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Al Cole of the Readers Digest was in my office Monday. He left me the attached advance copy of the Digest, on the back cover of which is an article "Dangerous Dollars in Our Pockets" along the lines of our discussion on inflation.

I understand that this cover represents the efforts of Bob Phillips who worked with Peter Odegard and Milton Friedman on the matter.
Dangerous Dollars in Our Pockets

If the American people try to spend their fifteen billions of excess income this year they’ll only be throwing it away. There’s just one way to save it—

The income of the people of this country — the total of what they receive in wages, farm income, dividends, and so forth — will be 125 billion dollars this year. There never was anything like this before in all history; never before did so many people have so much income.

Out of this income, we shall pay 15 billion dollars in individual taxes. That leaves 110 billion dollars to save or to spend.

But we cannot possibly make enough things this year to spend that money on. In fact, there will be only about 70 billion dollars’ worth of goods and services for civilians to buy, because, although there will be more people at work in America than ever before, half of them will be producing things for war.

When we have bought 70 billion dollars’ worth of clothes and food and entertainment, and so on, we shall have 40 billion dollars left. Lots of money and nothing to spend it on, money all dressed up and no place to go.

Of course, there is one way to spend it. We could pay more for everything. We could say, “I’ll give you $1 for that $7 pair of shoes.” That would take care of it, sure enough. That’s what is meant by inflation. It has the same effect on us as would a drastic cut in our wages.

If people start bidding up prices, before they get through they haven’t acquired any more shoes; they just have less money. Not only that, but all the money they have saved has become worth less (sometimes actually worthless) because it no longer will buy so much.

(Continued Inside Back Cover)
Dangerous Dollars in Our Pockets

There are only two ways to keep us from getting into trouble with that 40 billion dollars — save more, pay more taxes.

As things now stand, we can count on the purchase of 12 billion dollars' worth of War Bonds this year. We can be pretty sure people will save another 13 billion dollars, in repayment of debt, insurance, additions to bank deposits, and so on. To save 25 billion dollars in a year will be a magnificent achievement.

But it is not enough! It will still leave 15 billion dollars or more with almost no place to go. Either we bid up prices with it — and so throw it away; or we put it in War Bonds — and so save it.

Every dollar we thus save does a double job. It protects the value of the dollar we do spend, and it gives us a dollar to spend later on when America is again at peace and able to make all the things we want but can’t have now. We must postpone spending. We must put away twice as much in War Bonds as we have been doing.

Taxes will not reach the really dangerous money in your pocket. You alone control the purse strings and you, not your government, must decide whether this surplus money will evaporate into a mist of meaningless figures or go into the security of War Bonds for future use.

We must make the decision at once. To win on the battlefield and lose at home through inflation is to give ourselves and the boys at the front alike a dirty deal.
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 1/13/43

TO Mr. Morgenthau
FROM Mr. Callahan

For your information, here is another example of the outstanding cooperation we are getting from national advertisers and agencies.

The attached Packard ad was worked out at the Detroit office of Young & Rubicam and the Packard Company. You will note that its coverage includes "Collier's", "Saturday Evening Post", "Life", "Time" and "Newsweek".
Announcing the new Packard for '43

ABOUT THIS TIME of the year, if there weren't a war to be won, we'd probably be talking about new 1943 Packard models.

Today, of course, no cars are rolling off our assembly lines. Instead, we are turning our Packard-built Rolls-Royce aircraft engines at top speed — and Packard super-marine engines for the Navy's hard-hitting PT boats.

So your 1943 Packard is now a brand-new 1943 War Bond — and it's a mighty fine model! You get it F.O.B. your nearest bank or post office, or wherever War Bonds are for sale... and it has a galaxy of all-star features...

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POWER! Every dollar you put into War Bonds is translated into power. War-horsepower! Planes! Boats! Tanks! Guns! More of everything America needs to win!

EASY TERMS! A down payment of a dime, a quarter, or a half-dollar starts you on your way. When you've bought enough War Stamps, you just exchange them for a War Bond. Easy? Even the youngest are doing it!

ASK THE MAN WHO OWNS ONE! He'll tell you every War Bond is backed up by the strongest company in the world — the good old U. S. A. And Uncle Sam stands behind of every War Bond you buy!

WARTIME SERVICE PLAN FOR CAR OWNERS. Although Packard is now 100% in war production, we're not forgetting our motor car responsibilities. Packard dealers are staying in business to help keep your car running at top efficiency. Drive in for a free check-up and inspection — and get the details of our "Car Health" Plan — today!

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BUY WAR BONDS AND STAMPS — AND KEEP ON BUYING!

PACKARD

PRECISION-BUILT POWER

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Ad No. 8
1 page—Black & White
Collier—January 8, 1943
Saturday Evening Post—January 9, 1943
LIFE—January 19, 1943
Also appearing in
Tinol and Mountain
January 13, 1943.

Meeting of Cabinet Group Sub-Committee on Dollar Position of United Nations in Mr. White's Office, January 13, 1943, 11:30 A.M.

Present: Mr. Acheson and Mr. Rostow for State Department; Mr. Neff for the War Department; Mr. Coe and Mr. Scheuer of E.W.; Mr. Knollenberg for the Office of Lend-Lease Administration; Mr. White, Miss Kistler and Miss Nielsen for Treasury.

The meeting opened with a discussion of whether or not the British Government should be informed of the recent decisions to (1) hold the British dollar balances to a $600-$1,000 million range, (2) discontinue credit lend-lease shipments of non-military goods to South Africa, and (3) open discussions with the financial representatives of each of the British Dominions as well as of other governments receiving financial assistance from this country concerning their gold and dollar positions. Mr. Acheson asked if the Treasury had informed Sir Frederick Phillips of these decisions and, if not, if the intention was to do so. Mr. White replied that he had discussed the matter with the Secretary and that the Secretary had leaned toward showing Sir Frederick the interdepartmental memorandum approved by the President.

After considerable discussion it was agreed that the Treasury should inform Sir Frederick of the general situation in broad outline and that the State Department would wait upon the Treasury before proceeding with their Lend-Lease negotiations with South Africa. Mr. Acheson said he interpreted the approved interdepartmental recommendation on South Africa to mean that lend-lease to South Africa should be restricted to military items and that no excess balance should be built up either way. He thought that South African sales of strategic materials to us amounted to $10 million per year.

Mr. Knollenberg said he would like guidance as to what lend-lease should do. He stated they had a British requisition for $10 million of tobacco, which he did not want to approve, and he wondered what reason he should give — the decision of the interdepartmental committee on the $600-$1,000 million range, or just political considerations. He preferred the latter. The group agreed the latter was preferable.

After some discussion as to what sort of statement should be made to Congress, if pressed, it was agreed that a reasonable statement of the intention was that neither the British nor the U.S. Government wants to use lend-lease or any other intergovernmental arrangement as a vehicle to push up the assets of the former. Mr. White suggested that the point
should be emphasized that the range was subject to change if the situation altered enough to warrant it. The amount of reciprocal lend-lease aid received, internal finances, and the political situation in Great Britain were all changing factors in the situation.

Mr. Coe and Mr. Knollenberg inquired whether or not the decision had been to discontinue credit Lend-Lease of non-military items to South Africa during the negotiations. It was agreed that requisitions could be currently cleared by Lend-Lease, leaving the question of payment to be determined later.

Mr. White mentioned the radio dispatch from London concerning the assertion of the financial editor of the News Chronicle that the pound sterling ought to be valued at $6 in comparing government expenditures. He also stated that the Australian Government had suggested that the Australian pound be valued at $5 for purposes of valuing reciprocal lend-lease. Mr. Coe interrupted to say he understood that no dollar figures were being set on reciprocal lend-lease. Mr. Knollenberg corrected him and reported that both value and volume records are being kept where information is available. Mr. Coe mentioned the unnecessary expenditure of time and energy over the value of Fiji sugar being delivered under reciprocal lend-lease on the West Coast and over the question of its equivalence with Cuban sugar being made available to Britain on the East Coast.

Mr. White distributed copies of the attached memorandum on "The Question of a Reasonable U.S. Dollar Reserve for Canada."

In answer to queries by Mr. Neff, Mr. White explained the proposed procedure for the exercise of joint Canada-U.S. control over Canada's U.S. dollar receipts through the allocation of Canadian production. He said it was not intended to affect the present policy of placing U.S. Government orders in Canada but was designed to determine which country would pay for the munitions being delivered on present orders. Mr. Coe suggested that because a large part of the munitions on order by the U.S. Government in Canada are British-type munitions, it would be very easy to shift current deliveries from the account of one government to the account of the other according to the current dollar needs of Canada.

Mr. White mentioned that the Canadians are not satisfied with the way their gift arrangement to U.K. worked. Under that arrangement the surplus of Canadian exports to other British Dominions was charged against the Canadian gift to the United Kingdom, the latter receiving payment in sterling. Under the contemplated lend-lease arrangement, Canada would deal directly with the Dominions and each of the other United Nations, as does the United States, and receive credit for the shipments. This change is to be inaugurated very soon.
It was generally agreed that the argument for a higher reserve based on Canada's probable dollar position after the war is not valid, as all countries other than the United States are likely to be in a precarious international financial position then.

As a Lend-Lease representative, Mr. Knollenberg questioned the propriety of his participation in these discussions concerning Canada. Mr. White stated that it was a matter of interest to the Lend-Lease Administration since the question of continuance of Canex requisitions was involved. He explained that if the plan is accepted the Canadian Government is desirous of having Canex discontinued. This proposal was favorably received. The suggestion to cancel the amount of past Canex transactions was rejected as unnecessary. Mr. Coe thought the problem should be left to the Office of Lend-Lease Administration.

In connection with the problem of the proper range of Canada's dollar reserve, Mr. Acheson took the position that Canada's present balances of $320 to $350 million would be adequate. Mr. Rostow and Mr. Coe felt, however, that Canada's dollar balance should be lower, in order to place it on the same basis as the United Kingdom. Mr. Coe suggested that on this basis a range of $200 to $300 million would be sufficient. Mr. White made the point that since the amount involved is smaller, the United States could afford to be more generous than in the case of the United Kingdom. He stated further that it did not seem wise to push down a country's balance. Mr. Coe replied that the lower range for Britain is below her present holdings. Miss Kistler then suggested a range of $250 to $350 million. Mr. White felt that this range was too wide and suggested that the lower limit should be raised to $300, partly on the grounds of political opinion in Canada. Miss Kistler suggested that under the proposed plan of allocation it would be possible to bring Canada's balances down rapidly if it were found desirable. The decision reached was that the range should be set at $300 to $350 million.

Mr. Knollenberg proposed the insertion of a paragraph in the memorandum to the Cabinet Group stating that the permissible Canadian balances are out of proportion to the range set for the British.

The committee then discussed the questions as to whether or not the dollar proceeds from the sale to Americans of Canadian-held American securities or other investments should be considered part of Canada's dollar exchange reserve, and whether or not Canada should redeem its liabilities through the use of these proceeds. Mr. Acheson suggested that the redemption of securities be left out on both sides of the accounting, but Mr. White pointed out that the effect of that would be largely in one direction.

Mr. Scheuer inquired as to the uniformity of treatment for Canada and the United Kingdom in the case of securities. Mr. Rostow replied that help to Canada is not politically vulnerable.
In regard to the problem of capital movements, the committee agreed to hold the decision in abeyance. It was agreed that the question should be skirted and no definite statement be made to Canada. It was pointed out that United States policy might vary according to the size and purpose of the particular transfers to be made.

The committee then discussed General Stillwell's complaint about the unfavorable exchange rate and high prices in China. Mr. White reviewed the situation and the proposals now under consideration in the Treasury. He stated that the official rate for yuan is 5 cents, that prices in China are rising very rapidly, that the rate in the black market is 40 to 45 yuan to the dollar, or roughly half the official rate, and that General Stillwell would like to take advantage of the black market rate in buying supplies as would the individual soldiers. He explained the difficult position of the Treasury in view of its commitments to the Chinese Government and the efforts being made to eliminate the black market. To pay American soldiers in China in U. S. dollars would be a departure from the policy being followed in other countries where our soldiers are paid in local currency. Furthermore, if Stillwell's suggestion were followed, the U. S. Government would be placed in the embarrassing position of being a party to black market operations in Chinese currency.

To obviate this difficulty, Mr. White suggested that the United States ask China to give the United States a stated number of yuan for Army requirements as reciprocal lend-lease. These yuan the Army could use for food and supplies without being concerned with the problem of the exchange rate. To take care of the soldiers, the Government might pay them a bonus, and to do this without admitting that the reason is the unduly high official exchange rate, he suggested the higher cost of living in China might be given as the reason.

Mr. Acheson raised the point that the bonus might not be legal. He also stated that General Stillwell did not want lend-lease in reverse. Mr. White agreed that, if carried out as in other countries, lend-lease in reverse might lower the prestige of the United States in China, but the suggested plan would not involve dealing with the public on the basis of asking favors. The Chinese Government has already been approached on the problem in connection with China Relief and has agreed to meet the amount raised by that organization in this country in order to eliminate the unfavorable rate at which they convert their proceeds.

Mr. White suggested that, before the proposal is taken up with the Chinese Government, the committee should find out how much the Army will spend, work out an arrangement on supplies satisfactory to General Stillwell, and decide on an arrangement to take care of the soldiers. Mr. Rostow remarked that China has raised the question of a reciprocal lend-lease arrangement to cover the troops. Mr. White stated that the Secretary had also thrown out the suggestion to the Ambassador.

Mr. Coe then inquired about the possibility of reverse lend-lease for hog bristles from China, which, according to Mr. Scheuer, would amount to
about $6 or $8 million per year. The Board of Economic Warfare felt that the negotiations were troublesome and that the Chinese were asking too high a price. Mr. Acheson made the point that it would be inconsistent if we told the Chinese that their price was too high and then asked them to give us the bristles. Mr. White felt that China might not accede to a large amount of lend-lease in reverse, as for example, $20 million annually, but might be willing to give half and sell half. Mr. Scheuer stated that the question of tea was closed, that a contract for $10 million of green tea for use in North Africa had just been signed. This left only the $6 or $8 million a year of hog bristles. In reply to a question from Mr. White, Mr. Ooe said he thought the United States would get as many hog bristles under reciprocal lend-lease as by purchase since the agreement could specify the quantity the Chinese Government would provide and the United States could bargain with private suppliers to get the rest. Mr. Scheuer said this procedure would save bargaining and set a pattern for acquiring tungsten and tin. Mr. White favored the proposal for reciprocal lend-lease with China on the ground that it would be helpful in discussing lend-lease with Congress.

Mr. Scheuer suggested that this proposal should reach the Chinese negotiators before they present their price next week. On the suggestion of Mr. Acheson and Mr. Nostow, it was decided, therefore, that the Board of Economic Warfare should buy the hog bristles but mention to the Chinese that discussions looking to a reciprocal lend-lease arrangement including strategic materials were taking place. Then if the general negotiations on reciprocal lend-lease were successful, payment could be cancelled.

A. L. Nielsen.
b. Canada has heavy external indebtedness, largely to the United States, and involving fixed interest and dividend payments to Americans of $200-$250 million per year.

c. Canada may require foreign exchange resources to meet post-war reconstruction needs.

d. Canada will desire to restore parity of exchange between the Canadian currency and the U.S. dollar, to eliminate various restrictions on trade and other international transactions, and to maintain a liberal commercial policy.

IV. Considerations to be Kept in Mind in Evaluating Dr. Clarke's Suggested Plans

a. The Canadian Government's holdings of gold and U.S. dollars, which totalled $319 million at the close of 1942, are expected, in the absence of any deliberate action by this Government, to rise $172 million during the first six months of this year or to $500 million by June 30, 1943. This includes an additional receipt from U.K. of $129 million during January.

b. The deterioration in Canada's international financial position vis-a-vis the United States (roughly of the magnitude of $300 million net) has been more than offset by the improvement in Canada's financial position vis-a-vis the United Kingdom. Since the outbreak of war, the Canadian Government has

(In Millions U.S.)

Repatriated U.K.-held Canadian securities to a value of........... $ 675
Extended a loan to the British Government of.......................... 630
Granted a gift to finance British purchases in Canada to an amount of.......................... 900

c. A comparison of the reserve suggested for Canada to the amount recommended and accepted by this Government as reasonable under present circumstances for the United Kingdom.
January 18, 1943.

Dear Captain MacKay:

This is to acknowledge receipt of your letter of January 8, 1943 giving estimates of payments to be made to Canada for munitions by the United States War Department, Navy Department and Maritime Commission during the current three-month period.

To appreciate receiving these data and your evaluation of them,

Sincerely yours,

(Signed) D. W. Bell
Acting Secretary of the Treasury.

Captain Gilbert MacKay,
Executive Director,
Joint War Production Committee,
Canada and United States,
United States Section,
Social Security Building,
Washington, D. C.
Last week Stopford handed to Pehle to read two documents marked "MOST SECRET". The documents have been read by several people in the Treasury but no copies have been made since in order to hold the documents temporarily Pehle had to assure Stopford that no copies would be made.

For your confidential information, however, there is attached hereto a summary which Pehle has prepared of such documents.
SUMMARY

On July 29, 1942, Cardenas, the Spanish Ambassador in Washington, sent to the Under Secretary of Foreign Affairs in Madrid a communication which may be summarized as follows:

Cardenas transmits a copy of a letter addressed to him on July 22, 1942, by Joseph J. Larkin, Vice President of the Chase National Bank, requesting that the Spanish Exchange Institute open an account at Chase. Cardenas advises the Institute that Larkin "from the first moments of the National Movement" was on the side of the Franco Government and on several occasions acted favorably toward such Government. Cardenas says that he owes Larkin a debt of gratitude for Larkin's activities on behalf of the Franco cause and asks that anything possible be done to grant Larkin's request.

The letter which Cardenas is transmitting is addressed to him and signed by Larkin. Larkin complains that in spite of his known friendship for the present Spanish Government, the Spanish Exchange Institute has not seen fit to open an account with Chase. Larkin refers to the fact that at the time of the Civil War in Spain his wife and one of his sons were stranded in Spain and were for a time in the hands of the "revolutionary soldiers" who, he said, stole several thousands of dollars of jewelry from Mrs. Larkin.
In order to illustrate the consistency with which he has supported the Franco cause Larkin cites the following examples: (1) In October, 1936, the Loyalist Ambassador to the United States, Fernando de Los Rios, called and wished to open accounts with Chase totalling nearly $4,000,000. Larkin declined on behalf of Chase to accept the accounts; (2) about the same time, Larkin discovered that the representative in Paris of the Loyalist Government had opened an account with the Chase Bank, Paris. Larkin immediately instructed the Paris office of Chase to get rid of the account.

Larkin closes by saying that if the Institute opens an account with Chase he will give the account his personal attention at all times.

This communication reveals the manner in which the Chase National Bank was used by Larkin for acts contrary to the foreign policy of this Government during the time when the Loyalist Spanish Government was recognized by the United States. It also illustrates how anxious the Chase Bank is to have this account and one can get a very good idea of how strict the Chase Bank would be, if it got the account, in insisting that the Institute live up to the letter and spirit of our regulations.
Information received up to 7 A.M., 13th January, 1943.

1. NAVAL

12th. One of H.M. Anti-submarine trawlers sunk, probably by mine, southeast of PORTSMOUTH.

2. MILITARY

LIBYA. All main enemy posts in FUZZAN have now been occupied by Fighting French forces from CHAD.

TUNISIA. There has been considerable patrol activity. French have captured a pass near KAIROUAN with 180 Italian prisoners.

NEW GUINEA. Japanese strength at MADANG now reported to be 2,000 and total Japanese strength in NEW GUINEA now considered to be more than 10,000.

3. AIR OPERATIONS

WESTERN FRONT. 12th. Fighters successfully attacked three tugs, barges and locomotives in Low Countries.

12th/13th. Aircraft were despatched - ROSE 62, seaming 32, propaganda leaflets 5. No further information yet available.

FRENCH NORTH AFRICA. On 10th, Junkers BGs destroyed and seriously damaged 5 United States aircraft and slightly damaged 9 others at BISKRA airfield.

11th. United States bombers attacked Fort and town at GADANES (256 miles south of GABES) and railway north-northwest of GABES. Hurricanes bombed a ravine 30 miles northwest of KAIROUAN. 11th/12th. Stirlays destroyed or damaged a number of mechanical transport vehicles on TUNIS-SOUSSE road.

LIBYA. 10th/11th. Liberators (B-24) bombed road junctions in TRIPOLI area. 11th. Enemy attacked TAMET and EI GZ LIGN areas, destroying 2 aircraft on the ground. Enemy casualties 9, 2, 5. Our 1, nil, nil.

ITALY AND SICILY. 11th. United States Liberators (5 missing) attacked NAPLES. 12th. Spifires successfully bombed SCIACCA Harbour (southwest SICILY) and LAMPEDUSA airfield.

BENE. 11th. PINTRA Railway Station (100 miles north-northwest of MANDALAY) was successfully attacked. 11th/12th. Targets north of AKYAB were bombed.
MEMORANDUM FOR THE SECRETARY

January 14, 1943

The purpose of this memorandum is to record the conference held with you at your house this afternoon, attended by Mr. Daniel Bell and myself.

We went over in discussion the contents of the attached memorandum, dated January 14, 1943, containing five questions with the recorded vote of the group which has recently been discussing tax policy. This memorandum is marked Exhibit A.

1. You agreed with the unanimous opinion given in answer to Question 1.

2. You decided for "postponement" in answer to Question 2, although you stated that you did not feel too strongly on the issue involved in this question. Before you decided this question, we gave you a short statement as to the so-called forgiveness and postponement plans, and we also pointed out the distinctions between these plans and the Rum plan.

3. You decided on this question with the unanimous group. The general idea here was that we should indicate the Treasury preference for no forgiveness, but be quite ready in the same conference to go over to the forgiveness plan.

4. You decided with the "yes" group on this question although you remarked that the line-up on this question was somewhat curious.
5. You decided with the "yes" group on this question, with a proviso that the President's $16 billion program (which we explained was on a collection basis) should be raised to $20 billion. The idea underlying this suggestion was that we would lose at least $4 billion of voluntary saving and either taxes or compulsory saving should be increased over $16 billion to make up for this loss. In this connection both Mr. Bell and I indicated to you the strong possibility that Congress would not give us such a high amount of taxes and forced saving.

It was decided that there would be no public announcement as to the Treasury attitude toward compulsory saving until such announcement should become necessary. The purpose of your decision today was to enable those who deal with Congress to operate all along the line.

For your further information, I attach hereto copies of the following memoranda:

Description of the Pay-as-you-go plan involving postponement of tax liabilities - marked Exhibit B.

Proposed pay-as-you-go plan involving partial cancellation of liabilities - marked Exhibit C.

Rate increases and exemptions for 1943 and 1944 - marked Exhibit D.

Compulsory lending plan - marked Exhibit E.

You did not read these memoranda in detail, but the several plans were described to you. You strongly favored collection at the source at the basic 20% rate, and we discussed particularly the rate for compulsory saving which would be necessary.
In the course of our discussion, I told you the general magnitudes of our program for 1943 and 1944 designed to raise $16 billion of additional taxes or savings.

In the course of this conference, you made the suggestion that in your absence you would expect the group which had recently discussed tax policy to continue to function as an advisory tax policy group and that you thought it might be advisable for those handling legislation on the Hill to meet with this group once a week to report events to them.

In the course of the conference, you instructed me to visit Speaker Rayburn, Majority Leader McCormack and Senators McNary and Vandenberg. You also suggested that we confer from time to time with Mr. Smith and Justice Byrnes.

Randolph Paul  D. W. Bell
January 14, 1943

1. Are we in favor of a pay-as-you-go income tax collection plan, for passage before March 15, 1943?

Yes - unanimously

2. As a pay-as-you-go plan, do we prefer (1) forgiving tax at 19 percent for a year, or (2) postponing such tax and collecting it over two or three years?

**Forgive**  
- Paul White

**Postpone**  
- Sullivan Haas  
- Surrey Blough

3. Are we willing to take the plan of forgiveness if the postponement plan cannot go through quickly?

Yes - unanimously

4. Should the pay-as-you-go plan be handled as a separate legislative matter without including taxes or compulsory saving?

Yes  
- Bell Sullivan  
- Surrey

No ("Yes" if that is the only way to get it passed quickly)  
- Paul White  
- Blough

5. Assuming the spending tax cannot be passed, should compulsory lending be favored by the Treasury if a canvass of the situation indicates that the amount of taxes we could get during the first half of 1943 is small and that more can be obtained by compulsory lending?

No  
- Bell Sullivan  
- Haas

Yes  
- Paul Surrey  
- White  
- Blough (if $8 billion)
Pay-as-you-go-plan involving postponement of tax liabilities

1. Require the March 15, 1943 tax return on 1942 income to be filed as scheduled.

2. Postpone payment of three-quarters of the 1942 liability for the normal tax and surtax at initial rate, the postponed amount to be amortized in two years.

3. Beginning April 1, 1943, collect currently from all taxpayers a "basic payment" equal to the normal tax and the surtax at the first bracket rate, and, in addition, an extra payment to amortize postponed liabilities.

4. For wages and salaries, these payments would be collected at source. For other sources of income, they would be paid quarterly during the year on the basis of a simple statement of income made by the taxpayer.

5. For the 10 percent of taxpayers whose total tax liability was not liquidated in full by the basic payment, the balance would be payable in the following year as the whole tax is now paid.

6. Under this arrangement, taxpayers will have discharged three-fourths of their 1943 basic liability in 1943. When taxpayers file their final 1943 return in March, 1944 permit them to postpone payment of one-fourth of their 1943 basic liability, to be amortized in the same manner as the postponed 1942 taxes.

January 14, 1943
Proposed pay-as-you-go plan involving partial cancellation of liabilities

1. April 1, 1943, begin collection at source on salaries and wages above exemptions and possibly dividends and interest at a basic rate of 20 percent (the normal tax and the surtax at the first bracket surtax rate).

2. For other sources of income collect the basic payment (normal tax and first bracket surtax) quarterly on the basis of a simple statement of income made by the taxpayer. Make a final adjustment in the March return.

3. Continue present payment method for liabilities in excess of basic payment (normal tax and first bracket surtax).

4. Require March 15, 1943, return as now scheduled but ask for only one-fourth of tax liability.

5. Cancel liability for normal tax and first bracket surtax for three-fourths of 1942 liabilities and one-fourth of 1943 liabilities.

6. Repeal Victory tax as of January 1, 1943, but raise 1942 surtax rates 3 percentage points for 1943 to absorb Victory tax.

January 14, 1943
Rate increases and exemptions for 1943 and 1944

1. **Exemptions** (for income tax and compulsory lending)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exemptions Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1943</td>
<td>No change for present</td>
</tr>
<tr>
<td>1944</td>
<td>$400 - $800 - $200 instead of present $500, $1,200 and $350.</td>
</tr>
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</table>

2. **Rates for income tax**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate Details</th>
</tr>
</thead>
</table>
| 1943 | (a) Repeal Victory tax effective January 1, 1943  
(b) Increase present surtax rates 3 percentage points to absorb Victory tax  
(c) Collection-at-source rate 20 percent |
| 1944 | (a) Increase rates throughout scale to raise $8 billion more than 1943 rates. Needs opening rate of 28 percent including 6 percent normal  
(b) Collection-at-source rate 26 percent |

3. **Rates for compulsory lending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate Details</th>
</tr>
</thead>
</table>
| 1943 | (a) 1943 collection-at-source rate 15 percent  
1944 collection-at-source rate 12 percent |
|      | (b) Liability rates for both 1943 and 1944 requires opening rate of 25 percent on first $1,000 of net income after exemptions, taxes and offset for savings and graduated rates which run up to 70 percent on amounts over $5,000. |

January 14, 1943
Compulsory lending plan

1. April 1, 1943, begin collection at source at 15 percent rate on same basis as income tax collection at source making combined rate 35 percent.

2. For 1943 the liabilities for compulsory lending would be separate from the income tax, imposed at progressive rates and based on net income after regular income taxes and the special $25,000 limitation tax, if any, and after deductions for savings for insurance premiums, debt retirement, and bond purchases.

3. The collections at source for compulsory lending and for income tax would be adjusted to final liabilities for both on the March 15th return.

January 14, 1943
I have re-examined the speech which Mr. Surrey made in New York on January 13th, and I have talked with him about it. I can assure you that it contained nothing objectionable or anything which committed the Treasury to anything to which it had not previously been committed with your full knowledge, such as approval of collection at the source, opposition to the sales tax, and argument in favor of the spending tax. The speech did not pretend to deal with what would be the Treasury program even in respect to these matters. I see nothing in the speech which could in any way be offensive to members of the Ways and Means and Senate Finance Committee.

Surrey's speech had been cleared with Mr. Schwarz' office which issued a release on which some erroneous headlines were based. As I told you over the telephone this morning, Mr. Surrey is not regarded as a policy man and can not in any event commit the Treasury to any particular position.

I am instructing Mr. Blough and Mr. Surrey not to make any more speeches. This means the cancellation of the following commitments on the part of the persons named:

Randolph Paul

Jan. 21 Appearance at Federal Bar Luncheon to introduce speaker
Feb. 24 National Council of Jewish Women, New York
Mar. 26 University of Pennsylvania
Stanley Surrey

Jan. 21 Federal Bar luncheon, D.C.

Roy Blough

Jan. 15 National Planning Association meeting at Cosmos Club.

Jan. 21 The Conference Board Round Table conference on Taxation and the Budget Waldorf Astoria, New York City.

Jan. 24 Council of State Governments meeting Baltimore. (This invitation was addressed to you and Blough was appearing in your stead)

Jan. 29 Radio discussion on pay-as-you-go plan for Commerce and Industry Association, WMCA.

I would like to add that I regard the decision that Treasury representatives shall refrain from making any public addresses as a grave error, -- one which is liable to affect very adversely the public relations of the Treasury Department.
New York, Jan. 13 -- The simplest, most effective method of placing individual income tax payments on a current basis is collection of the taxes at the source of the income, the National Retail Dry Goods Association was told here today by Stanley S. Surrey, tax legislative counsel of the Treasury Department.

Mr. Surrey addressed the association on the subject, "Some Aspects of the 1943 Tax Picture."

The President's Budget message to Congress, forecasting Federal expenditures of more than $100,000,000,000 in the fiscal year 1944 and calling for $16,000,000,000 in new collections "by taxation, savings or both", presented two fiscal problems which serve as a background for all 1943 tax studies, Mr. Surrey said.

The first of these problems, he explained, is how best to supply the funds the Federal Government needs; the second is how to absorb excess purchasing power and thus protect the nation's stabilization program.

"The Treasury Department has said for some time that the best method of placing the income tax on a current basis is through collection at the source," Mr. Surrey declared. "If such collection were made applicable at the normal plus first bracket surtax rate, the vast majority of our taxpayers would be placed on a current basis -- about 25,000,000 of the estimated 35,000,000 income taxpayers. In addition, they would have their income taxes automatically budgeted for them."

The foundations of a collection at the source system have been laid in the 5 percent withholding tax on wages and salaries which is a feature of the Victory tax, according to Mr. Surrey.

With 80,000,000 persons subject to the Victory tax and about 35,000,000 to the regular income tax, "income taxation is now on a shirt sleeves rather than a silk stocking basis," he pointed out, adding that "the case for collection at the source can be rested upon this inescapable fact alone."
Comparing the sales tax and spending tax, Mr. Surrey said:

"A manufacturer's or a wholesaler's tax would play havoc with price controls, and a retail sales tax would yield little revenue except at very high rates. The retail sales tax operates on a piecemeal basis and hence it cannot satisfactorily provide the necessary exemption for the lowest income brackets, nor take into account family size and dependency status. Neither can it differentiate between luxury spending and essential expenditures except on the crude and wholly unsatisfactory basis of a classification of articles to be taxed at different rates.

"The spending tax, however, operates on an overall basis and thus, through exemptions and progressive rates, can accomplish these ends quite readily."

In contemplating the weight of the tax burden, it must be remembered that back of the burden is a record flow of income, Mr. Surrey summed up. "And even the heaviest of burdens is made light by the realization that it is a small price to pay if it will help us obtain the things that are at stake in the world today," he said.
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January 14, 1943

Dear Harold:

I appreciate very much your thoughtful letter of January 8th.

I am up and around today for the first time, and am planning to go away for a few weeks to convalesce. On my return, I would very much like to have you come over for lunch again, and talk things over.

Yours sincerely,

(Signed) Henry

Honorable Harold D. Smith,
Director,
Bureau of the Budget,
Washington, D.C.
My dear Mr. Secretary:

I am sorry to learn of your illness, and I hope for your speedy recovery. Worry seems to be the cause of most of our physical difficulties these days. You have one of the best staffs in town, capable of carrying great responsibility for you.

I had hoped that we might have worked out the Budget Message a little more smoothly with the Treasury. I certainly hope this has not been a source of worry to you. I can assure you that I have at least ceased to worry.

The very best that I can wish for you is that the doctors will consent to give you as pleasant a prescription as they have given me.

Sincerely yours,

[Signature]

The Honorable

The Secretary of the Treasury
Dear Mr. Leffingwell:

Your letter of January 12, 1943, addressed to the Secretary, has been turned over to me by his office. He has been away for the past week on account of illness and I do not believe that he will get back before another week. I shall be glad to bring your letter to his attention as soon as he returns, but if you expect to be down this way in the meantime I shall be glad to talk to you about the matter referred to in your letter.

Sincerely yours,

(Signed) D. W. BELL

Under Secretary of the Treasury

Honorable R. C. Leffingwell,
23 Wall Street,
New York, N. Y.

DWB:HLE
23 Wall Street  
New York  

January 12, 1943

Dear Mr. Secretary:

If you should ever have time for it among your many cares I should like ever so much to come down and see you and talk about inflation and its control. I am naturally bubbling over with ideas about it, and most anxious to be of service to you and to my country. Before the war put such heavy burdens upon you you did now and then send for me and talk with me at leisure and in quiet about this and that problem of public finance. If the opportunity were to come to do that again now and then I should be most hopeful of being helpful in a private way. On the other hand, I do not want to intrude as just one more caller on your crowded calendar. I know very well how burdensome such calls are to one in your position, and how little use they are to you.

Assuring you once again of my wish to be as helpful as I possibly can to you and to the Treasury and to my country, I am, my dear Mr. Secretary, with great respect

Faithfully yours

(Signed) R. C. LEFFINGWELL

The Honorable  
The Secretary of the Treasury  
Washington, D. C.
January 14, 1943

My dear Mr. Secretary:

I refer to your letter of January 1, 1943, concerning the approximately $1,110,000 in United States currency which the Spanish Government desires to ship to the United States.

In view of your recommendation, the Treasury Department is prepared to release the currency in question for deposit in the blocked account of the Instituto Espanol Moneda Extranjera upon its importation into the United States. It is suggested that the Instituto Espanol Moneda Extranjera be advised that the currency be forwarded to the Federal Reserve Bank together with appropriate instructions. At such time, and upon receipt of an appropriate application, this Department will authorize the release of such currency as indicated above.

It is assumed that the release of the currency should be made conditional upon the receipt by this Government of appropriate assurances by the Spanish Government that a corresponding amount of pesetas will be made available against blocked dollars as desired by this Government. Members of the staff of Foreign Funds Control will consult with representatives of your Department as to the details of the arrangements.

Sincerely yours,

D. W. Bell

Acting Secretary of the Treasury

The Honorable,

The Secretary of State.

MLHoffman/af - 1/6/43
My dear Mr. Secretary:

I have had the Department staff review again considerations pertinent to the matter dealt with in your letter of December 15, of permitting the Spanish Government to ship to this country approximately $1,110,000 in United States currency.

A review of our present and prospective stock of peseta resources as compared with the prospective requirements of our preclusive buying program seems to establish a real possibility that our further needs will be considerable. It may well be, as you state, that other means would serve to secure all the pesetas we may need, but that is not certain; and therefore the assurance we intend to seek as quid pro quo would appear to have contingent usefulness.

But my view in this matter is determined rather on our best judgment as to the course to be pursued vis-à-vis the Spanish Government in the present political and military situation. I do not want to forecast events. We are in possession of direct assurances from the highest Spanish authorities as regards the course they intend to pursue, and our information tends to confirm that it is being faithfully pursued – at least up to the present.

In the light of the above, I wish to recommend that the Treasury grant a license for the importation into the United States of this currency for credit to a generally licensed account.

Sincerely yours,

The Honorable
Henry L. Morgenthau,
Secretary of the Treasury.
TO: Secretary Morgenthau
FROM: Mr. Haas

Subject: Recent Changes in Prices and Yields of Government Securities

During the week ended last night, prices of taxable Government securities showed some improvement, advances ranging up to 4/32 in the case of the taxable 2's of 1945-50. Prices of tax-exempt issues generally showed no change or declined, although a few scattered gains occurred among the partially tax-exempt bonds.

The regular weekly offering of Treasury bills was awarded at an average rate of 0.363 percent as compared with 0.357 percent for the previous week's issue. Yields of outstanding certificates declined.

Table II compares present prices and yields of Government securities with those prevailing on September 1, 1942. Prices of practically all taxable securities are currently above their levels of that date, while prices of most tax-exempt securities are lower. Yields are generally lower now than on September 1, except in the case of the longest-term partially tax-exempt bonds.

Reference to the last column of Table III, which compares yields on the basis of the September 1 pattern of rates, will show that taxable issues are now slightly stronger and tax-exempt securities generally weaker than on September 1, 1942.

Purchases of Government securities by the Federal Reserve System totaled $165 millions during the week, this amount consisting of $158 millions of bills and $7 millions of partially tax-exempt issues. Sales aggregated $147 millions, including $142 millions of bills, $4 millions of taxable bonds, and $1 million of partially tax-exempt bonds. Bill maturities totaled another $66 millions so that the net decrease in the System's portfolio was $48 millions.

Attachments
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<th>Prices</th>
<th>Yields</th>
<th>Change</th>
<th>Prices</th>
<th>Yields</th>
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### Table II

**Price and Yield Changes of United States Securities**

September 1, 1942 to January 14, 1943

Issues outstanding on both dates only

(Based on mean of closing bid and asked quotations)

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<tr>
<th>Security</th>
<th>Prices</th>
<th>Yields</th>
<th>Change</th>
<th>Prices</th>
<th>Yields</th>
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Treasury Department, Division of Research and Statistics.

January 14, 1943.
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TAXABLE SECURITIES

TAX-EXEMPT SECURITIES

Treasury Department, Division of Research and Statistics. January 14, 1943.
January 14, 1943

Meeting in Mr. White's Office
January 14, 1943
3:30 P.M.

Present: Mr. Bryn and Mr. Colbjornsen of the Norwegian Embassy
Mr. H. D. White and Miss Kistler of Treasury

Mr. Bryn and Mr. Colbjornsen called on Mr. White at Mr. White's request. Mr. White explained to them that under a recently adopted policy, the Treasury is made responsible for keeping informed on the general financial position of all the countries and governments receiving lend-lease or other financial assistance from this Government. He stated that an interdepartmental committee has been set up to review and make policy recommendations on these matters and that this committee would look to the Treasury for financial data which would be one of the factors considered in reaching decisions.

He outlined the type of data which the Treasury would be asked to furnish and which it would have to furnish this responsibility. Mr. Colbjornsen reminded him, that of course, there were no merchandise trade receipts or expenditures because of the German occupation of Norway, nor were there many of the other items ordinarily found in a country's balance of international payments. Mr. White said he appreciated that fact and that all the Treasury wanted was information on the Norwegian Government's dollar assets, receipts and expenditures and sterling assets, receipts and expenditures. Mr. Colbjornsen remarked that although the Washington Staff knows the situation in the United States, they have no information on Norwegian assets and expenditures in Canada or on the assets and expenditures of the Norwegian Government in the Sterling Area. For this reason, he said they would have to refer the matter to London and even though the request was wired, it might take as long as a month for a reply to be received. Mr. White said there was no great urgency, a reply in two or three weeks would be fine.

Mr. White stated that the policy involved continuous review. He assured Mr. Colbjornsen and Mr. Bryn that the request was part of an over-all policy being adopted with respect to all United Nations, there was nothing in it directed against Norway and that no particular problem had arisen concerning Norway. Mr. White said he hoped in the wire sent to London that this fact would be made clear to Norwegian Government officials there. He assured the gentlemen that the information would be treated confidentially by this Government. He stated that from time to time Congress makes inquiry regarding the international financial position of various countries and governments receiving financial aid from this country. He assured them, however, that if it became necessary to submit data to Congress, it would be done only with their Government's prior approval. Mr. Bryn and Mr. Colbjornsen said that they would contact us as soon as the material was available and assembled.

T. M. Kistler
AGENDA

FOR THE BOARD OF ECONOMIC WARFARE MEETING
TO BE HELD JANUARY 14, 1943 AT 10:00 A.M.
IN THE OFFICE OF THE VICE PRESIDENT
IN THE CAPITOL

Discussion of Exports for Gold Mining
(Report Attached)
RECOMMENDATIONS ON EXPORT POLICY AS TO MATERIALS FOR THE GOLD MINING INDUSTRY

Office of Exports
Board of Economic Warfare

January 14, 1943
In view of the shutting down of the gold mines in the United States in accordance with Limitation Order L-203, issued by the War Production Board on November 19, 1942, and in view of the current shortage in the supply of critical materials and shipping for the prosecution of the war, it is essential to formulate a policy for the guidance of those agencies of the United States Government responsible for licensing, financing, procurement and shipping of materials to be used for the support of gold mining operations outside of the United States.

A definite policy is necessary to insure reasonable equality of treatment as to the distribution of critical supplies to allied and friendly countries. It is therefore recommended that the Board of Economic Warfare adopt the following policy:

1. Effective February 1, 1943, no further licensing, financing, or procurement of materials for the support of foreign gold mining operations shall be undertaken, with the exceptions of deliveries of a restricted amount of materials to such few countries in which the cessation of gold mining operations would inflict unreasonable hardship upon the economic or political structures thereof. These exceptions may include: the Union of South Africa, Southern Rhodesia, Canada, Australia, Nicaragua and Colombia. The export of materials for mines producing some gold but operated primarily for the production of strategic materials shall be excluded from the export prohibitions recommended herein.

2. Although the maintenance of limited gold mining operations may be essential for the time being in these areas, no further licensing, financing, procurement or shipping of supplies for the gold mining industry should be permitted after February 1, until the current rate of production has been reduced to the 1937-1939 level measured by ore tonnage milled.

3. It is further recommended that a sub-committee of the Board, consisting of representatives of the Department of State, the Treasury Department, the Office of Lend-Lease Administration, the Coordinator of Inter-American Affairs, the War Production Board and the Board of Economic Warfare be appointed to report to the Board no later than February 11:

a. whether the licensing, financing, procurement and shipment of materials for the support of gold mining operations in the areas referred to above are necessary, and, if so...
b. The extent to which such licensing, financing, procure-
ment and shipping of such materials to these areas may
be reduced below amounts necessary to maintain the 1937-
39 level of gold mining operations.

c. The remedial measures which might be taken by agencies
of the United States Government to offset the economic
maladjustments caused by a conversion to full war pro-
duction.

