contained in any pieces coined under section 1 of this Act shall be accounted for by entries in the fund established for the purchase of metal for minor coinage; Provided, That the value of any silver bullion accounted for in said fund shall not be considered for the purpose of determining the statutory limit of said fund; Provided further, That the gain from the coinage of silver hereunder shall be accounted for by entries in the minor coinage profit fund. If any series is coined of silver or in part of silver, the pieces of said series shall nevertheless be deemed to be other than silver coins, subsidiary silver coins, silver coinage, or subsidiary silver coinage within the meaning of the monetary laws of the United States.

"(h) The coinage provided for by this section shall be minor coinage, and the provisions of amended section 3528 of the Revised Statutes (U.S.C., title 31, sec. 340) shall apply with respect to any necessary purchases of metal or other material for the coinage provided for by this section: Provided, however, That contracts for said purchases may be entered into in accordance with the provisions of title II of the First War Powers Act, 1941 (55 Stat. 839; U.S.C., Supp. 1, title 50, app., sec. 611).

"(i) For the purpose of amended section 3529 of the Revised Statutes (U.S.C., title 31, sec. 341), the coinage provided for in this section shall be in the same category as the minor coins referred to in said section 3529.

"(j) Except as provided in this Act, the coinage provided for by this section shall be subject in all respects to the monetary laws of the United States, including, but not by way of limitation, the laws pertaining to counterfeiting, to legal tender, and to the distribution, exchange, and redemption of coins and currency.

"Sec. 2. During the period when the coinage provided for by section 1 of this Act may be coined, the Secretary of the Treasury is hereby authorized in his discretion to cause the coinage of any or all of the other minor coins to be suspended for the whole of said period or for any part or parts thereof.";

and

WHEREAS, I have determined, after consultation with the Chairman of the War Production Board, that the coinage and circulation of the 1-cent piece hereinafter described, will operate to conserve strategic metals in furtherance of the war effort, and

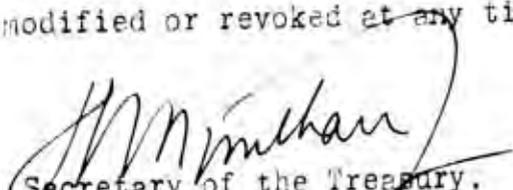
WHEREAS, in determining the physical properties of the 1-cent piece hereinafter described, I have taken into consideration its use in coin-operated devices;

NOW THEREFORE, I, HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY, do hereby order that until further notice, or until December 31, 1946, whichever shall first occur, the 1-cent piece coined by the United States mints, shall have the following physical properties:

1. It shall be composed of steel with the obverse and reverse sides covered with a coating of .00025 inches of zinc.
2. It shall weigh 41.5 grains.
3. It shall have a diameter of .750 inches.
4. It shall be in the shape of a disc.
5. It shall not vary in weight by more than 3 grains; it shall not vary in diameter by more than .002 inches; and the zinc coating shall not exceed .001 inches.
6. It shall contain the same design, devices and legends as those used since 1909, for the 1-cent piece coined pursuant to amended section 3515 of the Revised Statutes (U.S.C. title 31, sec. 317).

After January 1, 1943 and during the period in which the above described 1-cent piece is coined, the coinage of 1-cent pieces pursuant to the provisions of amended section 3515 of the Revised Statutes (U.S.C. title 31, sec. 317) shall be suspended.

This Order may be modified or revoked at any time.


Secretary of the Treasury.

DEC 23 1942

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE DEC 23 1942

TO Secretary Morgenthau
FROM Randolph Paul

Re: Harold Thomas

You have inquired as to the advisability of having Harold Thomas do a few months' work in connection with War Bonds and Victory Fund activities.

The files of Foreign Funds Control contain the following information concerning Harold Thomas:

- (1) He is a native-born citizen of the United States who has been employed by the Centaur Company, a wholly owned domestic subsidiary of Sterling Products, Incorporated, of Delaware.
- (2) The Centaur Company was formerly an independent company, and is engaged in the manufacture of proprietary medicines in Atlanta, Georgia, with head offices at 80 Varick Street, New York City.
- (3) The Sterling report indicates that the Centaur Company was one of the 74 domestic subsidiaries of Sterling which, because of the nature of its business and the apparent absence of contact with the Germans or with the export business, was not investigated.
- (4) The report on Sterling Products gives no indication as to the nature of Mr. Thomas' functions. His salary was \$30,000 per annum. In all probability he was taken over by Sterling Products along with the rest of the management of the Centaur Company.
- (5) No personnel questionnaire was requested of or filed by Mr. Thomas. He is not listed among those Sterling Products employees who took trips to Europe, and he was not included among the persons whom it was recommended that Sterling release.