4. Pending the report of the sub-committee and the formulation of
final export procedures, the agencies of the United States
Government responsible for the licensing, financing, procure-
ment and shipping of materials for the support of foreign gold
mining operations shall be guided by the following resolution:

RESOLUTION NO. 1

"WHEREAS it is essential that the economy of the United
Nations and all those nations associated together in the
war against the Axis be converted to the fullest extent
for maximum war production;

"AND WHEREAS most of the United Nations and other nations
associated together in the war against the Axis are in a
position to lend further aid to the war program by maximum
conversion of its industries to war production;

"NOW, THEREFORE BE IT RESOLVED that the Board of Economic
Warfare recommends that maximum and rapid conversion of
the economy of nations referred to above to a full war
economy be achieved; and that for this purpose the appro-
priate U.S. agencies assist in such conversion by making
available such supplies, within the limits of production,
supply, and shipping facilities, as are necessary for the
further development of war industries, the conversion of
existing non-war industries, and the substitution of other
more productive war industries as to bring about maximum
production with minimum dislocation; and that for these
purposes, the proper administrative measures be taken by
the appropriate U.S. agencies for the carrying out of
this program aggressively."

Regarded Unclassified
DEPARTMENT OF STATE
Washington

My dear Mr. Nelson:

In view of the shutting down of the gold mines in the United States and the current scarcity of materials and equipment required for gold mining operations, the Department has made a careful study of the gold mines operating in the other American republics.

Although the closing of the gold mines in any of the other American republics will give rise to further unemployment with consequent unrest and economic dislocations, the Department does not feel that the continued export of materials and equipment needed for the maintenance and repair of gold mines in all of the other American republics would be compatible with the war effort.

In an endeavor to forestall the outbreak of unrest and possible political repercussions already threatened by the unemployment resulting from the reduced exports of bananas, coffee and cocoa, and other products from these countries to the United States, as well as the reduced volume of goods currently being imported by these countries, this Government has undertaken food production, road building and rehabilitation programs, sponsored increased production of strategic materials and equipment, the exportable surplus of certain commodities which can no longer be shipped to the United States. Although the scope of such programs is greatly restricted by various factors, such as the scarcity of tools and equipment which must be imported from the United States, the difficulties in finding competent technical personnel to send to the field to supervise such operations, the necessity for shifting labor from one type of work to another, and in some cases from one area of a country to another, the Department feels that such programs have been or will be developed to such an extent that they will be able to absorb the unemployment already in existence, as well as additional prospective unemployment resulting from the cessation of gold mining operations in most of the other American republics.

However, the Department at the present time has reached the conclusion that the economic stability of Colombia and Nicaragua depend to such a large extent upon the continuance of gold mining operations that every effort should be made by the War Production Board to supply sufficient materials and equipment for repairs and maintenance of the mines operating in these countries to prevent them from closing down. Gold mining in Colombia employs approximately 50,000 workers and in Nicaragua from 6,000 to 7,000 workers. If the families of these workers are considered, the number of persons dependent upon gold mining would of course be much greater.

The Honorable
Donald M. Nelson,
Chairman, War Production Board,
Washington, D. C.
As you know, the Government of the United States in a letter from President Roosevelt to President Somosa dated April 17, 1942, made a definite commitment to supply Nicaragua with sufficient materials, in so far as these are available in the United States, to continue the operation of that country's gold mines at normal levels.

In the case of Peru, several of the leading mines producing gold are also large producers of silver and the Department, cognizant of the fact that the War Production Board wishes to maintain imports of silver into the United States at their present level, is studying this problem and will make recommendations to the War Production Board as to which of the mines in Peru the Department feels should secure materials.

The Department assumes that the War Production Board will continue to make materials available to the silver mines operating in Mexico and Honduras.

In regard to the remaining Central and South American countries which produce gold, the Department does not feel that it would be appropriate to request the War Production Board to grant priorities for needed equipment.

I would appreciate an early reply regarding the policy to be followed by the War Production Board.

Sincerely yours,
Information received up to 7 A.M., 14th January, 1943.

1. MILITARY

LIBYA. Our patrols have occupied HUN (150 miles south of SIRTE).

2. AIR OPERATIONS

WESTERN FRONT. 12th/13th. 153 tons of H.E. and I.B. dropped on ESSEN through thick cloud. One Lancaster missing. 5 R.A.A.F. and 4 New Zealand aircraft took part without loss. 12th. Lille-Lille Engineering Works attacked by 72 U.S. Fortresses (B-17). 143 tons of H.E. dropped in good visibility. Attack considered successful. ST. OMER and AMIENS airfields bombed by Bostons (A-20) and Venturas (B-34). Enemy casualties by fighter escorts were 3, nil, 3. Ours, 3 Fortresses missing. Railway centres AULNOYE TARENT and LAON effectively attacked by pairs of Mosquitos. 13th/14th. Aircraft despatched - ESSEN 69 (4 missing). Heavy cloud over target. Intruders 12 (1 missing). Hits were made on 3, probably 3, merchant ships of 2-3,000 tons off Dutch coast by Hudsoms. 8 enemy aircraft operated off northeast coast. Slight damage at SUNDERLAND.

FRANCE NORMANDY AFRICA. 12th. Escorted U.S. Marauders (B-26) bombé bridges in SFAX area. 12th/13th. P.M. Wellingtons bombé SOUSSE Harbour and Mosquitos attacked M.T. between SFAX and TRIPOLI.

LIBYA. 12th. Escorted U.S. Fortresses (B-17) from French North Africa bombé airfield CASTAL BENITO (South of TRIPOLI). Hangars were hit and about 20 enemy aircraft destroyed on ground and further 14 M.E. 109's in combat. Enemy casualties by Spitfires over forward area were 5, 1, nil. Ours 2, nil, nil. (Both pilots safe).
Utb January, 1943.
100 operations.

1. NAVAL

HOME AND NORTHERN WATERS. Air reconnaissance during the period showed STRIKE still in THORNHAY, SCHARNHORST and PRINZ EUGEN seen off the SHAN Lith. Have not since been located.

MEDITERRANEAN. Convoy of 5 ships, including one tanker, reached MALTA 11th from ALEXANDRIA. 2 ships, 5-7,000 tons, successfully attacked by H.M. submarines and naval aircraft. 3 small ships sunk by destroyers during week. In series of attacks on Allied shipping by torpedo-bombers off Algerian coast. 2 merchant ships lost, 1 damaged.

SUBMARINE WARFARE. During week ending 14th, 2 promising attacks on U-boats, 3 belated reports of promising attacks from United States Navy. Heavy U-boat concentrations believed formed west of ROCKALL and east of NEWFOUNDLAND. Estimated still 90 - 100 operating in ATLANTIC.

SHIPPING CASUALTIES. During the week 9th - 15th, 15 ships were reported to have been torpedomed. 3 British, 2 Norwegian and 1 Panamanian (all tankers) sunk in convoy west of the CANARIES. A British and a Norwegian ship in the north-western approach, a British ship southwest of MADAGASCAR, A United States ship east of BRITISH GUIANA, a Swedish ship off the north Brazilian coast, and a British ship in the South Atlantic. In addition, 1 British and 1 Norwegian ship were sunk and a United States ship wounded by torpedo aircraft in the MEDITERRANEAN, a British tanker was damaged by aircraft in the KEROA Inlet and a Dutch off the coast of NEW GUINEA. A sailing barge was mined in the THAMES Estuary and 2 Swedish ship sunk, probably by a mine, off the Norwegian coast. A British ship reported torpedoed in an outward-bound convoy has reached HALIFAX and a Dutch ship bombed by aircraft and submerged at BENGUZAI has been reported. A Brazilian ship reported overdue has arrived and a Greek ship is overdue at HALIFAX. December losses reported to date at 397,000 tons are lowest in any month of 1942, about 90% due to U-boats. Losses in ATLANTIC 50% less than in November.

TRADE. During December, 11 ocean convoys arrived without loss and 3 homeward convoys lost 4 ships from enemy action. 10 outward convoys arrived at their destinations intact and 3 outward convoys lost 6 ships by enemy action. Imports into United Kingdom in convoy week ending 9th, 621,000 tons, including 210,000 oil.

FRENCH SHIPPING. French Naval authorities in North and West Africa are now co-operative and helpful. There are 29 ships at Dakar totalling more than 120,000 tons, but some require extensive overhaul, and since there is only one dry dock, it may be some months before these ships are fit for sea.

2. MILITARY

French North African operations confined to neutral activity and minor actions. Our reinforcements moving up, and regrouping our forward troops continue state of ground and length of lines of communication remain dominant factors. Axis relieved strengthening protective screen and increasing depth of defences around ALGIERS, Sfax and GABES, presumably against possible Allied thrust towards their communications between TUNISIA and TRIPOLITANIA. Estimated enemy combatant strength: Germans 35,000; Italians 17,500, with G.A.F. and services W, 000; tanks about 200 German and 30 Italian.

PANAMA, BURMA, ARABIA. British patrols penetrated MAU Peninsula to within 5 miles southern extremity POOL POINT, held up at DONBAIN and LAUGHAM. Many positions captured on all north of RATHEWAU. Progress is slow owing to lack of roads and insufficient river craft and tactical difficulties presented by occupation of hills and dense jungle. Our troops are, nevertheless, inflicting a good number of casualties on Japanese. CHIN HILLS. Enemy intentions now believed defensive.
3. AIR OPERATIONS

WESTERN FRONT. A large-scale daylight bombing operation by United States heavy bombers against FIVES-LILAS Engineering Works, in conjunction with other less important diversionary bombing operations and fighter sweeps. 5 night raids on ESSEN, 4 of them blind-bombing through complete cloud. Those raids, though light individually, added up to a total of 329 aircraft, which dropped about 650 tons of bombs on this objective. Aircraft of Bomber Command also laid 442 sea mines.

FRANKFURT. Night bombing attacks by Tunisian-based and Malta-based aircraft were continued upon ports in TUNISIA and traffic on roads and railways, chiefly in the southern sector, although upon a lighter scale than last week owing to adverse weather. Daylight raids by escorted United States light bombers were also made upon similar objectives. Allied aircraft made over 2,000 sorties in addition to 555 by transport aircraft.

MALTA. All enemy raiders were intercepted and turned back. Protection was provided for friendly shipping and daily raids were carried out on coast roads of TUNISIA and TRIPOLITANIA.

RUSSIA. In the DON area, it is probable that the speed of the Russian advance is forcing the German Air Force to operate under conditions conducive to heavy losses and reduced serviceability, which is thought already to be low. Sporadic enemy bombing of BLACK SEA ports has taken place, and it seems that throughout CAUCASIA, the Axis can only operate on a small scale.

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

MUNICH. After the attack on 21st/22nd December, gas and water supplies were affected for 2 days in parts of the town.

LIMBURG. Photographs during attack 9th show hits on furnaces, coke oven plant, rolling mill and railway sidings.

TURIN. Owing to damage to various branches of FIAT's, about 5,000 workers have been sent to other industrial centres, especially LIVORNO. Detachments of snappers were sent to help clear up.

5. HOME SECURITY

Daylight tip-and-run raids in coastal counties on 5 days. Night bombing 1 area 1 night. Estimated civilian casualties week ending the 10th - killed 44; seriously wounded 24.
TO Secretary Morgenthau

FROM Mr. Haza

Subject: Discontinuance of Series F and G Savings Bonds

Mr. Bell has asked me to give you our views on the advisability of eliminating Series F and G savings bonds. This matter has been the subject of extended discussion in the Division of Research and Statistics and with Mr. Bell, and it is our opinion that these bonds should be eliminated. Messrs. Shields and Woodward concur in this view.

The principal arguments pro and con for the elimination of the bonds appear to be as follows:

**PRO:**

(1) Practically all of the money now invested in Series F and G bonds would be invested in Government securities in any event. Relatively little sales effort has been put behind the F and G bonds, and the sales have largely been of an "automatic" character to fiduciaries and corporations, and to individuals with surplus funds which would have been invested in any event. (Mr. Shields is strongly of this view.)

(2) The discontinuance of Series F and G savings bonds would slow down the rate at which the demand liabilities of the Treasury are mounting. The purchasers of Series F and G bonds are practically all institutions, fiduciaries, or persons of ample means, and do not need the protection of a demand obligation. They should and would purchase obligations of fixed maturity if no demand obligations were available to them.
Secretary Morgenthau - 2

(3) The elimination of Series F and G savings bonds would simplify the "basket" of United States securities available to investors, particularly on the occasion of periodic campaigns. This would greatly simplify both the task of training salesmen and the task of the salesmen themselves in explaining the securities to prospects.

(4) The elimination of Series F and G savings bonds would clear the way for the sale of the securities offered in drives much further down to the grass roots. Securities can be sold more effectively by means of patriotic appeals when such appeals are made in a series of fairly widely-spaced "drives", than when they are available for continuous purchase. It is hard to place pressure on the sale of securities which are continuously available, and it is easy for the prospect to postpone action.

CON:

S (1) Sales of Series F and G savings bonds yielded $288 millions in December and an average of $264 millions a month for the calendar year 1942.

If you decide to eliminate Series F and G savings bonds, it would appear advisable that some advance notice be given. It is suggested that such notice might be given on February 1 and the issuance of the bonds discontinued on February 25. It is believed that this would both avoid possible criticism and would bring some additional money into the Treasury as a result of the efforts of investors to get in "under the wire". It is important, however, that the issue be finally closed at least a month before commencement of the next "drive".

(Mr. Shields believes that the encouragement of a last-minute rush would be incompatible with the objective sought in eliminating the bonds, and prefers that they be eliminated without notice.)

Regraded Unclassified
## Analysis of Exposure to Payroll Savings Plans

**January 9, 1943**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number exposed to payroll savings plans</th>
<th>Total number in the country (estimated)</th>
<th>Percent of total exposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part A - Summary by Number of Organizations Exposed</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Business organizations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Firms with 5,000 employees or more</td>
<td>470</td>
<td>473</td>
<td>99</td>
</tr>
<tr>
<td>(2) Firms with 500 to 4,999 employees</td>
<td>5,706</td>
<td>5,839</td>
<td>98</td>
</tr>
<tr>
<td>(3) Firms with 100 to 499 employees</td>
<td>25,601</td>
<td>28,946</td>
<td>88</td>
</tr>
<tr>
<td>(4) Subtotal - large firms</td>
<td>31,777</td>
<td>35,258</td>
<td>90</td>
</tr>
<tr>
<td>(5) Firms with less than 100 employees</td>
<td>137,482</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>(6) Total business organizations</td>
<td>169,259</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>II. Governmental organizations</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>III. Grand total</td>
<td>169,259</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

### Part B - Summary by Number of Employees Exposed

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number exposed to payroll savings plans</th>
<th>Total number in the country (estimated)</th>
<th>Percent of total exposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Business organizations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Firms with 5,000 employees or more</td>
<td>8,645,091</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>(2) Firms with 500 to 4,999 employees</td>
<td>7,981,873</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>(3) Firms with 100 to 499 employees</td>
<td>5,782,458</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>(4) Subtotal - large firms</td>
<td>22,409,422</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>(5) Firms with less than 100 employees</td>
<td>3,307,266</td>
<td>32,900,000/</td>
<td>10</td>
</tr>
<tr>
<td>(6) Total business organizations</td>
<td>25,716,688</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>II. Governmental organizations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Federal Government</td>
<td>2,376,067</td>
<td>2,800,000/</td>
<td>98</td>
</tr>
<tr>
<td>(2) State and local governments</td>
<td>1,423,829</td>
<td>2,900,000</td>
<td>98</td>
</tr>
<tr>
<td>(3) Total governmental organizations</td>
<td>3,799,896</td>
<td>5,700,000</td>
<td>97</td>
</tr>
<tr>
<td>III. Grand total</td>
<td>29,516,584</td>
<td>38,600,000/</td>
<td>76</td>
</tr>
</tbody>
</table>

---

Treasury Department

January 15, 1943

1/ Excludes agricultural employees, military personnel, employees on WPA or WPA or OEO projects, proprietors, firm members, self-employed, casual workers and persons in domestic service.

* Data not available.
### Firms Employing 100 Persons or More Participating in Payroll Savings Plans

**[As reported by the War Savings Staff’s State Administrators]**

**January 9, 1943**

<table>
<thead>
<tr>
<th>Firms employing 100 - 499 persons</th>
<th>Firms employing 500 persons or more</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State</strong></td>
<td><strong>Total number of firms</strong> (estimated)</td>
</tr>
<tr>
<td>Alabama</td>
<td>68</td>
</tr>
<tr>
<td>Arizona</td>
<td>74</td>
</tr>
<tr>
<td>Arkansas</td>
<td>134</td>
</tr>
<tr>
<td>Northern California</td>
<td>159</td>
</tr>
<tr>
<td>Southern California</td>
<td>125</td>
</tr>
<tr>
<td>Colorado</td>
<td>51</td>
</tr>
<tr>
<td>Connecticut</td>
<td>155</td>
</tr>
<tr>
<td>Delaware</td>
<td>22</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>29</td>
</tr>
<tr>
<td>Florida</td>
<td>46</td>
</tr>
<tr>
<td>Georgia</td>
<td>126</td>
</tr>
<tr>
<td>Idaho</td>
<td>41</td>
</tr>
<tr>
<td>Illinois</td>
<td>50</td>
</tr>
<tr>
<td>Indiana</td>
<td>167</td>
</tr>
<tr>
<td>Iowa</td>
<td>45</td>
</tr>
<tr>
<td>Kansas</td>
<td>25</td>
</tr>
<tr>
<td>Kentucky</td>
<td>56</td>
</tr>
<tr>
<td>Louisiana</td>
<td>55</td>
</tr>
<tr>
<td>Maine</td>
<td>111</td>
</tr>
<tr>
<td>Maryland</td>
<td>18</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>336</td>
</tr>
<tr>
<td>Michigan</td>
<td>387</td>
</tr>
<tr>
<td>Minnesota</td>
<td>81</td>
</tr>
<tr>
<td>Missouri</td>
<td>122</td>
</tr>
<tr>
<td>Montana</td>
<td>36</td>
</tr>
<tr>
<td>Nebraska</td>
<td>28</td>
</tr>
<tr>
<td>Nevada</td>
<td>12</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>52</td>
</tr>
<tr>
<td>New Jersey</td>
<td>200</td>
</tr>
<tr>
<td>New Mexico</td>
<td>5</td>
</tr>
<tr>
<td>New York</td>
<td>92</td>
</tr>
<tr>
<td>North Carolina</td>
<td>111</td>
</tr>
<tr>
<td>North Dakota</td>
<td>0</td>
</tr>
<tr>
<td>Ohio</td>
<td>505</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>56</td>
</tr>
<tr>
<td>Oregon</td>
<td>59</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>680</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>89</td>
</tr>
<tr>
<td>South Carolina</td>
<td>99</td>
</tr>
<tr>
<td>South Dakota</td>
<td>5</td>
</tr>
<tr>
<td>Tennessee</td>
<td>96</td>
</tr>
<tr>
<td>Texas</td>
<td>125</td>
</tr>
<tr>
<td>Utah</td>
<td>12</td>
</tr>
<tr>
<td>Vermont</td>
<td>111</td>
</tr>
<tr>
<td>Virginia</td>
<td>76</td>
</tr>
<tr>
<td>Washington</td>
<td>74</td>
</tr>
<tr>
<td>West Virginia</td>
<td>74</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>125</td>
</tr>
<tr>
<td>Wyoming</td>
<td>4</td>
</tr>
<tr>
<td>Alaska</td>
<td>3</td>
</tr>
<tr>
<td>Railroads</td>
<td>115</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,315</td>
</tr>
</tbody>
</table>

**Treasury Department**

* Data are for January 2, inasmuch as no January 9, report was received.

*Regraded Unclassified*
### Last Week

<table>
<thead>
<tr>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
<th>Full Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
</tr>
</tbody>
</table>

### This Week

<table>
<thead>
<tr>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
<th>Full Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>19</td>
<td>20</td>
<td>21</td>
<td>22</td>
<td>23</td>
<td>24</td>
</tr>
</tbody>
</table>

### Description

1. **Summary**
   - **Marketable Issuance:**
     - Market purchases...
     - Market sales...
   - **Direct Purchases from Treasury:**
   - **Net decreases:**

2. **Special One-Day Certificates**
   - **Net decreases:**

### Net Changes

<table>
<thead>
<tr>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
<th>Full Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
</tr>
</tbody>
</table>

### Federal Reserve Operations in Government Securities

- **Column A** shows Federal Reserve operations in millions of dollars as follows:
- **Column B** shows price changes in Yields for all securities except certificates.
- **Column C** shows yield changes in decimals.

#### STRICELY CONFIDENTIAL
### FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

<table>
<thead>
<tr>
<th>Last Week</th>
<th>Description</th>
<th>This Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>Tuesday</td>
<td>Wednesday</td>
</tr>
<tr>
<td>A</td>
<td>B</td>
<td>C</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>III. Tax-exempt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-1/8</td>
<td>+3.0</td>
<td>2.0</td>
</tr>
<tr>
<td>3-1/4</td>
<td>+3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>3-1/2</td>
<td>+3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>3-3/4</td>
<td>+3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>4-1/4</td>
<td>+3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>4-3/4</td>
<td>+3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Guaranteed securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GO 1/4%</td>
<td>+3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>GO 1/8%</td>
<td>+3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>GO 1/2%</td>
<td>+3.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

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

+ Original figures revised.
+ Less than $50,000.
+ Purchases and sales recorded as of day of transaction and not day of delivery. Transactions after 4 o'clock are included in the next day.

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Regraded Unclassified
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

SECRET

DATE
JAN 15 1943

TO
Secretary Morgenthau

FROM
Randolph Paul

You will be interested in knowing that the British recently took from the Captain of a Spanish ship two packets addressed to a Sr. Don Jose Mella in Buenos Aires. These two packets contained some 70 documents and letters from business enterprises, banks, and persons in Germany to business enterprises, banks, and persons throughout Latin America.

Stopford has given Pehle a complete set of photostats of all of the documents contained in these two packets. All of the material is in German and much of it is written in longhand. As soon as we are able to translate and analyze these documents, we will bring the more significant parts of the information to your attention.

Stopford explained to Pehle that you had asked him some time ago to bring to your attention any evidence which the British could obtain that the Germans were using Argentina as a base from which to finance subversive activities in this hemisphere. Stopford said that specific evidence of this type is, of course, very difficult to obtain, but that the material referred to above is germane to this subject and is being furnished pursuant to your personal request.
January 15, 1943

Meeting in Mr. White's Office

January 15, 1943
2:30 P.M.

Present: Mr. Adams of the Netherlands Embassy
Mr. White and Miss Kistler of Treasury

Mr. White explained that the Treasury had taken on increased responsibilities relating to the financial assistance being granted by the United States to the various United Nations. He stated that part of the increased responsibilities consisted in being informed concerning the financial position of these countries. He explained that an intergovernmental committee had been set up to review and coordinate the various policies of the U.S. Government, so far as they affected the foreign exchange position of governments receiving financial assistance from this country.

Mr. White outlined the type of information we should like to have and which the interdepartmental committee would look to the Treasury to furnish. He explained that we should be interested in having data on gold and dollar assets, gold and dollar receipts and expenditures, sterling assets, sterling liabilities, and assets and liabilities in any other foreign currency, of the Netherlands Government and Colonies. Mr. White stressed the fact that the data would be treated as confidential and would be made available only to responsible government officials. He explained that the policy was a continuing one and the situation would be reviewed every few months or so. At Mr. Adams' request, Mr. White showed him a copy of the statement on British dollar assets and receipts and expenditures submitted to Congress in January 1941.

Mr. Adams stated that he had concentrated on the problem of Dutch blocked assets during the two years he had been in this country, but that this situation was pretty well cleared up now. He said that for a more comprehensive picture of the Dutch dollar position he would have to refer back to London as he would for information on the Netherlands Government position outside the United States. He thought, however, that this could be done very quickly and he promised to submit the material as soon as possible.

Mr. White informed Mr. Adams that this request was being made of many of the United Nations, that some of them, particularly the United Kingdom and Canada, had been submitting similar data periodically for a long period of time.

T. M. Kistler
The Secretary of State has already outlined to you the broad policy behind this Bill. The Secretaries of War and Navy will tell you how this Bill will strengthen the defenses of the United States. I am going to confine myself to the financial facts and figures which relate to this Bill.

The British Government owes American manufacturers $1,400,000,000 on orders already placed. This sum will largely have to be met in the calendar year 1941. It has enough gold and dollar exchange assets to meet these outstanding commitments, but the British just haven't got the dollars to take care of their additional needs.

I appreciate the opportunity of being invited to come here today to discuss this problem with you fully. I should like to put into the record a number of tables and other facts which I have already submitted to the House Foreign Affairs Committee.

The first table shows available assets of the United Kingdom, in gold, in dollar balances, in American securities and in British-owned properties in this country. These are figures which governments normally keep confidential and closely guarded; but they are being submitted to you with the consent of the British Government.
TABLE I
Gold and Dollar Exchange Assets of U.K.

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec. 31, 1940 (In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>$292</td>
</tr>
<tr>
<td>Official dollar balances</td>
<td>54</td>
</tr>
<tr>
<td>Private dollar balances</td>
<td>305</td>
</tr>
<tr>
<td>Marketable U.S. securities</td>
<td>616</td>
</tr>
<tr>
<td>Direct and miscellaneous investments in U. S.</td>
<td>900</td>
</tr>
<tr>
<td>Total</td>
<td>$2,167</td>
</tr>
</tbody>
</table>

From the total British gold and dollar exchange assets of $2,167 million on December 31, 1940, the British exclude as unavailable $305 million of private dollar balances regarded as necessary for the conduct of business, $30 million of gold scattered in different parts of the world, and $21 million on account of forward exchange contracts. This leaves a total of $1,611 million in gold and dollar exchange assets which the British regard as available for purchases in this country.

I should like to present next to you a table of the estimated dollar expenditures and receipts of the British Empire, excluding Canada and Newfoundland, for the calendar year 1941. This will show what the British owe on outstanding contracts to American manufacturers for war materials and other purchases here, and what they can count on from exports and other sources of dollars, to help in meeting these obligations.
### TABLE II

Estimated Dollar Expenditures and Receipts of British Empire, Excluding Canada and Newfoundland, from January 1, 1941 to January 1, 1942.

<table>
<thead>
<tr>
<th>Dollar Expenditures</th>
<th>(In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.</strong> U.K. payments to be made on total purchases from the U.S.</td>
<td></td>
</tr>
<tr>
<td>1. Some to be paid during 1941 on orders placed before Jan. 1, 1941</td>
<td>$1,274</td>
</tr>
<tr>
<td>(In addition, $119 million will fall due after Jan. 1, 1942)</td>
<td></td>
</tr>
<tr>
<td>2. Imports from U.S. not purchased through the British Purchasing Commission, largely on private accounts</td>
<td>280</td>
</tr>
<tr>
<td><strong>B.</strong> Purchases by Empire countries (excluding U.K., Canada and Newfoundland) from U.S. during 1941.</td>
<td></td>
</tr>
<tr>
<td>1. Commodity imports</td>
<td>$333</td>
</tr>
<tr>
<td>2. Payments for shipping, tourist expenditures, interest payments, etc.</td>
<td>5</td>
</tr>
<tr>
<td><strong>C.</strong> Purchases by Empire countries, excluding Canada and Newfoundland, from areas outside the U.S. requiring gold or dollars</td>
<td></td>
</tr>
<tr>
<td>1. Purchases by Empire countries (chiefly U.K.) from areas outside the U.S., Canada and Newfoundland requiring dollars</td>
<td>247</td>
</tr>
<tr>
<td>2. Payments by Empire countries (chiefly U.K.) to Canada and Newfoundland</td>
<td>880</td>
</tr>
<tr>
<td><strong>Total dollar requirements for all transactions</strong></td>
<td>$3,019</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dollar Receipts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.</strong> Dollar receipts by U.K. from U.S.</td>
<td></td>
</tr>
<tr>
<td>1. U.K. exports of merchandise to U.S.</td>
<td>$165</td>
</tr>
<tr>
<td>2. Net balance from U.S. to U.K. on shipping, tourist expenditures, interest payments, etc.</td>
<td>15</td>
</tr>
<tr>
<td><strong>B.</strong> Dollar receipts by Empire countries (excluding Canada and Newfoundland)</td>
<td></td>
</tr>
<tr>
<td>1. Commodity exports</td>
<td>56</td>
</tr>
<tr>
<td>2. Australian gold exports to U.S.</td>
<td>75</td>
</tr>
<tr>
<td>3. South African exports of gold</td>
<td>480</td>
</tr>
<tr>
<td><strong>C.</strong> Canadian assistance to U.K.</td>
<td>260</td>
</tr>
<tr>
<td><strong>Total dollar receipts by Empire countries, excluding Canada and Newfoundland</strong></td>
<td>$1,555</td>
</tr>
</tbody>
</table>
Total dollar deficit with countries other than Canada and Newfoundland during 1941. $ 844
Total dollar deficit with Canada and Newfoundland during 1941. ................. 620
Total dollar deficit of British Empire, excluding Canada and Newfoundland, during 1941. ................... 1,464
Total receipts and deficit on operations with all countries other than Canada and Newfoundland during 1941. ................. 3,010

Next may I explain how British gold and dollar exchange assets have declined by more than two and a quarter billion dollars during the first sixteen months of their war.

### TABLE III

Estimated Gold and Dollar Expenditures and Receipts of British Empire, Excluding Canada and Newfoundland, from September 1, 1939 to December 31, 1940.

(Compiled by the Treasury Department, the Department of Commerce and the Federal Reserve Board from data furnished by the British Treasury)

<table>
<thead>
<tr>
<th>Gold and Dollar Expenditures</th>
<th>(In Millions of U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Payments to the United States by United Kingdom.</td>
<td></td>
</tr>
<tr>
<td>1. On British Government orders in the U.S.</td>
<td></td>
</tr>
<tr>
<td>Goods delivered</td>
<td>$660</td>
</tr>
<tr>
<td>Advance payments</td>
<td>570</td>
</tr>
<tr>
<td>Capital assistance</td>
<td>150</td>
</tr>
<tr>
<td>Total</td>
<td>$1,380</td>
</tr>
<tr>
<td>2. For other merchandise imports from the U.S.</td>
<td>705</td>
</tr>
<tr>
<td>3. For shipping, interest, etc.</td>
<td></td>
</tr>
<tr>
<td>Shipping disbursements</td>
<td>125</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>48</td>
</tr>
<tr>
<td>Miscellaneons (chiefly film royalties)</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>197</td>
</tr>
<tr>
<td>B. Payments to the U.S. by Empire countries, excluding U.K. and Canada and Newfoundland</td>
<td>$2,282</td>
</tr>
<tr>
<td>1. For commodity imports</td>
<td>435</td>
</tr>
<tr>
<td>2. For shipping, interest, etc.</td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>40</td>
</tr>
<tr>
<td>Shipping (net)</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>483</td>
</tr>
<tr>
<td>C. Payments by Empire countries, excluding Canada and Newfoundland, to areas outside the U.S. requiring gold or dollars.</td>
<td></td>
</tr>
<tr>
<td>1. Payments by Empire countries (chiefly U.K.) to areas outside the U.S. and Canada and Newfoundland requiring gold or dollars</td>
<td>550</td>
</tr>
</tbody>
</table>
2. Gold payments by Empire countries to Canada and Newfoundland (net) $225 775

D. Withdrawal of Capital
   1. By Americans and others, through sale of free sterling to American importers 300
   2. By repayment of outstanding export credits as required by our Neutrality Act 200
   3. By liquidation of forward exchange position in dollars 235 735

E. Residual - Miscellaneous items and errors of estimation 71

Total gold and dollar requirements for all transactions 4,346

Gold and Dollar Receipts

A. Receipts from United States by United Kingdom
   1. From merchandise exports 205
   2. From interest, shipping, etc.
      Interest and dividends $ 65
      Shipping earnings 35
      Remittances from insurance companies 20 140 $ 345

B. Receipts from United States by Empire countries, excluding U. K. and Canada
   1. From merchandise exports 640
   2. From tourist travel, remittances, etc. (net) 30 670

C. Dollar receipts by Empire countries, excluding Canada, from areas outside the U. S. 50

D. Receipts from sale of gold
   (now production and discharging) 965

Total gold and dollar receipts by Empire countries, excluding Canada 2,030

Total drain on gold and dollar resources of British Empire, excluding Canada, and Newfoundland, Sept. 1, 1939 to Dec. 31, 1940 2,316

Total gold and dollar requirements for all transactions 34,346
Supplementary Table.

Estimated Expenditures and Receipts of Canada and Newfoundland with the Rest of the British Empire from September 1, 1939 to December 31, 1940

(In Millions of U. S. Dollars)

A. Payments to Canada and Newfoundland by Empire countries

1. For purchases from Canada and Newfoundland by the United Kingdom \$795
2. For purchases from Canada by other Empire countries 125
3. Other payments to Canada by Empire countries 10

\$930

B. Receipts from Canada and Newfoundland by Empire countries

1. From merchandise exports to Canada and Newfoundland by U. K. 170
2. From merchandise exports to Canada by other Empire countries 100
3. From interest and dividends paid by Canada to United Kingdom 85
4. Other U. K. receipts from Canada, principally Canadian Expeditionary Forces 20

\$375

British Empire deficit with Canada and Newfoundland on merchandise, interest and dividends, etc. 555

Canadian assistance to U. K. -- repatriation of British-held Canadian securities and increase in sterling balances held by Canada 330

Gold payments by British Empire countries with Canada and Newfoundland Sept. 1, 1939 to Dec. 31, 1940 225
On vital factor in this drain of assets was the collapse of France last Summer. The French had at least as much as the British in gold and dollar assets in this country; these resources were available, together with the British, to pay for purchases here in the first nine months of the war. When the French collapse came, last June, the British took over all French contracts in this country, although they no longer had the help of French money to pay for them. British liabilities were doubled. They were left to face Germany alone. The result was that the British began to lose gold and dollar assets twice as fast after June as before.

This war is now costing the British Government more than 12 million pounds sterling every day, or approximately 60 per cent of the national income, and this expenditure is steadily mounting. The British are raising about 40 per cent of this cost by taxing their people. To give you some idea of what the British people are doing to pay for the war, you may be interested in the following table comparing British and United States taxes at the present time:

Comparison of British and United States Taxes

1. Personal income tax. A married couple with two children would pay the following taxes in Great Britain and the United States under present laws:

<table>
<thead>
<tr>
<th>Income</th>
<th>British tax</th>
<th>U.S. tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,500</td>
<td>$43</td>
<td></td>
</tr>
<tr>
<td>2,500</td>
<td>311</td>
<td></td>
</tr>
<tr>
<td>5,000</td>
<td>1,196</td>
<td>75</td>
</tr>
<tr>
<td>10,000</td>
<td>3,451</td>
<td>440</td>
</tr>
<tr>
<td>20,000</td>
<td>9,426</td>
<td>2,143</td>
</tr>
<tr>
<td>50,000</td>
<td>32,401</td>
<td>13,741</td>
</tr>
<tr>
<td>100,000</td>
<td>76,276</td>
<td>42,948</td>
</tr>
</tbody>
</table>
2. Corporation income tax rates

<table>
<thead>
<tr>
<th>British</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>42½%</td>
<td>24%</td>
</tr>
</tbody>
</table>

3. Excess profits tax. The British excess profits tax is 100 percent of profits in excess of base period earnings for certain years 1935-1937. The United States excess profits tax ranges from 25 to 50 percent of earnings in excess of the average base period earnings for 1936-39, or 8 percent of invested capital, whichever exemption is higher.

4. Purchase tax. The British impose a purchase tax of 33-1/3 percent on the wholesale value of certain luxuries and 15-2/3 percent on certain goods in common use, exempting food.

5. Excise taxes. The British impose excise taxes on several commodities at substantially higher rates than the United States. Examples are given below:

<table>
<thead>
<tr>
<th></th>
<th>British</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spirits, domestic, per U.S. proof gallon</td>
<td>$15.60</td>
<td>$3.00</td>
</tr>
<tr>
<td>Beer, domestic, per bbl. of 31 U.S. Gallons</td>
<td>11.16</td>
<td>6.00</td>
</tr>
<tr>
<td>Cigarettes, per thousand, weighing 3 lbs.</td>
<td>11.70</td>
<td>3.25</td>
</tr>
<tr>
<td>Tea, Expire, per lb.</td>
<td>10¢</td>
<td>-</td>
</tr>
<tr>
<td>Coffee, full duty per lb.</td>
<td>2.8¢</td>
<td>-</td>
</tr>
</tbody>
</table>

I should like to submit one more table to you which is an estimate of the long-term foreign investments of the United Kingdom outside the United States. These figures, most of which are based upon studies made by British economists before the outbreak of war, are necessarily estimates. Nobody can fix a definite valuation upon such properties as ranches in Australia, railways in Argentina or oil wells in Mexico.
Most of the investments are in sterling securities; a large part of the Canadian investment is in Canadian dollars, and some of the other investments are in the respective domestic currencies. However, for convenience of presentation, the estimated nominal value of the investments has been converted into sterling.

The market values, where given, are calculated from current market quotations of the securities. Since market quotations are not available for a large part of the investment, no total market value can be calculated.

Estimated Long-Term Foreign Investments of the United Kingdom Outside the United States

<table>
<thead>
<tr>
<th>In British Empire</th>
<th>Government</th>
<th>Railways</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Canada</strong></td>
<td>Nominal 75</td>
<td>187</td>
<td>219</td>
<td>481</td>
</tr>
<tr>
<td></td>
<td>Market (70)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>Nominal 425</td>
<td>3</td>
<td>75</td>
<td>503</td>
</tr>
<tr>
<td></td>
<td>Market (410)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New Zealand</strong></td>
<td>Nominal 131</td>
<td>1</td>
<td>14</td>
<td>146</td>
</tr>
<tr>
<td></td>
<td>(125)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>India</strong></td>
<td>Nominal 300</td>
<td>1</td>
<td>250</td>
<td>550</td>
</tr>
<tr>
<td></td>
<td>Market (250)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>British Africa</strong></td>
<td>Nominal 163</td>
<td>1</td>
<td>250</td>
<td>438</td>
</tr>
<tr>
<td><strong>Malaya</strong></td>
<td>Nominal 6</td>
<td></td>
<td>78</td>
<td>84</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>Nominal</td>
<td></td>
<td></td>
<td>31</td>
</tr>
<tr>
<td><strong>Total in British</strong></td>
<td>Nominal 1,125</td>
<td>191</td>
<td>886</td>
<td>2,233</td>
</tr>
</tbody>
</table>

\[1/\text{Not shown separately.}\]
<table>
<thead>
<tr>
<th>Country</th>
<th>Government</th>
<th>Railways</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Nominal</td>
<td>45</td>
<td>263</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>(32)</td>
<td>(52)</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>Nominal</td>
<td>75</td>
<td>38</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>(6)</td>
<td>(5)</td>
<td>(22)</td>
</tr>
<tr>
<td>Chile</td>
<td>Nominal</td>
<td>20</td>
<td>20</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>(2)</td>
<td>(5)</td>
<td></td>
</tr>
<tr>
<td>Uruguay</td>
<td>Nominal</td>
<td>18</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>(8)</td>
<td>(1)</td>
<td>(12)</td>
</tr>
<tr>
<td>Mexico</td>
<td>Nominal</td>
<td>35</td>
<td>90</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>(1)</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>Nominal</td>
<td>6</td>
<td>1/</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>(1)</td>
<td></td>
<td>(4)</td>
</tr>
<tr>
<td>Cuba</td>
<td>Nominal</td>
<td>2</td>
<td>25</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>(2)</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>Venezuela</td>
<td>Nominal</td>
<td>Nil</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>0.2</td>
<td>(17)</td>
<td>(17)</td>
</tr>
<tr>
<td>Colombia, Ecuador</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bolivia, Paraguay, Central America Nominal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Nominal</td>
<td></td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Total in Latin America</td>
<td>Nominal</td>
<td>204</td>
<td>423</td>
<td>292</td>
</tr>
</tbody>
</table>

### In Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Nominal</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>200</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Nominal</td>
<td></td>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>East Indies</td>
<td>Nominal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>Nominal</td>
<td></td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Total Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>308</td>
</tr>
</tbody>
</table>

### In Europe

<table>
<thead>
<tr>
<th>Country</th>
<th>Nominal</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>In Other Areas</td>
<td>2/ Nominal</td>
<td></td>
<td></td>
<td></td>
<td>250</td>
</tr>
<tr>
<td>Total U.S.</td>
<td>Investments outside United States - Nominal Value</td>
<td></td>
<td></td>
<td></td>
<td>3863</td>
</tr>
</tbody>
</table>

1/ Not shown separately.
2/ Mainly Iran, Egypt, Iraq and Portuguese East Africa.
The problem before us is not whether the British have resources; of course they have, all over the world. The problem is whether the British have got the dollars they need, or can get the dollars they need to spend in this country.

That, gentlemen, is the problem as I see it.
Meeting in Mr. White's Office
January 15, 1943
4:00 P.M.

Present: Sir Frederick Phillips
Mr. White
Miss Kistler

Mr. White showed Sir Frederick the table of British gold and dollar assets as of December 31, 1942, the set-up of which had been modified to meet Mr. Playfair's objection concerning "available" assets. To eliminate the possibility of the figures of gold and official dollar balances being interpreted as excluding the gold and dollars held against the demand liabilities mentioned in the explanatory notes, it was agreed to insert in these notes the phrases "against this gold" and "held against these balances". Sir Frederick thought that with these modifications the table was acceptable to them, but he wanted to show it to Mr. Playfair before giving his approval. (Mr. Playfair telephoned shortly after the close of the conference to state the changes made did not completely meet their objection, but that they did not want to quibble about it. A copy of the report of this telephone conversation is attached.)

Sir Frederick mentioned that the amalgamation of free and registered sterling is going forward rapidly. He reported $3 million of free sterling as involved.

Turning to the table on estimated receipts and expenditures, Sir Frederick mentioned the tentative decision of Mr. Stettinius to exclude as ineligible for lend-lease codfish for Iceland and tobacco. If this decision stands, the British estimate of U.K. payments to U.S. for goods and services, urgent or ineligible for lend-lease, would be $85 million instead of $50 million for the current three-month period. Similarly the decision to stop credit lend-lease of non-military items to South Africa would raise the estimate of Sterling Area expenditures in U.S. from $75 million to $85 million for three months, increasing the estimated gold and dollar deficit for the period from $55 to $100 million.

Since these matters are not settled, Sir Frederick preferred to wait to make the revisions as long as possible on the chance that the decision would be made before the material is submitted to Congress.

Sir Frederick approved the sentence added to the second footnote of table of British gold and dollar assets as of selected dates. (Mr. Milligan of the R.F.C. stated that practically all the securities covered by the pledge agreement have been deposited with the R.F.C., but that if the British are willing to admit they still owe the R.F.C. $50 million of securities, it is perfectly agreeable with his agency.)
Sir Frederick raised the question of acceleration of repayment of the R.F.C. loan. He said the suggestion has been made that the loan be repaid more rapidly than the contract calls for as a means of reducing Britain's gold and dollar balances. Mr. White said he had heard something about it and in reply to Sir Frederick's query as to what he thought of it, Mr. White said that in his opinion it would be unwise to do anything now, that he could answer the question better after he sees what happens up on the Hill. In answer to a question asked by Mr. White, Sir Frederick stated that $30 million had been repaid on the loan since February 1942, that the principal had been reduced from $390 million to $360 million. (Mr. Mulligan of R.F.C. confirmed these figures.)

Mr. White then told Sir Frederick of the recently-established interdepartmental committee on financial assistance to friendly governments and of the three policy decisions concerning the British. Sir Frederick had heard of the $500-$1,000 million range decided upon for the British gold and dollar reserves. Mr. White explained the policy decision was that under present circumstances the British U.S. dollar exchange reserve should not go significantly beyond the present level. This means that if it does, particular items may come up for ad hoc consideration. Sir Frederick asked whether this was to be a two way policy — i.e., would it apply if the reserve fell significantly? He pointed out that the deficit of $100 million forecast for the current three-month period does not make any allowance for receipt by the British of newly-minded Empire gold.

Mr. White then explained the second policy decision to treat South Africa and the other British Dominions separately. Sir Frederick said that he was present when Mr. Acheson saw Mr. Close. He is dubious concerning the practicability of the proposal being made to South Africa. He seemed disturbed about the suggestion that South Africa provide strategic and critical materials to U.S. as reciprocal aid for munitions received under lend-lease. He does not expect it to be much or at least not so much as the U.S. negotiators seemed to expect. Mr. White mentioned that there are political considerations involved.

Sir Frederick asked whether the intention was to make a public announcement. Mr. White assured him not. He said that if pressed, a statement would be made along the lines indicated above, i.e., that the intention is to maintain British gold and dollar reserves approximately at their present level, to review the situation continuously and if necessary take steps to keep them from going significantly above this amount.
Sir Frederick inquired what policy is contemplated concerning British India. Mr. White said that this is for the State Department to decide, that obviously no direct approach would be made without first consulting the British Government. Sir Frederick mentioned that there has been continual and increasing agitation in India for some time, that India should get gold for their mounting sterling balances. Sir Frederick mentioned a figure of $3 billion, which proved to be twice as high as the one given to Mr. White in London.

Mr. White mentioned the item in the London Financial News of December 19, 1942 announcing an order of the British Government vesting almost all of the remaining Union of South African sterling securities quoted in London. The amount involved is placed at roughly $160 million. Sir Frederick said that any such requisition order would be the prelude to a special gold sale.

Sir Frederick remarked that Lend-Lease people seem unduly nervous, that with reciprocal lend-lease they really had a good case. Mr. White replied that unfortunately they are dealing with men not interested in the merits of the case, that some of them have axes to grind. He said he is certain Lend-Lease will draw up the best case possible.

Sir Frederick raised the question of a reply to the Chancellor of the Exchequer's message. Mr. White remarked concerning the temporary arrangement covering the sterling-franc rate in French Somaliland. Sir Frederick asked "What is temporary?" Mr. White explained that what the United States Government wants to avoid is being faced by a fait accompli. He wants to be sure that when the question is discussed, part of the area will not be closed to consideration. He said he did not see why the British could not continue to operate indefinitely on the present basis.

The question of desirable procedure came up. Mr. White and Sir Frederick agreed that both French groups should be consulted. Mr. White said whether to consult both simultaneously was another question. He said he personally favored such a procedure, but that he could not speak for the Treasury. He pointed out that the State Department may have strong feelings on the matter.

Sir Frederick mentioned that no one of the ex-Vichy group (i.e., ex-Darlan group) suggested a rate above 300 francs. Mr. White said that Alphand, Tixier and Istel have been to the Treasury to discuss the matter. Sir Frederick asked if Alphand had any authority. Mr. White explained that Tixier had brought him. He said he did not know the source of State Department approval. They agreed to push for a joint conference with both French groups around the table at the same time. Sir Frederick said he was confident he could persuade London to take a rate of 200-240 francs.
Mr. White commented that one thing he wanted was some information. Sir Frederick said that the foreign office in London had received protests from the exiled governments. Sir Frederick asked if Mr. White had any suggestions as to how to answer the protests. He said his government had asked him for suggestions. Mr. White said this government had received similar protests and that our answer was that we would be glad to discuss the matter with them. He pointed out that the question of the exchange rates can be discussed with other governments now without danger of divulging any military secrets.

Sir Frederick stated that he thought Von Mook, the Dutch Minister, has a strong case because of his possession of subsidiary coins which would be needed in occupation.

Mr. White said he thought the Treasury would push for a joint discussion with both French groups. He promised to discuss the matter with Mr. Bell.
### British Gold and Dollar Assets on Selected Dates

**August 31, 1939 — December 31, 1942**

(except where noted the figures are British Treasury data)

<table>
<thead>
<tr>
<th></th>
<th>Aug. 31, 1939</th>
<th>Dec. 31, 1940</th>
<th>Aug. 31, 1941</th>
<th>Dec. 31, 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gold</strong></td>
<td>2,038</td>
<td>292</td>
<td>151</td>
<td>688</td>
</tr>
<tr>
<td><strong>Official dollar balances</strong></td>
<td>50</td>
<td>54</td>
<td>54</td>
<td>243</td>
</tr>
<tr>
<td><strong>U.S. securities</strong></td>
<td>950</td>
<td>616</td>
<td>372*</td>
<td>340*</td>
</tr>
<tr>
<td><strong>Direct and miscellaneous investments in U.S., including trust for U.K. beneficiaries</strong></td>
<td>900</td>
<td>900</td>
<td>785**</td>
<td>785**</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,938</td>
<td>1,862</td>
<td>1,362</td>
<td>2,056</td>
</tr>
</tbody>
</table>

- **Deduct securities and direct investments lodged against $390 million received by the British on the R.F.C. loan.**

<table>
<thead>
<tr>
<th></th>
<th>Aug. 31, 1939</th>
<th>Dec. 31, 1940</th>
<th>Aug. 31, 1941</th>
<th>Dec. 31, 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total, adjusted for collateral lodged against amount received on R.F.C. loan.</strong></td>
<td>--</td>
<td>--</td>
<td>145</td>
<td>450</td>
</tr>
<tr>
<td><strong>Private dollar balances</strong> (This is taken from U.S. Treasury data)</td>
<td>3,938</td>
<td>1,862</td>
<td>1,217</td>
<td>1,606</td>
</tr>
<tr>
<td></td>
<td>545</td>
<td>305</td>
<td>310</td>
<td>280</td>
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</tbody>
</table>

* This figure includes the $205 million of securities pledged against the R.F.C. loan.

** This figure includes the $295 million of direct investments pledged against the R.F.C. loan and the $200 million of branches of British insurance companies whose earnings are assigned to the R.F.C. loan. Of the $500 million of securities and direct investments covered by the pledge agreement, $50 million remain to be deposited with the Reconstruction Finance Corporation. This will be done only if any when the British Government takes up the remaining $35 million available to it under the loan.

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Treasury Department, Division of Monetary Research

January 13, 1943.
MEMORANDUM FOR THE FILES

Telephone Conversation
Miss Kistler and Mr. Playfair
January 15, 1943
5:20 P.M.

Mr. Playfair telephoned to say Sir Frederick Phillips showed him the table of British assets to be presented to Congress as we proposed to revise it and that they were awfully sorry we did not like their suggested revision. They are struck by the fact that it is the figure in the right which will make the impression. I repeated the reason for our preference — namely, the desire to avoid arousing curiosity and questioning concerning possible reasons for revising the form of presentation. Mr. Playfair stated that the revised form goes a long way toward meeting their objection and they do not want to quibble about it. He remarked that the table would be completely satisfactory to them if the subtotal was removed; that it was really that figure which had them worried.

After informing Mr. White of Mr. Playfair's comments, I telephoned Mr. Playfair the following morning to say that we would remove the subtotal if they preferred it that way. Mr. Playfair appeared grateful.

T. M. Kistler
Estimated Dollar Expenditures and Receipts of British Empire, Excluding Canada and Newfoundland, January 1, 1943 to March 31, 1945

(In millions of dollars)

**Dollar Expenditures**

A. Payments to the United States by the United Kingdom:

1. On British Supply Missions commitments (including administrative expenses) - net........$30
   
   (In addition $113 will fall due after March 31, 1945 on B.S.M. commitments now outstanding, payment of $84 million of which, however, is doubtful.)

2. For shipping, interest, film remittances, etc... 40

3. For other goods and services, urgent or ineligible for Lend-Lease.......................... 50 120

B. Payments to the United States by the rest of the Sterling Area (principally Empire countries)........ 75

C. Payments to areas outside the United States requiring gold or dollars.............................. 175

Total dollar requirements........................................... 370

**Dollar Receipts**

A. Receipts from the United States by the United Kingdom:

1. From merchandise exports...................... $20

2. From shipping and interest.................... 15

3. From other items...................................... 105 140

B. Receipts from the United States by rest of Sterling Area:

1. From merchandise exports...................... 70

2. Other items........................................... 85 155

C. Dollar receipts from Areas outside U.S............... 20

Total dollar receipts, excluding newly-mined gold................................. 315

Total dollar deficit of Sterling Area (principally British Empire), January 1 to March 31, 1945.................................................. 55

Total dollar requirements........................................... $370
Note: In presenting these figures, the British Treasury made the following statement with respect to the acquisition of gold: "No close estimate of our probable purchases of gold can be made even for the current quarter. The output of gold in the Sterling Area is likely to decline to an extent depending on the demand of manpower and on the availability of mining plants and stores." If production is maintained at the level prevailing in September 1942, the gold output of the Sterling Area, January through March 1943, will be $150 million.

Treasury Department, Division of Monetary Research

January 13, 1943

1/ These figures also include the dollar expenditures and receipts of non-British members of the Sterling Area -- namely, Egypt, Anglo-Egyptian Sudan, Iraq, Belgian Congo and Ruand1-Urundi, Iceland, the Faroe Islands, and Fighting French territories in Africa and Oceania, Syria, and Lebanon. The net dollar expenditures and receipts of these areas are small.
British Gold and Dollar Exchange Assets
as of December 31, 1942

Except where noted, these are British Treasury figures
(In millions of dollars)

1. Gold................................................................. $628
   The British Government reports that foreign countries hold
   Sterling funds carrying specific rights of conversion into gold
   amounting to approximately $390 million.
   (In addition, the British hold $105 million of gold borrowed from
   Belgium. This gold is not included in the British assets since
   it involves a definite gold liability of like amount.)

2. Official dollar balances........................................ 263
   The British Government reports that United States registered
   Sterling accounts, carrying the right of conversion into dollars
   on demand, amounted at November 30, 1942, the latest available
   date, to $53 million.

3. U.S. Securities.................................................. 135
   Of these securities, the British estimate that only $80
   million are readily marketable.

   Total............................................................. $1,066

4. Private dollar balances.......................................... 260
   (This figure is taken from U.S. Treasury data. The British state
   that dollar balances in the hands of British banks acting as
   authorized dealers in foreign exchange increased by $26 million
   between January 31, 1942, when they were reduced to an extremely
   low level owing to the stringency of the dollar position, and
   December 31, 1942.

5. Assets pledged against R.F.C. loan.................................. 500
   U.S. securities.............................................. $205
   Direct investments........................................ 295

6. Branches of British insurance companies.......................... 200
   (The earnings of these companies are assigned to R.F.C. loan.)

7. Trusts in U.S. held for U.K. beneficiaries.......................... 290
   (These trusts are established under United States law and hence
   the assets may be unavailable to the British Government. Together
   with the direct investments pledged or to be pledged against the
   R.F.C. loan, including branches of British insurance companies
   whose earnings are assigned to R.F.C. loan, and with Vision and
   Green and Williams, they account for the estimate of $950 million
   submitted to Congress in January 1943. There are in addition some
   small investments in U.S. enterprises which, because of their
   size, the British regard as virtually unseizable.)

Note: In connection with the foregoing data, the British state: "British holdings
of gold and United States dollars are not held specifically against our
liabilities in the United States, but constitute a partial cover for obligations
and responsibilities of great magnitude and worldwide character. Gold currently
acquired differs from our original stocks in that it can be acquired only by
further increasing our overseas indebtedness. Thus the recent increase in our
holdings has been accompanied by a very much greater increase in our overseas
liabilities."

Treasury Department, Division of Monetary Research
January 14, 1943.
January 15, 1943

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 January 6, 1943, 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.

(Signed) C. M.P.
January 14, 1943

CONFIDENTIAL

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

I am enclosing our compilation for the week ended January 6, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy: imc: 1/15/43

Regraded Unclassified
## Analysis of British and French Accounts

(In Millions of Dollars)

<table>
<thead>
<tr>
<th>Period</th>
<th>Bank of England (British Government)</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debits</td>
<td>Credits</td>
</tr>
<tr>
<td></td>
<td>Total Debits</td>
<td>Government Expenditures</td>
</tr>
<tr>
<td>First year of war</td>
<td>1,703.2</td>
<td>603.5</td>
</tr>
<tr>
<td>War period through December, 1940</td>
<td>2,792.3</td>
<td>1,425.6</td>
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<tr>
<td>Second year of war**</td>
<td>203.0</td>
<td>1,792.2</td>
</tr>
<tr>
<td>Third year of war***</td>
<td>2,256.6</td>
<td>924.8</td>
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<tr>
<td>1942</td>
<td>275.7</td>
<td>19.0</td>
</tr>
<tr>
<td>Sept. 1 - Dec. 31</td>
<td>46.7</td>
<td>37.4</td>
</tr>
<tr>
<td>Jan. 1 - Dec. 31</td>
<td>13.7</td>
<td>15.5</td>
</tr>
</tbody>
</table>

## Average Weekly Expenditures Since Outbreak of War

- **France (through June 19, 1940)**: $19.6 million
- **England (through June 19, 1940)**: $27.6 million
- **England (since June 19, 1940)**: $32.6 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 (including 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 $134 million.

(c) Includes about $65 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) Reflects $40.0 million transfer to official Canadian account here.

(h) Includes $3.8 million deposited by British Ministry of Supply

1.0 million held for credit of U. S. armed forces abroad.
<table>
<thead>
<tr>
<th>Period</th>
<th>Total Debits</th>
<th>Transfers to Official British A/C</th>
<th>Other Debits</th>
<th>Total Credits</th>
<th>Proceeds of Gold Sales</th>
<th>Transfers from Official British A/C</th>
<th>For Own A/C</th>
<th>For French A/C</th>
<th>Other Credits</th>
<th>Net Incr. (+) or Decrease (-)</th>
<th>Total Debits</th>
<th>Transfers to Official British A/C</th>
<th>Other Debits</th>
<th>Total Credits</th>
<th>Proceeds of Gold Sales</th>
<th>Transfers from Official British A/C</th>
<th>For Own A/C</th>
<th>For French A/C</th>
<th>Other Credits</th>
<th>Net Incr. (+) or Decrease (-)</th>
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</thead>
<tbody>
<tr>
<td>First year of war</td>
<td>323.0</td>
<td>15.6</td>
<td>306.4</td>
<td>504.7</td>
<td>412.7</td>
<td>20.9</td>
<td>28.7</td>
<td>32.4</td>
<td>-181.7</td>
<td>31.2</td>
<td>21.2</td>
<td>3.9</td>
<td>27.3</td>
<td>52.1</td>
<td>30.0</td>
<td>6.1</td>
<td>4.9</td>
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<td>War period through</td>
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<td>16.6</td>
<td>460.6</td>
<td>707.4</td>
<td>534.8</td>
<td>20.9</td>
<td>110.7</td>
<td>43.0</td>
<td>230.2</td>
<td>57.9</td>
<td>14.5</td>
<td>43.4</td>
<td>62.4</td>
<td>90.1</td>
<td>12.3</td>
<td>4.5</td>
<td>9.0</td>
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<td>December, 1940</td>
<td>660.4</td>
<td>-</td>
<td>650.4</td>
<td>452.0</td>
<td>246.2</td>
<td>123.9</td>
<td>3.4</td>
<td>88.5</td>
<td>4.6</td>
<td>72.2</td>
<td>16.7</td>
<td>55.5</td>
<td>81.2</td>
<td>62.9</td>
<td>18.3</td>
<td>9.0</td>
<td>9.0</td>
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<td>Second year of war</td>
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<td>0.3</td>
<td>875.5</td>
<td>565.3</td>
<td>198.5</td>
<td>7.7</td>
<td>360.0</td>
<td>60.8</td>
<td>49.0</td>
<td>107.2</td>
<td>57.6</td>
<td>49.6</td>
<td>112.2</td>
<td>172.2</td>
<td>95.0</td>
<td>5.0</td>
<td>5.0</td>
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<tr>
<td>Third year of war</td>
<td>463.3</td>
<td>16.3</td>
<td>447.0</td>
<td>53.6</td>
<td>13.2</td>
<td>-</td>
<td>40.4</td>
<td>7.9</td>
<td>28.0</td>
<td>20.5</td>
<td>7.1</td>
<td>18.1</td>
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<td>18.1</td>
<td>-14.5</td>
<td>9.2</td>
<td>-9.2</td>
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<tr>
<td>1942</td>
<td>44.9</td>
<td>44.9</td>
<td>21.5</td>
<td>16.5</td>
<td>-</td>
<td>-</td>
<td>6.1</td>
<td>21.9</td>
<td>21.9</td>
<td>14.3</td>
<td>12.0</td>
<td>2.3</td>
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<td>0.9</td>
<td>0.9</td>
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<td>Sept. 3 - Sept. 30</td>
<td>44.9</td>
<td>44.9</td>
<td>21.5</td>
<td>16.5</td>
<td>-</td>
<td>-</td>
<td>6.1</td>
<td>21.9</td>
<td>21.9</td>
<td>14.3</td>
<td>12.0</td>
<td>2.3</td>
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<td>14.6</td>
<td>14.6</td>
<td>0.9</td>
<td>0.9</td>
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<td>Oct. 1 - Oct. 28</td>
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<td>38.9</td>
<td>38.9</td>
<td>38.9</td>
<td>-</td>
<td>-</td>
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<td>0.0</td>
<td>0.0</td>
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<td>Oct. 29 - Dec. 2</td>
<td>36.2</td>
<td>36.2</td>
<td>36.2</td>
<td>36.2</td>
<td>-</td>
<td>-</td>
<td>0.0</td>
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<td>0.0</td>
<td>0.0</td>
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<td>0.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec. 3 - Dec. 30</td>
<td>45.0</td>
<td>45.0</td>
<td>45.0</td>
<td>45.0</td>
<td>-</td>
<td>-</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<td>0.0</td>
<td>0.0</td>
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<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Weekly Average of Total Debits Since Outbreak of War

Through January 6, 1943 $ 8.6 million

(a) Reflected changes in all dollar holdings payable on demand or maturing in one year.
(b) Does not reflect U. S. Treasury bill transactions.
(c) $10.1 million transferred to New York account of Minister of Finance and Receiver General of Canada.
(d) Includes $2.8 million deposited by War Supplies, Ltd.

Regraded Unclassified
TO Secretary Morgenthau
FROM Mr. White

There is attached a list of memoranda and reports prepared in the Division of Monetary Research during October, November and December, 1942.
Memoranda Prepared in the Division of Monetary Research during October, November and December, 1942.

Studies and conferences in connection with suggested Stabilization Fund and Bank for the United and Associated Nations.

Material for Office of Economic Stabilization with regard to (1) subsidies, and (2) measures to control inflation through the restriction of consumer spending.

The British Dollar Position.

Canada's U.S. Dollar Position.

Material prepared in connection with monetary arrangements for North Africa.


Resolution on Swedish Trade: Memorandum for the Vice President.


Need for policy on financial assistance to Allies.

Outline of plan to combine compulsory lending with expansion of a Social Security Program.

Holdings of British Empire Countries (excluding Canada) as of close of November 1942.

Protection of Mexican Railroad Equipment Used in the United States.

Shipment of food parcels from Portugal into occupied Europe.

Reports on Silver Bills introduced which affect the monetary powers of the Treasury.

Miscellaneous material submitted to the Secretary in connection with his trip to England.

Jean Louis Xavier Francois Darlan.

Summary of the War-Savings Bond Program, by Edward D. Allen of Iowa State College.
Birth and Death Rates in England and Wales.
The Hanseatic League.
The Bavarian Palatinate.
Conditions in Northeastern provinces of India.
Mexican Security Registration.
Analysis of War Production Board's report on Program and Investment.
The current situation in Ecuador.
Various memoranda with regard to status of Stabilization Loan to China.
Corporate Profits and Tax Policy.
The Current Situation in Cuba.
Views of the Belgian Government with regard to Occupation Currency.
Mr. Nugent's plan for instalment selling for post-war delivery.
American soldiers in China and Chinese exchange rate.
Proposed Redemption of $100 million of Canadian Government securities payable in U.S. dollars.
Monetary Conditions in French West Africa.
Federal Bank for Municipals.
Investment by China in Certificates of Indebtedness.
Uruguayan Government holdings of foreign exchange.
Value of Exports from the Western Hemisphere to Spain, Portugal, Switzerland and Turkey in 1942.
Ownership of Mexican Railway Debt.
French Monetary Problems.

Lend-Leasing of Silver to Australia for Coinage Purposes.

The Army's request to Lend-Lease Additional Silver.

Suggested reply to Spahr's article in the Saturday Evening Post.

The Green Bill, (S.2768).

Polish Gold near Dakar.

Dollar Currency Held by the Spanish Institute.

Important Brazilian Financial Decrees.

Sterling Depreciation in Cuba.

Study on Brazil.

Cuba's Financial Position.

The United States Dollar in Cuba.

Recent economic and financial developments in Mexico.

Inter-American Statistical Institute.

Agreement for resumption of service on the Mexican Debt.

Public repatriation of Mexican Bonds.

Trade Agreement with Mexico.


Bolivia's "Revolutionary Plot".

Mexico's Current Economic Situation.

Problems involved in Bolivian Tin Contract.

Duplication of Auditing Activity by Governmental Agencies.

Present status of the Big Bills Program.
Transfers by appointed banks of Hong Kong and Shanghai office accounts to accounts of Chungking Offices.

China Program and Drafts on Hong Kong Banks issued by American Banks held by Individuals in China.

Should U.S. Banks open branches in Free China.

Currency in Philippines and Hong Kong.

Recent developments regarding Chinese exchange rate.

Foreign Funds Control and Macao.

Import of U.S. dollar certificates and bonds or evidence thereof from China into the United States.

Notes on Japan sent to the Secretary by Ambassador Grew.

Remittances to Occupied China via Free China.

Recent economic developments in India.

The Treasury and U.S. soldiers in China.

The necessity for agreement on the causes of and remedies for China's inflation.

Status of U.S. dollar assets of American firms in China whose owners have returned to the United States.

Catholic Foreign Missions Society and our China Program.

The Stabilization Board of China and imports from Russia into China's Northwest.

China's request to purchase additional gold from the U.S.

China's Northwest Provinces of Kansu and Sinkiang.

Export of foreign currencies from China.

Chinese U.S. dollar-backed certificates and bonds.


Gold and dollar balances held in U.S. by Spain and Portugal.
Employment, the Labor Force and War Output.

The War Production Program and Investment (Report of W.P.B.)

Luxembourg.

Spanish Morocco and Tangiers.

Programs and Accomplishments in War Production (Prepared from report issued by W.P.B.)

Poland -- Gold.

The Italian Food Position.

The War Expenditures of the European Axis Countries.

The Problem of Inflation in North Africa.

The Italian Financial Situation.

Concurrent resolution to establish Joint Committee on Planning and Reconstruction.

Proposed Anglo-Swiss Financial agreement.

British-Iranian Financial Agreement and Subsequent Developments.

Lend-Lease exports.

Export-Import Bank Loans to Spain.

BBW-OLLA Difficulties over Lend-Leasing to South Africa and Southern Rhodesia.

Foreign Exchange Position of South Africa.

Report of Subcommittee on Dollar Position of Lend-Lease Countries.

Argentine-Spanish commercial agreements.

An active demand for U.S. dollar currency bills exists in Latin America, Turkey and Portugal.

Wartime Trends in Argentina's Export Trade.
Argentina black market in U.S. dollar currency bills.
Argentine restrictions on arbitrage transactions.
Costa Rican Problems.
Chile-Country study.
Current Economic Situation in Colombia.
Current economic conditions in Venezuela.
Current Economic Situation in Peru.
Current International Exchange and Banking Position of Ecuador.
Recent U.S. assistance to Ecuador.
Repatriation of Ecuador's external debt.
Economic Situation in Puerto Rico.
Wholesale Price Indexes.
Movement of Indexes and Volume in Selected Items During the Earliest Post World War Years.
Gold in Dakar.
Annual Review of Money in Circulation, Fiscal Year 1941-42.
Increase in Sales of Tax Savings Notes since September 14, 1942.
Preliminary list of Argentine nationals holding property in the U.S.
Procedure for reimbursement of Barclays Bank, Nairobi, Kenya, for payment of U.S. Government checks and conversion of U.S. currency.
Total British Expenditures in Turkey and Proportion used for Preclusive Buying.
Equality of Sacrifice among the United Nations.
Swiss request for transfer of gold from London to Lisbon.
Saudi Arabia's Finances.

Merchant Shipping (Dept. of Commerce Secret Report).


Sources of British War Finance.

Egyptian Budget Estimates, 1942-43.

Report of British Committee on Manpower in Banking and Allied Businesses, Ordinary Insurance and Industrial Life.

Advertising, a Potential Source of Manpower and Materials for Essential Use.

British Reaction to the Beveridge Plan.

Economic Consequences of Severance of Communications between French Africa and Europe.


Concept of Lend-Lease Aid to Britain as Expressed in Congressional Hearings.

Suggestion regarding establishment of a 48-hour week.

Proposed lengthening of the basic work week.

External Debt of the British Government.

Application re: Intercompany Transactions of L.M. Ericsson.

Spanish Assets in Puerto Rico.

Transfer of Funds by Compania Hispano-Americano de Electricidad.

Preliminary survey of TFR-300's on German nationals located in Continental Europe.

Relation of Reports on Capital Movements to Foreign Funds Control Activity.

The present licensing procedure of Foreign Funds Control as it affects the position of Chinese assets in the United States.
Remittances for Living Expenses in Spain under General License No. 52 as Reported on TFR-149.

Use of a Summary Record for TFR-300 reports.

Disposal of Imports of United States Currency.

Purchases of Tobacco by the French Tobacco Monopoly.

Definition of "allied foreign organization" for TFR-400.

Bearer Securities Confiscated in the Netherlands by German Forces.

Remittances to Enemy Countries under General License 32.


State Department proposal to extend generally-licensed status to blocked nationals in Latin America.

American Insurance Companies Operating in Latin America.

The Disposition of Chinese Dollar Funds.

Blocked Parties located in Latin America.

Current Reports in addition to the above:

Ten-day report on Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury.

Weekly report on transactions in domestic stocks (compiled from S.E.C. figures).

Monthly Table: "Balances and Earmarked Gold Held for Foreign Account".

Monthly Table: "Net Capital and Gold Movements".

Material for monthly Treasury Bulletin.


Weekly Balance Sheet of the Stabilization Fund.


Quarterly Balance Sheet of the Stabilization Fund, with supporting schedules.


Ten-day Reports on U.S. Domestic Exports to Sweden, Switzerland, Spain and Portugal.

Correspondence:

294 letters replied to.

In addition to the above, material falling into the following categories is also prepared:

1. A large number of tables on various subjects.

2. Reports on conferences in which this Division participates.

3. Participation in preparation of some of the statements and speeches by the Secretary.
Mail Report

Taxes completely overshadowed all other subjects in the exceptionally heavy mail of the current week. On the positive side, there were many urgent demands for a pay-as-you-go plan. Sixty-seven writers voted for such a plan, about one-fourth of these endorsing the Rum proposal. Two opposed such a paternalistic method of collection, while 25 others objected to any scheme for forgiving a full year's taxes. In this last group were several who thought that the 1942 tax might be paid at the end of the War with Bonds bought during its course.

On the negative side, the Victory Tax received the most unfavorable comment. Specifically, there were more complaints of the collection of tax on income earned in 1942 but received in 1943.

Next in number came the letters from those commenting on the article by Westbrook Pegler, or sending in clippings without any comments at all. Presumably, those who sent the clippings in this way may be classified as antagonistic to the Treasury. However, about one-half of those who commented on the article condemned Pegler in no uncertain terms, and on one of the clippings was written the marginal comment, "An assassin of character". There were 20 inquiries as to the application of the Victory Tax, without any expression of opinion or comment.

There continue to be innumerable letters inquiring as to provisions of the new law, giving individual cases, etc. A few of these also offer suggestions for revision or collection. Five letters strongly protested discrimination against single persons, while 4 proposed a gross income tax, and 2 an excess profits tax on individual income. The suggestion that a discount be allowed for
payment in full on March 15 occurs frequently, while many writers ask for better education of the public in regard to Federal taxation. It was pointed out several times that the widespread discussion of the pay-as-you-go plan had given many the idea that it would not be necessary to file returns by March 15.

Mail forwarded from the White House reflected the same topics and the same general proportion.

Bond mail followed the general outlines of previous weeks. The annuity bond is most frequently suggested, while others report rumors that compulsory investment is imminent. Opposition to such an idea is in the ratio of 2 to 1. Six Bond holders reported that they had inadvertently exceeded the $5,000 limit. Thirty-eight Bonds addressed to the Secretary were submitted for redemption, 10 of them, or more than 1/3, coming from Patchogue, New York.

One far-seeing individual submitted a suggestion for Bond sales on the Fourth of July. Several forwarded a news article from the Los Angeles Examiner quoting the Mayor as saying that Bond purchasers were justified in reducing their pledges in proportion to the Victory Tax deduction. There were 61 individual complaints, a little more than half from employees of the War Department.

The general interest in plans for prepayment for post-war delivery of goods fell off decidedly; only 8 letters discussed the subject, with 3 of these unfavorable to the idea. There were 2 requests, both from banks, that the Government contradict the rumor in regard to freezing bank accounts.

Since, in spite of the heavy receipts, there was little variety in the type of complaint or suggestion, only a few representative excerpts have been quoted on the attached pages.
Sinclair Kennedy, Falls Village, Conn. The enclosed clipping (Editorial -- N. H. Herald-Tribune) gave me much satisfaction. I am impelled to send you my thanks for the stand you took on the Nugent Plan. When I first heard of the plan, I feared it might receive serious consideration in Washington. Your words ought to scotch the plan enough to make it die soon. In the past two years, I have been critical of the work of the Treasury Department. Some of my letters to you and your associates were a bit harsh. That is another reason why I feel impelled to write you of my approval of your stand against the Nugent Plan.

G. Sidney Houston, First Service Corporation, St. Paul, Minn. Last fall we received notice from your office to the effect that the Treasury was anxious to conserve paper and requesting us to reconsider our subscription to the Daily Statement of the Treasury, which we had received for years. At some inconvenience to ourselves, we reluctantly agreed to get along for the duration with only the statements of the fifteenth and month-end, and so advised your office. Apparently, our subscription has been entirely cancelled and we have had to rely on other sources for information concerning Treasury balances. *** If the Treasury is really sincere in saving paper, there are innumerable press releases being sent to this office which were never requested and which are of no value to us that may as well be stopped.

W. A. Stevenson, Kalamazoo, Mich. Enclosed I am sending you a check for 20¢ for which I received from a tire turned in to the Government that could have been vulcanized for about three dollars for which it would run about 5,000 miles. Please credit this to the National Debt.
Favorable Comments on Bonds

Mrs. Alice Rusel, Chicago, Ill. Pursuant to a letter I received from my grandson, First Lieutenant Charles S. Schwartz, who is somewhere in Northern Africa, it occurred to me it might be worth while to inform you that our boys simply do not know what to do with the money accumulating, paid by our Government. They have no place to spend it, and now that they are receiving foreign money, he says their pockets are "bulging". He expressed a thought that seems to me to be very wise; "that maybe our Government would make it possible to buy Bonds over there". It is difficult even to send it home. I do hope you will give this some thought.

Clark Thread Company, Newark, N.J. (Telegram) We deeply appreciate your congratulatory telegram. You will be interested to know that it arrived coincidentally with the raising of our Treasury Flag.
Homer Cheffy, Assistant Cashier, First National Bank, Barnesville, Ohio. Relative to the sale of War Savings Stamps in our community we wish to advise that there always appears to be a shortage of all denominations in our local Post Office. Our bank in cooperating in the war effort maintains a stock of $500 in War Stamps for retail sale to our customers. However, we are called upon on many occasions to supply wholesale quantities to the retail stores, local corporations and the public schools because of their inability to obtain the necessary Stamps at the Post Office. Under this date the local schools had an order for $335 worth of Stamps which the Post Office was unable to supply, and due to the drain on our stock we likewise were unable to supply them. The sale of Stamps in our local schools has steadily increased and has become quite popular with the school children, and it seems a shame that these children cannot be supplied with the Stamps which they wish to purchase as their part of the war effort. Through the cooperation of our correspondent bank in Wheeling, we arranged for special delivery of sufficient Stamps to care for the schools on this occasion. However, you will appreciate the fact that this is needless expense and work. *** Some months ago we wrote the Federal Reserve Bank in Cleveland requesting that they supply us with a stock of Stamps, but they stated that they had to be purchased through the local Post Office. We complained to the Third Postmaster General that we were having difficulty in obtaining a working stock of War Savings Stamps but this achieved nothing. ***

A. Markle, Jr., Chairman, Middle Coal Field District, War Savings Staff, Hazleton, Pa. This letter should reach you personally; whether it does or not depends upon your own organization. *** As Chairman of the Middle Coal Field District for the sale of War Bonds, I am naturally concerned where, when and how we can sell
more Bonds, for, at the present time, there are major
disturbances which can only be settled by the Administra-
tion in Washington. There are, at present, approxi-
mately fifteen thousand Anthracite miners on strike.
Apparently, the reason for the strike is their objection
to an increase in Union dues from $1.00 a month to $1.50
a month. The reason they object to this increase is
because they do not know how their dues are being dis-
pensed and have been dispensed; who is getting the money
and for what purpose it is used. * * * On top of these
troubles with strikes, authorized and unauthorized, this
week eighty percent of the coal companies and their
officers were indicted for fixing, or attempting to fix
prices. To us who live in the Anthracite coal region,
this is rather ridiculous, as we know that for years now
bootlegging, or the stealing of coal, has gone on to such
an extent that bootleggers mined and sold coal to the
extent of four to six million tons a year. There was
no secret about it; the Government knew about it, and
yet nothing was done. * * * I can only say that when
you are trying to sell Bonds in the Anthracite region,
and when the Country needs coal so badly, it is no time
to create ill will, distrust and chaos in an industry
which has been so sorely beset in recent years. This
is the time when the Administration should do every-
thng in its power to be helpful, rather than distrust-
ful, as our one objective today should be the winning
of the war, and to win the war, we must have coal and
we must raise money. * * *

B. W. Rubin, Insurance, Los Angeles, Calif., sends copy
of letter addressed to Earl C. Anthony, Station KECA,
Los Angeles. On December 1, 1942, our check #3198,
in the amount of $18.75, was sent to you for a Victory
Bond (No. 4) which is part of our pledge to you, as a
result of your Victory Bond Campaign, and said Bond
has not been received. We have had the same delay in
receiving our Bonds ever since we placed our subscrip-
tion through your Station. Several months ago before
our first Bond came through, we were compelled to call
your office, and the excuse we received was that you
were not organized to handle the terrific flow of Bonds
that were being subscribed to. Every month thereafter it has been the same excuse. In my opinion your Station is not duly qualified to accept these orders due to the fact that you are not equipped to handle them. *** I am also notifying you at this time that I am cancelling my monthly subscription to this Station, as I will purchase my Bonds through a bank which issues Bonds immediately upon presentation and request.
Favorable Comments on Taxation

Robert H. Bergman, York, Pa. # # # The idea to forgive the 1942 taxes is in my mind absurd, and I am happy to read that you intend to vigorously oppose any such measures. As I see the issue, Financial Structure and Budgeting is not such a trivial matter into which a definite program is promulgated and then disregarded, but rather, the pulse by which in a National sense, our Nation can steadily beat-out its intent through taxation and into the channels of our Treasury, thereby expressing its strength in support of the emergency at hand. I am also of the opinion that if in the event the collection of the 1942 taxes presents any burdening effects upon either the people or the Department, we can and will institute such measures that will be necessary to cope with the situation. With kindest regards for your well-being in administering such a tremendous task, and trusting that if the need be, you will call upon me for whatever support you feel I may have to offer.
Unfavorable Comments on Taxation

H. A. Jackson, N.Y.C. If the law regarding 1942 income tax, as it now stands, actually goes into effect next March, would you be kind enough to get in touch with the Department of Justice and have a cell reserved for me in one of the Federal Prisons, for I don't see how for the life of me I can possibly pay such an income tax, or even one quarter of it. **With the cost of living gradually, but constantly rising, an individual earning less than $15 a week is hard pushed to make both ends meet. ** I realize that the Government needs a lot of money, but I'm afraid it is going to cost you a lot more to collect some of it than you would obtain by a more liberal limit for the "small people".

Earl R. Dunning, Saginaw, Mich. I operate a filling station which keeps open until 2:00 a.m. on the main highway, U.S. 20 & 23, in Saginaw, Mich., and people are coming to me to make out their tax forms and wanting them. The Post Office is in a congested district in Saginaw, a hard place to get to to park. I have written to Detroit and I have gone to the Internal Revenue Officer here in Saginaw, and cannot get any forms. They tell me I cannot get any until next month, and Detroit does not answer my letters requesting forms. I note on circulars sent to me to fill out my return for my service station you preach, "Get your return in early", yet you do not have forms for me to take care of people who roll by my station. I have been told forms are being held from professionals. Are you not aware of the fact that people work in factories during the day then cannot get to the Post Office? Last Jan., Feb., and Mar. I made out forms for business persons, farmers, and many individuals, and worked nights until 12 and 1 o'clock every night, all day Saturdays and Sundays. (I use my typewriter.) People are now coming to me and I have to turn them away because I cannot get any forms. What is the matter with you anyway?
C. C. Nicolet, Quincy Publishing Co., Quincy, Fla.  
(Telegram forwarded to Treasury by the White House.)  
Speaking as one newspaperman to another can you figure  
what in the world the Treasury Department was trying  
to say in its handout on the five percent withholding  
tax on wage payments? Naturally, we want to play ball  
on this and all other Government orders. Normally, it  
would be assumed that a long experienced newspaperman  
would be able to understand a reasonable statement in  
the English language. But after consulting attorneys  
and giving my own careful consideration to it, I can-  
not find any sense in this announcement. Can you find  
anybody capable of translating the document so that  
ordinary mortals may have a chance to understand it?  

Martha E. Raymond, Morristown, N.J. Last week I re-  
ceived the "Table of Taxes Payable on 1942 Incomes"  
which I have studied carefully. I cannot understand  
why there is so much unfairness in this matter of  
incomes. A single person is to pay $15. on an income  
of $600 per year and $126. on $1,200. A married person  
(no dependents) need not pay any tax until they have an  
income of $1,300 per year. * * * There is another matter  
that I think is very unjust and unfair. That is that  
wives of service men receive an allotment of $50 per  
month, or more, while mothers of service men receive  
considerably less. Why the discrimination? * * *  
Also, I understand that this allotment to wives is a  
gift and not taxable! * * *
"Loyal Citizen", Chicago, Ill. * * * Why was such an article allowed to be published in the Chicago Daily News? It sounds like Mr. Pegler is working for Mr. Hitler himself, and not Secretary Knox. That kind of reading undermines public morale beyond repair. How can such things be published, even in a Free Country? In order to have the public on the right track, something must be done about it.

Mrs. Dan Ingram, Lebanon, Tenn. Enclosed is a copy of a letter written in wrath over the foul attack on the Government and the Treasury made in the column of Mr. Westbrook Pegler. * * * I don't know what good, if any, this will do, but I did feel that somebody, somewhere, somehow, should raise a voice. This is no time to be airing family quarrels. This is a time in which if we do not hang together we shall invite hanging separately -- to misquote a little -- and I thought, among the many criticisms the Treasury has received, you might be glad to know there are people who think you're doing all right. May I point out that I come from the only section of this country that knows what it means to lose a war? And that the situation is fast getting to the place where those who are not for us are most decidedly against us? * * *

(Excellent and quotable letter to Pegler too long to include in its entirety.) * * * When the Japanese Government attacked the United States of America and promised not only the downfall of our Government but a peace dictated by themselves in the White House, they were repaid wherever American fighting men could get at them with lead and steel, and even, I suspect, bare hands. Yet, Mr. Pegler attacks our Government from his column and even goes sniping with impunity inside the White House walls, aiming usually at women and children, it is true, but nevertheless getting paid for it in Treasury money whose value is measured now not by the gold in our vaults, but the ability of our armed forces to defend it, and who then howls over the
comparative pinprick of the Victory Tax, as if his right arm had been torn from his bleeding side? *** May I remind you here, you were not elected to run the country? Surely you've heard from childhood that birds of a feather flock together. And it is not impossible that you and Hitler and Hirohito, having now a common hate, might one day find a common love. In fact, Mr. Pegler, if, in a time like this, you cannot behave like a gentleman and a patriot, then why don't you climb a flagpole and sit for the duration? No one will mistake you for a flag. Or build yourself a simple hut in the middle of the desert. Or just plain shut your mouth. But, before the typewriter goes to the Salvation Army, along with the torn pants and the oversize hat, do slip in a sheet of paper and tell us what you did during the last war and what you have been doing so far in this one that qualifies you as an expert on how to run it. Goodbye.

Mrs. Louise Jonas, Flushing, N.Y. When a man bites Westbrook Pegler, that will be NEWS, and how some of us would love to hear it! How is it he is allowed to get away with articles like that of January 1, in which he accused you and the Treasury of the United States of thievery and trickery and what not in the matter of the Victory Tax? I have been so indignant for so long at his articles, which seem to me seditious and dangerous in the extreme, considering the influence he wields, that I await with impatience the day when he will be squelched. ***
NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTAL No. 17

Information received up to 7 A.M., 15th January, 1943.

1. MILITARY

RUSSIA. In the CAUCASUS Russian advance continues astride the BAKU-
KOSTOV Railway and SUVOHOVSKAYA 46 miles northwest of VINARAINYE VODI has been
occupied. In other sectors of the front the Russians continue their attacks.

2. AIR OPERATIONS

WESTERN FRONT. 13th/14th. ESSEN. 160 tons of bombs were dropped
in complete cloud conditions. Results unobserved. Accurate and intense anti-
aircraft experienced. 14th. Harassing attacks were made by fighters on 2 factories,
locomotives, etc., in Northern France. 4 Wellingtons laid mines off the PRISIAN
ISLANDS. 2 F.W. 190's were shot down and 1 Wellington is missing. 14th/15th. 196
aircraft were sent out - LORIENT 127 (3 missing), mining off Western France 46,
Intruders 8, Leaflets 15 (1 missing).

FRENCH NORTH AFRICA. 12th/13th. Swordfish torpedoed a ship of
6/8,000 tons at FERRYVILLE and bombed the town. On 13th U.S. Mitchells sank a
damaged ship between TUNIS and SICILY. 6 U.S. Liberators attacked SOUSSE Harbour.
Enemy fighter bombers attacked BONE and M.T. near SOUK ALARBA. Enemy casualties
2, nil, 3. 13th/14th. A Beaufighter destroyed 2 P.108's (Italian 4-engined heavy
bombers).

LIBYA. 13th. Kittyhawks attacked a landing ground 50 miles south
of MISURATA and damaged 2 enemy aircraft and about 30 vehicles. Casualties during
the day - enemy 4, 1, 4. Ours 8, nil, nil.

RUSSIA. 7th/8th. MURMANSK was bombed. The railway station was
partially demolished, a small Russian ship sunk but no damage was caused to
British or U.S. shipping. On 10th a tanker was hit.

Regraded Unclassified
January 16, 1943
10:42 a.m.

HMJr: Hello.

Cong. Robert Doughton: Hello, Henry. How are you?

HMJr: I'm fine.

D: I've been hearing that you were taking a little rest - you were taking a little rest.

HMJr: Well, that isn't - I wanted you to know - hello?

D: How's that?

HMJr: Confidentially, I've been in bed ever since the first of January.

D: Oh, I'm sorry.

HMJr: I've had....

D: When I was down there and saw you, I didn't - you looked as fine as I ever saw you.

HMJr: Well, I've had the grippe.

D: Yeah.

HMJr: And the doctors now say I've got to go away for a couple of weeks. I - I was pretty sick, and I just wanted to say goodbye to you before I went away.