- 2 -

We have conducted an intensive investigation of Sterling Products in the United States. As you know, before the war Sterling Products, which is entirely American owned, was actively working with I. G. Farben in the South American field. However, the domestic business of Sterling Products was handled on an entirely separate basis and there is no evidence of any German influence in the Sterling Products domestic subsidiaries, such as the Centaur Company.

Our investigation gives Sterling a clean bill of health as far as its present activities are concerned. We are presently conducting an investigation of Sterling in Latin America. Nothing has so far been developed in the Latin American investigation which reflects on Sterling Products' present position.

Gaston, Graves, Pehle, and I discussed this matter, and none of us sees any objection to using Thomas for the work contemplated.

BSA

December 23, 1942

My dear Eleanor:

We used to have a voluminous correspondence with Alfred Bergman, and I simply had to stop answering his letters. If you do not mind, I suggest that you do the same; otherwise, you will find he will be writing you several times a week.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
The White House.

By Mess. Bundy 3:35 12/23

(Note attached saying
ltrs. to Sorenson & Lehman
not sent to Secy of Treasy

313

~~Mrs. Klutz~~

Miss Chauncey

Mrs. McHugh

Mr. McHugh

Only 3 enclosures recd here.
Copy of ltr to Gov. Lehman and ltr to Col.
Sorensen not attached. hm

MRS. FORBUSH
ROOM 470

THE WHITE HOUSE
WASHINGTON

December 18, 1942.

Dear Henry:

Mr. Bergman does not seem to be much affected by the Treasury not considering his ^{views!} ~~services~~. Here he is back with more and I am just sending this over for you to show your people in case it has a germ of idea which might be useful.

Affectionately,



WAR DEPARTMENT
HEADQUARTERS, SERVICES OF SUPPLY

WASHINGTON, D. C.
December 17, 1942

SPPRW

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

PERSONAL

Dear Mrs. Roosevelt:

I am enclosing herewith a recent report on conversation with Dr. Somary on the North African Campaign and immediate help necessary, as well as his report on inflation possibility, together with the report taken from the Newer Zurich newspaper of July 14, 1942, submitted to me by Dr. Jeidels, another expert on Germany, and extract from the PM of December 16, 1942.

As you know, Dr. Somary is considered one of the greatest inflation experts in the world, along with Dr. Schacht of Germany. I believe that his background and experience is probably one of the best in the world today, and I hope that we will take advantage of what he has said in order to prevent a catastrophe in this country through inflation, which seems to be now well on the way.

As you see from the report of July 14 from the Newer Zurich newspaper, the Germans in spite of three years of war have been able to stabilize cost of living to a much better extent than we have. They have only done it by facing possibilities and by taking advantage of their past experience.

I am also enclosing a copy of a letter I wrote recently to Governor Lehman, Federal Director of Foreign Relief, with information on this subject from Dr. Somary who was with Lord Beveridge in the last war on an equal status as a distributor of food. Here again his experience can be invaluable to us as these matters can only be learned through years of experience.

I am also including a letter to Col. Sorensen, Asst. Chief of Air Staff, A-2, on bombing targets. These are also some industrialists on my staff.

Out of the 60 experts, comprising leading industrialists, scientists, bankers, etc. of Europe, some of whom have Nobel Prizes, we are able to answer nearly Every Problem The Government has.

This includes information on manpower, food, armaments, as well as every other subject of war.

Sincerely,


ALFRED BERGMAN



December 17, 1942

MEMORANDUM FROM: Mr. Alfred Bergman
Chief, Industrial Information Unit,
Conservation Branch, Production Division.

SUBJECT: North African Campaign and Inflation

1. I have just had the pleasure of lunching with Dr. Felix Somary at the Army-Navy Club. He informs me, from his information, that the most important time of the war up until now is the present moment.