D: Well, that was very kind and thoughtful of you, and I want to wish you the very best in every way that you may have a perfect rest, and that you get along all right in every way.

HMJr: Well, I'm going....

D: I'm going to miss you mightily, but be certain the first thing you do - a man's got to take care of his health, you know. If he don't, why, he can't do anything.

HMJr: Well, I've been in bed since the first of January.
Well, that's more - a little worse than I - I made inquiry but I just thought you were home taking a little rest.

No.

I didn't understand that you had to be in bed at all or I'd have written you a letter.

But I'm going away and I'm not going to worry because I know the tax things are in your hands and I don't have anything to worry....

Well, well, I thank you. There's plenty for us all to....

Yeah.

....work at and do our best and strain every nerve, but if a man worries much he's not capable of doing the best work.

I thought - that was a good statement you got out yesterday.

Well, I thank you. I thought it timely. Didn't you think so?

Very good.

Yes, well, I thank you, and certainly hope you may have a perfect rest and get back in good shape and everything will go fine with you during your absence and during the entire year.

Thank you, Bob.

Thank you, Henry.

Goodbye.

Goodbye.
January 16, 1943
10:45 a.m.

GROUP

Present: Mr. Bell
         Mr. Gaston
         Mr. Sullivan
         Mr. Graves
         Mr. Buffington
         Mr. Thompson
         Mr. Blough
         Mr. Schwarz
         Mr. White
         Mrs. Klotz

H.M.JR: I really have no business. I hope none of you have any business. (Laughter)

I just wanted to let you all take a look at me and see that I am still alive.

MR. SULLIVAN: You look pretty well.

H.M.JR: I feel pretty well. I hope to get away tomorrow, weather permitting. They are insisting on a month, but I am going to do a little chiseling. You fellows will just have to do the best you can. You did all right the last two weeks.

That is about all I have.

I thought that was a good statement that George and Doughton got out. I just called up Doughton.

MR. PAUL: I called up and congratulated Doughton.

H.M.JR: I called up Doughton to say good-by. Then I have got a call in for George.
MR. GASTON: We are proposing to put out a little press release asking the people to file early, and then quote the George and Doughton statement. Would you like to look at it?

H.M.JR: No.

MR. SULLIVAN: I talked with both of them yesterday and said we would like to get out a release, including quotes from them. That was before their release came out, and their release is so good that we don't think we had better bother to do that.

H.M.JR: Herbert, on my being away, I don't know just how to handle it. I don't think that you can - Braden down at Havana says you can't keep anything a secret in Havana.

MR. GASTON: I thought on Monday we would tell the boys where you are, and say that you had been ill and were going away for a rest.

H.M.JR: Say that I had the grippe for a couple of weeks and have been in bed since the first of January.

MR. GASTON: That is right. That is substantially what--

H.M.JR: Would you say also that before coming back I am going to look into the fiscal situation in Cuba?

MR. GASTON: We might say that there was also some business down there that made it convenient for you to go to Cuba rather than somewhere else.

H.M.JR: Yes, that we had a number of things pending, which is true, isn't it, Harry?

MR. WHITE: Yes, definitely. I am sure there will be discussions there.
H.M.JR: In fact, I told the Ambassador that if I could be helpful to him I would be glad to give him a couple of days.

MR. BELL: Wouldn't you need an invitation to say that? Wouldn't you need an invitation from the Cuban Government to come down and look into their fiscal situation? They might think it was funny.

MR. WHITE: Not to look at their fiscal situation, but we have some discussions with them that are--

H.M.JR: Let's say we have several mutual problems pending. How is that?

MR. WHITE: I think that is true.

H.M.JR: I don't want it to seem as though it is just a straight vacation. Think about it, Herbert. We have got from now until Monday, but bring in something about it.

MR. SCHWARZ: Make it appear that it is better to go there than somewhere else from a business viewpoint.

H.M.JR: I don't want to say that. Say I am going there to recuperate from an illness and that before I come back I am going to clean up a couple of things which are pending between the two Treasuries before I return - that there are several things pending which I expect to clean up.

MR. GASTON: That is the right way to say it.

H.M.JR: I think we have got to say something. You had better wait and find out that I am there.

MR. GASTON: I think so.
H.M.JR: They tell me that the long-distance weather forecast is not good for a couple of days.

Well, that is about all I have. It is very nice to be away and have such able assistants and not worry.

MR. BELL: Harold Smith said so. (Laughter)

MR. PAUL: I hope you will think they are able so that you won't worry.

H.M.JR: Listen, fellow, if I don't hear from you, you won't hear from me.

MRS. KLOTZ: Is that a guarantee? (Laughter)

H.M.JR: Yes, I am not going to--

MRS. KLOTZ: There always has to be a first time, Dan. Maybe this is it. (Laughter)

MR. BELL: I will give him a week. (Laughter)

H.M.JR: If Bell and White could stay a few minutes, I would like to talk to them. I will say good-by to you all.
I told the Secretary that there were a number of decisions that needed to be made before he left town. Some of these are necessary in order that we might move along on the preliminary steps that had to be taken before the April drive.

**Preliminary Conferences:**

I said we expected to meet on January 27 with all of the Presidents of the Federal Reserve banks and after that meeting we hoped to have another meeting with the ABA Committee. Rather than have the Executive Managers in at this time I thought it would be better to permit George Buffington and Bob Hobbs to split the country in two and each make a circuit of their half, conferring in each Federal Reserve district with the Chairman, the Executive Manager and the Regional Chairman of the Victory Fund Committee and then probably between the 1st and the 15th of March we would have the Executive Managers in for a final conference. He agreed that this looked like a good program.

**Paid Advertising:**

This question will come up at every meeting. In the last drive the Federal Reserve banks paid for the initial advertising and the commercial banks paid for the subsequent advertising. I said the question will constantly come up in our conferences as to why the Treasury should not pay for almost all of the advertising and it is believed that we will get much better results if we do so. The Secretary said he would be willing to do both, pay for some of it and let the commercial banks sponsor some of it.

**Compensation:**

I said that I was certain we were going to face the question of compensation to the salesmen. If we decided to pay some compensation it is not clear to me at this time whether we should put them on the roll at a salary or whether we should determine to pay them on some commission basis. I told the Secretary I would like to be able to say at all of the conferences we have before he gets back that
this matter of compensation will be definitely settled by him before March 1. Possibly it may be settled earlier on the Secretary's return, but I wanted to make a definite statement that it would not go beyond March 1 without a decision. He said this was satisfactory to him.

Use of War Savings Staff:

I told the Secretary that there were a number of matters of publicity to be worked out - whether we should use the radio, and if so, to what extent; the movies, and other forms of advertising. I thought it might be well, in view of the experience which the War Savings Staff organization has had in the past year and a half, for us to use that organization and I wanted his approval so that I might discuss the matter with Harold Graves with a view to using his staff wherever possible. I had in mind in particular the use of Callahan on radio work and posters. He said that this had his approval.

Taxpayers List:

I then took up with the Secretary the use of the names from the Internal Revenue taxpayers list to be sent out to the Executive Managers, which in turn would be handed to the salesmen for solicitation in the sale of Government securities. I told him that this matter had come up a number of times and I had always been against it, but we were called upon to raise huge sums of money and we have to do many things now that we would not have done a year ago. I thought it would be possible for us to take the names from this list, mix them with the names that we already have on the Treasury's mailing list for various publications and literature and then they could again be mixed with the lists which are in the hands of the Executive Managers, so that by the time they get to the salesmen the original taxpayers list will have completely lost identity as such. I told him that I was discussing the matter with Sullivan and Helvering and if they saw no real objection to it, I hoped we might use it. He said he did not like to approve it but if the three of us thought we might put out the list in such a way that it would not become known that it was taken from the Internal Revenue returns, he would have no objection. I told him we would use a great deal of care.

Amount of April Drive:

I then took up the matter of the amount of funds that we want to raise in the April drive. I said I realized we could not at this time definitely say how much money we want to raise, but I knew as soon as we begin holding conferences with the Federal Reserve people on the April drive one of the first questions we will be asked is how much money are we going to raise. The amount of money we are going to raise will govern the size and character of the
organization which they will have to build up. I told the Secretary that I wanted to say to the groups with which we will be conferring between now and February 15 that they will have to build up an organization of sufficient size to raise during the April drive from non-banking sources the sum of about 12 billion dollars. I said I would make it clear that that is not a definite figure as yet, but that is what they should be thinking about and it should govern the size of their organization. He said this was all right with him.

Inter-Departmental Committee on War Bonds

I then told the Secretary that Admiral Conard, who is Chairman of the Inter-Departmental Committee on War Savings Bonds, has had a heart attack and in all probability will be retired from active service within the course of the next 50 or 90 days. I said I had been told that he will not get out of bed for another month and that it will probably be another 50 days before he could possibly return to the office. I said that while I did not want to hurt Admiral Conard's feelings, I thought it was necessary for us in charge of this organization to see that the enthusiasm among the departments does not lag. I suggested that we make Mr. Bartelt Acting Chairman and if Admiral Conard later retires, we can make Bartelt full Chairman. Mr. Graves thought that this could be done and he could furnish Bartelt with a staff which would make it necessary for him to spend only an hour a day on this job. The Secretary said he thought Bartelt would make a good Chairman but he thought possibly we ought to use Bartelt on some other more important work as everybody in the Treasury was getting snowed under. He said certainly I needed additional help and he did not see why I did not use Bartelt more in my work. I told him I did use Bartelt quite a bit; that he had a big job in charge of the accounting work for the Department, and that I thought he ought to remain on it. He did not seem to think we ought to use Bartelt on this job and then I asked him how did General Hines strike him. He said he thought General Hines would make a good Chairman if he could find time. While he did not say he disapproved making Bartelt Chairman, he indicated he hoped we could get someone else.

Call of 3-3/8% Bonds of 1943-49

I then took up the question of the 3-3/8% bonds outstanding in the amount of 454 million dollars which may be called for payment on June 15, 1943 by giving four months advance notice. This notice must go out not later than February 15. I thought it might be well to give some indication to the market that we anticipate calling them and paying them off in cash. Looking at the current prices it is not believed that there is any right value attached to them so we would be justified in announcing that their redemption will be for cash rather than in exchange for another security. He approved calling these
securities and announcing that they would be paid in cash and said we could make the announcement at whatever time we thought best.

**Coupons for 2 1/2% Bonds of 1962-67**

I then told the Secretary we had some inquiries as to whether the 2-1/2% registered bonds of 1962-67 would be exchangeable for coupon bonds. I told him that although these registered securities mature a year and a half earlier than the 2-1/2% bonds of 1963-68, they are selling on the market for 3/32nds less than the latter. In all probability if we permit them to be exchanged into coupon bonds the market value of these securities will rise above the bonds of 1963-68. I told him I thought that permitting this exchange into coupon bonds might be a good thing to do before the next drive. He said all right to go ahead with it.

**Debt Limitation**

When I saw the Secretary on Friday with Mr. Paul on tax matters I also discussed with him the question of legislation raising the limitation on the outstanding public debt. I told him we had to get this legislation through before April 1. He asked me how much we ought to ask for and I said in view of the fact that the Budget indicates that the total gross debt will be approximately 210 billion dollars by the end of the fiscal year 1968, I thought it might be well to ask for about 200 billion dollars. He said he thought probably we would get less than we asked for so why not ask for 210 billion dollars, the amount indicated by the Budget. I told him that it would be all right with me but I thought we should go ahead and get legislation as soon as possible. He said it was all right and I was authorized to proceed with that in his absence.

**Government Losses in Shipment Act**

I also told the Secretary that we were thinking about adding to this debt legislation an amendment to the Government Losses in Shipment Act which would permit us to pay for losses in the redemption of United States Savings Bonds where the administrative procedure is such that it did not stop the redemption before payment was actually made. I told him that we now have about 44,000 cavents against Savings Bonds, most of which are against the $25.00 denomination. Most of the cases are where owners have requested a duplicate security saying that the bonds were lost or destroyed, or the parties had become separated and because of these reasons we have had to put a stop order against the payment of these securities. Redemptions are now getting to the point where it is quite a burden to go through all of the caveat lists before we redeem a security. We feel that if we can eliminate the matter of going over the caveat lists for the $25.00 pieces we have solved about 50% of our trouble. The items we will pay on which we will not be reimbursed from the original owner.
if there is a duplicate payment will be relatively small when compared to the administrative expense involved in searching the lists. It is for this reason that I would like to get coverage by the Government Losses in Shipment Act. The Secretary said that if those of us who had to handle this matter felt that it was a good thing and would facilitate the redemption, to go ahead and get the authority.

February 1, 1943 Financing:

I also discussed with the Secretary on both occasions the question of the certificate of indebtedness which will be offered this week for payment on February 1, 1943. I told him that the amount of the maturity was $1,588,000,000 and I would like to offer a new one-year 7/8% certificate for 2 billion dollars with about the same terms and conditions as the November one, except to raise the $25,000 allotment in full to the small banks to $100,000. He said that sounded all right to him if everybody else was in agreement. I asked him if he wanted a cable and on Friday he said I might send him a cable of what had been agreed upon and he would get me a reply back immediately. On Saturday when I talked with him there was some question as to whether he was going to leave town on Sunday. He told me to go ahead with it on the basis I had outlined and if he was here Monday I could call him up about it. In view of the fact that he left on Sunday and just arrived in Havana today (Monday, January 28th), I did not see any reason for bothering him with the matter.

F and G Savings Bonds:

I also discussed with the Secretary the matter of eliminating entirely Series F and G Savings Bonds. I told him we had had a number of conferences on it and I had consulted with Murray Shields and Donald Woodward and we all felt the money going into these securities could very well go into the 2-1/2% tap issue. I told the Secretary that practically all of us felt that he should give some notice and we recommended that it be announced on February 1 that these securities will be withdrawn at the close of business February 28. Murray Shields feels that they should be withdrawn without notice. The Secretary said that he was not ready to make that decision but would like to have a memorandum giving the reasons as to why these securities should be withdrawn. Mr. Haas prepared such a memorandum and it was sent to the Secretary's house on Saturday, January 16. Apparently he took the memorandum with him as we have heard nothing further from it.
January 16, 1943

Dearest Eleanor:

On January 7th, I wrote you in answer to your letter to Henry asking if it would be possible to have the tax taken off the theater tickets given to the men in the Merchant Marine, and I told you at that time that I would take it up with the proper authorities in the Treasury.

I immediately did so, and now have the enclosed letter for you from Assistant Secretary, John Sullivan. I am ever so sorry that it has been impossible to take this tax off the theater tickets given to the Merchant Marine, but I think Mr. Sullivan's reply to you is very explicit.

Affectionately yours,

Eleanor

Del. by Mess. Dixon 1/16/43 at 2:30
January 16, 1943.

Dear Mrs. Roosevelt:

Upon receipt of your note of January 1 to Secretary Morgenthau relating to the liability to admissions tax of tickets given to the men in the Merchant Marine, I asked the Bureau of Internal Revenue to examine the problem to determine whether an extension of the exemption in favor of members of the military and naval forces in uniform would be practicable. Although I am sure their consideration of the problem was sympathetic, their conclusion was in the negative because of the fact that members of the Merchant Marine do not wear a distinguishing uniform.

Under specific provision of existing law (section 1700 of the Internal Revenue Code) members of the military or naval forces of the United States admitted free are exempt from the admissions tax, and when admitted at reduced rates of admission, are exempt to an extent corresponding to the reduction in the rates of admission. However, in both instances, the exemption may be accorded only when the members of the military and naval forces are in uniform.

It is the understanding of the Department that no standard or readily identifiable uniform is required to be worn by seamen and officers of the United States Merchant Marine while ashore. Hence, the exemption provisions of the existing law could not apply to them, even though they might be regarded as coming within the classification of "naval forces of the United States".

The matter of amending the Internal Revenue Code to provide a special exemption from the admissions tax for this class of persons is, of course, essentially one of policy for the Congress to determine. This Department is of the view, however, that so long as no standard shore uniform is prescribed, the effective administration and enforcement of any such exemption would be virtually impossible. The successful control of an admissions tax exemption accorded any class of patrons of theatres or other places of amusement depends almost entirely upon how easily and how accurately a member of the class can be identified at the time the admission is purchased. It is for this reason that existing law includes the requirement that, in order to be entitled to the exemption, the members of the military or naval forces must be in uniform.
This Department is sympathetic to the extension of the exception from admissions tax to members of the Merchant Marine. If a standard uniform is provided for them, we will be very glad to ask Congress for legislation according them this exception.

Sincerely yours,

/s/ John L. Sullivan

Mrs. Franklin Delano Roosevelt,

The White House.
January 7, 1943

Dearest Eleanor:

I have your note to Henry asking him whether it would be possible to have the tax taken off the theater tickets given to the men in the Merchant Marine. I am taking it up with the proper authorities here in the Treasury, and will let you know just as soon as I have an answer from them.

With love,

Affectionately yours,
Dearest Elinor:

I am enclosing this note to Henry and leave it to you whether or not he should be bothered with it at this time.

I will be back Thursday morning and looking forward to seeing you at dinner and having you go to the concert with me.

Much love,

Thaaa

Beeing a Hundred to
January 5, 1943

Dear Henry:

You were so good about helping to have the tax taken off the theatre tickets given to our Service men in New York City, I wonder if you could consider the possibility of having the tax taken off on the tickets given to the men in the Merchant Marine?

Affectionately,

[Signature]
My dear Mrs. Roosevelt:

Reference is made to your inquiry concerning the possibility of exempting members of the United States Merchant Marine from payment of the Federal admissions tax.

Under specific provisions of existing law (section 1700 of the Internal Revenue Code) members of the military or naval forces of the United States admitted free are exempt from the admissions tax, and when admitted at reduced rates of admission, are exempt to an extent corresponding to the reduction in the rates of admission. However, in both instances, the exemption may be accorded only when the members of the military and naval forces are in uniform.

It is the understanding of the Department that no standard or readily identifiable uniform is required to be worn by seamen and officers of the United States Merchant Marine while afloat. Hence, the exemption provisions of the existing law could not apply to them, even though they might be regarded as coming within the classification of "naval forces of the United States".

The matter of amending the Internal Revenue Code to provide a special exemption from the admissions tax for this class of persons is, of course, essentially one of policy for the Congress to determine. This Department is of the view, however, that so long as no standard shore uniform is prescribed, the effective administration and enforcement of any such exemption would be virtually impossible. The successful control of an admissions tax exemption accorded any class of patrons of theatres or other places of amusement depends almost entirely upon how easily and how accurately a member of the class can be identified at the time the admission is purchased. It is for this reason that existing law includes the requirement that, in order to be entitled to the exemption, the members of the military or naval forces must be in uniform.

It is understood that members of the Merchant Marine are issued a standard identification pin by the War Shipping Administration, and that they also carry certain identifying papers indicating their status...
as such members. This fact suggests the possibility that an exemption in respect of the members of the Merchant Marine could be conditioned upon the presentation of such identification pin or credentials at the time the admission is purchased.

Identification pins or credentials could be borrowed and thus permit enjoyment of the exemption by persons not entitled thereto. Moreover, the time required for the presentation of credentials at box offices and ticket windows while purchasing tickets of admission would tend to delay the sales of such tickets, and thus the exemption would be a source of annoyance and irritation to the public and to the operators of theatres and other places of amusement. This Department is, therefore, inclined to the view that basing an exemption on the presentation of identification pins or credentials of the Merchant Marine is not practicable.

It is also understood that a suggestion had been made that the United Service Organization request the management of certain theatres in New York City to give complimentary tickets to members of the Merchant Marine. While this would result in a saving of the purchase price of the ticket to the members, it would not relieve the theatres from collecting the amount of the admissions tax. This results from a special provision in existing law which, with certain exceptions not here material, requires that the tax be collected on all free admissions computed on the price charged to other persons for the same or similar accommodations.

You will appreciate that this statement of the Department's position in the matter is dictated solely by the provisions of existing law and by practical considerations of tax enforcement and administration. It is not to be construed as indicating any opposition to the objective sought to be achieved.

If further correspondence relative to this matter is necessary, please refer to H:MT.

Very truly yours,

Assistant Secretary of the Treasury.

Mrs. Franklin Delano Roosevelt,

The White House,

Washington, D. C.
Ref: ME:DG

By dear Mrs. Roosevelt:

Reference is made to your inquiry concerning the possibility of exempting members of the United States Merchant Marine from payment of the Federal admissions tax.

Under specific provisions of existing law (section 1700 of the Internal Revenue Code) members of the military or naval forces of the United States admitted free are exempt from the admissions tax, and when admitted at reduced rates of admission, are exempt to an extent corresponding to the reduction in the rates of admission. However, in both instances, the exemption may be accorded only when the members of the military and naval forces are in uniform.

It is the understanding of the Department that no standard or readily identifiable uniform is required to be worn by seamen and officers of the United States Merchant Marine while ashore. Hence, the exemption provisions of the existing law could not apply to them, even though they might be regarded as coming within the classification of "naval forces of the United States".

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You will appreciate that this statement of the Department's position in the matter is dictated solely by the provisions of existing law and by intensely practical considerations of tax enforcement and administration. It is not to be construed as indicating any opposition to the objective sought to be achieved.

If further correspondence relative to this matter is necessary, please refer to IR:MT.

Very truly yours,

Assistant Secretary of the Treasury.

Mrs. Franklin Delano Roosevelt,

The White House,

Washington, D. C.

1943

Regraded Unclassified
January 16, 1943

MEMORANDUM FOR MRS. KLOTZ:

Mr. Phil Trounstine happens to be in town today and will be here also tomorrow. He is stopping at the Raleigh.

I will leave it to your good judgment to decide whether to tell Mr. Morgenthau.

Harold N. Graves.
MEMORANDUM FOR MRS. KLOTZ:

In accordance with your message yesterday, Mr. Duffus has undertaken to ascertain whether it would be possible to make arrangements for the showing of motion pictures at the Bethesda Naval Hospital, similar to the arrangements we have for the Treasury Projection Room.

Mr. Duffus reports this cannot be done.

It appears that pictures are furnished the Bethesda Hospital under general Navy contracts applicable to all units of the Navy and that film distributors could not reasonably be expected to furnish free pictures in addition to those supplied under such contracts. This is so particularly in view of the relatively large seating capacity of the hospital auditorium -- approximately 600.

Mr. Duffus, however, has talked this over with Captain Harper and Mr. Burr, of the hospital staff, and he plans to contact local film distributors with a view to arranging if possible to have additional, and more current, pictures supplied the hospital at minimum rates. Captain Harper and Mr. Burr expressed themselves as being pleased with this and I am hopeful that something can be worked out along this line to their complete satisfaction.

GRAVES.
### Federal Reserve Operations in Government Securities

<table>
<thead>
<tr>
<th>Description</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
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<td><strong>Marketable Issues</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Market purchases 1/</td>
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<td>Direct purchases from Treasury 2/</td>
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<td></td>
<td></td>
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<tr>
<td>Maturities</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Special one-day certificates</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase (+) or decrease (-)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Wednesday report of total portfolio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Note:** Transactions are entered as of the day following that to which they apply, since data are not available until the following morning.

---

**Summary**

- Marketable Issues:
  - Market purchases
  - Market sales
  - Direct purchases from Treasury
  - Maturities
- Special one-day certificates:
  - Net increase (+) or decrease (-)
- Wednesday report of total portfolio

**Weekly Report**

- **Marketable Issues**
  - Market purchases:
  - Market sales:
  - Direct purchases from Treasury:
  - Maturities:
- **Special one-day certificates**:
  - Net increase (+) or decrease (-)
- **Wednesday report of total portfolio**

---

**Regraded Unclassified**
### Federal Reserve Operations in Government Securities

Column A shows Federal Reserve operations in millions of dollars as follows:

- **Market purchases**: Purchases made by the Federal Reserve to increase its holdings of government securities.
- **Market sales**: Sales made by the Federal Reserve to reduce its holdings of government securities.
- **Maturities**: The scheduled maturities of government securities.

Column B shows price changes in thirds.

#### Last Week

<table>
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<tr>
<th>Order</th>
<th>Tuesday</th>
<th>Wednesday</th>
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<th>Friday</th>
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<th>Full Week</th>
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<td>Jan. 3</td>
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<td>A</td>
<td>A</td>
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#### This Week

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<tr>
<th>Order</th>
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<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
<th>Full Week</th>
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</thead>
<tbody>
<tr>
<td>Jan. 11</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
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</tbody>
</table>

**III. Tax-exempt securities**

- **Treasury notes**
  - 1-1/8/- 5-15 44.7
  - 3-1/4/- 10-15 44.1
  - 3-1/4/- 15-15 44.1
  - 3-1/4/- 20-15 44.1
  - 3-1/4/- 25-15 44.1
  - 3-1/4/- 30-15 44.1

- **Treasury bonds**
  - 1-1/8/- 5-15 44.7
  - 3-1/4/- 10-15 44.1
  - 3-1/4/- 15-15 44.1
  - 3-1/4/- 20-15 44.1
  - 3-1/4/- 25-15 44.1
  - 3-1/4/- 30-15 44.1

**Guaranteed securities**

- **OGD 3/4% F**: 3-1/4
- **FAME 3/4% A**: 3-1/4
- **FAME 3/4% B**: 3-1/4
- **FAME 3/4% C**: 3-1/4
- **FAME 3/4% D**: 3-1/4
- **FAME 3/4% E**: 3-1/4

**All tax-exempt securities**

- **Market purchases**: +2.3
- **Market sales**: +2.3
- **Maturities**: +2.3
- **Total net increase (+) or decrease (-)**: +2.3

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

**Note:**
- Less than $50,000.
- Purchases and sales recorded as of day of transaction and not day of delivery. Transactions after 11 a.m. are included in the next day.
Confidential

Dear Preston:

A bit irregular, but the enclosed letter from the Peoples Bank at Lakewood Village, California, was received directly from that bank instead of coming through the medium of the Federal Reserve Bank at San Francisco. I have had photostatic copies made so that you as well as the Federal Deposit Insurance Corporation could be reviewing this situation prior to our receiving such recommendations as the San Francisco Bank may make. This subject is one that the Federal Supervisory Agencies should digest together, and I trust some time in the near future they may get together on the subject. Any reactions you may have or suggestions after digesting this letter will be greatly appreciated.

Sincerely yours,

(Signed) John K. McKee
Board of Governors of the
FEDERAL RESERVE SYSTEM
Washington, D. C.

RE: Application of PEOPLES BANK, Lakewood Village, California, for Permission to Increase its Capital Structure and by Purchase and Sale Agreements Acquire THE FIRST NATIONAL BANK OF BELLFLOWER and THE FIRST NATIONAL BANK OF GARDEN GROVE, Move its Head Office to Bellflower, and Conduct Garden Grove and Lakewood Village Branches

Gentlemen:

PEOPLES BANK, of Lakewood Village, California, a State Member Insured Bank, hereby requests approval of a program which contemplates:

(a) Increasing its capital structure in the manner hereinafter outlined, so as to provide for a capital of $500,000.00 and a surplus of $125,000.00;

(b) Acquiring by purchase and sale agreement all of the assets of THE FIRST NATIONAL BANK OF BELLFLOWER (excepting a sum of cash in the amount of the capital, surplus and undivided profits of said bank, as of the date of such purchase and sale agreement, and excepting further all assets which prior to the close of business on November 21, 1942, have by said bank been charged off), and in consideration therefore assuming all of the liabilities of said bank of every nature and description;

(c) Acquiring by purchase and sale agreement all of the assets of THE FIRST NATIONAL BANK OF GARDEN GROVE (excepting a sum of cash representing the total of the capital, surplus and undivided profits of said bank as of the date of such purchase and sale agreement), and in consideration therefore assuming all of
the liabilities of said bank of every nature and description;

(d) Continuing the business of THE FIRST NATIONAL BANK OF GARDEN GROVE as a branch office;

(e) Moving the head office from Lakewood Village to Bellflower, and continuing the business of THE FIRST NATIONAL BANK OF BELLFLOWER as the head office of PEOPLES BANK; and

(f) Continuing the present office of PEOPLES BANK at Lakewood Village as a branch office.

A condensed daily statement of each of the banks involved, as of the close of business on December 21, 1942, is as follows:

1) THE FIRST NATIONAL BANK OF BELLFLOWER

RESOURCES:

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<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Unsecured Loans</td>
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<tr>
<td>Loans Secured by Collateral and O. M.'s</td>
<td>878,014.33</td>
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<tr>
<td>Real Estate Loans</td>
<td>262,369.39</td>
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<td>Overdrafts</td>
<td>486.26</td>
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<td>U. S. Bonds</td>
<td>30,000.00</td>
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<td>Other Bonds</td>
<td>1,650.77</td>
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<tr>
<td>Federal Reserve Bank Stock</td>
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<td>Banking House and Lots</td>
<td>12,800.00</td>
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<tr>
<td>Furniture and Fixtures</td>
<td>1,700.00</td>
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<tr>
<td>Due from Banks</td>
<td>2,353,881.25</td>
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<tr>
<td>Cash on Hand</td>
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<tr>
<td>Interest Paid</td>
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<td>Expenses to Date</td>
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<tr>
<td><strong>TOTAL</strong></td>
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LIABILITIES:

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<tr>
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<tbody>
<tr>
<td>Capital Stock</td>
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<td>Surplus</td>
<td>100,000.00</td>
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<tr>
<td>Undivided Profits</td>
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### LIABILITIES (Cont'd.) (Bellflower)

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<tr>
<th>Description</th>
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<tr>
<td>Exchange Collected since 9/30/42</td>
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<td>Commission &amp; Fees Collected since 9/30/42</td>
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<td>Safe Dep. Box Rentals Coll. since 9/30/42</td>
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<tr>
<td>Service Charges Collected since 9/30/42</td>
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<td>Store Rents Collected since 9/30/42</td>
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<td>Individual Deposits</td>
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<td>Certified Checks</td>
<td>864.41</td>
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<td>Term Savings Accounts</td>
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<tr>
<td>Term Certificates of Deposit</td>
<td>161,623.45</td>
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<tr>
<td>Open Accounts Time Dep.</td>
<td>2,989.79</td>
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<tr>
<td>Key Account (Safe Deposit Boxes)</td>
<td>805.00</td>
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<tr>
<td>Unearned Interest</td>
<td>28,667.61</td>
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<tr>
<td>Cash Variations</td>
<td>225.60</td>
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<td><strong>TOTAL</strong></td>
<td>$4,148,846.44</td>
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### RESOURCES:

<table>
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</thead>
<tbody>
<tr>
<td>Loan and Discounts</td>
<td>$63,103.06</td>
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<tr>
<td>U. S. Obligations</td>
<td>1,268,850.95</td>
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<tr>
<td>Other Bonds</td>
<td>116,599.44</td>
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<td>Overdrafts</td>
<td>64.37</td>
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<td>Real Estate Loans</td>
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<td>Federal Reserve Bank Stock</td>
<td>3,000.00</td>
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<tr>
<td>Banking House</td>
<td>13,800.00</td>
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<tr>
<td>Furniture and Fixtures</td>
<td>5,650.00</td>
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<td>Other Real Estate</td>
<td>1,479.52</td>
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<td>Expense</td>
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<td>Interest Paid</td>
<td>65.74</td>
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<td>Over and Short</td>
<td>4.15</td>
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<tr>
<td>Due from Banks</td>
<td>841,695.73</td>
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<td>Cash in Vault</td>
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<td><strong>TOTAL</strong></td>
<td>$2,434,440.15</td>
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### LIABILITIES: (Garden Grove)

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Capital</td>
<td>$50,000.00</td>
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<tr>
<td>Surplus</td>
<td>$50,000.00</td>
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<tr>
<td>Undivided Profits</td>
<td>$14,798.80</td>
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<tr>
<td>Interest and Discount</td>
<td>$15,187.69</td>
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<tr>
<td>Exchange</td>
<td>$1,238.76</td>
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<tr>
<td>Insurance and Fees</td>
<td>$1,341.19</td>
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<tr>
<td>Deposit Box Rent</td>
<td>$436.50</td>
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<tr>
<td>Building Rent</td>
<td>$50.00</td>
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<tr>
<td>Discount Collected, Not Earned</td>
<td>$322.13</td>
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<tr>
<td>Deposits Subject to Check</td>
<td>$1,786,458.93</td>
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<tr>
<td>Time Certificates</td>
<td>$9,582.00</td>
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<tr>
<td>Savings Accounts</td>
<td>$469,776.04</td>
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<td>Cashier's Checks</td>
<td>$15,323.70</td>
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<td>Expense Checks Outstanding</td>
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### RESOURCES:

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<td>$86,725.10</td>
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<tr>
<td>Mutual Mortgage Insurance Loans</td>
<td>$91,611.38</td>
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<tr>
<td>Unsecured Loans</td>
<td>$230,308.26</td>
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<td>Installment Credit Loans</td>
<td>$210,172.70</td>
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<td>Stock and Bond Loans</td>
<td>$787.50</td>
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<td>Overdrafts - Commercial Deposits</td>
<td>$1,034.30</td>
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<tr>
<td>Securities - Stocks</td>
<td>$3,750.00</td>
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<td>Bank Premises and Equipment</td>
<td>$3,054.36</td>
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<tr>
<td>Cash</td>
<td>$15,987.86</td>
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<td>Cash due from Other Banks - Demand</td>
<td>$285,906.80</td>
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<td>Suspense Resources</td>
<td>$18.00</td>
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<td>O/D Profit and Loss Account</td>
<td>$115.97</td>
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<td><strong>TOTAL</strong></td>
<td>$1,039,391.47</td>
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### LIABILITIES:

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<tbody>
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<tr>
<td>Surplus</td>
<td>$12,500.00</td>
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<tr>
<td>Profit and Loss Accounts</td>
<td>$1,256.94</td>
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<tr>
<td>LIABILITIES (Cont'd)</td>
<td>(Lakewood Village)</td>
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<tr>
<td>---------------------</td>
<td>-------------------</td>
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<tr>
<td>Commercial Deposits</td>
<td>$655,511.30</td>
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<tr>
<td>Suspense Liabilities</td>
<td>$1,426,50</td>
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<tr>
<td>Escrows - Money Received</td>
<td>$17,982.29</td>
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<td>Loan Trust Funds</td>
<td>$1,304.99</td>
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<td>Demand Deposits</td>
<td>$17,493.00</td>
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<td>Certified Checks</td>
<td>$325.00</td>
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<td>Cashier's Checks</td>
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<td>Secured Deposits - U. S. Treasurer</td>
<td>$731.25</td>
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<td>Term Savings Deposits</td>
<td>$132,675.43</td>
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<td>Term Certificates of Deposit</td>
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<td>O/D Uncollected Int. &amp; Unearned Disc.</td>
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<td>Unearned Disc - Install. Credit Loans</td>
<td>$14,685.39</td>
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<td>Building Loan Commitments</td>
<td>$39,027.24</td>
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<td>Register Differences</td>
<td>$1,845.05</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,039,391.47</strong></td>
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It is proposed to increase the present capital stock of PEOPLES BANK, such additional shares to be, as is the present stock, of the par value of $20.00, same to be sold, as was the present stock, at $25.00 per share, $20.00 thereof being credited to capital and $5.00 thereof being credited to surplus. The additional stock will be sold to the present stockholders of PEOPLES BANK, THE FIRST NATIONAL BANK OF HOLLAND, and THE FIRST NATIONAL BANK OF GARDEN GROVE, the stockholders of the two national banks (with possible minor exceptions) to utilize the cash which would otherwise be paid to them as a liquidating dividend (upon each national bank being voted into voluntary dissolution in accordance with the Federal Statutes) for the purchase of stock in PEOPLES BANK at $25.00 per share. The utilization of capital, surplus and undivided profits of the bank by the stockholders for the purpose of purchasing this stock will leave approximately $165,000.00 short of the proposed $625,000.00 total capital and surplus. This additional amount will be purchased by the present stockholders of the three banks involved.

A condensed pro-forma statement of PEOPLES BANK, as it would appear upon consummation of the proposed transaction, is as follows:
RESOURCES:
Cash and due from banks .......................................$3,883,368.23
U. S. Government Bonds ........................................ 1,298,850.95
Other Bonds ...................................................... 116,280.21
Stocks .................................................................. 3,750.00
Overdrafts ................................................................ 1,584.99
Federal Reserve Bank Stock .................................... 9,000.00
Commercial Loans ................................................ 1,883,703.49
Real Estate Loans .................................................. 496,724.44
Other Real Estate .................................................. 1,479.52
Banking Premises ................................................... 26,600.00
Furniture and Fixtures ............................................. 10,404.36
TOTAL ................................................................. $7,733,746.13

LIABILITIES:
Deposits - Demand ................................................ $5,015,574.94
Time .................................................................. 2,046,382.97
Interest Collected Unearned .................................. 46,788.22
Capital .................................................................. 500,000.00
Surplus .................................................................. 125,000.00
TOTAL ................................................................. $7,733,746.13

It is understood, of course, that the foregoing condensed statement is not to be accepted as correct in all details. Obviously certain adjustments would be necessary, for instance, increase in amount of stock in Federal Reserve Bank. The officers, personnel and directors of the three banks involved are all well-known to the officials of the Federal Reserve Bank of San Francisco, since each of the three banks is a member of the Federal Reserve System. The present stockholders of the three banks involved, together with the address and holdings of each, are as follows:

PEOPLES BANK

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADI, Oscar H.</td>
<td>700 Ocean Center Bldg.</td>
<td>215</td>
</tr>
<tr>
<td></td>
<td>Long Beach, California</td>
<td></td>
</tr>
<tr>
<td>BARTOW, Roy O.</td>
<td>11 American Avenue</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>Long Beach, California</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Address</td>
<td>Shares</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>BONNER, Clark J.</td>
<td>Lakewood Village, Calif.</td>
<td>400</td>
</tr>
<tr>
<td>CLOSH, Ralph H.</td>
<td>Jergins Trust Building</td>
<td>400</td>
</tr>
<tr>
<td>EVERS, Walter, Jr.</td>
<td>Lakewood Village, Calif.</td>
<td>225</td>
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<tr>
<td>GRIFFITH, John S.</td>
<td>4520 Graywood Ave.</td>
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<tr>
<td>HAYES, Victor W.</td>
<td>4124 N. Harbor St.</td>
<td>500</td>
</tr>
<tr>
<td>HOPPER, Chas. B.</td>
<td>Lakewood Village, Calif.</td>
<td>240</td>
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<tr>
<td>ISAACS, Mrs. Lavinia H.</td>
<td>3519 E. 2d Street</td>
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</tr>
<tr>
<td>JEBBIA, Norf James</td>
<td>2500 S. Fresh Ave.</td>
<td>500</td>
</tr>
<tr>
<td>LEWIS, Rollin C.</td>
<td>Sierra Madre, Calif.</td>
<td>25</td>
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<tr>
<td>MARTIN, E. B.</td>
<td>Seal Beach, Calif.</td>
<td>200</td>
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<tr>
<td>MARTIN, Walter R.</td>
<td>3441 Cherry Avenue</td>
<td>40</td>
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<tr>
<td>MOORE, John S.</td>
<td>631 Los Altos Ave.</td>
<td>25</td>
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<tr>
<td>PARKER, Weldon M.</td>
<td>Long Beach, Calif.</td>
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<tr>
<td>PAULEY, Harold R.</td>
<td>670 Havana Avenue</td>
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<tr>
<td>FEUK, L. R.</td>
<td>Alhambra, Calif.</td>
<td></td>
</tr>
<tr>
<td>PETERSON, P. H.</td>
<td>950 S. Broadway</td>
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</tr>
<tr>
<td>WAGNER, George &amp; Leafy</td>
<td>21 Locust Avenue</td>
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<tr>
<td>WAGNER, W. W.</td>
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<tr>
<td>WIGHTMAN, E. J.</td>
<td>535 Los Altos Avenue</td>
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<tr>
<td>ZERBE, Arthur James</td>
<td>252 Leash Ave</td>
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</tr>
<tr>
<td>ZERBE, Arthur L.</td>
<td>Bellflower, Calif.</td>
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</table>

**TOTAL................................5,000**
### FIRST NATIONAL BANK OF BELLFLOWER

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Shares</th>
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</thead>
<tbody>
<tr>
<td>BAROWITZ, M. O.</td>
<td>Bellflower, Calif.</td>
<td>145</td>
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<tr>
<td>CHALMERS, Wm. E. G.</td>
<td>Bellflower, Calif.</td>
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<tr>
<td>FUNK, L. B.</td>
<td>Bellflower, Calif.</td>
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<tr>
<td>MIDDLE, Harry</td>
<td>Bellflower, Calif.</td>
<td>10</td>
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<tr>
<td>PEAR, L. H.</td>
<td>Bellflower, Calif.</td>
<td>775</td>
</tr>
<tr>
<td>VAN HOREN, F. H.</td>
<td>Bellflower, Calif.</td>
<td>10</td>
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</table>

**Total.................................. 1000**

### FIRST NATIONAL BANK OF GARDEN GROVE

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>BENJAMIN, Horace H.</td>
<td>San Diego, Calif.</td>
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</tr>
<tr>
<td>BRADY, P. D.</td>
<td>Orange, Calif.</td>
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</tr>
<tr>
<td>HEAD, Horace C.</td>
<td>Santa Ana, Calif.</td>
<td>29</td>
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<tr>
<td>MONROE, F. A.</td>
<td>Garden Grove, Calif.</td>
<td>10</td>
</tr>
<tr>
<td>SCHNEIDER, Edmund</td>
<td>Garden Grove, Calif.</td>
<td>2</td>
</tr>
<tr>
<td>SCHUMACHER, William</td>
<td>Buena Park, Calif.</td>
<td>10</td>
</tr>
<tr>
<td>STANLEY, Mrs. L. Agnes</td>
<td>Garden Grove, Calif.</td>
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</tr>
<tr>
<td>TRANSAMERICA CORPORATION</td>
<td>San Francisco, Calif.</td>
<td>63</td>
</tr>
</tbody>
</table>

**Total.................................. 500**

(DOMINIC JEBBIA, 2500 South Fremont Avenue, Alhambra, Calif., who is the father of MORT JAMES JEBBIA, largest individual stockholder in PEOPLES BANK, holds a commitment from TRANSAMERICA CORPORATION with respect to the 413 shares of THE FIRST NATIONAL BANK OF GARDEN GROVE, wherein and whereby he has the right to, and will, if the program herein contemplated is consummated, acquire and become the owner of all of said 413 shares of stock.)

The program, subject matter of this request for approval, contemplates further the increasing of the Board of Directors of PEOPLES BANK to a sufficient number so as to retain the present directors and place upon the Board Mr. Peak and Mr. Barowitz, now officers and directors of the Bellflower bank, and Mr. Monroe and one other, now directors of the Garden Grove Bank. Mr. Peak would become Chairman of the Board of Directors, and Chairman of the bank’s Loan Committee.