2. The question of holding Tunisia is absolutely vital and it should be held at any price. All possible aviation should be rushed there from England or anywhere else as the next three or four weeks will decide whether it is to be a long or short war. Every effort should be made by the Americans to hold and take more territory, and more reserves and planes should be sent there until the British can come up, by all possible means.

3. Dr. Somary feels that General Rommel has made a rather clever retreat, from Dr. Somary's limited information on this subject; Hitler is going to try to hold Tunisia at all costs because if Tunisia is lost, invasion of Italy will be quite possible.

4. He suggests that we send all possible armament to the French forces that might be available at this time.

5. INFLATION POSSIBILITY. Dr. Somary and Dr. Schacht are considered the two outstanding experts of Europe on financial matters. Dr. Somary informs me that he considers inflation very near, and certainly if the war goes on for another six months.

Dr. Schacht in his autobiography mentions Dr. Somary as the one man from whom he learned a great deal on financial matters and inflation. Dr. Somary, besides being an international banker of great renown, was Professor of Political Economy at the Zurich University.

6. Dr. Somary states that the only way out is the following:

All members of the Army and Navy, all workmen, farmers, and everyone else should receive two-thirds of their pay in cash and one-third in bonds, payable at the end of the war. Although this might not be a popular measure, it is the only way to stop spending and prevent the rise of prices which means a catastrophe of inflation.

The soldiers returning from the war will need this money saved to re-establish themselves, as well as the workmen who are making big salaries at this time but who will be reduced later. The hardship on the armed forces should not be too great and may prevent a great deal of trouble when they return.

7. A spending tax would be even more unpopular, and if it came at this time it would be too late to prevent inflation, and would necessitate an enormous organization.

... Cost of Living Index at 20-Year Peak, Going Higher

Despite Controls, the Top Not Yet in Sight, Especially on Food, Clothing

By Leo J. Mangan

The cost of living today is at its highest point in nearly 20 years and it's going higher.

This is based on the findings of the National Industrial Conference Board and the U. S. Labor Dept.

Their figures differ slightly, but the trend they show is the same—higher and higher with no ceiling in sight, particularly in food and clothing.

From September to date, living costs have increased two full points on the graph.

To the average citizen that means that he will pay more and more for what he buys and get less and less in quality and quantity in return.

Price ceilings notwithstanding, the cost of living is breaking through the ceilings and other safeguards.

The war and the tremendous sums of money it unleashed in wages and profits are the causes.

On the Way Up

Here's how the whole cost of living picture looks in figures, which have no meaning in dollars and cents but only in percentages based on an arbitrary starting point:

¶ In June, 1909, when things were comparatively normal and war clouds were ignored, the cost of living on the Conference Board chart was 99.0.

¶ War in Europe to September, 1919, jumped this index to 100.0.

¶ Pearl Harbor on Dec. 7, 1941, spiraled living costs to 110.5, a dangerous jump of almost 10 points.

¶ The index jumped another four points in the Conference Board index, and 5% points on the Dept. of Labor index, from December, 1941, to May, 1942, when the first price ceilings began to take effect.

¶ Price ceilings held down the steam for a month allowing the index to go up only a fraction each month but by September, 1942, the fractions added up to a 1.8 rise.

¶ Today the Conference Board charts show that the purchasing value of the dollar has decreased from 107.8 cents to 90.7 cents.

Costs Boosted

The cost of living is especially volatile in those cities hedging with war contracts. Here are some of the index jumps from November, 1941, to November, 1942 in such places:

Detroit	Up 8.4
Erie, Pa.	Up 11.5
Los Angeles	Up 8.4
Oakland, Calif.	Up 11.4
Portland, Ore.	Up 9.6
Toledo, O.	Up 10.8
San Francisco	Up 12.4
Seattle	Up 9.8
Syracuse, N. Y.	Up 9.4
Baltimore	Up 10.5

Economists liken the whole business to a boiler being filled with live steam and an inadequate safety valve to allow the pressure to escape.

The boiler is our whole economy. The live steam is the tremendous unleashing of spending power, and the tiny safety valve represents our dwindling consumer goods, installment loans and other means of taking up the slack such as purchases of war bonds and war stamps, and the pressure of price ceilings.

They warn that price ceilings will blow



These wavy lines simply say that the Cost of Living between 1929 and 1942 went up and is going higher until the heavy black line goes through the top of this page. Note how the war in Europe and our defense program sent all the lines sharply upward in 1941.

up and inflation will be a reality—and a nightmare—unless means are found to take away more and more of the country's purchasing power. Strangely enough, the increase in taxes—which is designed to siphon off buying power—is the very thing which raised the cost of living last month. The added tobacco tax raised the cost of

living particularly in the war-torn index from 105.4 to 106.2. While food, clothing and sundries were breaking through the economic cost of living ceiling, the cost of housing, fuel and light remained static. The cost of gas in electricity even went down two-tenths of a point. Although New York is not a war indus-

try town as compared to the rest of the country, the HCL here went up 7.9 in the same period of time. Biggest increase was food which went up 15.5 index points in those 12 months. The only thing that went down in the whole chart was New York's housing cost. It decreased two-tenths of a point.

Price Rises Caused by Shortages Can Be Stopped By Sane Buying, Planning or Prompt Rationing

By LUTHER COMANT, JR.

Shortages and high prices go hand in hand. Only rationing can restore the balance between supply and demand when supplies become short or demand becomes abnormal. Here is the situation as it exists today in shoes and clothing and the outlook for the next year.

A survey shows that sound psychology and/or planning can avert serious clothing shortages.

The situation in footwear shows there will be enough shoes for all next year if:

¶ The public buys in terms of need rather than desires.

¶ Rationing is regarded as a protective measure to be instituted long before an emergency arises—if it should.

There is no crisis in footwear. There will not be one if the consumer doesn't stock up; doesn't buy that extra unneeded pair of shoes in fear of possible shortages.

This year, the industry will manufacture some 440,000,000 pairs for civilian use and 40,000,000 for the military.

Next year, the industry feels confident it can produce some 850,000,000 pairs for civilian needs and another 40,000,000 for the military.

But the decline of 90,000,000 pairs for civilians need not mean hardship for civilians. Shoe buying has been unusually brisk for some years. Home reserves are at a high level. Some of this reserve, of course, represents hoarding. But there has been comparatively little out-of-line buying. Actually, 300,000,000 pairs will show

America—for health and comfort and considerable style.

But style does not mean the lavish variations of peacetime. If the public in-observes, there is as yet no need of complete "victory model" standardization. But it's up to the public.

It would seem that at present educational guidance for sane buying should suffice.

Clothing presents a much more difficult problem. But even here, despite often contradictory opinions, it is clear that intelligent planning can avoid a crisis.

Consider rayon, cotton and wool separately.

Rayon: Heavy war demands, coupled with chemical and other material shortages, might make rationing advisable some time next summer.

Cotton: There is plenty of raw cotton, but labor and machines in the industry are being worked to capacity. Civilian cotton needs were curtailed 30 per cent in 1942. Further inroads may be expected in 1943, inroads greatly dependent on *if* factors.

Wool: We are dependent on imports of wool to satisfy combined civilian and military needs.

But we have large current commercial stocks and a Government stockpile, said to be large, although exact figures are a military secret.

One economist believes that the time has come to dip into that stockpile. He says so on his conviction that wool on hand, together with the domestic clip for 1943 and 1944, would be sufficient to supply all the mills one handles for the next two years—even if we didn't import a single pound.

on large imports from South America and Australia to build up another substantial stockpile.

He says there will be no need of rationing in 1943 if the mills are greatly relieved of War Production Board restrictions on production of all wool worsteds and denial continues at the existing low level.

Looking at it from the business angle, he points out that retailers are afraid to stock up on men's blended clothing since the demand has always been for all wool garments.

An economist for the Amalgamated Clothing Workers Union (men's wear) holds there is more than enough wool, to satisfy male civilian demand. He also thinks that quotas for blended fabrics are hurting the industry.

Against this is the considered opinion of the International Ladies Garment Workers Union that there is a sensible need for rationing of wool clothing.

It predicates its reasoning on the need for keeping the stockpile inviolate and anticipation of increased Government buying during 1943.

It argues that the wool manufacturers have decreased production by refusing to utilize fully their quotas on blended fabrics.

The report concluded: "It hardly seems possible that anything short of prohibition of the manufacture of fabrics made entirely of new wool would prove of some assistance in increasing fabric supply."

Regraded Unclassified
ages and Rationing.