Very truly yours,

PEOPLES BANK of Lakewood Village,

By E. B. Martin

Vice-President
With the compliments of British Air Commission
who enclose Statement No. 68 - Aircraft Despatched
- for week ended January 12, 1943.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

January 16, 1943.
### Aircraft Dispatched from the United States
#### Week Ended January 12th, 1943

<table>
<thead>
<tr>
<th>Type</th>
<th>Destination</th>
<th>Assembly Point</th>
<th>By Sea</th>
<th>By Air</th>
<th>Flight Delivered for use in Canada</th>
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</thead>
<tbody>
<tr>
<td>Consolidated</td>
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<tr>
<td>P-1, M-21</td>
<td>U.K.</td>
<td>Bermuda enroute</td>
<td>3</td>
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<tr>
<td>Liberator CR V</td>
<td>U.K.</td>
<td>Canada enroute</td>
<td>2</td>
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<tr>
<td>Browster</td>
<td>Bermudan</td>
<td>U.K.</td>
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<td>Boeing</td>
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<tr>
<td>Douglas</td>
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</tr>
<tr>
<td>Boston III A</td>
<td>U.K.</td>
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<td>6</td>
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<tr>
<td>Boston III A</td>
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<td>Canada enroute</td>
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<tr>
<td>Boston III A</td>
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<td>U.K.</td>
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<td>Fairchild</td>
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<tr>
<td>Cornell PT-26</td>
<td>Canada</td>
<td>Canada</td>
<td>11</td>
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<tr>
<td>Glenn Martin</td>
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<td></td>
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<tr>
<td>Baltimore III</td>
<td>Middle East</td>
<td>Middle East</td>
<td>9</td>
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<td>Baltimore III</td>
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<td>Middle East</td>
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<tr>
<td>Lockheed</td>
<td>Ventura</td>
<td>Canada</td>
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<tr>
<td>North America</td>
<td>Mitchell II</td>
<td>Bahamas</td>
<td></td>
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<tr>
<td>Vultee</td>
<td>India</td>
<td>Bombay</td>
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<td>16</td>
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<tr>
<td>Waco Gliders</td>
<td>U.K.</td>
<td>U.K.</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Footnotes:
- (A) Exported week ended December 29.
- (B) Exported week ended January 5th.

Total: 21 by Sea, 31 by Air, 12 for use in Canada.

Movements Division, British Air Commission.
Information received up to 7 A.M. 16th January, 1943,

1. MILITARY

LIBYA. 15th. By evening Fifty first and Second New Zealand Division together with 7th Armoured Division having moved up into the forward areas were approximately mid-way between Wadi Tanet and the enemy positions. Some westward movement of enemy M.T. reported from Gheddahia and Wadi Zem Zem.

TUNISIA. 13th. A composite force of our troops including some armour and artillery captured a feature five miles north east of Bou arada., but during the afternoon enemy machine gun and mortar fire caused them to withdraw to their original positions.

RUSSIA. Caucasus. Several localities over a wide front have been captured by the Russians amongst them the town and railway station of Blagodarnoe 60 miles east of Voroshilovs and other railway towns further south. At Stalingrad strong Russian pressure against the surrounded enemy forces continues. On the lower Don the Russians continue to make progress in the face of increasing German counter attacks.

2. AIR OPERATIONS

WESTERN FRONT. 14th/15th. LORIENT. 226 tons of bombs including 153 tons of I.B. were dropped under good conditions. Some scattered cloud but brilliant moonlight and good visibility helped identification. Many fires in target area and one very large explosion near the docks. 15th. Escorted allied bombers successfully attacked Cherbourg docks. Spitfires and Mustangs attacked locomotives. 12 enemy aircraft
were plotted over Kent and Sussex. Some bombs were dropped in various localities; four persons killed and 3 missing at Eastbourne. Enemy casualties, 1, nil, 1. Ours four missing.

15th/16th. 180 aircraft were sent out. Lorient 150 (2 missing) Aachen 2, Intruders 16, Mining 9. Leaflets 3. Weather over Lorient was again good, preliminary reports indicate successful attack, many fires started, 2 of them very large. A Hampden attacked a 500 ton ship off Bergen and left it sinking. During operations by 15 enemy aircraft over Lincolnshire our night fighters destroyed one and damaged another. There were some fires and damage to utility services at Lincoln where 4 persons were killed.

FRENCH NORTH AFRICA. 14th. Allied aircraft attacked Sfax docks and railway junctions near Sousse and Mahares. Enemy aircraft attacked two of our airfields and others were intercepted off Bone.

14th/15th. Wellingtons dropped 16 tons of bombs at Bizerta docks. Enemy casualties were, 1 Nil. Allied 5, nil, 2.

LIBYA. 14th. Escorted bombers attacked an enemy landing ground at Bir Dufan and vehicles in the Gheddahia area with good results. During considerable fighter opposition enemy casualties were 5,4,10. Ours reported as 13 missing but a number of fighters may have forced-landed.
Information received up to 17th January, 7 A.M.

1. NAVAL

Early 16th two of H.M. Destroyers sank a 4,300 ton ship and damaged an escort vessel off East TUNISIA.

2. MILITARY

LIBYA. The 8th Army began to advance at 0715 on 15th. Units of 51st Highland Division operated on the right and 2nd New Zealand Division with 7th U.K. Armoured Division crossed the GHEDDAHIAOU NIMAM track about midway between these two localities. Our light armour and mobile forces on the left advanced against EL PACHIA which was found occupied. Fighting lasted all day and is still in progress in the FEZZAN. LeClerc's forces have now occupied all our enemy outposts capturing a large number of prisoners including over 500 Italians.

RUSSIA. Recent German reports of Russian attacks south of VORONEZH are now confirmed by the Russians who announce the occupation of ROSSOSHN. They are continuing to deliver heavy attacks against the encircled German 6th Army.

3. AIR OPERATIONS

WESTERN FRONT. 15th/16th. LORIANT. Over 300 tons of bombs were dropped. Bright moonlight with good gaps in clouds, visibility excellent but slight ground haze. Attack considered accurate and concentrated with many large fires in town and docks area where large oil fire was reported. Anti-aircraft increased since previous night but not heavy and inaccurate.

16th/17th. 203 bombers sent out - BERLIN 201 heavy, DUISBURG 2. Preliminary reports state that 145 aircraft claim to have attacked BERLIN in moderately good weather conditions. One Lancaster is missing.

FRANCE NORTH AFRICA. 15th. U.S. bombers obtained hits on railway communications and destroyed a schooner near RABAMMET. At TEBESSA, a U.S. aircraft were damaged on the airfield.

15th/16th. Mosquitoes destroyed and damaged many vehicles on the BPERC-GANGES-TRIPOLI(L) Road. Enemy casualties 17, 5, 7, including 7 transport aircraft destroyed. Ours, 2 missing.

LIBYA. 15th. 20 U.S. Liberators attacked shipping at TRIPOLI and hit a wreck and a ship outside the harbour. Fighters attacked mechanical transport on the road running North from GHEDDAHIA. Enemy casualties 1, 1, 2. Ours, 1 U.S. Liberator missing.

15th/16th. Liberator and Wellingtons effectively bombed road junctions and other objectives in the TRIPOLI area. Hurricanes attacked mechanical transport north of GHEDDAHIA. On the 16th Spitfires attacked a chemical factor SICILY obtaining six hits. Lupeeanu. airfields bombed. One Junkers 88 destroyed, one Beaufighter missing.

BURMA and INDIA. 15th/16th. A Beaufighter destroyed three bombs with approached CALLUTTA. Bismarks bombed objectives in the ARYAB area.

RUSSIA. The German army at STALINGRAD is reported to be receiving supplies by air owing to Russian fighter interception and anti-aircraft fire.
Re: Final report on status of Treasury Department's legislative program at the end of the 77th Congress.

I attach herewith in tabular form a final report on the status of Treasury-sponsored legislation at the end of the 77th Congress. Many Treasury measures of real importance were included among the 42 bills enacted during the 77th Congress.

The following were among the bills enacted during the first session of that Congress:

Public Debt Act of 1941 increasing the debt limit of the United States to 65 billion dollars, providing for the Federal taxation of future issues of obligations to the United States and its instrumentalities, and providing for the issuance and sale of United States War Savings Bonds and Stamps;

Legislation again extending (till 1943) the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised;

Legislation authorizing the Treasurer of the United States to make settlement with payees
of lost or stolen checks, which have been paid on forged endorsements, in advance of reclamation (This legislation relieved the inequitable condition arising when the payee or a special endorsee of a check drawn on the Treasurer of the United States, which had been improperly negotiated through no fault of the payee or special endorsee and paid upon a forgery of his endorsement, was deprived of the amount due him until such indeterminate future time as recovery had been effected from the forger or of the bank or of the party cashing the check by setting up a small revolving fund of $50,000 out of which payment may be made in advance of reclamation.);

Legislation to increase from $600,000 to $1,000,000 the so-called minor coinage metal fund, a revolving fund which is available for the purchase of metal (nickel, copper, tin, and zinc), as needed, for the manufacture of minor coins of the United States;

The Lend-Lease Act of March 11, 1941 (Although in a literal sense this is not a Treasury-sponsored bill, the Legislative Section prepared the original draft of the bill, committee reports thereon for the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs, numerous short speeches, and several lengthy speeches which were made in support thereof, and on questions of law involved.);

First War Powers Act of December 18, 1941, conferring upon the President authority to put the Government of the United States on an immediate war footing; title III thereof dealing with the Trading with the Enemy Act,
under which the existing system of foreign property control (Commonly known as freezing control) is based, adding to the existing freezing control, in substance, the powers contained in the Trading with the Enemy Act with respect to alien property, extending those powers, and adding flexibility of control; title II thereof authorizing heads of various departments to negotiate national defense contracts (The Legislative Section participated actively in the drafting and handling of this bill, presented and explained the bill to the House Judiciary Committee, did a major part of the work on both the House and Senate Committee reports, and assisted the Chairman and members of the Judiciary Committee on the debates on the floor.);

Legislation relating to foreign accounts in the Federal Reserve Banks and insured banks (Although this legislation was prepared by the Board of Governors of the Federal Reserve System, the Legislative Section did much work on the subject matter.);

Legislation amending the Strategic and Critical Materials Act of June 7, 1939, to provide that the proceeds of any sales or other dispositions of strategic or critical materials, acquired and held by the Procurement Division of the Treasury Department under the authority of that Act, shall be deposited to the credit of the appropriation made by Congress for the purpose of acquiring such materials, and will thus be available to the Procurement
Division for further purchases of such materials instead of going into miscellaneous receipts of the Treasury;

Legislation pertaining to the Coast Guard, including an Act providing for the establishment, administration and maintenance of a Coast Guard auxiliary and a Coast Guard Reserve; miscellaneous amendments in existing Coast Guard laws in the interest of clarification and better administration; an Act authorizing the Secretary of the Treasury to purchase or accept as gifts motorboats, yachts, and similar vessels for Coast Guard use; three Acts vesting control of land in the Secretary of the Treasury, and authorizing the Secretary to exchange certain lands, for Coast Guard purposes (Although the Coast Guard was transferred to the Navy Department on November 1, 1941, the above legislation was prepared and sponsored by the Treasury Department.).

Among the important Treasury measures enacted during the second session of the 77th Congress were the following:

Legislation authorizing the Secretary of the Treasury, with the approval of the President, to loan or extend credit or financial aid to China in an amount not to exceed $500,000,000;

Second War Powers Act of March 27, 1942, among other things authorizing the Secretary of the Treasury to accept gifts of money, property or service, whether such gifts are outright
or conditional and prescribing the procedure for administering such property which is donated to the Government; and eliminating the nickel and reducing the copper in the 5-cent piece to conserve nickel and copper for vital war purposes;

Legislation amending the Internal Revenue Code to permit the fullest utilization of the distilling facilities of the beverage distributors for the production of alcohol for defense purposes;

Public Debt Act of 1942 increasing the debt limit from 65 billion dollars to 125 billion dollars, increasing the flexibility and the authority of the Secretary over the issuance of Treasury bonds, bills, notes, and certificates of indebtedness, removing the tax-exempt privileges from shares of stock and other evidences of ownership issued by any agency or instrumentality of the United States, and other purposes;

Legislation providing for continuation of pay and allowances of civilian officers and employees of departments, who have been reported missing, interned, or captured by an enemy;

Legislation according privileges of free importation to members of the armed forces of other United Nations, to enemy prisoners of war, and civilian internees and detainees;

Legislation providing for the free entry of gifts from members of the armed forces of the United States on duty abroad;
Legislation authorizing the substitution of other metals for strategic metals used in minor coinage to conserve such metals for war purposes, authorizing the issuance of new 1-and 3-cent pieces, and other purposes;

Legislation to control the domestic production of the opium poppy by making unlawful the production of the opium poppy or the manufacture of opium or opium products from the opium poppy except under proper license, and to insure an adequate supply of narcotic drugs for medical and scientific needs.

Sixteen Treasury-sponsored bills on which some action had been taken were pending in the Congress at the final adjournment on December 16, 1942. Some of these bills did not pass because of the prevailing economy sentiment in the Congress with respect to matters not related to the war effort, the three-day recesses and the absence from Washington of many of the members during the last few months of the second session of the Congress. Seven of the 16 bills will not be resubmitted during the 78th Congress. The reasons differ: the subject matter of some is not of sufficient importance
to warrant pushing during the period this country is at war; the objectives of some have been accomplished under other authority, etc.; cases pending in the United States Court of Claims and Customs Court may render others unnecessary. The remaining bills will be resubmitted to the Congress.

We did considerable work on many other pieces of legislation, notably on various defense measures of 1941 and war measures of 1942; the so-called Attorneys Bill, which amends existing law to further restrict the Government practice of former Government attorneys; the Administrative Procedure Bills; the Defense Highway Bills; non-essential expenditure appropriation bills; Federal Tort Claims Bill; the proposed Third War Powers Bill; the Smaller War Plants Corporation Bill; the Columbia Power Administration Bill; legislation pertaining to insurance payment under the National Housing Act; the Rubber Supply Bill (S. 2600); proposed legislation relating to the suspension of Customs barriers;
the Green Silver Bill; Federal Agricultural Unemployment Insurance Bill; proposed legislation authorizing the Department of Agriculture to compromise certain indebtedness to United States; the Federal Reporting Service Bill, etc. None of these bills, however, strictly speaking could be described as a Treasury bill.

Your attention is directed to the fact that in connection with the Federal Reports Act of 1942 the report of the Senate Committee on Education and Labor, prepared with the assistance of a representative of this office, praised the Treasury Department for its high standards maintained in its confidential treatment of information obtained by the Department, and the agencies under its jurisdiction, from business enterprises and from the public. Because of the confidence in the Treasury Department, certain bureaus were exempted from the provisions of the Federal Reports Act.

Aside from the foregoing, the Legislative Section handled a total of 671 Treasury reports on legislation during the 77th Congress. Of this number 373 were
reports to Committees of Congress, 155 were reports to the Bureau of the Budget on pending or proposed legislation, and 143 were reports to the Bureau of the Budget on enrolled bills to assist the President in determining whether or not to approve these bills.

The Legislative Section transacted legislative business with the Legislative Counsel of both the House and Senate, and worked with, and appeared before, committees of both Houses of Congress, during the 77th Congress. In addition, it drafted, or assisted in drafting, much legislation not covered by this report, such as bills which are still in process, bills which have been submitted to, but not yet cleared by, the Bureau of the Budget, bills which were completed but which, for one reason or another, the appropriate administrative officers decided not to submit to Congress at this time, bills prepared as a courtesy accommodation to members of Congress, etc. The Legislative Section also opposed legislation objectionable to the Treasury.
## A. TREASURY SPONSORED BILLS ENACTED DURING THE 77th CONGRESS.

### I. Treasury Sponsored Bills Enacted During First Session of 77th Congress (1941).

<table>
<thead>
<tr>
<th>BILL</th>
<th>BRIEF EXPLANATION</th>
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</thead>
</table>
| 1. H.R. 2959  
| 2. S. 187 (H.R. 562)  
Coast Guard Auxiliary and Reserve | Provides for the establishment, administration, and maintenance of a Coast Guard Auxiliary and a Coast Guard Reserve. | Feb. 19, 1941 | Public No. 8 |
| 3. H.R. 1776  
Lend-Lease Act | Empowers the President, notwithstanding any other law, when the President deems it in the interest of national defense, to authorize the heads of any Government department or agency (1) to manufacture or procure any defense articles, which are defined therein, for any country whose defense he deems vital to ours; (2) to sell, transfer title to, exchange, lease, lend, or otherwise dispose of such defense articles to such governments (with limitations); (3) to outfit, inspect, repair, etc., the defense article of any nation whom we aid under the Act; (4) to communicate any defense information to or for the benefit of those nations; and (5) to release for export any defense article disposed of under the Act to any such Government. Authorizes the Secretaries of War and Navy to acquire arms, | March 11, 1941 | Public No. 11 |
Department and drafted, or participated in drafting, a considerable number of Executive Orders and Proclama-
tions. In addition, this Section did a large amount of research work on legislative and other problems of interest to the Department, and generally endeavored to keep the various bureaus and branches of the Depart-
ment advised about all phases of legislative matters in which they were interested.

The national defense program during the first session, the war program during the second session of the 77th Congress, and the accelerated legislative activity in connection therewith resulted in a consid-
erable increase in the work of the Legislative Section in keeping the many interested Treasury officials advised about the progress of, and other matters of interest to them in connection with, defense and war legislation.
## I. Treasury Sponsored Bills Enacted During First Session of 77th Congress (1941) - (continued)

<table>
<thead>
<tr>
<th>BILL</th>
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<tr>
<td>4.</td>
<td>S. 390 (H.R. 4216)* Foreign accounts in Federal Reserve Banks and insured banks</td>
<td>Regulates the handling of foreign accounts in Federal Reserve Banks and insured banks.</td>
<td>April 7, 1941</td>
</tr>
<tr>
<td>5.</td>
<td>H.R. 4239 (S. 960) Compensating taxes trust fund</td>
<td>Carries to the surplus fund of the Treasury certain trust funds derived from compensating taxes collected under the Act of May 12, 1933, 48 Stat. 40, upon certain articles coming into the United States.</td>
<td>May 9, 1941</td>
</tr>
<tr>
<td>6.</td>
<td>S. 994 Strategic and critical materials</td>
<td>Provides for the reimbursement of appropriations in cases where sales or transfers of strategic or critical materials would result from action by the President, pursuant to the Act of June 7, 1939, 53 Stat. 812, thus making revolving funds out of such appropriations.</td>
<td>May 28, 1941</td>
</tr>
<tr>
<td>7.</td>
<td>S.J. Res. 74 (H.J. Res. 184) Finnish Debt</td>
<td>Authorizes the postponement of amounts payable to the United States by the Republic of Finland on its indebtedness.</td>
<td>June 12, 1941</td>
</tr>
<tr>
<td>8.</td>
<td>H.R. 4332 Metals for minor coins</td>
<td>Authorizes the purchase of metals for minor coins of the United States not to exceed $1,000,000 (instead of $600,000).</td>
<td>June 12, 1941</td>
</tr>
</tbody>
</table>

* Although this bill originated in the Federal Reserve, it is included because the Legislative Section of the Treasury Department did a great deal of work on the subject matter.
### Treasury Sponsored Bills Enacted During First Session of 77th Congress (1941) — (continued)

<table>
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<tr>
<th>BILL</th>
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<tbody>
<tr>
<td>10. H.R. 531 Coast Guard Sites at Miami Beach</td>
<td>Authorizes the Secretary of the Treasury to exchange the existing Coast Guard site located at Ft. Lauderdale, Florida, for another site determined suitable for Coast Guard purposes.</td>
<td>July 9, 1941</td>
<td>Public No. 159</td>
</tr>
<tr>
<td>11. H.R. 4903 (S. 1601) Coast Guard Site at Au Sable, Michigan.</td>
<td>Authorizes the Secretary of the Treasury to exchange certain land owned by the United States for a site for a road right-of-way needed for access to the Coast Guard Light-house Station Reservation, Au Sable, Michigan.</td>
<td>July 9, 1941</td>
<td>Public No. 162</td>
</tr>
<tr>
<td>12. H.R. 4658 (S. 1477) Omnibus Coast Guard Act</td>
<td>Makes a large number of miscellaneous amendments of existing Coast Guard laws in the interest of clarification and better administration. The bill includes provisions for exchanging rights-of-way at Coast Guard stations; extending authority to utilize collections of the value of repairs and replacements of aids to navigation damaged by private persons to all Coast Guard property; authorizing the Secretary of the Treasury to negotiate contracts on behalf of the Coast Guard with respect to vessels and aircraft; vesting in the Secretary of the Treasury authority to waive the legal requirement of performance and payment bonds in certain classes of Coast Guard contracts; clarifying the status of the Coast Guard as a military service constituting a part of the land and naval forces; amending existing law with respect to financing the expenses of the Coast Guard when</td>
<td>July 11, 1941</td>
<td>Public No. 166</td>
</tr>
<tr>
<td>BILL</td>
<td>BRIEF EXPLANATION</td>
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<td>PUBLIC OR PRIVATE NUMBER</td>
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<tr>
<td>H.R. 4887</td>
<td>Authorizes the construction of 13 Coast Guard cutters, including 3 specially designed for ice breaking in arctic regions.</td>
<td>July 15, 1941</td>
<td>Public No. 178</td>
</tr>
<tr>
<td>H.R. 5903*</td>
<td>Authorizes the U.S. Housing Authority to issue obligations in the amount of $800,000,000, exclusive of obligations issued for refunding purposes, such obligations to be prescribed by the Authority with the approval of the Secretary of the Treasury.</td>
<td>Oct. 30, 1941</td>
<td>Public No. 288</td>
</tr>
<tr>
<td>H.R. 5079</td>
<td>Authorizes the Treasurer of the United States to make settlement with payees of lost or stolen checks, which have been paid on forged endorsements, in advance of reclamation.</td>
<td>Nov. 21, 1941</td>
<td>Public No. 310</td>
</tr>
</tbody>
</table>

* The final draft of this bill, now Public Law No. 288, was prepared in the Legislative Section of the Treasury Department.
### Treasury Sponsored Bills Enacted During First Session of 77th Congress (1941) — (continued)

<table>
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<tr>
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<tbody>
<tr>
<td>16.</td>
<td>S. 1826 (H.R. 5537); (H.R. 5459) Seeing-Eye Dogs</td>
<td>Permits seeing-eye dogs, when accompanied by their blind masters, to enter any Government building. This bill was drafted and handled by us as a result of a request from Mrs. Roosevelt to the Secretary.</td>
<td>Dec. 10, 1941</td>
</tr>
<tr>
<td>17.</td>
<td>H.J.Res. 221 (S. 1794) Coast Guard at Marquette, Michigan.</td>
<td>Declares abandoned the title of the City of Marquette, Michigan, to certain land, and vests control in the Secretary of the Treasury for Coast Guard purposes.</td>
<td>Dec. 16, 1941</td>
</tr>
<tr>
<td>18.</td>
<td>H.R. 5509 (S. 1827) Motorboats and Yachts for Coast Guard</td>
<td>Authorizes the Secretary of the Treasury to purchase or accept as gifts motorboats, yachts, and similar vessels for Coast Guard use.</td>
<td>Dec. 16, 1941</td>
</tr>
<tr>
<td>19.</td>
<td>H.R. 6233 (H.R. 6206); (S. 2129) (S. 2118) First War Powers Bill, Freezing and Alien Property Control</td>
<td>Confers upon the President authority to put the Government of the United States on an immediate war footing. Title III of the Act, among other things, amends and extends section 5(b) of the Trading with the Enemy Act, on which the present system of foreign property control (commonly known as freezing control) is based, to meet the present war-time conditions.</td>
<td>Dec. 18, 1941</td>
</tr>
<tr>
<td>20.</td>
<td>H.R. 4409 (S. 1405) Negotiated Contracts Bill</td>
<td>Authorizes the heads of various departments and agencies of the United States to negotiate national defense contracts without advertising or competitive-bidding; authorizes the President to give priority to deliveries under such contracts, and requires a report on contracts to be made to Congress. This legislation</td>
<td>Dec. 18, 1941</td>
</tr>
</tbody>
</table>
I. Treasury Sponsored Bills Enacted
   During First Session of 77th
   Congress (1941) — (continued).

<table>
<thead>
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|      | after being stalled for a long time in the
|      | House Judiciary Committee which had not
|      | handled and did not have the background to
|      | give expedite consideration to this type of
|      | national defense legislation was finally en-
|      | acted in even broader form in Title II of the
|      | First War Powers Act, 1941 |
## II. TREASURY SPONSORED BILLS ENACTED DURING SECOND SESSION OF THE 77th CONGRESS (1942)

<table>
<thead>
<tr>
<th>BILL</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>H. R. 5895</td>
<td>Authorizes the Library of Congress Trust Fund Board to allocate one-half of the income from certain property to the Smithsonian Institution. The Secretary of the Treasury is chairman of this Board.</td>
<td>January 30, 1942</td>
<td>Public No. 423</td>
</tr>
<tr>
<td>2.</td>
<td>H. R. 3330</td>
<td>Authorizes the Secretary of the Treasury to make such arrangements by the acceptance of other obligations, or otherwise, so as to facilitate the collections of amounts due to the United States on certain obligations of various cities and counties as will be in the best interest of the United States and consistent with the financial ability of the debtors; the obligations in question representing a balance of about $2,000,000 remaining uncollected from original advances of about $20,000,000 made by the Reconstruction Finance Corporation under a 1932 statute; the evidence of indebtedness being transferred to the Treasury by a 1938 act.</td>
<td>January 31, 1942</td>
<td>Public No. 425</td>
</tr>
<tr>
<td>3.</td>
<td>H. J. Res. 276</td>
<td>Authorizes the Secretary of the Treasury, with the approval of the President, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate $500,000,000 upon terms and conditions determined by the Secretary.</td>
<td>February 7, 1942</td>
<td>Public No. 442</td>
</tr>
</tbody>
</table>
## II. TREASURY SPONSORED BILLS ENACTED DURING SECOND SESSION OF THE 77th CONGRESS (1942)

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<tr>
<td>H. J. Res. 276 (continued)</td>
<td>conditions to be determined by the Secretary with the approval of the President; authorizes an appropriation to carry out its purposes; and provides that such authority shall be in addition to any other authority provided by law.</td>
<td>February 10, 1942</td>
<td>Public No. 448</td>
</tr>
<tr>
<td>S. 1045 (S. 959) Government Life Insurance Fund</td>
<td>Provides that the National-Service Life Insurance Fund and the U.S. Government Life Insurance Fund, together with all money accruing to these funds, shall be deposited in the Treasury of the United States, to meet expenditures and make investments authorized to be made from such funds.</td>
<td>February 14, 1942</td>
<td>Private No. 271</td>
</tr>
<tr>
<td>H. R. 5291 Relief of Helen and Max Rauch</td>
<td>Provides that the sum of $2,132.20 be paid to Helen Rauch and $500 to Max Rauch in satisfaction of their claims against the United States for judgments obtained against the Director General of Railroads as a result of personal injuries sustained on May 11, 1919. This is the case in which, after consideration by us of further evidence, the Treasury reversed itself and recommended enactment of this bill which was vetoed in 1938 on the Treasury’s recommendation.</td>
<td>February 14, 1942</td>
<td>Private No. 271</td>
</tr>
</tbody>
</table>
## II. TREASURY SPONSORED BILLS ENACTED DURING SECOND SESSION OF THE-77th CONGRESS (1942)

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</tr>
</thead>
</table>
| 6. H.R. 5280  
(S. 1742)  
Relief of G. F. Allen. | Authorizes and directs the Comptroller General to allow credit for the sum of $4,923.50 in the account of G. F. Allen, Chief Disbursing Officer, Treasury Department, and the sum of $26.39 in the account of Cecil H. F. Cross, former special disbursing agent, Treasury Department, and the sum of $2.70 in the account of Will S. Wood, former special disbursing agent, Bureau of Narcotics. | February 20, 1942 | Private No. 293 |
| 7. H.R. 1793  
(S. 223)  
Mailing of small firearms | Amends existing law (under which pistols, revolvers and other firearms capable of being concealed on the person are declared to be non-mailable) to permit the mailing of small firearms to officers and employees of enforcement agencies of the United States. | March 7, 1942 | Public No. 484 |
| 8. H.R. 6446  
Pay and allowance for captured or missing Government personnel. | Provides for continuing payments of pay and allowances of personnel of the Army, Navy, Marine Corps and Coast Guard, the Coast and Geodetic Survey and the Public Health Service, and civilian officers and employees of departments (during such time as they may be assigned for duty outside the continental limits of the United States or in Alaska), who have been reported as missing, missing in action, interned in a neutral country, or captured by an enemy, and who are not presumed to be dead or deserted; authorizes deferment, for a limited period, of | March 7, 1942 | Public No. 490 |
## II. TREASURY SPONSORED BILLS ENACTED DURING SECOND SESSION OF THE 77th CONGRESS (1942)

<table>
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<tbody>
<tr>
<td>H. R. 6446</td>
<td>the payment of Federal income tax in the case of members of the military and naval forces and such civilian employees who, because of their service, are not in a position to pay such taxes; and other purposes. At the request of the Treasury Department, the Senate Committee of Naval Affairs adopted an amendment extending the provisions of the bill to civilian officers and employees of the Treasury and other agencies of the Government.</td>
<td>March 27, 1942</td>
<td>Public No. 507 (Title II)</td>
</tr>
<tr>
<td>S. 2208</td>
<td>Permits acceptance by the Secretary of the Treasury of gifts tendered on condition that the money be used for one of the established war purposes by providing for its allocation in augmentation of the most appropriate account and appropriate it for expenditure accordingly. Previously, under existing law, a conditional gift had to be either rejected or covered into the Treasury to await an act of Congress appropriating it to the purpose specified by the donor. This authority expires six months after the termination of the present war.</td>
<td>March 27, 1942</td>
<td>Public No. 507 (Title XIII)</td>
</tr>
<tr>
<td>S. 2208</td>
<td>Changes the metallic content of the 5-cent piece from 75% copper and 25% nickel to 50% silver and 50% copper (subject to administrative variation as specified in the Act), thus making available for the war effort strategic metals</td>
<td>March 27, 1942</td>
<td>Public No. 507 (Title XIII)</td>
</tr>
</tbody>
</table>
II. TREASURY SPONSORED BILLS ENACTED
DURING SECOND SESSION OF THE 77th
CONGRESS (1942)

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<tr>
<td>S. 2208 (continued)</td>
<td>which would otherwise be used in coinage; specifies the use of silver bullion in the Treasury not held for the redemption of outstanding silver certificates. All 5-cent pieces coined pursuant to this Act shall, after December 31, 1946, be allocated to the Director of the Mint for melting and for subsidiary silver coinage.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. H. R. 6543* Amendment of certain provisions of the Internal Revenue Code relating to the production of alcohol.</td>
<td>Adds two new subsections to section 2883 of the Internal Revenue Code; authorizes the removal from beverage distilleries of spirits of any proof and the transfer of those spirits to industrial alcohol plants for redistillation to higher degrees of proof. The purpose of the subsections is to permit the fullest utilization of the distilling facilities of the beverage distilleries for the production of alcohol for defense purposes.</td>
<td>March 27, 1942</td>
<td>Public No. 508</td>
</tr>
<tr>
<td>12. H. R. 6691 Public Debt Act of 1942.</td>
<td>(a) Increases the public debt limit from $65,000,000,000 to $125,000,000,000; (b) increases the flexibility of the authority of the Secretary of the Treasury over the issuance of Treasury bonds, bills, notes, and certificates of indebtedness; (c) permits obligations of the United States, redeemable upon the demand of the holder, to be receivable in payment</td>
<td>March 28, 1942</td>
<td>Public No. 510</td>
</tr>
</tbody>
</table>

* H. R. 6543 was sponsored by the War Production Board, but was actually drafted in the Treasury Department.
II. TREASURY SPONSORED BILLS ENACTED
DURING SECOND SESSION OF THE 77th
CONGRESS (1942)

<table>
<thead>
<tr>
<th>BILLs</th>
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<th>APPROVED</th>
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</tr>
</thead>
<tbody>
<tr>
<td>H. R. 6691 (continued)</td>
<td>of Federal taxes; (d) authorizes the exchange of obligations of any agency or instrumentality which are unconditionally guaranteed both as to principal and interest for direct obligations of the United States; (e) clarifies the authority of the Treasury to purchase, redeem, or refund outstanding obligations of the United States; (f) terminates the authority of the Postmaster General to issue postal-savings stamps when other defense stamps are issued by the Treasury; and (g) removes the tax-exemption privilege from the shares of stock and other evidences of ownership issued by any agency or instrumentality of the United States.</td>
<td>May 2, 1942</td>
<td>Private No. 392</td>
</tr>
<tr>
<td>13. H. R. 5857 (S. 2023)</td>
<td>Authorizes and directs the Comptroller General to allow credit for the sum of $7,533.50 in the account of Roy F. Lassly, former Acting Chief Disbursing Clerk, Department of the Interior, and the sum of $20,012.20 in the accounts of G. F. Allen, Chief Disbursing Officer, Division of Disbursements, Treasury Department, on account of amounts which were paid by them on fraudulent vouchers.</td>
<td>Private No. 392</td>
<td></td>
</tr>
<tr>
<td>14. H. J. Res. 327</td>
<td>Accords privileges of free importation to members of the armed forces of other United Nations, to enemy prisoners of war, and civilian internees and detainees; provides that articles imported for personal or official use by members of the armed forces of the United Nations (other than the United States) are exempt from the payment of duties.</td>
<td>Public No. 635</td>
<td></td>
</tr>
</tbody>
</table>
## II. TREASURY SPONSORED BILLS ENACTED DURING SECOND SESSION OF THE 77th CONGRESS (1942)

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<tbody>
<tr>
<td>H. J. Res. 327 (continued)</td>
<td>United States), who are on duty in the United States, shall be free from customs duties, charges, and exactions, and internal revenue import taxes, provided that reciprocal treatment is afforded to members of our armed forces serving in their countries; authorizes the Secretary of the Treasury to prescribe regulation.</td>
<td>August 1, 1942</td>
<td>Public No. 694</td>
</tr>
<tr>
<td>15. H. R. 6217 (S. 2150)</td>
<td>Amends section 13 of the Classification Act of 1923, as amended; provides for the increase of the minimum compensation of the uniformed forces of the Secret Service from $1,200 to $1,500 a year, and for other purposes. This bill contains the provisions of Treasury sponsored legislation (H. R. 1409) relative to the supervision, designation, and classification of positions of the guard forces, Treasury Department.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. S. J. Res. 160 (H. J. Res. 343)</td>
<td>Pledges the faith of the United States that, upon acceptance for the Smithsonian Institution by the Trustees of the National Gallery of Art of a collection of works of art as a gift effected by Joseph E. Widener of Philadelphia, Pennsylvania, pursuant to the terms of the will of the late P. A. B. Widener, the United States will provide the National Gallery of Art with such funds as may be necessary for the payment of any taxes which</td>
<td>September 3, 1942</td>
<td>Public No. 707</td>
</tr>
<tr>
<td>BILL</td>
<td>BRIEF EXPLANATION</td>
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<tr>
<td>S. J. Res. 160 (continued)</td>
<td>may be levied as a result of the gift; and authorizes the appropriation of such amount as may be necessary to carry out the provisions of the joint resolution.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. S. 2584 (H. R. 7204) White House police force recruitment.</td>
<td>Permits the appointment of White House police, in accordance with the Civil Service laws, from sources outside the United States and Metropolitan Park Police forces.</td>
<td>October 9, 1942</td>
<td>Public No. 733</td>
</tr>
<tr>
<td>18. H. R. 6990 (S. 2379) Relief of G. F. Allen, Chief Disbursing Officer, former disbursing clerks, Treasury Department, Treasurer of United States, and others.</td>
<td>Authorizes and directs the Comptroller General to allow credit for the sum of $23,906.50 in the account of G. F. Allen, Chief Disbursing Officer, Treasury Department, in the accounts of former disbursing clerks of the Treasury Department; in the accounts of H. T. Tate and W. A. Julian, respectively, representing unavailable items in their accounts as former Treasurer and Treasurer of the United States; and others.</td>
<td>December 2, 1942</td>
<td>Private No. 533</td>
</tr>
</tbody>
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II. TREASURY SPONSORED BILLS ENACTED
DURING SECOND SESSION OF THE 77th
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<tr>
<td>19. H. R. 7792 (S. 2825, S. 2851)</td>
<td>Provides for the entry of so much of any shipment of bona fide gifts as does not exceed $50 in value without the payment of Customs duties, charges, or exactions, or internal revenue taxes for the duration of the present war and six months thereafter when such gifts are sent by members of the armed forces of the United States on duty abroad.</td>
<td>December 5, 1942</td>
<td>Public No. 790</td>
</tr>
<tr>
<td>20. H. R. 7568 (S. 2405)</td>
<td>Opium Poppy Control Act of 1942.</td>
<td>Provides for the control of the production and manufacture of opium and insures an adequate supply of opium drugs for the medical and scientific needs of our Nation; makes unlawful the production of the opium poppy or the manufacture of opium or opium products from the opium poppy except under proper license; authorizes the Secretary of the Treasury to issue licenses and, through its licensing provision, the production of opium poppies and the manufacture of opium or opium products from opium poppies will be permitted if this should be necessary to secure an adequate supply of opium or opium products in the United States; authorizes the Secretary of the Treasury to provide for the production of opium poppies and the manufacture of opium and opium products by the United States whenever in his opinion the medical and scientific needs of the Nation will not be met by importation or licensed production; contains regulatory features; and authorizes the issuance of regulation by the Secretary of the Treasury.</td>
<td>December 11, 1942</td>
</tr>
</tbody>
</table>
## II. TREASURY SPONSORED BILLS ENACTED DURING SECOND SESSION OF THE 77th CONGRESS (1942)

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<tr>
<td>21. S. 2889 (H. R. 7767)</td>
<td>Authorizing the issuance of new minor coins in which strategic metals either are not used or are used in more limited amounts than at present to conserve such metals; limits the denominations of the new minor coins to 1- and 3-cent pieces; provides for the use of silver in the new minor coins and for melting down of worn and uncirculated minor coins and silver dollars; provides that there shall be no coinage pursuant to the Act after December 31, 1946; authorizes the appropriation of $5,000,000 to carry out the provisions of the Act.</td>
<td>December 18, 1942</td>
<td>Public No. 815</td>
</tr>
<tr>
<td>22. H. R. 6447</td>
<td>Eliminates the inconvenience in, and the conceivable legal impossibility of, the issuance of millions of Government checks prepared in the name of the Chief Disbursing Officer, Treasury Department, should the incumbent of that position suddenly die, resign or be separated from the position.</td>
<td>December 24, 1942</td>
<td>Public No. 841</td>
</tr>
</tbody>
</table>
### B. TREASURY SPONSORED BILLS ACTIVELY PENDING IN CONGRESS AT THE END OF THE 77th CONGRESS (DECEMBER 16, 1942)

<table>
<thead>
<tr>
<th>BILL</th>
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<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>S. 1602 Annual Report of the Comptroller of the Currency</td>
<td>Passed Senate June 30, 1941; pending before House Committee on Banking and Currency.</td>
<td>This bill was dropped as the Comptroller of the Currency was of the opinion that the subject matter was not of sufficient importance to warrant pushing during the period this country is at war.</td>
</tr>
<tr>
<td>2.</td>
<td>H. R. 4934 (S. 1799) Conspiracy Counterfeiting Bill</td>
<td>Passed House April 20, 1942; pending before Senate Judiciary Committee.</td>
<td>We expect to get enactment of this bill at the next session. The absence of the chairman, due to illness, prevented action on this bill by the subcommittee of the Senate Judiciary Committee.</td>
</tr>
</tbody>
</table>
### B. TREASURY SPONSORED BILLS ACTIVELY PENDING IN CONGRESS AT THE END OF THE 77th CONGRESS (DECEMBER 16, 1942) (CONTINUED)

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<tr>
<td>3. S. 2075 (H. R. 6089)</td>
<td>Authorizes payment of traveling expenses of families of officers and employees of Treasury Department going to or returning from foreign posts of duty.</td>
<td>Passed Senate Jan. 22, 1942; pending before House Civil Service Committee.</td>
<td>This bill has only a slight chance of passing during the continuance of the present war.</td>
</tr>
<tr>
<td>4. S. 2761 (H. R. 7535)</td>
<td>Provides for payment of $105.61 on account of two checks drawn on the Treasury of the U. S. by Division of Disbursement which checks were erroneously canceled by that Division and the amounts included in a new check issued.</td>
<td>Passed Senate Nov. 23, 1942; pending before House Claims Committee.</td>
<td>Earlier in the 77th Congress this legislation was submitted and passed as S. 2309, which was vetoed by the President as it provided relief for two other banks. As the objectionable features have been removed this bill has an excellent chance of passage during the first session of the 78th Congress.</td>
</tr>
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### B. TREASURY SPONSORED BILLS ACTIVELY PENDING IN CONGRESS AT THE END OF THE 77th CONGRESS (DECEMBER 16, 1942) (CONTINUED)

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<td>5. S. 1603&lt;br&gt;Banking facilities at military posts.</td>
<td>Provides for the extension of national banking facilities at military reservations, and at Navy Yards and Navy Stations, upon authorization of the Comptroller of the Currency and the Secretary of War or the Secretary of the Navy.</td>
<td>Passed Senate April 3, 1942; pending before House Banking and Currency Committee.</td>
<td>This bill was dropped as the same results have been accomplished under other authority. No legislation necessary.</td>
</tr>
<tr>
<td>6. H. R. 2599&lt;br&gt;(S. 490)&lt;br&gt;Additional Coinage Mint.</td>
<td>Authorizes the Federal Work Administrator to establish an additional coinage mint for the United States in the central section of the United States.</td>
<td>Bills pending before House Committee on Coinage, Weights and Measures and Senate Committee on Banking and Currency.</td>
<td>This legislation was held up because of disagreement of members of Congress as to location of the proposed Mint. At present time, it is impossible to secure materials to build new mint.</td>
</tr>
<tr>
<td>7. H. R. 6442&lt;br&gt;(S. 1839)&lt;br&gt;Orderly payment of conflicting claims against the United States.</td>
<td>Relieves the Treasury Department from the necessity and responsibility of making a judicial determination whenever a creditor or other claimant against a claimant against the United States requests that the Treasury Department withhold payment from</td>
<td>Bills pending before House Committee on Judiciary and Senate Committee on the Judiciary.</td>
<td>This bill has a chance for favorable action during the next Congress. The Acting Comptroller General</td>
</tr>
</tbody>
</table>
### B. TREASURY SPONSORED BILLS ACTIVELY PENDING IN CONGRESS AT THE END OF THE 77th CONGRESS (DECEMBER 16, 1942) (CONTINUED)

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<tr>
<td>7. H. R. 6442 (S. 1839) (continued)</td>
<td>The original claimant, and relieves original claimants from the necessity of having to travel to the District of Columbia to defend actions commenced there to reach amounts payable to them by the United States, while at the same time protecting the rights of creditors of such claimants.</td>
<td>Bill pending before House Committee on Public Buildings and Grounds.</td>
<td>and the Attorney General have approved the objectives of the bill.</td>
</tr>
<tr>
<td>8. H. R. 107 Customs Leases Abroad</td>
<td>Authorizes the Secretary of the Treasury or any of his authorized representatives to lease buildings, parts of buildings, and grounds in foreign countries for periods not to exceed 10 years.</td>
<td>Bill pending before House Committee on Public Buildings and Grounds.</td>
<td>This bill has little chance of passage during the continuation of the present war.</td>
</tr>
<tr>
<td>9. H. R. 1834 Enforcement Officers' Death and Disability Benefits</td>
<td>Authorizes an increase in the death and disability compensation payable to Federal enforcement officers and their dependents when such officers are killed or disabled while engaged in hazardous work.</td>
<td>Bill pending before House Committee on the Judiciary.</td>
<td>This bill was held up because of the prevailing economy sentiment on the Hill with respect to matters not related to the war effort.</td>
</tr>
<tr>
<td>10. S. 649 Customs Facilities at International Toll Bridges.</td>
<td>Requires International Toll Bridges (i.e., along Mexican and Canadian borders) to furnish free inspectional facilities for Customs and other Federal Officers necessarily stationed there.</td>
<td>Bill pending before Opposition from Senate Finance Committee.</td>
<td>Bill pending before Opposition from toll bridge owners and operators (and as relatively little expense</td>
</tr>
</tbody>
</table>
### B. TREASURY SPONSORED BILLS ACTIVELY
IGNING IN CONGRESS AT THE END OF THE 77th
ONGRESS (DECEMBER 16, 1942) (CONTINUED)

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<tr>
<td>10. S. 649 (continued)</td>
<td>Authorizes power to pledge assets of national banks to secure deposits of states and political subdivisions thereof in those states having statutes permitting this practice.</td>
<td>Bill pending before Senate Committee on Banking and Currency.</td>
<td>This bill was dropped as the Controller of the Currency did not deem it of sufficient importance for consideration during the war.</td>
</tr>
<tr>
<td>11. S. 1671</td>
<td>Power to pledge assets of national banks.</td>
<td>Bill pending before Senate Committee on Banking and Currency.</td>
<td>This bill was dropped as the Controller of the Currency did not deem it of sufficient importance for consideration during the war.</td>
</tr>
<tr>
<td>12. H. R. 4758</td>
<td>Customs Overtime Compensation.</td>
<td>Bill pending before Ways and Means Committee.</td>
<td>The necessity for this bill arose as a result of a decision of the</td>
</tr>
</tbody>
</table>
### BILLS

<table>
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<tr>
<td>12. H. R. 4768 (continued)</td>
<td>night, and on Sundays and holidays, permitting assignment of customs employees to perform overtime services, and the payment of extra compensation for such services.</td>
<td></td>
<td>Court of Claims. After the submission of this bill to Congress, the Court on its own motion vacated and withdrew the decision and remanded the case to its December calendar.</td>
</tr>
<tr>
<td>13. H. R. 5080 District of Columbia Credit Unions</td>
<td>Transfers the jurisdiction over District of Columbia Credit Unions to the Farm Credit Administration.</td>
<td>Bill pending before House Committee on the District of Columbia.</td>
<td>This bill has been introduced in three or four different Congresses, and has been stalled each time by opposition of the District of Columbia Credit Unions. It has been dropped for the period of the war.</td>
</tr>
</tbody>
</table>
### BILLS

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<tr>
<th>No.</th>
<th>Bill Number</th>
<th>Description</th>
<th>Brief Explanation</th>
<th>Status at End of 77th Congress</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.</td>
<td>H. R. 5882</td>
<td>Unexpired and obligated balances of certain emergency relief appropriations.</td>
<td>Simplifies accounting procedures with respect to unexpended and obligated balances</td>
<td>Bill pending before the House Committee on Appropriations.</td>
<td>This bill was held up because it was not related to the war effort. It has a good chance of passage next Congress.</td>
</tr>
<tr>
<td>15.</td>
<td>Foreign Exchange for Customs Purposes.</td>
<td></td>
<td>Clarifies the procedure in ascertaining the value of foreign currency for customs conversion purposes while there are dual or multiple exchange rates.</td>
<td>No bill introduced, but Treasury draft bill and letter of submission pending before House Ways and Means Committee.</td>
<td>This bill will probably be controversial.</td>
</tr>
<tr>
<td>16.</td>
<td>Harrison Narcotic Act Amendment.</td>
<td></td>
<td>Relieves certain hospitals from double occupational tax by specifically reclassifying them; classifies newly discovered morphine derivatives, prevents abusive use of narcotic commodity tax stamps, and makes other desirable changes in the laws relating to narcotics.</td>
<td>No bill introduced, but Treasury draft bill and letter of submission pending before Senate Committee on Finance, and House Ways and Means Committee.</td>
<td>This bill may have a good chance of passage this session.</td>
</tr>
</tbody>
</table>
TO Secretary Morgenthau

FROM Mr. Paul

For your information, there is attached a copy of the report of the Senate Special Silver Committee which recommends the adoption of S. Res. 20 to continue the work of that Committee. The report urges favorable action on this resolution at the earliest possible date for the reason, among others, that the Committee may thereby be enabled to give further consideration and study "to the vitally important subject of the effects of Treasury acquisitions of silver during the period of the war as well as the appropriate utilization of this silver in the post-war economy."

Attachment
CONTINUING SENATE RESOLUTION 187, SEVENTY-FOURTH CONGRESS, AGREED TO AUGUST 16, 1935, AS AMENDED BY SENATE RESOLUTION 261, SEVENTY-SEVENTH CONGRESS, AGREED TO JUNE 29, 1942

JANUARY 11, 1943.—Ordered to be printed

Mr. Thomas of Oklahoma, from the Senate Special Silver Committee, submitted the following

REPORT

[To accompany S. Res. 20]

The Senate Special Silver Committee, to whom was referred the resolution (S. Res. 20) continuing Senate Resolution 187, Seventy-fourth Congress, agreed to August 16, 1935, as amended by Senate Resolution 261, Seventy-seventh Congress, agreed to June 29, 1942, by unanimous vote of the committee, is hereby reported favorably to the Senate with the recommendation that it be adopted.

This special committee, appointed on August 16, 1935, has held hearings in Washington and several places in the West. The testimony adduced has revealed valuable information with respect to the effects at home and abroad of silver acquired under the Silver Purchase Act of 1934 (48 Stat. 1178), the study of which has not been completed.

Acquisitions of silver under that act have been temporarily disrupted by direction of the War Production Board in order that all imported silver may be made available for consumptive uses strictly in connection with the war effort. So far only the seigniorage, or profit, silver belonging to the Treasury has been made available for war industrial use. It is generally recognized that the silver acquired under that act has proven invaluable as a war metal, particularly in displacing copper in war plants where it serves even more efficiently and yet suffers no deterioration. During the closing weeks of the Seventy-seventh Congress, bills were introduced in both Houses designed to make available additional Treasury silver for war industrial use. No action, beyond committee approval, was taken on any of those bills, however.

The committee feels that Senate Resolution 20 should receive favorable action of the Senate at the earliest possible date in order
that further consideration and study be given to the vitally important subject of the effects of Treasury acquisitions of silver during the period of the war as well as the appropriate utilization of this silver in the post-war economy.

Senate Resolution 261, agreed to June 29, 1942, amended the original resolution (S. Res. 187 of August 16, 1935) and authorized the committee to investigate the production, or lack of production, of gold and silver in the United States and its Territories. Although hearings have been held on this important subject, the investigation has by no means been completed. Meetings have been held with the Chairman and other officials of the War Production Board, other governmental agencies and departments, which resulted in bringing together these officials and mine operators from the nonferrous-metals-producing States of the West. Much good has been accomplished, which is reflected in the production of copper, lead, zinc, and other strategic war metals and minerals found in ores that also produce gold and silver. Mining taxation, manpower, the effect of the selective-service law upon mining, the migration of labor from metal mines to war industrial plants, and wages are some of the important factors that affect materially the production of these war-essential metals. This committee will report to the Senate its findings on this phase of its investigation at as early a date as is practicable.

The committee recommends the immediate adoption by the Senate of Senate Resolution 20.
Dear Mr. President:

The Annual Assay Commission, provided for under Section 3547 of the Revised Statutes, will meet at the Mint at Philadelphia, February 10th, 1943. The duty of the Commission is to test the weight and fineness of the coins reserved by the several Mints during the preceding calendar year, in order to secure due conformity in the coins to their respective standards of weight and fineness. The members of this Commission are named by Presidential appointment.

The law provides that the Commission shall consist of the Judge of the District Court for the Eastern District of Pennsylvania, the Comptroller of the Currency, the Assayer of the United States Assay Office at New York, and such other persons as the President shall designate.

No compensation is provided for the members of the Commission, but their actual and necessary expenses from home to Philadelphia and return, by the most direct route, and while in attendance at the sessions of the Commission, are reimbursed.

Attached herewith is a list of names of men and women respectfully suggested for appointment as members of this Commission.

Faithfully yours,

[Signature]
Acting Secretary of the Treasury.

The President,
The White House.

Approved:
[Signature]
Name

Mr. Charles Diebold, Jr.,
Banker and attorney,
438 Main Street,
Buffalo, New York.

Mr. Russell Hopkins,
Manufacturer,
17th and Callowhill Streets,

Mr. Sam Shore,
President, United Public Markets, Inc.,
299 West Exchange Street,
Providence, R. I.

Mrs. Richard J. Reynolds, Jr.,
Winston-Salem, N. C.
or
Miss Josephine Schain,
Former National Chairman,
Committee on Cause and Cure of Workers
President, Chautauqua Woman’s Club,
Beekman Tower, 3 Mitchell Place,
New York, N. Y.

Mr. S. van Berg,
President, Rough Diamond Company,
International Building,
Rockefeller Center,
New York, N. Y.

Mr. Frank Cosgrove,
Secretary and Treasurer,
Johnson & Johnson,
New Brunswick, N. J.

Mr. George Crowley, (of Chicago),
Mayflower Hotel,
Washington, D. C.

Submitted by

Senator Mond,
of New York.

Senator Guffey
of Pennsylvania.

Senator Green
of Rhode Island.

Women’s Division,
Democratic National Committee.

Women’s Division,
Democratic National Committee.

Democratic National Committee
and
Hon. Frank C. Walker,
The Postmaster General.

Democratic National Committee
and
Hon. Frank C. Walker,
The Postmaster General.

Democratic National Committee
and
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<table>
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<tr>
<th>Name</th>
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</thead>
<tbody>
<tr>
<td>Judge Henry D. Harlan, President of Board, Johns Hopkins Hospital, Fidelity Trust Company, Baltimore, Md.</td>
<td>Senator Radcliff, of Maryland.</td>
</tr>
<tr>
<td>Mr. Ben Gray, 84 Nassau Drive, Great Neck, N. Y.</td>
<td>Hon. Andrew L. Somers, United States Congress.</td>
</tr>
<tr>
<td>Mrs. Neil Finn, 216 Oak Street, Weehawken, N. J.</td>
<td>Hon. Mary Norton, United States Congress.</td>
</tr>
<tr>
<td>Dr. Henry W. Bearce, Chief, Division of Weights and Measures, National Bureau of Standards, Washington, D. C.</td>
<td>Dr. Lyman J. Briggs, Director, Bureau of Standards (The services of a member from the Bureau of Standards are valuable in connection with weighing tests.</td>
</tr>
<tr>
<td>Mr. George C. Davis, Analytical and Consulting Chemist, Past President, American Chemical Society, 224 West Tulpehocken St., Philadelphia, Pa.</td>
<td>Nellie Taylor Ross, Director of the Mint. (Recommended because qualified to check assaying tests.)</td>
</tr>
<tr>
<td>Mr. Arthur E. Story, Secretary and Treasurer, Chelsea Savings Bank, Norwich, Conn.</td>
<td>Senator Maloney, of Connecticut.</td>
</tr>
</tbody>
</table>
Ex-Officio

Hon. William H. Kirkpatrick,
Judge of the District Court,
Eastern District of Pennsylvania,

Hon. Preston Dalano,
Comptroller of the Currency,
Treasury Department,
Washington, D. C.

Mr. Joseph Buford,
Assayer, United States Assay Office,
New York, N. Y.
TREASURY DEPARTMENT
WASHINGTON
Jan. 14, 1943.

The Honorable,
The Secretary of the Treasury.

Dear Mr. Secretary:

The time approaches for the meeting of the Annual Assay Commission at the Philadelphia Mint. The date of convening fixed by law is February 10th; the purpose, to determine whether the coinage of 1942 conformed to requirements of law.

Will you please transmit this list of names to the President, for appointment to the Commission.

Respectfully,

[Signature]

Mellie Taylor Ross
Director of the Mint.

R:W

[Logo: FORDEFENSE
BUY UNITED STATES BONDS]
January 18, 1943

Meeting in Mr. White's Office
January 18, 1943
11:00 A.M.

Present: Baron de Gruben of the Belgium Embassy
         Mr. White
         Miss Kistler

Mr. White explained that the Treasury was charged with the responsibility of getting information on the financial position of the United Nations. He said that a number of these countries, including England and Canada, had been submitting information for a long time and that now the policy was being extended to include the other countries.

Baron de Gruben interrupted to explain that the Belgium Government had no tax revenue, that its expenditures were being financed by loans. Mr. White explained that what the Treasury was interested in was the foreign exchange assets, expenditures and receipts of the Government; that what we would like to have is a statement of what the Belgium Government has in gold, dollars, sterling and other foreign currencies, what its expected expenditures are in these foreign currencies, and what its expected foreign exchange receipts are.

Mr. White asked about the Belgian-Congo. Baron de Gruben explained that by the Colonial Charter of 1908, a law passed by the Belgium Parliament and under which Belgian-Congo was annexed to Belgium as a Colony, the Belgian-Congo is financially independent of the State of Belgium. Accordingly, the Belgium Government has no responsibilities for the liabilities of the Belgian-Congo Government and, on the other hand, the Belgium Government could not draw on Belgian-Congo resources without a law. Under questioning, by Mr. White, Baron de Gruben explained that under the Charter the legislative power of the Congo is exercised by the King—that is, by the executive branch of the Government, which is now located in London—and, accordingly, that it is in the power of the Belgium Government in London to pass a law making the Belgian-Congo resources available to the Government. It developed that the Belgium Government's expenditures were being financed by the foreign exchange revenues of the Belgian-Congo. Baron de Gruben stated that the Belgium Government has contracted several loans with the Belgian-Congo without security and carrying a small interest fee.

A third provision of the Colonial Charter of 1908 is that Belgian-Congo be represented abroad by the Belgium Ministry of Foreign Affairs. Accordingly, Baron de Gruben handles Belgian-Congo financial matters in the United States. He stated that the Congo Government had no assets abroad, that the situation is more complicated. He explained the foreign exchange control system under which residents of the Belgian-Congo must offer foreign exchange receipts for sale to the Banque du Congo—a privately-owned bank subject to the laws of the Belgian-Congo enjoying some privileges. The Banque du Congo cannot dispose of the assets abroad without consent of the responsible government agency.
Baron de Gruben said that the Belgium Government had not touched the assets of the Bank of Belgium nor assets of private Belgium citizens. Mr. White asked if the latter could be requisitioned. Baron de Gruben said that although there was no legislation to this effect no transfers of Belgium-owned assets in the Western Hemisphere was possible.

Mr. White asked whether the Belgium citizens have sizeable investments in Argentina. Baron de Gruben said the Government had no idea of what the foreign investments of Belgium citizens outside the United States and Belgian-Congo amount to and that we, of course, know better than the Belgium Government what Belgium investments in this country are. He said he would be interested to know what our inventory figures show and Mr. White assured him these figures could be made available if he would submit a request in writing.

Baron de Gruben explained that the Government in London does not recognize the director of the Bank of Belgium residing in Brussels, that it has reappointed the director who escaped from Belgium along with a second director and governor. He reported that although the governing body of the Bank could make a loan to the Belgium Government, the Belgium Government has not asked for one because it would mean conversion of gold into dollars or sterling. He stated that the assets of the Bank consisted principally of gold which is held in Great Britain, Canada, South Africa and New York.

Mr. White asked what happened to the dividends accruing to the King and other Belgium residents from investments in the Belgian-Congo. Baron de Gruben explained that there was no problem, that because of the complete foreign exchange control in Belgian-Congo they were automatically blocked.

Baron de Gruben asked whether the request for financial data was part of the problem of determining over-all Government policy on lend-lease. Mr. White explained about the establishment of the Interdepartmental Committee and said that one of the Treasury's responsibilities was to gather the factual material for this Committee. He explained that the foreign exchange position of a country was only one of a number of factors to be considered in making policy decisions on matters of financial assistance. He explained that the information submitted would be treated as strictly confidential but that there was a possibility that Congress would do as it sometimes had in the past, namely, ask for information. If this should occur, we would, of course, use the data only after clearing the matter with the Belgium Government.
Baron de Gruben explained that it should really be simple to get
the data for us. He summarized the situation in the following terms:
The Belgium Government had no foreign exchange assets; the gold of the
Central Bank was held in four countries and those figures could be
easily determined; the Banque du Congo had only one account in New York
and held some pounds sterling; the Government had no idea of the foreign
assets of private Belgian citizens; the expenditures of the Belgium
Government were given in the budget which was published and available;
the Belgium Government had no foreign exchange revenue and expenditures
were covered by loans; the balance of payments of the Belgian-Congo
should be simple because the Banque du Congo has only one account here.

Baron de Gruben stated the Belgium Government’s position on lend-
lease policy. He said Belgium used the lend-lease system only for
military items for the Belgian-Congo which to date amounted to only $5
million. (This seems low in view of the $8 million of lend-lease exports
of military items through November to the Belgian-Congo.) He said the
Belgium Government was using the lend-lease system for technical rather
then financial reasons, that they were told they could get the military
goods they needed only through lend-lease—i.e., that if they were willing
to pay for them, they would not have gotten them. He explained that his
government does not wish to contract debts in foreign exchange of any
kind, that it prefers to pay for lend-lease goods. He said the policy,
with respect to non-military items, was that if private corporations are
to profit from the goods obtained, they should pay for them and non-
military items received through lend-lease have been on a cash re-
imbursable basis. He said that his government was about ready to sign a
reciprocal lend-lease agreement, that the two governments were in practical
agreement on the decision.

Mr. White inquired about expenditures of the American troops in
Belgian-Congo. It developed that the local currency is bought by this
government with dollars here.

Baron de Gruben said the main source of expenditures of the Belgium
Government is the payment of interest and amortization of loans held
here. He said the Belgium Government had $25 million of outstanding
loans bearing an average rate of interest of 5 1/2 percent.

Mr. White said that if he would be able to get the information to-
gether for us within the next couple of weeks it would be greatly
appreciated. He stressed the fact that this request was being made as
part of an over-all policy, that no special problems had arisen with
respect to the Belgian-Congo.
Baron de Gruben raised the question of the rate of exchange between the American currency and currency in the liberated countries. Mr. White replied that the answer to the Belgium Government's memorandum on this matter is on its way. Baron de Gruben stressed the fact that his government was faced with a problem of two rates of exchange on French currency. Mr. White emphasized that this Government's position was a simple one, that we would be glad to discuss it, but he explained that in the particular French situation the military people felt they could not discuss it. Other than this, there was no intention of making arrangements without consulting other interested countries. Baron de Gruben said that what the Belgium Government people in London were disturbed about was that they were faced with a rate decided on without their knowledge, that it had repercussions both for the future of the liberated countries and internally in occupied areas. He brought up the problem of the Belgium rate of exchange after the war. Mr. White asked him what he thought the chance of maintaining the Belgium rate of exchange after the war was. Baron de Gruben skirted the question by saying that they were now faced with an interesting problem due to the fact that for the first time the rate of exchange on Belgian-Congo differed from that on the Belgium franc.

Mr. White asked whether he knew anything about a Belgium loan to Great Britain. Baron de Gruben replied that the Government had put dollars at the disposal of the British Government early in 1941. He cited the financial agreement signed in 1941 to the effect that gold and foreign exchange resulting from exports from the Belgian-Congo should be put at the disposal of the British Government after the needs of the Belgian-Congo and the Belgium Government are satisfied. He said he did not know anything about the practical workings but this had occurred before the United States had entered the war when Britain was in need of dollars. Mr. White asked if there had not been a gold transfer. Baron de Gruben said he thought this was possible.

Mr. White asked what was the amount of exports from the Belgian-Congo. Baron de Gruben said he did not know but he could easily find out. He said that 170,000 tons of copper were exported annually, mainly to Great Britain. Annual exports of tin, mainly to the United States, total 18,000 tons valued at $18 million.
January 18, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing my report of you of January 11, 1943, the purchases against the Rehabilitation Program from January 11, 1943 to January 17, 1943, totaled $610,247.77, or a total of purchases for the program thus far of $9,524,604.49.

Attached is report giving status of shipping against these purchases.

Clinton E. Mack
Director of Procurement
### Shipping Report as of January 16, 1943

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Shipped To Date From U.S.A.</th>
<th>Under Load At Port</th>
<th>On Hand At NYC Waiting Vessels</th>
<th>En Route To Port</th>
</tr>
</thead>
<tbody>
<tr>
<td>New &amp; used clothing</td>
<td>923 tons</td>
<td>75 tons</td>
<td>478 tons</td>
<td>93 tons</td>
</tr>
<tr>
<td>Cotton piece goods</td>
<td>1750 &quot;</td>
<td>163 &quot;</td>
<td>1363 &quot;</td>
<td>-</td>
</tr>
<tr>
<td>Shoes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Refined sugar</td>
<td>4196.5 &quot;</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Raw sugar</td>
<td>1456 &quot;</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Powdered milk</td>
<td>119.5- &quot;</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tea</td>
<td>171.5 &quot;</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Matches</td>
<td>188.75 &quot;</td>
<td>81.75&quot;</td>
<td>96 &quot;</td>
<td>-</td>
</tr>
<tr>
<td>Copper sulphate</td>
<td>2488.5 &quot;</td>
<td>711.5 &quot;</td>
<td>900 &quot;</td>
<td>-</td>
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<tr>
<td>Drugs</td>
<td>6.067 &quot;</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Books &amp; booklets</td>
<td>2 &quot;</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nails</td>
<td>4.3 &quot;</td>
<td>-</td>
<td>114 &quot;</td>
<td>-</td>
</tr>
<tr>
<td>Lamp chimneys</td>
<td>-</td>
<td>-</td>
<td>17 &quot;</td>
<td>-</td>
</tr>
<tr>
<td>Newsprint</td>
<td>8.5 &quot;</td>
<td>30.5 &quot;</td>
<td>300 &quot;</td>
<td>-</td>
</tr>
<tr>
<td>Printers Ink</td>
<td>.045 &quot;</td>
<td>.044 &quot;</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mach. finished book paper</td>
<td>-</td>
<td>2 &quot;</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cordage &amp; twine</td>
<td>37.25 &quot;</td>
<td>192.75 &quot;</td>
<td>70 &quot;</td>
<td>-</td>
</tr>
<tr>
<td>Cotton thread</td>
<td>19 &quot;</td>
<td>12 &quot;</td>
<td>81 &quot;</td>
<td>-</td>
</tr>
<tr>
<td>Lactose</td>
<td>1 &quot;</td>
<td>1 &quot;</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cotton hose</td>
<td>-</td>
<td>-</td>
<td>37 &quot;</td>
<td>-</td>
</tr>
<tr>
<td>Nipples, nursing bottles, &amp;</td>
<td>-</td>
<td>-</td>
<td>1 &quot;</td>
<td>-</td>
</tr>
<tr>
<td>Eye Cups</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Phonograph records</td>
<td>-</td>
<td>-</td>
<td>1000 each</td>
<td>-</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>11,371.912</td>
<td>1,435.544</td>
<td>3677</td>
<td>1222</td>
</tr>
</tbody>
</table>
Information received up to 7 A.M., 18th January, 1943.

1. NAVAL

MEDITERRANEAN. 11th. One of H.M. Submarines torpedoed a southbound 2,500 ton ship off East TUNISIA and later set alight a train by gun fire. 14th/16th. Two of H.M. Destroyers sank a 1,300 ton Italian store ship off East TUNISIA.

2. MILITARY

16th. In the morning 31st Division continued advancing upon CHURGIA while New Zealand Division and 7th Armoured Division were directed on SEDADA. By 5 p.m. the latter force had reached the WADI EL BREG 50 miles west of BOUERAT having captured four Italian tanks and some prisoners. In the southern sector our light armoured force moved wide around the flank during the day and by 6 u.m. were engaging the enemy near BIR TAMLA 85 miles west of BOUERAT. At dusk air reports indicated that the enemy position astride the track SEDADA-BIR DUFAN on the line of the WADI SOFELLIG was being engaged by our leading elements. Air reconnaissance reported much movement of enemy M.T. round SEDADA during the morning and throughout the day groups of M.T. were seen moving northwest on the track SEDADA-BIR DUFAN.

3. AIR OPERATIONS

WESTERN FRONT. 16th/17th. BERLIN. About 370 tons of H.E. and incendiaries were dropped. 17th. Our fighters damaged 11 locomotives in Northern France and BELGIUM. Enemy casualties 5, 0, 12. Ours 4 missing. In addition one M.E. 109 was destroyed off the ISLE OF WIGHT. 17th/18th. 218 aircraft sent out - BERLIN 187 heavy, Intruders 31. Preliminary reports indicate that weather over BERLIN was very variable and snow made identification difficult. 22 aircraft are missing. About 100 enemy sorties were flown of which 75 were made up by two attacks on LONDON. Bombing was widely scattered over LONDON and the Home Counties. There was sea-mining off YORKSHIRE Coast and in the outer THAMES ESTUARY. Enemy casualties by night fighters, 3, 0, 2. Others by anti-aircraft not yet available.

FRANCE NORTH AFRICA. 15th/16th. Wellingtons bombed BIZERTA and Bizelias destroyed many vehicles in the SFAX area. Enemy aircraft bombed MAISON BLANCHE airfield destroying 2 fighters on the ground. 15th/16th. Malte Mosquitoes effectively attacked M.T. in the TRIPOLI-GARES-SFAX area. 17th. Beaufighters damaged three schooners, 2 of them seriously, off East TUNISIA. In these operations enemy casualties - 5 destroyed. Ours 2 missing, pilots safe.

LIBYA. 16th. U.S. bombers attacked TRIPOLI hitting one ship in the harbour. During this operation and patrols over the forward area enemy casualties 2, 1, 4. Ours 2, 0, 3.

4. HOME SECURITY

17th. Bombs killed 5 persons at VATMONT. 17th/18th. In two separate attacks before and after midnight bombs were widely scattered over LONDON area, KENT, SURREY and SUSSEX. Details not yet complete but neither casualties nor damage appear heavy. Two fairly large fires in LONDON docks area and most casualties in CAMBERWELL and FOOLWICH districts. Out of about 100 incidents in LONDON area about one-third with their attendant casualties were caused by A.A. shells. H.E. bombs predominated over incendiaries and mostly fell south of the THAMES.
MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of lend-lease purchases for the week ended January 16, 1943.

There has been increased shipping space made available during the current month which will provide an opportunity to move some of the stocks that have been stored awaiting assignment of vessels for other than high priority cargo.

Clifton E. Mack
Director of Procurement
<table>
<thead>
<tr>
<th>Allocations</th>
<th>Total</th>
<th>U. K.</th>
<th>Russia</th>
<th>China</th>
<th>Administrative Expenses</th>
<th>Miscellaneous &amp; Undistributed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2724.5</td>
<td>$1316.2</td>
<td>$875.8</td>
<td>$58.4</td>
<td>$3.7</td>
<td>$470.4</td>
</tr>
<tr>
<td></td>
<td>$(2724.5)</td>
<td>$(1302.8)</td>
<td>$(867.9)</td>
<td>$(58.3)</td>
<td>$(3.7)</td>
<td>$(491.8)</td>
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<tr>
<td>Purchase Authorizations (Requisitions)</td>
<td>$2184.7</td>
<td>$1264.2</td>
<td>$848.2</td>
<td>$41.3</td>
<td>-</td>
<td>$30.4</td>
</tr>
<tr>
<td></td>
<td>$(2163.4)</td>
<td>$(1249.4)</td>
<td>$(844.9)</td>
<td>$(41.2)</td>
<td>-</td>
<td>$(27.9)</td>
</tr>
<tr>
<td>Requisitions Cleared for Purchase</td>
<td>$2068.5</td>
<td>$1216.9</td>
<td>$781.6</td>
<td>$41.2</td>
<td>-</td>
<td>$28.8</td>
</tr>
<tr>
<td></td>
<td>$(2030.0)</td>
<td>$(1191.4)</td>
<td>$(770.6)</td>
<td>$(41.1)</td>
<td>-</td>
<td>$(28.9)</td>
</tr>
<tr>
<td>Obligations (Purchases)</td>
<td>$1932.9</td>
<td>$1126.8</td>
<td>$736.1</td>
<td>$41.2</td>
<td>$3.5</td>
<td>$25.3</td>
</tr>
<tr>
<td></td>
<td>$(1907.0)</td>
<td>$(1110.6)</td>
<td>$(728.6)</td>
<td>$(41.1)</td>
<td>$(3.5)</td>
<td>$(23.2)</td>
</tr>
<tr>
<td>Deliveries to Foreign Governments at U. S. Ports*</td>
<td>$831.2</td>
<td>$653.5</td>
<td>$150.2</td>
<td>$20.3</td>
<td>-</td>
<td>$7.2</td>
</tr>
<tr>
<td></td>
<td>$(817.8)</td>
<td>$(644.7)</td>
<td>$(146.1)</td>
<td>$(20.3)</td>
<td>-</td>
<td>$(6.7)</td>
</tr>
</tbody>
</table>

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of January 9, 1943.
Treasury Department
Division of Monetary Research

March 1, 1943

To: Miss Chauncey

On February 27th Mr. White reported orally on this to the Secretary. It was decided to let the matter rest until the British raise it again.

L. Shanahan

MR. WHITE
Branch 2058 - Room 214½
Sir Frederick Phillips has told me of the proposal that Lend Lease might be restricted if our reserves should rise above their present level. This raises a major issue, which should, I suggest, be the subject of common discussion and the exploration of the alternatives before any decision is taken. The position of our reserves cannot be disassociated from the inescapable growth of our overseas liabilities against which they are held. We, alone of the United Nations, are incurring external indebtedness on a vast and growing scale. It is essential for the successful prosecution of the war that we should continue to do so, but our ability to carry this burden depends on our possessing external reserves as adequate as possible in relation to these liabilities. We are under an obligation to provide dollar purchasing power for the rest of the sterling area and the adequacy of our reserves affects our eventual power to carry out this obligation and therefore to cooperate effectively in policies designed to promote the stability of international monetary relations and the expansion of trade.

I know you fully agree with me on the principle of prior consultation and agreement on matters of common interest as important as this. I can assure you that I appreciate the immediate troubles confronting you. Mine will not be less. We had hoped that the fact of reciprocal aid being now on such a scale that it is as high in proportion to our war expenditure and resources as the
Lend Lease aid you give us is to yours would be a sufficient reply to the critics of the present basis of Lend Lease.

You have often come to my aid in difficult circumstances and on this matter I should hope we could find a reasonable solution.

I am sending Sir Frederick Phillips instructions to hold himself at your disposal.

Washington, D.C.,
January 21, 1943.
The understanding reached between Secretary Morgenthau and Mr. C. E. Wilson for the handling of the Canadian - U.S. dollar position did not contemplate any change in the volume or type of war production in Canada, but merely a change in the bookkeeping involved. As you know, we have placed many hundreds of millions of dollars of orders for munitions in Canada that are ultimately destined to be delivered to the United Kingdom. These might just as well be charged to the Canadian gift to the United Kingdom as to American Lend-Lease to the United Kingdom. The only justification for charging them to Lend-Lease is that such procedures are necessary to give Canada the dollar exchange it needs to finance necessary imports. If it should develop that such exchange is not needed, I should think the Canadians would have no objection to our cancelling the order while they debited deliveries against their gift to the United Kingdom. Cancellation of the order would, of course, not mean cancellation of production.

Yours sincerely,

Lauchlin Currie

Mr. Harry D. White,
Assistant to the Secretary,
Treasury Department,
Washington, D. C.
Information received up to 7 A.M., 19th January, 1943.

1. NAVAL

A Norwegian submarine probably hit with torpedo the submarine depot ship SAAR 2,700 tons, southbound off AALSTEN on 17th. The 3 Littorio class battleships unlocated since leaving NAPLES 6th December, were seen at SPEZIA 16th January.

2. MILITARY

LIBYA. 16th/17th. Enemy withdrew from SUDADA-WALI SOPAGGIN position and were followed up at first light by 7th Armoured Division and 2nd New Zealand Division. Initial advance somewhat delayed by mines. 17th. Roads to FARBUNA were covered with enemy transport moving west. Our leading elements reached road EUR OFAN-BEII UILD by 4 p.m., enemy N.T. continued northwest movement on EUR TARIHNA road all afternoon, 4th Light Armoured Brigade reaches EUR TALAR 1 p.m. and pushed on towards EUR UILD, leading Brigade of Highland Division continued advance up MISURATA road past CHURGLA, meeting little opposition. North-westward movement of enemy N.T. continued during night. 18th. By morning enemy has withdrawn to the west of ZIZTRAN-BEII UILD track, though latter place still occupied by enemy rearguard. MISURATA occupied by our leading troops early in the day.

RUSSIA. No further reports beyond various Russian successes announced in official communiques.

3. AIR OPERATIONS

WESTERN FRONT. 16th/17th. BERLIN. 330 tons of bombs dropped. Some scattered fires, including one large one, seen in built-up areas. Anti-aircraft heavier than previous night, though searchlights negligible. Our bombers destroyed 2 enemy fighters. In these 2 successive attacks, ten 8,000 pound and 122 4,000 pound bombs were dropped on BERLIN. 8 enemy raiders were destroyed and 3 damaged by our night fighters. Anti-aircraft claim 2 more destroyed. 18th. 7 Hudsons attacked with bombs a convoy of 15 ships off Dutch coast, 2 ships of about 2,000 tons were left burning. 18th/19th. Aircraft dispersed - air mining 29, Intruders 10. 14 enemy aircraft flew over KENT. Bombs, including incendiaries, were dropped in the FOLKESTONE, DOVER and MARGATE areas, damaging house property, casualties small.

LIBYA. 16th/17th. Our aircraft successfully bombed TRIPOLI Harbour, aircraft on EUR OFAN landing ground and transport in the ROMA, MISURATA and EUR UILID areas. Many vehicles were destroyed or damaged.

SICILY. 18th. Spitfires bombed the power station at POGO EMPEDOLLES, obtaining at least 2 hits, they also bombed railway objectives.

EGYPT. 17th. Allied aircraft attacked transport and river craft in the AXYAB and HARRADAY areas and the TAHAMTA airfield 250 miles east-southeast of AXYAB. Enemy aircraft bombed FENNY airfield 55 miles north-northeast of GHITTAGRON, rendering it temporarily unserviceable.

4. HOME SECURITY

LONDON. 17th/18th. Further reports show that about 124 R.F. bombs, of which some 35 were U.S. 8s, were dropped and that the boroughs south of the river bore the brunt of the attack. 7 medium fires and about 50 small ones were reported. There was no damage of national importance. Casualties so far reported: killed 74, missing 5, seriously wounded 233.
Copies to:

Mr. Gaston
Mr. Paul
Dr. Haas
Dr. White
MEMORANDUM FOR THE FILES

In view of the reference made in the minutes of the meeting held December 22, 1942, which was attributed to me regarding the Treasury's position on subsidies, I believe that it is well to put in the file a more complete statement of just what I said.

I told the group that in general the Treasury is against subsidies because (1) they are hard to eliminate when once adopted, and (2) they create pressure groups which go after bigger and broader subsidies that are not always in the public interest. I said that I had tried to find in our records some subsidy which had been granted by the Congress and later withdrawn. I was unable to find any. As a matter of fact, all of them have grown much larger than when first granted.

I pointed out, however, that subsidies may be desirable under special circumstances such as, (1) to avoid price increases in a particular group of commodities, (2) to distribute to low income groups commodities vital to the health of the nation, and (3) to stimulate production in marginal industries. I told them that we would have to rely on the experts as to what extent the subsidies should be used and when and where they should be used, but we hoped that they would be kept small since any subsidy granted will add to the spending stream, which must be withdrawn by some other measure. We also hope that they will be confined to those producers who actually need them to produce additional goods, and that they will not be substituted for more economical and efficient methods of production.

I said that about summed up the Treasury's views as set forth in its letter of November 27, 1942.
I said I knew that it was not necessary to dwell at length upon these points because I felt that in our talks with Chairman Byrnes and Administrator Henderson, they both felt the same way about the use of subsidies and we were certain that they would be used with discretion.

Later in the meeting, Mr. Henderson made the statement that he wanted to be put on the side of the Treasury as being opposed to subsidies, but realized that there were situations, such as we are now facing, where they might be used to advantage.
Copies to:

Mr. Bell
Mr. Gaston
Mr. Paul
Dr. Haas
Dr. White
Dear Mr. Secretary:

At our next Board meeting on Friday, January 22, we shall discuss:

1. The relation between agricultural prices and the increased production of food stuffs (Secretary Wickard).

2. Relation between agricultural wages and the supply of farm labor (Mr. McNutt).

We should be glad to have the benefit of your views upon either of these topics.

Sincerely yours,

[Signature]

James F. Byrnes
Director.

Hon. Henry Morgenthau
Secretary of Treasury
Washington, D. C.
January 20, 1943

TREASURY DEPARTMENT ORDER

By virtue of the authority contained in Section 403(f) of the Sixth Supplemental National Defense Appropriation Act, 1942 (Public 528, Seventy-seventh Congress, Second Session), as amended by Section 801 of the Revenue Act of 1942 (Public 759, Seventy-seventh Congress, Second Session), I hereby delegate to the Director of Procurement all the authority and discretion conferred upon me by the aforesaid Act, as amended, including the authority and discretion conferred upon me by a joint Delegation of Authority dated January 19, 1943, and entered into by the Secretary of War, the Secretary of the Navy, Acting, the Acting Secretary of the Treasury, and the Chairman of the Maritime Commission. The Director of Procurement is hereby authorized to make further delegations of such authority and discretion.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Handed by Thompson’s of.
Copy in Diary
April 2, 1943.

Secretary Morgenthau

Joseph J. O'Connell, Jr.

As Mr. Paul told you yesterday, the attached Order which Mr. Mack has forwarded to you for signature, is required only for somewhat technical reasons.

Your Order of November 7, 1942 delegated to Mr. Mack your authority under the renegotiation statute only with respect to Procurement Division contracts. Since the Department may be called upon to take action under the renegotiation statute other than simply to renegotiate our own Procurement Division contracts; for example to renegotiate contracts of other agencies pursuant to the Joint Delegation of Authority of January 19, 1943, it would seem appropriate that Mr. Mack be given all of your authority under the renegotiation statute rather than almost all of it.

I believe I am safe in saying that this is substantially what was contemplated by your Order of November 7, 1942, but at that time we had not anticipated some of the things which have since arisen.

(Signed) Joseph J. O'Connell, Jr.

Attachments.

JJO'C.Jr/Jsw
3/27/43

1. Mr. Paul
2. Mr. Sullivan

The Secretary would like you to talk to him about this.

(Original to Mr. Paul; photostat to Mr. Sullivan)
I am submitting herewith a proposed Treasury Department Order which would delegate to me all your authority and discretion with respect to Treasury Department contracts under Section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942, as amended by Section 801 of the Revenue Act of 1942, relating to the renegotiation of war contracts, as well as the authority and discretion conferred upon you by a joint Delegation of Authority dated January 13, 1943, a copy of which is attached.

You will recall that on November 7, 1942, you delegated to me your authority under this law with respect to Procurement Division contracts. However, I am now advised that for the purpose of performing the duties required of me by the statute, including entering into renegotiation agreements with contractors and otherwise representing you in dealing with contractors, it is wise that I be authorized to exercise all your authority and discretion rather than only your authority and discretion as to contracts entered into by the Procurement Division. Notwithstanding this broad delegation of authority, I shall continue to take up with you all important questions of policy.

In order that there may be no question as to the validity of my action in signing a Joint Regulation dated February 1, 1943, which defines the natural resource products exempted under the law, the attached order has been dated January 20, 1943.

Director of Procurement

Attachments
Delegation of Authority under subsection (f) of Section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942 (Public 528, 77th Congress), approved April 26, 1942, as amended by Section 601 of the Revenue Act of 1942 (Public 753, 77th Congress), approved October 21, 1942, hereinafter referred to as "the Act".

1. Where two or more Secretaries have jurisdiction under the Act over the renegotiation of the contract prices of a contractor or subcontractor, the renegotiation of all of the contract prices of such contractor or subcontractor for a definite period is, as a matter of practice, assigned by agreement to a single Secretary.

2. Whenever such an assignment is made to any one of the undersigned Secretaries, the authority and discretion conferred on the undersigned Secretaries by subsection (c) (4) to make final or other agreements with such contractor or subcontractor for the elimination of excessive profits and for the discharge of any liability for excessive profits realized or likely to be realized during such period is hereby delegated to the undersigned Secretary to whom the renegotiation with such contractor or subcontractor shall have been or shall be so assigned.

3. Upon assignment described in paragraph 1 hereof to one of the undersigned Secretaries, the Secretary to whom such assignment
Delegation of Authority under subsection (f) of Section 403

is made shall have all the authority and discretion of all the undersigned Secretaries to conduct renegotiations for such period with such contractor or subcontractor necessary or incidental to the making of the final or other agreement described in paragraph 2 hereof.

4. This delegation of authority and discretion is made pursuant to subsection (f) of the Act and, subject thereto, the authority and discretion so delegated to one of the undersigned Secretaries may be exercised by those individuals or agencies within his Department to whom like authority and discretion in respect of contracts with his Department, and subcontracts thereunder, may have been or may hereafter be delegated.

5. No contractor or subcontractor shall be required to inquire into the validity or regularity of any assignment under paragraph 1 hereof and the signature of one of the undersigned Secretaries, or of the proper individual or agency within the Department with which the renegotiation has been conducted, shall be conclusive evidence of his authority to execute the final or other agreements resulting therefrom in behalf of all the undersigned Secretaries.

6. For the purposes of this directive, the term "Department" means the War Department, the Navy Department, the Treasury Depart-
Delegation of Authority under subsection (f) Section 403

ment, or the Maritime Commission, as the case may be, and the term “Secretary” includes the Chairman of the Maritime Commission.

7. This directive shall remain in full force and effect until revoked by one or more of the undersigned, or until modified or amended by all of the undersigned.

(signed) HENRY L. STILSON
Secretary of War

(signed) JAMES FORRESTALL
Secretary of the Navy
Acting

(signed) ENOCH S. LAND
Chairman of the Maritime Commission

(signed) D. W. BELL
Acting Secretary of the Treasury
By virtue of the authority contained in Section 403(f) of the Sixth Supplemental National Defense Appropriation Act, 1942 (Public 528, Seventy-seventh Congress, Second Session), as amended by Section 801 of the Revenue Act of 1942 (Public 753, Seventy-seventh Congress, Second Session), I hereby delegate to the Director of Procurement all the authority and discretion conferred upon me by the aforesaid Act, as amended, including the authority and discretion conferred upon me by a joint Delegation of Authority dated January 19, 1943, and entered into by the Secretary of War, the Secretary of the Navy, Acting, the Acting Secretary of the Treasury, and the Chairman of the Maritime Commission. The Director of Procurement is hereby authorized to make further delegations of such authority and discretion.
January 20, 1943.

Telephone Conversation - Mr. Nicholas Schenck and Mr. White
January 20, 1943

Mr. Schenck telephoned Mr. White for his "personal advice" with respect to the best way to proceed with the negotiations with the British Treasury for the release of sterling earnings of the coming year. He said that the time was now appropriate to begin discussions on that matter for the coming year. He wanted to know whether Mr. White thought it would be better to initiate them in England or in Washington.

Mr. White replied that was a matter wholly for him and his colleagues to decide, that he thought they would have the discussions wherever they thought they could get the best results. Mr. Schenck replied that judging from their previous experience, they would get the best results from Washington. Mr. White said he would assume they would proceed with the discussions just as though they were part of the same negotiations; it was not a question of starting negotiations anew but merely continuing the next phase of the discussions which they had already entered upon.

Mr. White informed Mr. Schenck that Sir Frederick Phillips was in Washington and so far as he knew, was going to be here for some time. Mr. Schenck said that the final decisions had been made in London even though most of the discussions had been undertaken here. Mr. White replied he thought the question would always be referred to London for final decision.

Mr. Schenck wondered whether Mr. White didn't think it would be desirable for the Treasury to arrange the meeting for them with Sir Frederick Phillips. Mr. White replied he didn't feel that was necessary, that the moving picture officials knew Sir Frederick Phillips and had been conferring with him last fall and could get in touch with him directly themselves. He said the Treasury preferred to keep out of the picture as far as possible.