GERMAN PRICE POLICY IN WAR
(M.Z.Z., July 14, 1948)
Prepared in Industrial Information Unit
Alfred Bergman, Chief

Price development in this war shows remarkable stability for Germany. The Federal Statistical Office's index for wholesale prices shows an increase for the 1939 average to April 1942 of from 106.9 to 113.8, or 6.5%. In the same period the Cost of Living Index rose a little more, i.e., from 126.2 to 136.6, or 8.2%. The periodical "Economy and Statistics" ("Wirtschaft und Statistik") of May 8, 1942 contrasts this with some enemy, neutral and allied countries as follows:

Rise in Price Index in Percent, Mar. 1942 Against Aug. 1939
(Great Britain, February 1942)

	<u>Wholesale</u> <u>Prices</u>	<u>Food</u> <u>Prices</u>	<u>Cost of</u> <u>Living</u>
Germany	6.1	4.9	6.8
Great Britain	56.4	18.2	28.4
Switzerland	92.1	48.5	37.5
Sweden	85.8	40.8	39.6
Hungary	67.3	55.7	46.4
U.S.A.	63.6	-	-

The stability in Germany is partly due to the elimination of foreign imports with high international prices, and partly to the introduction of total price control at an early date and in a rigorous manner. In spite of all scepticism with regard to price and cost-of-living statistics and of the reservations one must in such times oppose to their validity, particularly in view of the "invisible" price rise where inferior quality is sold at undiminished prices, the German price policy deserves to be called a success. This success seems the more remarkable if one considers the ever-growing "discrepancy", particularly in the sector of civilian

consumption, "between the monetary and the commodity side of the economy", as it is called in German official utterances.

One of the reasons for the success of the Government in its effort to neutralize the effect of monetary expansion on the price level, is that the normal discipline of the population has been backed up by the whole energy and rigor of a totalitarian administration of private as well as public affairs. Another explanation is offered by the early and rigid wage-ceiling ("Lohnstopp") enforced in drastic manner which rendered it much easier to manage the "wage-screw" when it went into action in the course of time. The policy of stability has also had a strong support by the creation of a "second monetary instrument" in form of ration cards for food and practically every commodity for civilian consumption. This "second money" sterilized the purchasing power of the regular money effectively. Lastly, one should not underrate what it means that, as so many other institutions of a war economy, price control and wage control had long been well practiced instruments already before the war, and did not need to be hastily improvised when the war broke out.

Psychologically, the motives for German price control and policy in past peace- and recent war-years have certainly been influenced by the recollection of inflation during and after the last war. The National-Socialist Government has systematically kept this recollection alive and at the same time has promised that it would not happen again. Price policy and currency policy are all along presented as inseparable, and the new Price Commissioner Dr. Fischboeck, appointed at the end of 1941, has emphasized that recently in speeches and writings. The object of price policy, he said in an address in Danzig in May which has fundamental significance, is to maintain confidence that in coming years, with money

saved and withheld from being spent now, one will be able to buy at present or even lower prices; in this sense price policy must be the basis of war finance.

Within this fairly stable price structure, however, some remarkable developments are taking place. If one regards the price structure as a whole within the total war economy, one comes across three sectors where actual price policy acts according to different principles and with different results. There is (1) the sector of industrial production in which, with the drastic curtailment of consumer goods output, armament production is the determining factor. There is (2) agricultural production and with it, as subject to similar necessities, production of some vital raw materials like coal and iron. And there is (3) the Consumers Sector.

Characteristic of the Armament Sector is that here the numerous factors tending towards price increase, as the use of new raw materials and of less skilled labor, higher transportation cost, etc. can be largely compensated by rationalized industrial methods. Here, the Government, practically the sole customer, can dictate prices to a great extent. This pressure on prices has become heavier since the introduction at the end of 1941 of the new method of "fixed uniform" prices and of "group" prices which the N.S.D. has described in No. 464, March 22, 1942 under the title "The Fixed Price in German War Equipment". By abandoning the original method of individual prices according to individual costs and replacing it by uniform prices established after the standard of a "good manufacturer", the Government is reported to have achieved a price reduction in the armament industry of 10% on the average.

Quite different developments took place in agricultural commodities and other primary produce. Here the economic law of declining productivity

makes itself felt, while rationalizing methods as in industry have only limited application as compared with the tendency of rising costs for the unit of production. Here the Government has been compelled to abandon the rigid "price stop" and to let the "price-incentive" operate. Such rise in agricultural prices has, however, only in exceptional cases been borne by the consumer. The principal exceptions were an increase in retail price for milk by 2 Pfennig a liter and 20 Pfennig for a pound of butter already in March 1940. In most cases, however, the increase were either absorbed by the farm marketing groups or paid by the Government, which meant by the community of taxpayers.

The "Federal Farmers Corporation" (Reichsnährstand) has provided from the start the establishment of Compensation Boards (Ausgleichskassen) to take up regional and seasonal price differentiation without allowing it to affect retail consumer prices. Equalization is generally effected within the special sectors, the grain sector, the milk and fat sector, etc.; but in other cases quite arbitrarily groups of agricultural producers with good earning capacity are called upon to compensate less favorably situated lines; for instance, the brewery sector had to cooperate in a price improvement for the growers of rye, the largest group in the grain sector, and alone in 1940 - later aggregate figures are not available - not much less than \$100 million were in this manner shifted within the farmers community.

These cases where one producer group was compensated by another have become very numerous in 1942. Price advances were thus granted for potatoes, hogs and oilseeds, but here the Government itself paid the difference to avoid a rise in living costs. When prices this spring were revised to livestock growers for beef cattle and sheep, the Government

paid for it indirectly by abolishing the slaughter tax. Distribution of such price adjustments is in the hands of the Reichsmehrstand, a kind of A.A.A. on Nazi principles. The magazine "Deutsche Volkswirt" (German Economist), in an article of March 6, 1942, estimates this kind of price adjustment not reaching the consumer at about \$300 million last year, and it certainly will not be less than \$400 million this year 1942.

In spite of such considerable fiscal subsidy for food producers, farm interests have appealed recently to the Government to close the "price scissor" which is the German expression for parity prices. Dr. Hermann Reischle, head of the Nazi Party's Agricultural Sector, has advocated in speeches and in newspapers immediate action against what he calls the "cartel system of frozen industrial prices". The Government, however, has not acceded to such requests for adjustment of farm to industrial prices now, and refers agriculture to post-war developments.

The Government is equally negative on an increase of the price of coal and steel demanded by heavy industry. Against the irrefutable arguments that less productive sources of raw material have to be tapped, that the foreign labor largely used in the heavy industries is inefficient and expensive, and that costs have risen for many reasons, the Government sets the possibility for integrated enterprise, which prevails in this industry, to make up in the later processing stages for sacrifice in the earlier stages. All the Government has done is to raise the price of coal for export to neighboring, occupied or neutral countries, and allows coal mines to benefit therefrom.

The third sector, the consumers community, has adopted under the new Price Commissioner a policy of "compensating price reductions" which is based on the following logic. Certain goods, since the beginning of the war and for various reasons, have gone up in price; the standard cost of

living, however, must not be allowed to rise, because war finance is predicated on the absorption of purchasing power by saving, and money thus saved must be able to rely on stable value of the money, which means unimpaired purchasing power for a later date and therefore stable prices on the average; therefore, if some prices rise, prices of other commodities and services have to be reduced. There has been a good deal of discussion about it; it is being argued that the price is not really prejudicial in times of scarcity of goods, small production meaning higher costs and prices for the moment, that higher prices effectively deter demand which is undesirable at present, etc.; but the Price Commissioner argues that higher prices mean shifting of purchasing power from consumer to producer and not absorption of purchasing power, and he insists that increased prices must be compensated by reduction of others.

Practically the problem has not yet been solved. Some prices of consumer goods have been reduced like beer, electrical lamps and similar commodities with more of a psychological than a material effect, because most of these goods are scarce or not available at all. It is therefore now under contemplation to reduce house rents, a measure which would no doubt have some effect on the cost of living, but it raises other questions and objections which up to now seem to find rather strong support.

11/2/48

December 23, 1942

HIGH-LIGHTS OF THE WAR NEWS
(11:00 A. M.)

The Far East

1. Netherlands East Indies - British planes operating from the Bay of Bengal, bombed the northwest tip of Sumatra in the Netherlands East Indies (660 miles from Singapore) and damaged the fueling base of Sabang.
2. The R.A.F., softening up objectives for ground forces, again bombed Akyab; then swept over regions along the Myittha River.
3. A few Jap aircraft again retaliated by bombing Calcutta.
4. British revealed weeks ago that it now has a powerful fleet in the Indian Ocean.