Mr. Schenck then asked whether it would be embarrassing to the Treasury if Willkie were to represent 20th Century Fox. Mr. White replied that Willkie had participated in the earlier discussions with the British and that he believed Secretary Morgenthau would regard Mr. Willkie in his capacity as Chairman of the Board of Directors of 20th Century Fox as no different from any other citizen who had that position and was participating in discussions in which the corporation was vitally interested.

Mr. Schenck said that they probably would go ahead with their discussions here.

H. D. White
Meeting in Mr. White’s Office
January 20, 1943
2:45 P.M.

Present: Mr. Plumptre of the Canadian Embassy
Mr. White and Miss Kistler of Treasury

Mr. White explained that the members of an interdepartmental committee, which has been set up to consider such matters, studied Dr. Clarke’s memorandum carefully and came to the general conclusion that the suggested range of $400 to $430 million for Canada’s-U.S. dollar exchange reserve is too high. Mr. White said that they were most reluctant not to accept Dr. Clarke’s suggestion but there were a number of reasons why it was felt that the figure was higher than we could justify.

Mr. White stated that it was tentatively decided that a range of $300 to $350 million was a reasonable one under present circumstances. He emphasized that if conditions changed the situation would be re-examined. He explained that we were desirous of telling the Canadian Government informally what our tentative decision is and of getting their reaction before a final decision is made, and that it was for this reason that he had asked Mr. Plumptre to come to his office. Mr. Plumptre commented that he was interested in the fact that we had apparently thought the range suggested by Dr. Clarke is too narrow.

Mr. White said, concerning the suggestion for treatment of proceeds of Canada’s net sale of securities, that the decision was not to take a definite stand now but to let the matter be settled on an ad hoc basis with the general inclination being to ignore the small transactions and to examine each large transaction in terms of the over-all situation. Mr. Plumptre remarked that he thought the last paragraph in Dr. Clarke’s memorandum setting forth this suggestion had an entirely different status from the rest of the memorandum. Mr. White explained that it was the opinion here that we could not ignore Canada’s sterling position and the improvement in her financial situation vis-a-vis the United Kingdom.

Mr. Plumptre asked for further elucidation as to why we considered a range of $400 to $430 million too high. Mr. White explained that the objective of our policy of financial assistance to Canada, as to all the United Nations, was to facilitate the war effort and to keep Canada in the war. Mr. White said he did not think that there would be any question about doing what was considered necessary to give Canada enough dollar exchange to prosecute the war, but he thought as soon as we began
to give assistance in order to improve a country's post-war position we would be heading for trouble. He explained that he doubted, in view of the above purpose of the Hyde Park Arrangement, whether we could make a case for Canada's having a reserve of more than $300 to $350 million. He also mentioned the proportionate relationship with the United Kingdom.

Mr. White then asked Mr. Plumptre if he would get the informal reaction of Dr. Clarke. Mr. Plumptre said he did not anticipate any difficulty but he, of course, could not speak for Dr. Clarke. Mr. Plumptre thought that he could probably have a reply for Mr. White by the end of this week. Mr. White said he would wait on such a reply before taking further action.

T. M. Kistler
January 20, 1943.

Dear Mr. Payner:

On behalf of the Secretary, who is away from Washington, I am acknowledging your letter of January 15, and the enclosed copy of Mr. Nelson's January report, together with relevant tables. As soon as the Secretary is back in Washington, I shall, of course, be glad to call this material to his attention.

Sincerely yours,

(Signed) H. S. Klotz
H. S. Klotz,
Private Secretary.

Mr. H. A. Payner,
Deputy Director, Foreign Division,
War Production Board,
Washington, D. C.
WAR PRODUCTION BOARD
WASHINGTON, D. C.
January 15, 1943

Secretary Henry Morgenthau
Room 260 - Treasury Department
Washington, D. C.

My dear Mr. Secretary:

I am transmitting for your information a copy of Mr. Donald M. Nelson's January report to the President on production performance against materials and equipment commitments of the Second Russian Protocol.

I would appreciate any comments you may wish to make in regard to either the report itself or the performance record to date.

Very truly yours,

[Signature]
E. A. Fesler
Deputy Director
Foreign Division

Attachment
WAR PRODUCTION BOARD
WASHINGTON, D. C.
January 14, 1943

By dear Mr. President:

The accompanying tabulation shows the production progress made during December, and during the six months ending December 31, towards fulfillment of Second Protocol commitments of the United States to the Union of Soviet Socialist Republics for materials and equipment.

The most notable feature of December's activity was an acceleration of deliveries of alloy steel. Mill shipments of alloy items, which totaled approximately 26,000 short tons, exceeded the monthly average maintained during the period July 1 to November 30 by more than fifty per cent. In the case of several items, particularly polished drill rods, tool steel, cold finished alloy bars, alloy tubes, stainless wire, and miscellaneous alloy wire, December production approximated, or equaled, total production during the entire five month period, July 1 - November 30.

With this acceleration of alloy steel deliveries, the general situation in regard to the supply of critical materials on U.S.S.R. account became more favorable than at any time since the inauguration of the Soviet aid program in October, 1941.

Using priority shipping lists submitted by the Government Purchasing Commission of the Soviet Union as a guide, the materials most urgently required by the U.S.S.R. are non-ferrous metals, alloy steel, phenol, ethylene glycol, urotropine, mercury, bismuth, bullet core steel, tinplate, various steel wire, wire rope, and barbed wire. Deliveries of the great majority of these by the end of the first half of the Second Protocol period appreciably exceeded the amounts called for by Protocol schedules.

In the case of non-ferrous metals, only "electrolytic copper" (a term used in the Protocol to cover the "copper in all forms" commitment) fell short of the quantity which the Protocol called for by December 31. This deficit, which amounted to some 14%, was due entirely to a lag in production of cable and other wire mill products. Deliveries of copper base alloys, pure copper
products, and bimetal were up to or ahead of schedule.

Shipments of other non-ferrous metals were from 16% to 150% above Protocol requirements. Thus, of the total year's commitment covered by the Protocol, there was made available during the first six months, 56% in the case of zinc, 58% in the case of aluminum ingots, 62% in the case of molybdenum, 93% in the case of cobalt, and 100% or more in the case of fabricated aluminum, cadmium, tin, and lead.

Total alloy steel shipments during the July 1 - December 31 period were impressive despite the fact that they were off schedule by approximately 11%. Altogether, some 113,000 short tons were made available as against 127,000 short tons called for by the Protocol. Production of the several carbon steel items designated by Soviet representatives as of critical importance was even more satisfactory. Tinplate deliveries totaled 34,500 tons against requirements of 33,600; barbed wire 22,000 tons against requirements of 20,000; various carbon steel wire 40,700 tons against requirements of 38,800; and wire rope 10,000 tons against requirements of 11,500. Among critical carbon items, only bullet core was particularly behind schedule.

Of other high-priority materials, practically all moved at a decidedly more rapid rate than called for by the Protocol. Shipments of phenol, urotropine and ethylene glycol amounted to 56%, 71%, and 100% respectively of the total year's commitment. Shipments of mercury exceeded the year's commitment by approximately two times.

Deliveries of materials which, because of shipping limitations, Soviet representatives have placed in a relatively secondary position on their priority lists, and deliveries of industrial equipment, cable, woollen and leather goods, and various miscellaneous products naturally did not keep pace with the critical materials discussed above. Nevertheless, the situation in regard to these was generally quite favorable.

Evidence of this can be seen in the fact that of a total of ninety-five major items for which there are definite commitments in groups II and III of the Second Protocol, only nineteen were appreciably (30% or more) behind the required schedule. Of these, six were carbon steel items of which very large accumulated stocks existed in this country on U.S.S.R. account; four were industrial equipment items; three (high pressure hose, leather, and sheet fiber) were items for which Protocol commitments were made only after three months of the Second Protocol period had elapsed; five (rubber products, stainless steel, power cable, rodalite, and condenser paper) were in extremely short supply because of limitations on fabricating facilities; and one, armor plate, was refused by Soviet representatives for the time being.
Only industrial equipment and rubber products among the retarded items were of any real significance. The others from the standpoint of either dollar value or end use in the U.S.S.R. were relatively very minor.

The lag in rubber shipments was due to obvious supply difficulties. The lag in industrial equipment, hitherto largely attributable to the prolonged fabricating processes involved, now appears to be partly due to the effect of several urgency directives which have been issued to expedite completion of various domestic programs. Careful attention is being given by officials of the War Production Board to the problem of working out ways and means of relieving the Soviet program from the pressure brought about by these directives.

Respectfully yours,

Donald M. Nelson

The President
The White House
Washington, D. C.

Attachment
<table>
<thead>
<tr>
<th>PROTOCOL ITEM NO.</th>
<th>ITEM</th>
<th>UNIT</th>
<th>2ND PROTOCOL COMMITMENT</th>
<th>MADE AVAILABLE AT MILL IN U.S.A. DEC. 1 - DEC. 31</th>
<th>MADE AVAILABLE IN U.S.A. JULY 1 - DEC. 31</th>
<th>RATIO OF ACTUAL DELIVERIES TO PROTOCOL SCHEDULES (PROT. SCHED. = 100)</th>
<th>BALANCE TO BE PRODUCED AS OF JAN. 1 TO SATISFY ADJUSTED PROTOCOL COMMITMENTS</th>
<th>PERCENT OF 2ND PROTOCOL COMMITMENTS REMAINING TO BE PRODUCED AS OF JAN. 1, 1943</th>
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<td>1</td>
<td>MARINE CABLE</td>
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<td>DURALUMINUM</td>
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<td>(146 EXCESS)</td>
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<td>(1,510 EXCESS)</td>
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<td>HOLLOWCHUM</td>
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<td>COPPER, ELECTROLYTIC</td>
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<td>58,047</td>
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<td>76,313</td>
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<td>ROLLED COPPER (COPPER Base ALLOYS ONLY)</td>
<td>B.T.</td>
<td>159,012</td>
<td>10,768</td>
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<td>125</td>
<td>49,493</td>
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<td>ZINC</td>
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<td>BISMUTH (COPPER CLAD STRIP)</td>
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<td>9,977</td>
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<td>COPPER GOODS AND TUBES</td>
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<td>8,770</td>
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<td>FERROBISALON</td>
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<td>ARMOR PLATE</td>
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<td>125</td>
<td>749</td>
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<td>HARD ALLOYS AND CUTTING TOOLS</td>
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<td>POLISHED DRILL bits</td>
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<td>A PLAIN CARBON</td>
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<td>54</td>
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<td>B HIGH SPEED</td>
<td>O.T.</td>
<td>45</td>
<td>41</td>
<td>31</td>
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<td>C ALLOY</td>
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<td>306</td>
<td>1,303</td>
<td>19</td>
<td>1,267</td>
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<td>HIGH SPEED TOOL STEEL</td>
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<td>389</td>
<td>18</td>
<td>1,257</td>
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<td>TOOL STEEL</td>
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<td>18</td>
<td>1,257</td>
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<td>B ALLOY</td>
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<td>C ALLOY XI2</td>
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<td>77</td>
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<td>COLD FINISHED BARS</td>
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<td>49,592</td>
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<td>A SELEMENT 3/8&quot; - 2&quot; (CARBON)</td>
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<td>49,592</td>
<td>52</td>
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<td>B O.I.H. ROLLER CORE (CARBON)</td>
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<td>85</td>
<td>2,277</td>
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<td>C ELECTRIC FURNACE OR O.I.H.ALLOY</td>
<td>B.T.</td>
<td>2,400</td>
<td>19,058</td>
<td>95</td>
<td>19,058</td>
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<td>D O.I.H. 1015-1850 &amp; OTHER PLAIN CARBON</td>
<td>B.T.</td>
<td>924</td>
<td>49,592</td>
<td>52</td>
<td>49,592</td>
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<td>HOT ROLLED ALLOY BARS AND BILLET</td>
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<td>CH-51 FL-BILLET</td>
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Percent of 2nd protocol commitments remaining to be produced as of Jan. 1, 1945.
<table>
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<tr>
<th>NO.</th>
<th>ITEM</th>
<th>UNIT</th>
<th>ADJUSTED 2ND PROTOCOL COMMITMENT</th>
<th>MADE AVAILABLE AT MILL IN U.S.A. DEC. 1 - DEC. 31</th>
<th>MADE AVAILABLE IN U.S.A. JULY 1 - DEC. 31</th>
<th>RATIO OF ACTUAL DELIVERIES TO PROTOCOL SCHEDULE (PROT. SCHED. = 100)</th>
<th>BALANCE TO BE PRODUCED AS OF JAN. 1 TO SATISFY ADJUSTED PROTOCOL COMMITMENTS</th>
<th>PERCENT OF 2ND PROTOCOL COMMITMENTS REMAINING TO BE PRODUCED AS OF JAN. 1, 1983</th>
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<td>45</td>
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<td>1,481</td>
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<td>OTHER VIRE ROPE (Carbon)</td>
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<td>8,714</td>
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<td>11,886</td>
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<td>AVAILABLE IN U.S.A.</td>
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<td>27</td>
<td>STEEL ALLOY TUBES</td>
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<td>B</td>
<td>1-5% CHROME</td>
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<td>1,924</td>
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<td>13,572</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<td>CARBON .5% POLY. COLD DRAWN</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>2,700</td>
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<tr>
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<td>CARBON .5% POLY. HOT FINISHED</td>
<td>B.T.</td>
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<td>714</td>
<td>1,338</td>
<td>90</td>
<td>1,662</td>
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<td>H.R. BALL BEARING TUBES</td>
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<td>5,800</td>
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<td>STAINLESS VIRE</td>
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<td>3,150</td>
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<td>COLD DRAWN PLUG &amp; MECHANICAL</td>
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<td>100</td>
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<td>MADE AVAILABLE IN U.S.A. JULY 1 - DEC. 31 2/</td>
<td>RATIO OF ACTUAL DELIVERIES TO PROTOCOL SCHEDULES (PROT. SCHED. = 100) 2/</td>
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<td>PERCENT OF 2ND PROTOCOL COMMITMENTS REMAINING TO BE PRODUCED AS OF JAN. 1, 1983</td>
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<td>OTHER METALS &amp; STEEL PRODUCTS</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>59</td>
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<td>ITEM</td>
<td>UNIT</td>
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<td>MADE AVAILABLE AT MILL IN U.S.A. DEC. 1 - DEC. 31 2/</td>
<td>MADE AVAILABLE IN U.S.A. JULY 1 - DEC. 31 2/</td>
<td>RATIO OF ACTUAL DELIVERIES TO PROTOCOL SCHEDULES (PROT. SCHED. = 100) 3/</td>
<td>BALANCE TO BE PRODUCED AS OF JAN. 1 TO SATISFY ADJUSTED PROTOCOL COMMITMENTS 4/</td>
<td>PERCENT OF 2ND PROTOCOL COMMITMENTS REMAINING TO BE PRODUCED AS OF JAN. 1, 1943</td>
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<td>Dimethylaniline</td>
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<td>605</td>
<td>3,283</td>
<td>142</td>
<td>1,317</td>
<td>29</td>
</tr>
<tr>
<td>48</td>
<td>Ammonia chloride</td>
<td>B.T.</td>
<td>4,000</td>
<td>175</td>
<td>3,203</td>
<td>130</td>
<td>1,597</td>
<td>33</td>
</tr>
<tr>
<td>49</td>
<td>Mercury</td>
<td>B.T.</td>
<td>300</td>
<td>187</td>
<td>896</td>
<td>596</td>
<td>(596 EXCESS)</td>
<td>32</td>
</tr>
<tr>
<td>50</td>
<td>Potassium nitrate</td>
<td>B.T.</td>
<td>3,600</td>
<td>501</td>
<td>3,315</td>
<td>180</td>
<td>287</td>
<td>8</td>
</tr>
<tr>
<td>52</td>
<td>Ammonium cyanide</td>
<td>B.T.</td>
<td>3</td>
<td>0.2</td>
<td>2.1</td>
<td>140</td>
<td>0.9</td>
<td>30</td>
</tr>
<tr>
<td>54</td>
<td>Centralite</td>
<td>B.T.</td>
<td>600</td>
<td>150</td>
<td>286</td>
<td>96</td>
<td>314</td>
<td>52</td>
</tr>
<tr>
<td>55</td>
<td>Resin (Resorcinol)</td>
<td>B.T.</td>
<td>120</td>
<td>10</td>
<td>70</td>
<td>116</td>
<td>50</td>
<td>42</td>
</tr>
<tr>
<td>56</td>
<td>Barium peroxide</td>
<td>B.T.</td>
<td>500</td>
<td>25</td>
<td>150</td>
<td>100</td>
<td>150</td>
<td>50</td>
</tr>
<tr>
<td>57</td>
<td>Strontium (B. Oxalate)</td>
<td>B.T.</td>
<td>96</td>
<td>12</td>
<td>48</td>
<td>100</td>
<td>98</td>
<td>50</td>
</tr>
<tr>
<td>59</td>
<td>Antalite (Rhodamine B)</td>
<td>B.T.</td>
<td>6</td>
<td>0</td>
<td>2</td>
<td>66</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>67</td>
<td>Tonic (T. Nitrates)</td>
<td>B.T.</td>
<td>3</td>
<td>0</td>
<td>5</td>
<td>200</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>58</td>
<td>Cerium</td>
<td>B.T.</td>
<td>14</td>
<td>1</td>
<td>12</td>
<td>132</td>
<td>6</td>
<td>33</td>
</tr>
<tr>
<td>PROTOCOL NO.</td>
<td>ITEM</td>
<td>UNIT</td>
<td>2ND PROTOCOL COMMITMENT 1/</td>
<td>MADE AVAILABLE AT MILL IN U.S.A. 2/</td>
<td>MADE AVAILABLE IN U.S.A. JULY 1 - DEC. 31 3/</td>
<td>RATIO OF ACTUAL DELIVERIES TO PROTOCOL SCHEDULE (PROT. SCHED. = 100) 4/</td>
<td>BALANCE TO BE PRODUCED AS OF JAN. 1 TO SATISFY 5/</td>
<td>PERCENT OF 2ND PROTOCOL COMMITMENTS REMAINING TO BE PRODUCED 6/</td>
</tr>
<tr>
<td>--------------</td>
<td>------</td>
<td>------</td>
<td>-----------------------------</td>
<td>-----------------------------------</td>
<td>-----------------------------------------------</td>
<td>--------------------------------------</td>
<td>-----------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>59</td>
<td>CREOSOL</td>
<td>B.T.</td>
<td>- 12/</td>
<td>- 12/</td>
<td>- 12/</td>
<td>- 12/</td>
<td>- 12/</td>
<td>- 12/</td>
</tr>
<tr>
<td>60</td>
<td>POTASSIUM BARIATE</td>
<td>B.T.</td>
<td>3,000</td>
<td>260</td>
<td>858</td>
<td>96</td>
<td>942</td>
<td>52</td>
</tr>
<tr>
<td>61</td>
<td>ARTHRACONE</td>
<td>B.T.</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td></td>
<td>(9)</td>
<td></td>
</tr>
<tr>
<td>61A</td>
<td>OTHER CHEMICALS</td>
<td>B.T.</td>
<td>60,000</td>
<td>N.A.</td>
<td>N.A.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>62</td>
<td>MACHINE TOOLS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>63</td>
<td>ELECTRIC FURNACES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64</td>
<td>FORGING PRESSES &amp; HAMMERS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>VARIOUS INDUSTRIAL EQUIPMENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>67</td>
<td>ABRASIVES</td>
<td>$</td>
<td>4,000,000</td>
<td>266,465</td>
<td>3,851,839</td>
<td>92</td>
<td>2,664,170</td>
<td>52</td>
</tr>
<tr>
<td>68</td>
<td>GRAPHITE ELECTRODES</td>
<td>B.T.</td>
<td>3,880</td>
<td>526</td>
<td>2,903</td>
<td>96</td>
<td>3,037</td>
<td>52</td>
</tr>
<tr>
<td>69</td>
<td>BEARING</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70</td>
<td>BALLS &amp; ROLLERS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>71</td>
<td>SHOE LEATHER</td>
<td>B.T.</td>
<td>18,670</td>
<td>463</td>
<td>3,519</td>
<td>50</td>
<td>15,096</td>
<td>81</td>
</tr>
<tr>
<td>72</td>
<td>ARMY BOOTS</td>
<td>PRC.</td>
<td>2,400,000</td>
<td>202,008</td>
<td>1,409,224</td>
<td>118</td>
<td>995,776</td>
<td>41</td>
</tr>
<tr>
<td>73</td>
<td>ARMY CLOTH</td>
<td>YD.</td>
<td>18,000,000</td>
<td>2,730,565</td>
<td>8,028,697</td>
<td>90</td>
<td>9,275,323</td>
<td>55</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------------------</td>
<td>------</td>
<td>---------------------------------</td>
<td>-----------------------------------------------</td>
<td>----------------------------------------</td>
<td>---------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>11</td>
<td>Electric Power Cable</td>
<td>8 T.</td>
<td>66,628</td>
<td>16</td>
<td>217</td>
<td>0.6</td>
<td>66,611</td>
<td>99.7</td>
</tr>
<tr>
<td>11A</td>
<td>Misc. Copper Cable &amp; Veneer</td>
<td>8 T.</td>
<td>36,828</td>
<td>1,639</td>
<td>12,821</td>
<td>66</td>
<td>25,613</td>
<td>97</td>
</tr>
<tr>
<td>15</td>
<td>Nailer</td>
<td>700.</td>
<td>56,000,000</td>
<td>3,653,299</td>
<td>14,758,497</td>
<td>82</td>
<td>23,791,503</td>
<td>59</td>
</tr>
<tr>
<td>16</td>
<td>Tarpanlin</td>
<td>700.</td>
<td>6,000,000</td>
<td></td>
<td>5,935,904</td>
<td>136</td>
<td>2,560,399</td>
<td>32</td>
</tr>
<tr>
<td>17</td>
<td>Vestaxer</td>
<td>8 T.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>18</td>
<td>Tires, Tubs, Other Rubber Prod. (Rubber Content)</td>
<td>8 T.</td>
<td>44,520</td>
<td>437</td>
<td>6,340</td>
<td>16/</td>
<td>32</td>
<td>59</td>
</tr>
<tr>
<td>19</td>
<td>High Pressure Hose</td>
<td>8 T.</td>
<td>638</td>
<td>1</td>
<td>161</td>
<td>50</td>
<td></td>
<td>84</td>
</tr>
<tr>
<td>20</td>
<td>Sheet Fiber</td>
<td>8 T.</td>
<td>4,361</td>
<td>263</td>
<td>399</td>
<td>18</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>83</td>
<td>Shock Absorber Cord</td>
<td>8 T.</td>
<td>64</td>
<td>2</td>
<td>37</td>
<td>116</td>
<td></td>
<td>92</td>
</tr>
<tr>
<td>82</td>
<td>Metallic Cloth &amp; Screen</td>
<td>$</td>
<td>1,000,000</td>
<td>52,669</td>
<td>556,630</td>
<td>112</td>
<td>481,260</td>
<td>44</td>
</tr>
<tr>
<td>85</td>
<td>Condemned Paper (Radio)</td>
<td>8 T.</td>
<td>240</td>
<td>0</td>
<td>58</td>
<td>98</td>
<td></td>
<td>76</td>
</tr>
<tr>
<td>85A</td>
<td>Cigarette Paper</td>
<td>8 T.</td>
<td>908</td>
<td>65</td>
<td>653</td>
<td>144</td>
<td></td>
<td>56</td>
</tr>
<tr>
<td>85B</td>
<td>Parchment Paper</td>
<td>8 T.</td>
<td>2,090</td>
<td>0</td>
<td>953</td>
<td>92</td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>88</td>
<td>Misc. Emergency Equipment</td>
<td>8 T.</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>200</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>8F</td>
<td>Phosphorus</td>
<td>8 T.</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>PROTOCOL ITEM NO.</td>
<td>ITEM</td>
<td>UNIT</td>
<td>ADJUSTED 2ND PROTOCOL COMMITMENT</td>
<td>MADE AVAILABLE AT MILL IN U.S.A. DEC. 1 - DEC. 31</td>
<td>MADE AVAILABLE IN U.S.A. JULY 1 - DEC. 31</td>
<td>RATIO OF ACTUAL DELIVERIES TO PROTOCOL SCHEDULE (PROT. SCHED. = 100)</td>
<td>BALANCE TO BE PRODUCED AS OF JAN. 1 TO SATISFY ADJUSTED PROTOCOL COMMITMENTS</td>
<td>PERCENT OF 2ND PROTOCOL COMMITMENTS REMAINING TO BE PRODUCED AS OF JAN. 1, 1949</td>
</tr>
<tr>
<td>------------------</td>
<td>-----------------</td>
<td>------</td>
<td>----------------------------------</td>
<td>-------------------------------------------------</td>
<td>------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>86</td>
<td>FERROVANADIUM</td>
<td>B.T.</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>87</td>
<td>FERROTUNGSTEN</td>
<td>B.T.</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>89</td>
<td>LEAD</td>
<td>B.T.</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>90</td>
<td>TIN</td>
<td>B.T.</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>91</td>
<td>FOIL</td>
<td>B.T.</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>A</td>
<td>ALUMINUM</td>
<td>B.T.</td>
<td>95</td>
<td>0</td>
<td>95</td>
<td>126</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>B</td>
<td>TIN</td>
<td>B.T.</td>
<td>52</td>
<td>0</td>
<td>52</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>C</td>
<td>NICKEL</td>
<td>B.T.</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>(1 EXCESS)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>92</td>
<td>BARIUM METAL</td>
<td>B.T.</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>93</td>
<td>CADMIUM</td>
<td>B.T.</td>
<td>100</td>
<td>12.5</td>
<td>125</td>
<td>250</td>
<td>(25 EXCESS)</td>
<td>0</td>
</tr>
<tr>
<td>94</td>
<td>CERAMIC</td>
<td>B.T.</td>
<td>340</td>
<td>78</td>
<td>134</td>
<td>136</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>101</td>
<td>RAILS</td>
<td>B.T.</td>
<td>175,000</td>
<td>1,013</td>
<td>59,167</td>
<td>68</td>
<td>115,233</td>
<td>68</td>
</tr>
<tr>
<td>101A</td>
<td>ACCESSORIES</td>
<td>B.T.</td>
<td>80,000</td>
<td>2,670</td>
<td>15,092</td>
<td>54</td>
<td>64,908</td>
<td>81</td>
</tr>
<tr>
<td>192</td>
<td>MOUNTED BARS OF WHEELS &amp; AXLES</td>
<td>B.T.</td>
<td>36,000</td>
<td>6,166</td>
<td>14,527</td>
<td>80</td>
<td>21,473</td>
<td>60</td>
</tr>
<tr>
<td>193</td>
<td>AXLES</td>
<td>B.T.</td>
<td>60,000</td>
<td>4,082</td>
<td>25,857</td>
<td>100</td>
<td>30,143</td>
<td>50</td>
</tr>
<tr>
<td>194</td>
<td>LOCOMOTIVE CAR WHEEL TIRES</td>
<td>B.T.</td>
<td>13,500</td>
<td>6,250</td>
<td>6,030</td>
<td>90</td>
<td>7,462</td>
<td>55</td>
</tr>
<tr>
<td>PROTOCOL ITEM NO.</td>
<td>ITEM</td>
<td>UNIT</td>
<td>ADJUSTED 2ND PROTOCOL COMMITMENT</td>
<td>MADE AVAILABLE AT HILL IN U.S.A.</td>
<td>RATIO OF ACTUAL DELIVERIES TO PROTOCOL SCHEDULES (PROT. SCHED. = 100)</td>
<td>BALANCE TO BE PRODUCED AS OF JAN. 1 TO SATISFY ADJUSTED 2ND PROTOCOL COMMITMENTS</td>
<td>PERCENT OF 2ND PROTOCOL COMMITMENTS REMAINING TO BE PRODUCED AS OF Jan. 1, 1943</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
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<td>---------------------------------</td>
<td>------------------------------------------</td>
<td>---------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>105</td>
<td>BURLED STEEL CAR AXLES</td>
<td>B.T.</td>
<td>12,600</td>
<td>11,326</td>
<td>80</td>
<td>10,850</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>107</td>
<td>STEEL LOCOMOTIVE AXLES</td>
<td>B.T.</td>
<td>255</td>
<td>255</td>
<td>100</td>
<td>0</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>108</td>
<td>ELECTRIC LOCOMOTIVE AXLES</td>
<td>B.T.</td>
<td>304</td>
<td>222</td>
<td>70</td>
<td>26</td>
<td></td>
<td></td>
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</table>

The protocol commitment figures have been adjusted to take account of the reduction in steel requirements under the 2nd protocol worked out by the Steel Division, U.S.I., and representatives of Government purchasing committees of the Soviet Union, and approved by the Requirements Committee, U.S.I., in Program Determination No. 301 (b) to take account of the portion of ferromanganese and ferrochrome commitments which are being supplied by the U.S.I. and (c) through releasing some commitments from short tons into the unit of measure commonly used in connection with the items in question. Made available data in the case of all items except steel items, "other chemicals", machine tools, electric furnaces, forgings pressed and hammered, various industrial equipment, times, tubes and other iron products, electric power cable, miscellaneous copper cable and wire, tarpaulins, shock absorber cord, sheet fiber, metallic cloth and screening, and railway equipment include stocks which were on hand as of June 30, 1942, and which were available for shipment against 2nd protocol commitments. Stocks of steel items which were on hand as of June 30 were taken into account in the adjustment of steel requirements under 2nd protocol commitments worked out by the Steel Division and representatives of the Government purchasing committee of the Soviet Union and approved by the Requirements Committee. Made available data for all steel items, except armor plate, are based upon actual deliveries November 25 - December 26 and Hill schedules December 27 - January 2. Since actual deliveries for the period December 25 - January 2 may differ slightly from the Hill schedules, the data for steel items may be considered, in part, estimates.

The 2nd protocol, except in the case of zinc, calls for deliveries in "equal monthly installments." Thus, 50% of each commitment should have been delivered by December 31.

If protocols schedules were to be maintained, the nickel commitment for 3,600 B.T. in a joint U.S. - U.K. commitment for the period July 1 to December 31 only. It includes nickel in all forms. Delivery data are estimates of the total nickel made available for the U.S.S.R. in the U.S., Canada, and the United Kingdom, and include nickel metal and nickel delivered to mills for the manufacture of micronic wire, steel, nickel wire and similar products.

The copper commitment for 13,400 B.T. in a joint U.S. - U.K. commitment and includes copper in all forms except finished military stores. Delivery data are estimates of the total copper made available to the U.S.S.R. in the form of refinery shapes, pure copper products, copper base alloys, wire products, and finished manufactures except military stores, in addition to the quantities given, approximately 300 B.T. chargeable to the protocol commitment has been delivered by the U.K.

The zinc commitment for 2,000 B.T. was scheduled for delivery at the rate of 500 B.T. per month in July and August and 2,500 B.T. per month thereafter.

The total 2nd protocol ferromanganese commitment is for 12,800 B.T., but this is a joint U.S. - U.K. commitment. The U.K. is supplying 3,982 B.T. leaving a balance of only 3,818 B.T. for the U.S. to deliver.

Regraded Unclassified
The total 2nd Protocol ferrochrome commitment is for 8,865 B.T. but this is a joint U.S. - U.K. commitment. The U.K. is supplying 2,682 B.T. leaving a balance of only 5,376 B.T. for the U.S. to deliver.

Armor plate deliveries include 929 B.T. produced but not exported prior to June 30, 1942. It also includes 125 B.T. produced in December on U.S.S.R. account but not accepted by Soviet representatives. Soviet representatives have indicated that for some time, at least, they do not wish further deliveries of armor plate.

Quantities of petroleum products shown as “made available” are quantities actually consumed in the U.S.S.R.

Centralite delivery data include ethyl centralite only. Small quantities of methyl centralite have been delivered. These quantities will be picked up in the next report.

The 2nd Protocol cadmium commitment for 1,280 B.T. is being satisfied by the U.K.

December deliveries estimated.

No firm 2nd Protocol commitments depend upon specifications.

The quantity of tarpsulin shown as being made available July 1 - December 31 is based upon War Department data which have been revised since the last report. It is impossible on the basis of existing information to separate December deliveries from total deliveries.

The figures given for deliveries of tires, tubes and other rubber products include rubber content of tires and tubes procured by the Treasury Department only. The rubber content of certain other items procured by the Treasury, notably cable of various types, has not yet reached appreciable proportions. This will be picked up in the next report.

Data given in dollars because of the impossibility of making accurate and meaningful conversion to any unit of measure. Dollar value of protocol commitment is an approximation suggested by the Government Purchasing Commission of the Soviet Union.
In reply please refer to 28035

JAN 20 1943

My dear Mr. Perkins:

In the course of the investigation currently being made by Foreign Funds Control of Swiss companies doing insurance and reinsurance business in this country we have had an opportunity to observe the manner in which strategic information with respect to defense plants is being assembled and handled by insurance and reinsurance companies.

Attached for your information is a brief memorandum (supported by the relevant documents) which shows how, in connection with the insurance and reinsurance of a munitions plant, detailed information was assembled and transmitted to the various offices of the insurance company and to the six reinsurance companies who participate in the "munitions pool" which reinsures risks of this character. The memorandum calls attention to the facts that:

(1) detailed information concerning defense plants throughout the United States finds its way to reinsurance companies, even though the companies may not participate in the reinsurance of the risk; and

(2) the documents containing this vital information are handled by the insurance and reinsurance companies in such a manner as to make it easily available to the personnel employed by the companies and possibly to other people having access to the building outside of working hours.
I am sending similar letters and copies of the memorandum to the several Government agencies which are considering certain of the problems involved in safeguarding vital information from the enemy.

Very truly yours,

(Signed) Randolph Paul

Acting Secretary of the Treasury.

Mr. Miles Perkins,

Director, Board of Economic Warfare.

Attachments.
In reply please refer to 25034

JAN 20 1943

My dear Mr. Price:

In the course of the investigation currently being made by Foreign Funds Control of Swiss companies doing insurance and reinsurance business in this country we have had an opportunity to observe the manner in which strategic information with respect to defense plants is being assembled and handled by insurance and reinsurance companies.

Attached for your information is a brief memorandum (supported by the relevant documents) which shows how, in connection with the insurance and reinsurance of a munitions plant, detailed information was assembled and transmitted to the various offices of the insurance company and to the six reinsurance companies who participate in the "munitions pool" which reinsures risks of this character. The memorandum calls attention to the facts that:

(1) detailed information concerning defense plants throughout the United States finds its way to reinsurance companies, even though the companies may not participate in the reinsurance of the risk; and

(2) the documents containing this vital information are handled by the insurance and reinsurance companies in such a manner as to make it easily available to the personnel employed by the companies and possibly to other people having access to the building outside of working hours.
I am sending similar letters and copies of the memorandum to the several Government agencies which are considering certain of the problems involved in safeguarding vital information from the enemy.

Very truly yours,

(Signed) Randolph Paul

Acting Secretary of the Treasury.

Mr. Bryon Price,

Director, Office of Censorship.

Attachments.
In reply please refer to 28033

My dear Mr. Secretary:

In the course of the investigation currently being made by Foreign Funds Control of Swiss companies doing insurance and reinsurance business in this country we have had an opportunity to observe the manner in which strategic information with respect to defense plants is being assembled and handled by insurance and reinsurance companies.

Attached for your information is a brief memorandum (supported by the relevant documents) which shows how, in connection with the insurance and reinsurance of a munitions plant, detailed information was assembled and transmitted to the various offices of the insurance company and to the six reinsurance companies who participate in the "munitions pool" which reinsures risks of this character. The memorandum calls attention to the facts that:

(1) detailed information concerning defense plants throughout the United States finds its way to reinsurance companies, even though the companies may not participate in the reinsurance of the risk; and

(2) the documents containing this vital information are handled by the insurance and reinsurance companies in such a manner as to make it easily available to the personnel employed by the companies and possibly to other people having access to the building outside of working hours.
I am sending similar letters and copies of the memorandum to the several Government agencies which are considering certain of the problems involved in safeguarding vital information from the enemy.

Very truly yours,

(Signed) Randolph Paul

Acting Secretary of the Treasury

The Honorable

Secretary of War.

Attachments.

J.J.Lawler: RRShwartz:diw 1/6/43
My dear Mr. Attorney General:

In the course of the investigation currently being made by Foreign Funds Control of Swiss companies doing insurance and reinsurance business in this country, we have had an opportunity to observe the manner in which strategic information with respect to defense plants is being assembled and handled by insurance and reinsurance companies.

Attached for your information is a brief memorandum (supported by the relevant documents) which shows how, in connection with the insurance and reinsurance of a munitions plant, detailed information was assembled and transmitted to the various offices of the insurance company and to the six reinsurance companies who participate in the "munitions pool" which reinsures risks of this character. The memorandum calls attention to the facts that:

(1) detailed information concerning defense plants throughout the United States finds its way to reinsurance companies, even though the companies may not participate in the reinsurance of the risk; and

(2) the documents containing this vital information are handled by the insurance and reinsurance companies in such a manner as to make it easily available to the personnel employed by the companies and possibly to other people having access to the building outside of working hours.
I am sending similar letters and copies of the memorandum to the several Government agencies which are considering certain of the problems involved in safeguarding vital information from the enemy.

Very truly yours,

(Signed) Randolph Paul

Acting Secretary of the Treasury.

The Honorable

Attorney General of the United States.

Attachments.
In reply please refer to 28032

My dear Mr. Secretary:

In the course of the investigation currently being made by Foreign Funds Control of Swiss companies doing insurance and reinsurance business in this country, we have had an opportunity to observe the manner in which strategic information with respect to defense plants is being assembled and handled by insurance and reinsurance companies.

Attached for your information is a brief memorandum (supported by the relevant documents) which shows how, in connection with the insurance and reinsurance of a munitions plant, detailed information was assembled and transmitted to the various offices of the insurance company and to the six reinsurance companies who participate in the "munitions pool" which reinsures risks of this character. The memorandum calls attention to the facts that:

(1) detailed information concerning defense plants throughout the United States finds its way to reinsurance companies, even though the companies may not participate in the reinsurance of the risk; and

(2) the documents containing this vital information are handled by the insurance and reinsurance companies in such a manner as to make it easily available to the personnel employed by the companies and possibly to other people having access to the building outside of working hours.
I am sending similar letters and copies of the memorandum to the several Government agencies which are considering certain of the problems involved in safeguarding vital information from the enemy.

Very truly yours,

(Signed) Randolph Paul

Acting Secretary of the Treasury.

The Honorable

Secretary of the Navy.

Attachments.
Miss Chauncey

In connection with your request for enclosures and exhibits attached to the memo on investigation of the Swiss companies, additional copies are being made and a set will be forwarded to you as soon as completed.

I'll send you a set of the letters to Justice, Navy, etc., when they are signed.

M. Larkin
Room 266

From: MR. PAUL
In the course of the investigation currently being made by the Foreign Funds Control of the Swiss companies doing an insurance and reinsurance business in this country, we have had an opportunity to observe the manner in which strategic information with respect to defense plants is being assembled and handled by insurance and reinsurance companies.

We have prepared a concise memorandum (supported by relevant documents), a copy of which is attached hereto and which I recommend you read. You should note particularly Exhibit II of the relevant documents.

The memorandum shows how, in connection with the insurance and reinsurance of a munitions plant, detailed information was assembled and transmitted to the various offices of the insurance company and to the six reinsurance companies who participate in the "munitions pool" which reinsures risks of this character. The case described herein is not exceptional, but typifies the practices followed by the hundreds of direct writing insurance companies and the reinsurance companies in handling strategic plant information.

The memorandum calls attention to the facts that:

(1) detailed information concerning defense plants throughout the United States finds its way to reinsurance companies, even though the companies may not participate in the reinsurance of the risk; and
(2) the documents containing this vital information are handled by the insurance and reinsurance companies in such a manner as to make it easily available to the personnel employed by the companies and possibly to other people having access to the building outside of working hours.

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

- Department of Justice
- Department of the Navy
- Department of War
- Board of Economic Warfare
- Office of Censorship

All of the above agencies are represented on the Inter-Departmental Security Service Committee, which is considering certain of the problems involved in safeguarding vital information from the enemy.

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

Attachments

Approved:
A recently concluded investigation discloses that on May 15, 1940, five days after the freezing of Dutch and Belgian assets, The Chase National Bank unblocked the account of Anton Smit & Co. although all of that company's stock was owned by L. J. A. Smit, a Dutch national, indirectly through International Trading Co., a Guernsey corporation. The unblocking was effected at the written request of Anton Smit & Co. which stated that "95% of the stock of our company is owned by an English corporation, viz., International Trading Co. Ltd. We therefore are not subject to the Presidential Proclamation of May 10, 1940." The National City Bank declined to unblock Anton Smit & Co.'s account with it notwithstanding a similar request, for upon inquiry at the office of Anton Smit & Co. it was ascertained that L. J. A. Smit owned all of the stock of International Trading Co.

The evidence indicates that on May 15, 1940, The Chase National Bank had reasonable cause to believe that Anton Smit & Co. was owned and controlled by either L. J. A. Smit or Anton Smit & Co. N.V., a Dutch corporation with headquarters in Antwerp, Belgium. In any event, there is evidence that by May 20, 1940, or thereabout, The Chase National Bank was fully advised not only of L. J. A. Smit's ownership of the stock of International Trading Co. and his status as a Dutch national, but also that he had opened an account with the Manufacturers Trust Co. in the name of one of his American employees "to safeguard against any further restrictions." Moreover, The Chase National Bank also knew that accounts of Anton Smit & Co. with other banks continued to be blocked.

During the eighteen months that Anton Smit & Co.'s account with The Chase National Bank was unlawfully operated as a free account, approximately $285,000 flowed through it. In the same period Anton Smit & Co. drew on its account with the Guaranty Trust Co. under Treasury licenses which permitted the withdrawal of approximately $65,000 per month for domestic purposes.
Smit's efforts to avoid freezing control were further aided by The Chase National Bank in allowing him to open an account with its Panama City branch in the name of a Panamanian corporation. There were received into this account, free of any restriction, remittances from Japanese, Swiss and Swedish customers. The manner in which The Chase National Bank handled the Smit accounts enabled Smit freely to finance several purchases of industrial diamonds in Brazil for shipment from that country to Swiss and Japanese customers despite the refusal of the State Department to license the export of industrial diamonds from this country to such customers by Anton Smit & Co.

Anton Smit & Co. is a New York corporation and is one of the larger dealers in industrial diamonds. It has succeeded, in part, to the business formerly done by a Dutch corporation of similar name with headquarters in Belgium, and also owned by L. J. A. Smit. Smit has been in this country on a temporary visa since October 1939. The investigation discloses a number of violations by Anton Smit & Co., its officers and employees, not only of the Executive Order, but also of the Export Control Act of 1940.

It is proposed to transmit a copy of the report of the investigation to the Department of Justice for its consideration and for such action with respect to all concerned as it may deem the facts to warrant. If you approve, please initial this memorandum.

Approved: ________________
This memorandum describes the manner in which a direct insurer, Fidelity and Casualty Company of New York (hereafter referred to as Fidelity), and a reinsurer, the European General Reinsurance Company, Ltd. (hereafter referred to as European General), assembled and handled the information which they obtained in connection with the insurance of a munitions plant located in the southwestern part of the United States. European General is Swiss owned and is operating under a Foreign Funds Control license.

The facts set forth herein were obtained by a Treasury representative who retraced the steps by which certain basic information with respect to this plant found its way into the files of European General. This case is not exceptional. It typifies the manner in which strategic plant information is now being handled by insurance and reinsurance companies.