Russia

1. The Don Offensive - Continuing their seven-day offensive, the Reds recaptured more than 400 towns and, driving across the Rostov-Vorenezh-Moscow railroad, broke through the German lines into a wide expanse more favorable to large scale operations. The advance seems to be a two-pronged affair with one column pushing southwest from Vorenezh (300 miles northwest of Stalingrad), and another thrusting south from Boguchar along the rail line to Rostov. Many prisoners and supplies were taken, according to the Soviet communique.
2. Red armies also continued to make headway on the Stalingrad and Central fronts, despite Nazi counterattacks.

North Africa

1. Tunisia - Rainy weather even reduced air activity in Tunisia. However, after 6 weeks of daily raids on Bizerte, Tunis, Gabes, Sfax, etc., the score now stands 96 Axis planes and 55 Allied planes destroyed. In central Tunisia French forces driving toward the eastern coast have beaten off a German counterattack presumably at Pichon.
2. Libya - British Eighth Army is approaching Buerat El Hsun, 50 miles west of Sirte, and the bulk of the Afrika Corps has passed Misurata, only 115 miles from Tripoli, according to Radio Morocco (now a usually accurate source). Indications are that Axis may be preparing for a stand in Tripoli.

3. Allied naval and air forces in a series of ferocious attacks on the Axis Tunisia-Sicily supply lines sank at least 6 ships.

The Pacific Area

1. New Guinea - Allies were within a mile of closing their pincers on the Japs in the Buna area. Progress has been slow because of intricate and well prepared defense positions of the enemy. Allies are within 2 miles of the coast in the Sanananda area.
2. The Solomons - Aerial offensives against the Japs on New Georgia Island are assuming seige proportions.
3. American air forces are in control of the air in every Pacific zone - the Aleutians, the Solomons, and New Guinea.
4. The almost complete disappearance of the Jap Air Force in the south Pacific is amazing the Allies.

Europe

1. In line with R.A.F. raids on Duisberg on Sunday, Munich on Monday, and American raids on Romilly, France on Sunday, the R. A. F. swarmed over northwest Germany, France and the low countries last night damaging railroad lines. However, the flight was largely a training and operational exercise, the British said.
2. Reports from France (released from Madrid) revealed that General Weygand is now a prisoner of the Germans in East Prussia after an attempt to escape to Algiers.

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U.S. SECRETOPTEL No. 443

Information received up to 7 A.M., 23rd December, 1944.

1. NAVAL

MEDITERRANEAN. One of H.M. Submarines damaged a 4,000 ton ship by gunfire off south coast of FRANCE. The 3,700 ton transport reported torpedoed in Optel No. 440 sunk in tow. Another transport (16,300 tons) was torpedoed on 22nd but has arrived in BOUGIE.

2. MILITARY

RUSSIA. On 21st there was heavy local fighting in BOROUPETS area. In Middle DON area fighting continues with undiminished vigour, Germans being on defensive.

3. AIR OPERATIONS

WESTERN FRONT. 22nd. Railway and other objectives in N.E. GERMANY and Low Countries attacked by 25 aircraft (2 missing). 9 enemy aircraft flew over east and south east coast. 2 destroyed. Some houses damaged. Few casualties. 21st/22nd. Aircraft despatched - RUHR 4, convoy off HOLLAND 12, Intruders 21, Leaflets 4. 1 aircraft missing. First reports indicated that ship in convoy set on fire and another hit.

FRANCE NORTH AFRICA. 20th/21st. 3 enemy bombers shot down over ROME. On 21st 2 more were destroyed near GENOA. 21st. U.S. Warhawks attacked MET. about 50 miles N.E.W. of SOUSSE and destroyed a tank and 13 vehicles. 21st/22nd. Wellingtons dropped 14 tons of bombs on TUNIS and L. COULETTE docks. 2 ships probably sunk.

LIBYA. 21st. Kittyhawks destroyed 7 aircraft on Bus landing ground 130 miles N.E.W. of SIRTE. On 20th approximately 7 enemy aircraft attacked MARBLE ARCH, BENINA and shipping off ROMETA. Some damage was caused.

MEDITERRANEAN. 21st/22nd. Albatrosses torpedoed a ship and sunk one of 2 escort vessels off SICILY.

INDIA. 21st/22nd. 3 enemy aircraft bombed CALCUTTA.