I. Assembling Information

1. The regional representative of Fidelity, on a request for coverage, made a preliminary examination of the plans and site for a munitions plant and reported to the home office. Fidelity conferred in New York with an officer of the munitions plant and Fidelity insured the munitions plant (Exhibit 1).

2. Fidelity stationed a safety engineer at the munitions plant who observed and reported the progress in the development of the munitions plant (Exhibit 2).

3. The resident safety engineer was instructed by means of a full and comprehensive directive from the home office to render weekly reports (Exhibit 3).

The resident safety engineer's reports, which were sent to the home office, gave a complete picture of the operation of the munitions plant. Copies of the reports were also sent to the regional office (Exhibit 4).
4. The regional office sent a regional engineer to make periodic visits to the munitions plant and to consult with the resident safety engineer.

The regional engineer also prepared and sent reports to the home office of Fidelity (Exhibit 5).

5. The home office sent engineers to the munitions plant who likewise made reports for the home office.

6. From August 20, 1941, to August 27, 1942, sixteen inspection trips were made by engineers from the regional office and the home office (Exhibit 5).

Reports of these visits were prepared and sent to the home office (Exhibit 7).

7. The underwriting department of Fidelity referred the reports of the engineering department to Fidelity’s laboratory for research advice and counsel in connection with certain physical and chemical conditions peculiar to the munitions plant. This required the submission of the engineering reports and additional technical data to the laboratory (Exhibits 8 and 9).

8. Fidelity conferred with a reinsurer, in this case European General (Exhibit 10).

9. Fidelity consolidated into a single report the detailed information in its files concerning the munitions plant and presented such report to European General (Exhibit 11).

10. European General delivered copies of this report to the other five member reinsurers in the munitions pool (American Re-Insurance Company, Employers Reinsurance Corporation, Excess Insurance Company of America, Excess Underwriters Corporation, and General Reinsurance Corporation) for their consideration (Exhibit 12).

11. European General advised Fidelity that reinsurance had been effected (Exhibit 13).
12. Fidelity sent European General the "Daily Reports" which describe the details of the munitions plant which are covered by individual policies. An example of this type of "Daily Report" is represented by the Workmen's Compensation and Employers' Liability Policy (Exhibit 14).

13. European General sent copies of the "Daily Reports" to the other member companies of the munitions pool (Exhibit 15).

II. Handling Information

1. Fidelity, which insures about 2,000 defense projects throughout the country, keeps the various reports received with respect to such projects in conventional steel file cabinets, some of which are capable of being locked and some of which are not capable of being locked.

These filing cabinets are kept in the offices of the underwriting department, laboratory, and the general underwriting offices and are easily accessible to employees and building service workers.

The reports contained in these cabinets include: reports submitted by the resident safety engineers, the regional engineers, the visiting engineers from the home office; the reports from the laboratory and memoranda submitted by the underwriting department and engineering department; and copies of all reports prepared for the reinsurer.

The Treasury representative reported these facts after a personal survey of the premises of Fidelity.

2. European General keeps the various reports received by it with respect to munitions plants in conventional steel filing cabinets, some of which are capable of being locked and some of which are not capable of being locked.

These filing cabinets are on the open floor of the office of the European General, easily accessible to all
employees of the reinsurer and all service employees in
the normal course of their employment.

The reports contained in these cabinets include
the reports concerning this munitions plant and similar
reports covering all other munitions plants reinsured
by the munitions pool or offered for reinsurance to the
munitions pool.

The Treasury representative reported these facts
after a personal survey of the premises of European
General.

3. Fidelity and the five members of the munitions pool, all
of which have the information contained herein with respect
to this munitions plant, are tenants in large office buildings
in the downtown financial area of New York City.

These companies have many employees. Janitorial
and other service employees are provided by the building
management. After office hours access may be gained to
these buildings by signing a building register (Exhibit 16).

4. The files of European General are now guarded on 24-hour
basis by Treasury guards.
EXHIBITS
EXHIBITS

NOTE: Among the following exhibits are included photostatic copies of documents in the files of insurance and reinsurance companies. In view of the strategic information contained in some of these documents, the Treasury Department blocked out the name of the munitions plant, references indicating its location, and other data which might identify the plant or disclose the actual processes employed.

Exhibit 1  Excerpt from Conference Memorandum Between Fidelity and Representatives of the Munitions Pool, August 5, 1941.

Exhibit 2  Excerpt from Letter of August 22, 1941, from Fidelity to War Department.

Exhibit 3  Excerpt from Letter of November 7, 1941, from Fidelity to Resident Safety Engineer.

Exhibit 4  Excerpt from Weekly Report by Resident Safety Engineer, November 8, 1941.

Exhibit 5  Excerpt from a Report by Regional Engineer of Fidelity.

Exhibit 6  Dates of Visits to Munitions Plant by Representatives of the Regional and Home Offices of Fidelity.

Exhibit 7  Excerpt from a Report on Munitions Plant by Representatives of the Home Office of Fidelity.

Exhibit 8  Excerpt from Memorandum of Request for Information by Engineering Department of Fidelity to its Laboratory.

Exhibit 9  Letter of October 7, 1941, from Fidelity to Engineering Department of Munitions Plant.

Exhibit 10 Excerpt from Conference Memorandum Between Fidelity and European General, September 27, 1941.
**EXHIBITS - Page 2**

**Exhibit 11**  Letter from Fidelity to European General
Enclosing Comprehensive Report Describing
Details of Munitions Plant, November 13,
1941.

**Exhibit 12**  Excerpt from Transcript of Record of Con-
ference Between Treasury Representative and
Officer of European General.

**Exhibit 13**  Letter from Fidelity to European General,
December 30, 1941.

**Exhibit 14**  "Daily Report": Standard of Workmen's
Compensation and Employers' Liability
Policy.

**Exhibit 15**  Letter from European General to Employers
Reinsurance Corporation (Member of Munitions
Pool), January 6, 1942.

**Exhibit 16**  Names and Addresses of Members of Munitions
Pool.
EXHIBIT 1

The following is an excerpt from an office memorandum prepared on August 5, 1941, setting forth the topics discussed at a conference at the home office between the direct writer, represented by two of its regional representatives, and two officers from the home office, and an officer of the munitions plant.

"A. The prospective plans for building the plant.

B. Medical facilities for handling accidents.

C. The names of the people in directive capacities on various stages of the project, including those representing the War Department, the contractors, etc."
EXHIBIT 2

The following is an excerpt from a letter dated August 22, 1941, written by the direct writer to the War Department:

"We have assigned a safety Engineer whose headquarters will be at --- (City near the plant) to service this project. He is to work under the supervision of ---, Supervising Engineer (Regional Office) who will periodically visit the project ---. We understand satisfactory arrangements have been made to service this risk from the safety standpoint."
The following is an excerpt from a letter dated November 7, 1941, sent by the home office of the direct writer to the resident safety engineer, defining the scope of the report to be prepared by the resident safety engineer:

"1. Assured's work now underway.
This should contain brief comments upon the various units or type of work under construction at the time, the work finished, and approximation in percentage of the entire work completed up to the time the report is submitted.

"2. General Remarks.
Comment upon various types and number of equipment, care and maintenance of tools, storage of materials, housekeeping conditions, ladders, scaffolding, etc. The approximate number of employees working up to the time the report is submitted.

"3. Accidents.
First Aid and Safety operations, brief resume of injuries, steps to avoid recurrence, etc.

"The incorporation of this type of information in the weekly reports will give us a better picture of the risk as a whole and help our Underwriting Department as well as ourselves in the proper evaluation of the hazards, methods of control and the cooperation we can anticipate to assist us in conducting this work to a successful conclusion."
EXHIBIT 4

The following is an excerpt from a weekly report dated November 8, 1941, and prepared by the resident safety engineer:

"Timber crew started Thursday of past week opening up new road-ways and will continue same until completed. There will be about 10 more miles of this --- All buildings mentioned in last report are practically at a stand-still for lack of rafter material. Same is due in the first of this next week ---- We are working on and stressing the use of Safety Shoes --- The personnel started moving in Friday 11/7 and will be moved in by the first of the week --- Gas Line job is one-third completed and should be completed within next 2 weeks to Administration building and Cafeteria."
EXHIBIT 5

The following is an excerpt from a report numbering four pages prepared by the regional engineer describing the results of his visit to the munitions plant on August 27, 1942:

"At the present time --- guards are employed and all watch towers are manned 24 hours per day in --- hour shifts. In addition, the road just inside the non-climbable fence is patrolled constantly by automobile which is equipped with a 2-way radio. For approximately --- feet outside the non-climbable fence, all trees, obstructions, etc., have been cleared in order that each guard in a watch tower can see back into that area. Also, each telephone pole surrounding this area is equipped with a very strong electric light, making it practically as light as day. Approximately 2 weeks ago a trial blackout was conducted with satisfactory results."
EXHIBIT 6

The dates on which visits were made by the engineers from the regional office and the engineers and chemists from the home office are set forth below:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 20, 1941</td>
<td>Home Office Engineer</td>
</tr>
<tr>
<td>September 2, 1941</td>
<td>Regional Office Engineer</td>
</tr>
<tr>
<td>September 8, 1941</td>
<td>Regional Office Engineer</td>
</tr>
<tr>
<td>September 9, 1941</td>
<td>Regional Office Engineer</td>
</tr>
<tr>
<td>September 12, 1941</td>
<td>Home Office Engineer</td>
</tr>
<tr>
<td>October 23, 1941</td>
<td>Home Office Engineer and Chemist</td>
</tr>
<tr>
<td>March 11, 1942</td>
<td>Home Office Chemist and Regional Engineer</td>
</tr>
<tr>
<td>April 13, 1942</td>
<td>Regional Engineer</td>
</tr>
<tr>
<td>April 14, 1942</td>
<td>Regional Engineer</td>
</tr>
<tr>
<td>April 22, 1942</td>
<td>Regional Engineer</td>
</tr>
<tr>
<td>April 24, 1942</td>
<td>Regional Engineer</td>
</tr>
<tr>
<td>April 25, 1942</td>
<td>Regional Engineer</td>
</tr>
<tr>
<td>May 5, 1942</td>
<td>Regional Engineer</td>
</tr>
<tr>
<td>May 6, 1942</td>
<td>Regional Engineer</td>
</tr>
<tr>
<td>July 14, 1942</td>
<td>Regional Engineer</td>
</tr>
<tr>
<td>August 27, 1942</td>
<td>Regional Engineer</td>
</tr>
</tbody>
</table>
EXHIBIT 7

The following is one recommendation contained in an eight-page report prepared by the home office chemist and regional engineer covering their visit on March 11, 1942, to the munitions plant:

"Gas Masks for use wherever ----- Oxide is, or may be, present, must (underlining copied from report) be Type ----- otherwise known as ----- and it must state on the cannister label that it is approved for use in Oxides of -----."  

This report discussed, in addition, such matters as competence of certain personnel, details on accident hazards, and the various processes used, the medical facilities, etc.
EXHIBIT 8

The following excerpt from a memorandum dated August 22, from the engineering department to the laboratory discloses the type of request which the engineering department makes to the laboratory:

"Since talking to you over the phone concerning the --- plant ---, we have been informed by our underwriting department that coverage is to be provided for the construction and operation.

"In accordance with our conversation, we would appreciate any information that you can develop concerning the hazards in connection with the operation of such a plant. We are, as I advised you, conducting some research on this subject."

Regraded Unclassified
Report of Mr. Barber, dated October 4, 1941, states:

"Greatest exposure would appear to be in the picric acid plant of which there are six located about 200 feet apart. A crew of about 30 employees is required for the operation of each of these plants."

On reviewing a memorandum (undated) of two engineers to Mr. Pitre, reporting data obtained from Mr. White of the Defense Corporation and Mr. Smith of the Lamco Company on September 14th and August 20th respectively, I note it states (page 5, paragraph 2, last sentence)

"It is, therefore, apparent that the explosive hazard in the acid plant is not as severe as the operation in the drying house."

Which one of these two statements is correct? How many men are estimated to be required to operate the dryer building and how many such buildings are there?

What are the likely causes of explosions in the acid plant and in the dryer room?

What is the estimated maximum number of men subject to accident in the storage and withdrawal and guarding of magazines?

I would like six copies of each of your reports when you retype to clear up discrepancy.

H. K. REMINGTON
Secretary
The following is an excerpt from an office memorandum of Fidelity reporting on a conference held September 27, 1941, attended by an officer of Fidelity and two officers of European General:

"In order to make an intelligent presentation, (to reinsurer) we will require a blueprint layout of the buildings and the use to which each is to be put. This blueprint should be drawn to a definite scale so that we can determine the distance between buildings and the greatest exposure in any one building or group of buildings, i.e., how many men would likely be killed as the result of a single explosion and what are the possibilities of one explosion causing others and, in the event of which, how many other employees would likely lose their lives as a result thereof. In other words, our reinsurers want to know what the possibilities are of catastrophe and the possible cost of such a catastrophe should it occur.

"They (Reinsurer) would also like to know something about the dangers of --- acid and the likelihood of explosion in the manufacturing operation.

"Mr. R (an officer of the direct writer) has asked for the foregoing information from the Engineering Department in so far as this memorandum refers to that department and as soon as it is received, he is to confer with the writer."
November 15, 1941.

Mr. E. Brandle, Asst. U. S. Manager,
European General Reinsurance Co., Ltd.,
99 John Street,
New York City.

Dear Mr. Brandle:

DEFENSE CORPORATION

The Defense Corporation, a wholly owned subsidiary of the Natural Gas Corporation, entered into a contract for the construction and operation of an acid plant four miles northwest of City, the nearest town to which is known as City. The construction work began last August and was reinsured in the Workmen's Compensation Reinsurance Bureau because we did not require reinsurance of the manufacturing of acid until the plant was completed. It was estimated that it would be ten months before the plant was completed.

We are now making a facultative submission to the North American Casualty and Surety Reinsurance Corporation to find out whether or not you will take over the reinsurance of this risk because when they begin to operate the plant, the product is a high explosive, which, as you know, is a risk excluded under the Articles of Agreement of the Workmen's Compensation Reinsurance Bureau. If and when you advise us that you are willing to assume this risk, we will immediately notify the Ordinance Department of the War Department of our proposal to change reinsurers, and as soon as we receive their consent, we will serve notice on the Workmen's Compensation Reinsurance Bureau to terminate our present reinsurance and place such reinsurance risk with you on the excess of $189,000 basis and at a 25% of the premium rate.
Mr. E. Brandli

November 15, 1961

facts concerning this risk necessary to give it underwriting con-
sideration.

Yours very truly,

[Signature]

H. K. Remington
Secretary

HCR: NO
Attachment
The following is a review of all data secured in conversations with those responsible for completion of this job, examination of plans, and reports from our inspector on the job.

1. Name of risk: 1. Defense Corporation;
   2. The Company;
   3. All Sub-Contracts on Cost-plus-a-fixed fee in connection with the Ordnance Works at .

2. Location: The plant is located miles northwest from , and miles southwest of the Village of , population , which is the nearest center of population.

3. Effective date of coverage: August 4, 1941.

4. General description of the plant property: The reservation consists of acres of rolling and wooded land. The administration area, including the parking space, is of approximately acres. The Pierce Plant area of approximately acres is located feet from the administration area and feet further away are located the igloos for storage which occupy an area of acres.

5. Protection of property: The entire operating area is enclosed within a patrolled road over which will operate patrol cars equipped with two-way radio sets; the entire reservation is enclosed with three-strand barbed wire. The administration and parking area, water tower, boiler house and sub-station, cooling tower and acid plant, laboratory, acid plant, igloo area, are each separately enclosed by industrial fencing.
7. Finished Product

The finished product is to be used in the loading of source planning shells. The capacity of the plant is to be pounds per day.

8. New Materials

New materials delivered to the plant are:

<table>
<thead>
<tr>
<th>Material</th>
<th>Storage</th>
<th>Units per Unit</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acid</td>
<td>2</td>
<td>gal. capacity</td>
<td>2,000</td>
</tr>
<tr>
<td>Water</td>
<td>2</td>
<td>gal. capacity</td>
<td>2,000</td>
</tr>
</tbody>
</table>

Molten acid is prepared in a series of processes consisting principally of the production of synthetic acid, concentration of this acid and recovery, as follows:

1. Production of synthetic acid.
2. Concentration of acid.
3. Recovery of and concentration of acid used in the process.
4. Mixing of acid and strong acid, which mixture is used in the acid plant.

The foregoing steps are carried out in separate buildings and partially in the open.

9. Process - Acid

Acid of strength is produced from gas under pressure of the p.s.i. gauge is mixed with pre-heated air. The air mixture is converted to oxides of acid by passing through gas, subsequent cooling and condensation and final absorption of the oxides in water results in acid of strength units of capacity produce the required output.
The equipment used in this process is as follows:

Air Compressor
Mixer Filter
Burner - Pre-heater with waste heat boiler
Absorption System (Tank Type)
Bleacher
Make up water pump
Control Instruments

10. Process - Concentration Plant

This function is the concentration of the acid to a
strength of .

The most acid is mixed with acid and boiled
in steam jacketed retorts, arranged in cascade. There are
of these units, each with a rated daily capacity of tons.
only , with as a spare, will be in operation normally.

The acid used in the foregoing is recovered and re-used.

11. Process - Acid Mixing Plant

In the acid mixing plant the acid and acid is
mixed and transferred to the storage tanks in the plant.

12. Process - Acid Plant

and sulfuric acid are mixed together under heating and
subsequent cooling. This part of the process is called
and takes place in a glass lined vessel under agitation.

The next step is of the acid and is
Carried out in another glass lined vessel. A mixture of acid is gradually added to the while the
mixture is heated and agitation. Under subsequent cooling, the acid is precipitated. The acid is further washed and
purified in a filtering process which separates the acid from the acid.

The acid is then transferred in means of trough and used
shovel into another vessel, where the so-called
place. This is accomplished by introducing strong
into the acid, the source of , being partly from make-up
partly mother liquor (recovered from filtration of the ). In this stage of the process, is formed.

By heating under strict temperature control and subsequent cooling,
crystalline out of the solution and is trans-
ferred in suspension to the filter. At this filter, the
is recovered and some moisture is removed. The
then reserved from this stage of the process, contains about % of
moisture.
10. **Dry House Safety Features**

The drying houses are located approximately 100 feet apart and about 100 feet from the acid plant. Drying and peeling of the tin is accomplished here. There are 10 dry houses, with 4 units operated in each.

Dry tin screens and vibrating screens are made of metal.

Preheating of the air blown through the dry tin will be controlled to prevent excessive temperatures.

The filter cloth for the suction of the dust hazard is specified as follows: "Edward Felt & Co., 100 thread per square inch, 20 gauge per 1 sq. ft. both warp and weft. The dry houses will be washed down with water a week to remove any accumulated dust.

The grading screens are equipped with a dust draft vacuum system which draws off the dust to a water tray.

16. **Personal Hygiene**

There are ample provisions for washrooms and locker rooms. Each man is provided with separate lockers for street clothes and working clothes; every day the workers are provided with clean working clothes and all are instructed to take a shower bath before putting on street clothes and to wash themselves thoroughly before partaking of any food. Complete hospital facilities are provided for on the premises.

On the premises, but approximately 200 feet distant from the nearest acid plant, are the Administration Building, Cafeteria, Hospital, Laundry, Garage and Machine Shop. Parking lot is also located at this distance.

17. **Exposure**

The greatest exposure in terms of employees would appear to be in the acid plant, where the men will be employed on each shift. The materials in process, however, are at all times in a wet state and the explosion hazard is not as great as in the dry houses, where the first exposure is in a dry state; however, the personnel of each dry house will consist of only one of the day shifts and only at night, as the dry houses will not be operated at night if it can be avoided.
Tracking of the product to the igloos will be performed by ten trucks each with a crew of men.

The guards patrol the property at a distance of feet.

II. Laboratory Comment

The report of our Laboratory of Industrial Hygiene is summarized briefly as follows:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Hazard</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acid Mix</td>
<td>Oxide of</td>
<td>Availability of Type H. All Service Gas Vests.</td>
</tr>
<tr>
<td>Concentration of</td>
<td>Acid Burns</td>
<td>Acid proof clothing &amp; goggles; availability of immersion baths or treadmill showers.</td>
</tr>
<tr>
<td>Acid</td>
<td>Eye Injuries</td>
<td></td>
</tr>
<tr>
<td>Acid Mixing</td>
<td>Same as above</td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>Fire - generation of Oxide</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Systemic Poisoning - Dermatitis</td>
<td>Removal from contact of susceptible persons; correct ventilating and confining practices.</td>
</tr>
</tbody>
</table>

19. The plans and specifications are still in a state of flux, particularly with regard to the distances between buildings and processes. The distances noted are absolute minimums; any changes made, either with respect to these distances or other features, will be in the interest of greater safety.

The plans must meet with the approval of the U. S. Government engineers with respect to safety. The expense of additional safety features and precautionary measures is of no moment to the assured and it is certain that our recommendations will receive prompt attention.

The chemical processing equipment has been designed and will be constructed by the Chemical Construction Company.

Progress has been slow on this job. Much of the grading has been done; railroad construction is well under way and they will shortly complete construction of the Administration Building.
EXHIBIT 12

When the Treasury representative asked an official of the reinsurer how the report (Exhibit 11) was sent to the other member companies of the munitions pool, he stated:

"They were delivered by messenger within a day after our receipt of the report from Fidelity; besides we had already been discussing the case with them."
December 30, 1941

Mr. T. L. Haff, President
North American Casualty and Surety
Reinsurance Corporation
99 John Street
New York City

Dear Mr. Haff:

Contract - W-ORD-525

Insured: (1) Corp.,
    (2) The Company, C.P.F.F. Contractor
    with U. S. A. and others.
Policies: Workmen's Compensation C-6758896
        Comprehensive Bodily Injury other than
        Automobile XP-6517, Comprehensive Auto-
        mobile Bodily Injury and Property Damage
        SA-10080. Policy Period 8/4/41 to 8/4/43

Referring to our submission of the above risk to Mr. Brandli,
under date of November 13, 1941, and your subsequent verbal advice
that the risk was acceptable for reinsurance of Automobile Liability,
Public Liability and Workmen's Compensation insurance on the excess of
$100,000 up to an excess of $1,000,000 at the 2% rate, we now transmit
copies of our daily reports for completion of your records.

We are pleased to advise that we now have a letter from the War
Department, Office of the Chief of Ordnance, dated December 24, 1941,
stating that the North American Casualty and Surety Reinsurance Corpora-
tion is approved as our reinsurer.

Will you accept this risk as of December 9, 1941, the date we
advised the War Department you were to replace the Workmen's Compensation
Reinsurance Bureau?

Yours very truly,

[Signature]

H. H. Remmert
Secretary

Regraded Unclassified
EXHIBIT 14

Exhibit 14 (Workmen's Compensation and Employers' Liability Policy) delineates the details of the munitions plant for purposes of classifying the categories of personnel covered by the Workmen's Compensation Insurance Policy. This type of policy is rewritten periodically consistent with the progress in the development and changes in the plant. Similar types of "reports" are prepared and revised periodically with respect to other types of policies covering the munitions plant (such as Automobile Liability, Comprehensive Public Liability, etc.).
STANDARD WORKERS UNION CORPORATION AND EMPLOYEES LIABILITY POLICY

No. C. 6756696

(1) Defense Corporation (2) The

Company, C.P.P., Contractors with

U.S.A. and others as described in endorsement #1

(1) H & G Plywood Mfg., Shreveport, La. (2) 420 Lexington Ave., N.Y.C.

1. Name of this Employer and Ocupation Disease Form L1613A

Per Schedules "A" and "B" attached

Per Occupational Disease Form L1613A

2. The period during which this Policy shall remain in force, unless cancelled as in the Policy provided, this Employer agrees that this address may be considered as both the residence and business address of this Employer or any representative upon whom notice may be served.

Individual, co-partnership, corporation or estate.

Corporations and others

3. Location of all factories, shops, yards, buildings, premises or other work places of this Employer, by Town or City with Street and Number.


4. All business operations, including the operative management and the superintendence thereof, conducted at or from the locations and premises defined above as declared in each instance by a disclosure of estimated remuneration of employers under such of the following Divisions as are undertaken by this Employer.

I. All industrial operations upon the premises.

II. All office forces.

III. All repairs or alterations to premises.

IV. Operations not on premises.

---

CLASSIFICATION OF OPERATIONS

<table>
<thead>
<tr>
<th>Description</th>
<th>Classification</th>
<th>Estimated Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>As per Schedules &quot;A&quot; and &quot;B&quot; attached</td>
<td>126,432.40</td>
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</tr>
<tr>
<td>As per Occupational Disease Form L1613A</td>
<td>281.60</td>
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</table>

5. Clinical Office Employees

6. New construction work by employees of this Employer only, classified as

---

Deposit Prem. $19,007.10

Minimum Premium for this Policy shall be $ 385.00

Estimated Advance Premium $ 120,714.00

---

6. This Employer is conducting no other business operations at this or any other location not herein disclosed—except

No Exceptions

---

No similar insurance has been cancelled by any insurance carrier during the past year—except as herein stated.

No Exceptions

---

Branch Office

Usage 22

J.R. Querbes

COUNTERSIGNED BY

(UNKNOWN)

[Signature]

Regraded Unclassified
<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Estimated Dwelling Value</th>
<th>Rate OR %</th>
<th>Total Premium</th>
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</table>

**Estimated Advance Premium:** $126,432.40

**Deposit Premium:** $18,964.86
In consideration of the premium rates stated in this endorsement, it is agreed that the insurance provided under Paragraph One (b) of this policy is extended to indemnify this employer against loss by reason of the liability imposed upon him by law for damages or accounts of occupational disease suffered by any of such employees arising out of a business operation of this employer covered by said policy and resulting in occupational incapacity necessitating cessation of work during the policy period, including death at any time resulting therefrom, anything in the policy to the contrary notwithstanding and subject to the limits of liability hereinafter stated.

With respect to the extension of coverage provided by this endorsement, the word "accident" and the word "injury" wherever used in said policy, shall mean occupational disease as hereinafter defined.

With respect to the extension of coverage provided by this endorsement, the Company's liability shall be limited to $50,000 on account of occupational disease as hereinafter defined suffered by any one employee, and subject to each limit with respect to each such employee, to $100,000 as account of all such occupational disease suffered during the policy period.

The provision of said policy respecting premiums applies separately and in the same manner to the premiums for this endorsement.

All terms, conditions, limitations and exclusions expressed in said policy, so far as they are not inconsistent with the expressed obligations undertaken by this endorsement, are applicable hereto.

<table>
<thead>
<tr>
<th>Classification of Operations</th>
<th>Estimated Total Annual Remuneration</th>
<th>% for $100 of Remuneration</th>
<th>Estimated Premium</th>
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<td>.020</td>
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<tr>
<td>Reassort Premium</td>
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</tr>
</tbody>
</table>
Machine Shops N.O.C.--(Foundry Operations to be separately rated)

Carpentry N.O.C.

Plumbing N.O.C.-gas, steam, hot water or other pipe fitting—including house connections; shop operation; drivers, chaufferus and their helpers.—(Automatic sprinkler installation to be separately rated)

Boiler Installation or Repair—Steam—including construction or repair of foundations.

Electrical Wiring—within buildings—including installation or repair of fixtures or appliances; Drivers, Chauffeurs and their Helpers.—(Installation of electrical machinery or auxiliary apparatus to be separately rated.)

Masonry N.O.C.

Welding or Cutting—oxy-acetylene—shop or outside including incidental machining operations connected therewith; Drivers, Chauffeurs and their Helpers—N.P.C., excepting that welding or cutting in connection with demolition, wrecking or construction operations shall be assigned to the classification describing the operations with which such welding or cutting is connected.
H-5083
Welding or Cutting-electric-shop or outside-
including incidental machining operations connected
therewith; Drivers, Chauffeurs and their Helpers.
(M.P.D. excepting that welding or cutting in connec-
tion with demolition, wrecking or construction
operations shall be assigned to the classification
describing the operations with which such welding
or cutting is connected.

I-5040
Iron or Steel Erection—erecting iron or steel frame
structures.

J-5474
Painting, Decorating or Paper Hanging, N.O.C.
including shop operations; Drivers, Chauffeurs and
their Helpers.-(Painting ship hulls, steel struc-
tures or bridges to be separately rated.)

L-8217
Excavation N.O.C—including borrowing, filling or
back-filling; Drivers, Chauffeurs and their Helpers.
(Mass rock excavation, grading or excavation in
connection with street or road construction, pile
driving, shaft sinking, caisson or cofferdam work
to be separately rated.)

L-5508
Street or Road Construction or Reconstruction,
Paving or Repaving, Surfacing or Resurfacing or
scraping—all kinds—including Drivers, Chauffeurs
and their Helpers.-(Clearing of right of way; earth
or rock excavation; filling or grading; tunneling;
bride or culvert building; Quarrying; stone crushing
to be separately rated.)

- continued -

On account of the foregoing, the additional premium is $_____, the return premium is $_____.

This endorsement, when countersigned by a duly authorized agent of the Company, is effective from 12-1-11
(hour and minute)

12 noon A.M. standard time, of the 4th day of August, 1941, but it shall not be applicable to
any part of the term of the policy prior to the said effective time. It forms a part of the policy described
below, but it shall not be binding upon the Company unless so countersigned; nor shall anything contained herein be held to waive, alter, change, or
extend any of the conditions, limits, provisions, agreements, statements, or declarations of the policy, except as specifically stated.

Kind of Policy: Workmen's Compensation
No. C675896

Issued to: Defense Corporation, et al

For term from: August 4th, 1941 to August 4th, 1943

COUNTERSIGNED BY

[Signature]

President

[Signature]

Agent or Broker
M-5507 Street or Road Construction—clearing of right of way; earth excavation; filling or grading—excluding Drivers, Chauffeurs and their Helpers.—(Road excavation; tunneling; bridge or culvert building where clearance is more than 10 feet at any point or the entire distance between terminal abutments exceeds 20 feet; quarrying; stone crushing to be separately rated.)

N-6400 Fence Construction—Metal

O-6306 Sewer Construction—all operations—including tunneling at street crossings when not performed under air pressure; Drivers, Chauffeurs and their Helpers.—(All other tunneling to be separately rated.)

P-6319 Water Mains or Connections Construction—including tunneling at street crossings when not performed under air pressure; Drivers, Chauffeurs and their Helpers; N.P.D. with 7520 "Water Works Operation." (All other tunneling to be separately rated.)

Q-8810 Clerical Office Employees N.O.C.

R-5213 Concrete Construction N.O.C.—including foundations, or the making, setting up or taking down forms, scaffold, false work or concrete distributing apparatus—N.P.D. with 5803 "Concrete Construction—monolithic bridges or culverts;" 5216—"Concrete continued

On account of the foregoing, the additional premium is $_____________, the return premium is $_____________.

This endorsement, when countersigned by a duly authorized agent of the Company, is effective from ___:___

(hour and minute)

clock A.M. standard time, of the ___ day of August, 1941, but it shall not be applicable to any part of the term of the policy prior to the said effective time. It forms a part of the policy described below, but it shall not extend any of the conditions, limits, provisions, agreements, statements, or declarations of the policy, except as specifically stated.

Kind of Policy: Workman's Compensation

Issued to Defense Corporation, et al. of N.Y. & N.Y.

For term from August 4th, 1941 to August 4th, 1943.

COUNTERSIGNED BY

(generally authorized agent or manager)

AGENT OR BROKER

(state)

Regraded Unclassified
Construction in connection with Bridges or Culverts or 5506 or 5507 "Street or Road Construction." (Excavation; pile driving; all work in sewers, tunnels, subways, caissons or coffer-dams to be separately rated.)

S-5724 Electrical Apparatus Installation or Repair-including Drivers, Chauffeurs and their Helpers. (Erection of Poles, stringing of wires, installation of service transformers on poles or on the outside of buildings, or the making of service connection to be separately rated.)

T-6217 Grading of Land N.O.C.-including borrowing, filling or back-filling; Drivers, Chauffeurs and their Helpers. (Mass rock excavation, grading or excavation in connection with street or road construction, pile driving, shaft sinking, caisson or coffer-dam work to be separately rated.)

U-5551 Roofing—all kinds—including yard employees; Drivers, Chauffeurs and their Helpers.

V-4773 High Explosives Mfg. — including Drivers, Chauffeurs and their Helpers.

W-5216 Concrete Construction in connection with bridges or culverts—not monolithic—where clearance is more than 10 feet at any point or entire distance between terminal abutments exceeds 20 feet—including making, setting up, or taking down forms, scaffolds, false work or concrete distributing apparatus. (Excavation; pile driving; all work in tunnels, subways, caissons or coffer-dams to be separately rated.)

- continued -

On account of the foregoing, the additional premium is $_______. The return premium is $_______.

This endorsement, when countersigned by a duly authorized agent of the Company, is effective from 12:01 A.M. standard time, of the 4th day of August, 1941, but it shall not be applicable to any part of the term of the policy prior to the said effective time. It forms a part of the policy described below, but it shall not be binding upon the Company unless so countersigned or shall anything contained herein be held to vary, alter, change, or extend any of the conditions, limits, premiums, agreements, statements, or declarations of the policy, except as specifically stated.

Kind of Policy: Workmen's Compensation

No. C-6258886

Issued to: Defense Corporation, et al of N.Y. & L.

For term from: August 4th, 1941 to August 4th, 1941

[Signature]

[Seal]

Regraded Unclassified
X-7601
Telephone, Telegraph or Fire Alarm Line Construction including Drivers, Chauffeurs and their Helpers-N.P.D. with 7600 "Telephone or Telegraph Companies"

Y-6701
Railroad Construction: All Operations—including Drivers, Chauffeurs and their Helpers.—(Bridge building; tunneling, laying or relaying of tracks, or construction of elevated railroads to be separately rated.)

Z-7855
Laying or relaying of Tracks—no work on elevated railroads—including Drivers, Chauffeurs and their helpers.
The Fidelity and Casualty Company of New York

ENDORSEMENT FORM

ARKANSAS WORKMEN'S COMPENSATION ENDORSEMENT

For Attachment to

STANDARD WORKMEN'S COMPENSATION AND EMPLOYEES' LIABILITY POLICY

when insurance is afforded under the WORKMEN'S COMPENSATION ACT of Arkansas to complete the contract as provided in the Policy.

1. The obligations of Paragraph One (a) of the Policy apply to the Workmen's Compensation Law herein cited:
   Act 310 of the Acts of 1930, State of Arkansas, known and cited as the "Workmen's Compensation Law"
   and all laws amendatory thereof or supplementary thereto which are or may become effective during the Policy Period, hereinafter referred to as "this Act."

2. This endorsement shall not be canceled prior to the date specified in the Policy for its expiration until at least fifteen days have elapsed after a notice of cancellation has been sent to the Workmen's Compensation Commission and to this Employer.

3. Unless this Employer maintains satisfactory evidence from or on behalf of each subcontractor, who undertakes for this Employer any part of the business operations covered by the Policy under the conditions set forth in Section 6 of this Act, that valid and collectible insurance or security has been maintained, in accordance with the provisions of this Act, by such subcontractor, the remuneration of all employees of any such subcontractor, or if this Employer does not furnish record of such remuneration, the entire contract price of each subcontracted work, shall be included in the return of remuneration upon which premium is computed, and such remuneration or contract price shall in all respects be governed by the same terms, conditions and requirements of the Policy as the remuneration of the direct employees of this Employer.

4. If this Employer is a corporation, the entire remuneration of the President, any Vice President, Secretary, Treasurer and other executive officers elected or appointed in accordance with the charter and by-laws of such corporation shall be disclosed and premium shall be paid thereon, subject to a minimum individual remuneration of $50 per week, if the actual remuneration is greater than such amount, and to a maximum individual remuneration of $100 per week, if the actual remuneration is greater than such amount. The remuneration so determined of each executive officer shall be assigned without division to the classification which is applicable to the actual operations in which such executive officer is primarily engaged, provided the remuneration so determined of each executive officer who performs such duties as are ordinarily undertaken by a superintendent, foreman or worker, or whose duties include the due charge of the actual performance of any operations of this Employer, shall be assigned without division to the highest rated classification which is applicable to such duties undertaken by such executive officer for any part of his time.

5. If the Insurance Commissioner acting under the provisions of Section 36(c) of this Act, shall approve changes in rates applicable to this Policy, such changes shall become effective with respect to the Policy as of the effective date of such approval and such changes with the effective date thereof shall be stated in an endorsement issued to form a part of this Policy.

6. This Policy does not afford insurance under Paragraph One (b) with respect to occupational disease. The provisions of Paragraphs Two, Three and Four do not apply with respect to occupational disease for which no insurance is afforded under Paragraph One (b).

7. The limit of the Company's liability under Paragraph One (b) for all damages from one or more claims arising from each accident is $35,000.

C-6759996

L575, 5M 5 (4011892)

B. Mulrov

President

August 4th, 1941

Regraded Unclassified
This Agreement shall apply only to injuries and/or death of persons legally employed (1) arising out of and in the course of the employment described in the Declarations; and (2) not caused by the intent of the employee to injure himself or another nor due to his intoxication while on duty.

Settlement shall be made pursuant to this agreement only in case the injured employee or his legal representatives, as the case may be, shall be willing to accept the same and shall, in exchange therefor, execute and deliver to the Company a release discharging the employer from any and all legal liability on account of said accident and injury and/or death.

In case injury and/or death is caused under circumstances creating a legal liability for damages on the part of any person or persons other than the Employer, the Injured employee or his legal representatives, as the case may be, shall assign to the Company, by instrument duly executed, all his or their cause or causes of action against such other person or persons, and shall

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On account of the foregoing, the additional premium is $ , the return premium is $ .

This endorsement, when countersigned by a duly authorized agent of the Company, is effective from 1942.

O'donnell A. M. standard time, of the 4th day of August 1942, but it shall not be applicable to any part of the term of the policy prior to the said effective time. It becomes a part of the policy described below, but it shall not be binding upon the Company unless countersigned and shall not be valid until executed and delivered to the Company.

Kind of Policy: Workmen's Compensation

For Policy No. 1442456, Defense Corporation, et al., as of 1942.

Issued to: Defense Corporation, et al., as of 1942.

Amount: 19,884.22

By: A. W. Culver

President

[Signature]

[Signature]

[Signature]
On account of the foregoing, the additional premium is $0, the return premium is $0.

This endorsement, when countersigned by a duly authorized agent of the Company, is effective from 18101.

(name and address)

A M. standard time, of the 4th day of August, 1941, but it shall not be applicable to any part of the term of the policy prior to the said effective date. It forms a part of the policy described above, but it shall not be binding upon the Company unless so countersigned; nor shall anything contained herein be held to waive, alter, change, or extend any of the conditions, limits, provisions, agreements, statements, or declarations of the policy, except as specifically stated.

Kind of Policy: Workmen’s Compensation


For term from: August 4th to August 4th, 1945.

(Signed)

(address)

(Signed)
It is agreed that in addition to the Fixed Charges forming part of "Table 1, Table of Fixed Charges" included in the War Department Insurance Rating Plan Endorsement attached to this Policy, an additional fixed charge of 2% shall be applied against the Standard Premium referred to in the said Table 1 for the "Manufacturing" classification as respects policies C6758898 and XP6717. The fixed charge of 2% shall also apply to the said standard premium developed under the Automobile Policy SA-10080 in connection with Manufacturing Operations.

On account of the foregoing, the additional premium is $__________, the return premium is $__________.

This endorsement, when countersigned by a duly authorized agent of the Company, is effective from the 4th day of August, 1941. It is not applicable to any part of the written policy prior to the said effective date.

Kind of Policy: Workmen's Compensation

Issued to: Defense Corporation

For term from August 4th, 1941 to August 4th, 1942.

C. C. Culver

Regraded Unclassified
January 6, 1942

Mr. D. St.C. Moorhead, Vice-President
Employers Reinsurance Corporation
107 William Street
New York

Dear Mr. Moorhead:

Bus: Munitions Pool Defense Corporation

Enclosed we are sending you copy of a set of papers referring to the above risk, together with copy of a letter written by Mr Remington, dated January 5th, setting forth the estimated premium for the term of the policy. The reinsurance with the members of the Munitions Pool is effective as of 9th December 1941.

As the form of Reinsurance Certificate between the Reinsurers has not yet been fully decided on, we should appreciate your written confirmation that you will hold us covered for your participation of 22½%.

Yours very truly,

Vice-President

EB F

Encs.
EXHIBIT 16

BUILDINGS IN WHICH THE INSURANCE COMPANIES ARE LOCATED

Fidelity has its home office at 80 Maiden Lane, New York City, and branch offices throughout the country. It employs approximately 2,300 people, of whom about 1,300 are located in New York City (80 Maiden Lane) and the balance in the various branches.

The addresses of the five participating reinsurance companies constituting the munitions pool are as follows:

American Re-Insurance Company------- 99 John St., N.Y.C.
Employers Reinsurance Corporation--- 107 William St., N.Y.C.
Excess Insurance Company of America- 99 John St., N.Y.C.
Excess Underwriters Corporation----- 90 John St., N.Y.C.
General Reinsurance Corporation----- 90 John St., N.Y.C.
Information received up to 7 A.M., 20th January, 1943.

1. NAVAL

Motor torpedo boats sank a ship and torpedomed a trawler off Dutch coast night 18th/19th. Two of H.M. Destroyers and a Greek destroyer sank the Italian Naval Vessel STROMBOLI carrying petrol north of LAMPEDOUA, 18th/19th. 10 prisoners taken. One of H.M. Submarines torpedomed a 7,000 ton ship northwest of MARITTIMO 17th. Another of H.M. Submarines sank a 2,000 ton ship off Tunisian coast, set on fire 2 caiques and damaged a 1,000 ton tanker between 9th and 11th.

2. MILITARY

LIBYA. 18th. Enemy continued withdrawing northwestwards up road BERNI ULID-TARHUNA. 4th Light Armoured Brigade drove out enemy rearguard from BERNI ULID during morning and were about 30 miles south of TARHUNA at 8 p.m. Leading Brigade of New Zealand Division crossed MISURATA-BERNI ULID road in early afternoon. Formations of Highland Division though delayed by bad going reached GARIBALDI in afternoon and were also moving on ZLITEN from the south.

TUNISIA. 18th. Enemy about one Battalion strong attacked towards BOU ARADA from Northeast simultaneously with advance by about 50 tanks from East. After losing about two companies of infantry and 8 tanks remained withdrew eastwards. In Central and Southern sectors the enemy have gained some ground southwest from PONT DU FAHS. Two railway bridges blown up near KASSERINE 17th and 18th. One already repaired. Allied troops still hold SENED Station between MARRASSY and GAFSA despite enemy pressure.

BURMA. 17th. ARAKAN FRONT. KMUUKTAU occupied against slight opposition. CHIN HILLS. YAZAGOYI occupied. No enemy met.

3. AIR OPERATIONS

WESTERN FRONT. 19th and 19th/20th. Fighters attacked railway rolling stock in Northern FRANCE.

FRENCH NORTH AFRICA. 17th/18th. Allied aircraft attacked enemy M.T. between TUNIS and SFAX and communications between HAMAMET and GROMBALIA.

LIBYA. 17th/18th and 18th. CASTEL BENITO airfield where 200 enemy aircraft had been seen was attacked by a total of 60 bombers. 13 large fires including an oil fire and 20 smaller ones were started. Fighter bombers made 8 effective attacks on enemy transport withdrawing through TARHUNA. No appreciable fighter opposition. On 17th and 18th/19th railway and road junctions at TRIPOLI were bombed and machine gunned. M.T. in this area was also successfully attacked.