SECRET

TREASURY DEPARTMENT

PROCUREMENT DIVISION

OFFICE OF THE DIRECTOR

WASHINGTON

January 25, 1943

MEMORANDUM TO THE SECRETARY:

Supplementing my report to you of January 18, 1943, the purchases against the North African Rehabilitation Program from January 18, 1943, to January 24, 1943, totaled $442,021.87, or a total of purchases for the program thus far of $9,966,626.36.

Attached is report giving status of shipping against these purchases.

The Committee, headed by Governor Lehman, and the Lend-Lease Administration have not as yet finalized requisitions for that requirement. These requisitions are now in a process of being prepared jointly with the Committee, Lend-Lease Administration, War Production Board, and Smaller War Plants Corporation. No purchases have as yet been made for this program.

Clifton E. Mack
Director of Procurement

FOR VICTORY BUY UNITED STATES DEFENSE BONDS AND STAMPS

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SHIPPING REPORT AS OF JANUARY 23, 1943

Commodity	Shipped To Date From U. S. A.	Under Load At Port	On Hand At NYC Waiting Vessels	En Route To Port
New & used clothing	923 Tons	417 Tons	254 Tons	192 Tons
Cotton piece goods	1750 "	712 "	790 "	1129 "
Shoes		34 "	186 "	
Refined sugar	4196.5 "			
Raw sugar	1545 "	87 "		
Powdered milk	119.5 "			
Tea	171.5 "			
Matches	188.75 "	177.75 "		
Copper sulphate	2488.5 Tons	1611.5 "		
Drugs	6.067 "			
Books & booklets	2 Tons			
Nails		100 "		
Lamp Chimneys			17 "	
Newsprint	8.5 "	286.5 "	44 "	
Printers ink	.045 "	.044 Tons		
Mach. finished book paper		2. Tons		
Cordage & twine	37.25 "	192.75 "	70 "	
Cotton thread	19 "	12 "	81 "	
Lactose	1 "	1 "		
Cotton hose		4 "	31 "	10 "
Nipples, nursing bottles &			1 "	
Eye Cups			1000 Each	
Phonograph records				.75 "
Tooth brushes				
Totals	11,456.612	3,637.544	1,474	1,331.75

SECRET

Regraded Unclassified

January 25, 1943.

Dear Mr. Stettinius:

On behalf of the Secretary I am acknowledging your letter of January 23, which transmitted for his personal attention a confidential copy of the report* on the status of the Soviet Aid Program as of December 31, 1942. This will be brought to Mr. Morgenthau's immediate attention as soon as he is back at his desk.

Sincerely yours,

(Signed) H. S. Klotz

nmc

H. S. Klotz,
Private Secretary.

Honorable E. R. Stettinius, Jr.,
Administrator, Office of Land-Lease Administration,
Five-Fifteen 22nd Street, N.W.,
Washington, D. C.

* Returned to Stettinius at his request, 8/24/43

File in Diary

GEF/dbs

Regraded Unclassified

SECRET
128

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

January 23, 1943

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

Dear Mr. Secretary,

Attached hereto is your personal and private copy of the report on the status of the Soviet Aid Program, as of December 31, 1942.

Sincerely yours,

E. R. Stettinius, Jr.

Attachment

Regraded Unclassified

Report on status of Soviet Aid Program
as of 12/31/42: Returned to Stettinius
at his request, 8/24/43

Regraded Unclassified

BRITISH AIR COMMISSION
1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE
REFERENCE NO.

With the compliments of British Air Commission who enclose Statement No. 69 - Aircraft Despatched - for week ended January 19, 1943.

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

January 25, 1943.

Regraded Unclassified

MOST SECRET

STATEMENT NO.69

Aircraft Despatched from the United States
Week Ended January 19th, 1943.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
CONSOLIDATED					
Catalina 1B	U.K.	Bermuda enroute		2	
Liberator GR V	U.K.	Canada enroute		3	
BREWSTER					
Bermuda	U.K.	U.K.	5		
DOUGLAS					
oston III A	U.K.	U.K.		3	
CURTISS					
Kittyhawk	Middle East	Port Sudan	5		
GLENN MARTIN					
Baltimore III A	Middle East	Middle East		14	
LOCKHEED					
Ventura	South Africa	South Africa		4	
NORTH AMERICA					
Mitchell II	Bahamas	Nassau		2	
Harvard	South Africa	Capetown	42		
Harvard	S' Rhodesia	Durban	24		
Harvard	India	Bombay	9		
VULTEE					
Vengeance	India	Bombay	3		
		Total	88	28	

Please note that 2 Waco Gliders reported in Statement No.68 week ended January 12 as being flight delivered to U.K. were actually delivered to Canada.

..itish Air Commission,
Movements Division,
January 23, 1943.

Regraded Unclassified

January 25, 1943

Dear Mr. Vice President:

In the Secretary's absence, I acknowledge receipt of your letter of January 19, 1943, enclosing copy of Order No. 5, signed by you, which clarifies the functions with regard to certain imported commodities together with copies of your letters to Secretary Jones and Secretary Hull.

Faithfully yours,

(Signed) D. W. BELL

Under Secretary of the Treasury

Honorable H. A. Wallace,
Chairman,
Board of Economic Warfare,
Washington, D. C.

DWB:NLE

1/27/43 Mailed from Mr. White's office (LS)

HDW

Regraded Unclassified

Treasury Department
Division of Monetary Research 133

Date Jan. 23, 1943 194

To: Mr. D. W. Bell

You may be interested in this development of the controversy between B.E.W. and Jones.

H.D.W.

(Please return to Miss Chauncey)

MR. WHITE
Branch 2058 - Room 214½

Regraded Unclassified

BOARD OF ECONOMIC WARFARE
WASHINGTON, D. C.

Office of the Chairman

January 19, 1943

The Honorable

The Secretary of the Treasury

Dear Secretary Morgenthau:

Since I appeared on December 8 before the Senate Banking and Currency Committee, Mr. Jeffers has placed the administration of our foreign rubber program in the hands of Rubber Reserve Company. As Chairman of the Board of Economic Warfare, I have today signed Order No. 5, which clarifies functions with regard to other imported commodities. A copy of this order is attached for your information along with copies of letters which I have written to Secretary Jones and Secretary Hull.

Sincerely yours,

H A Wallace

H. A. Wallace

Enclosures

Regraded Unclassified

Regraded Unclassified

ORDER NO. 5

Providing for Additional Delegations of Authority and Prescribing Procedures and Methods of Administration with Respect to Imported Materials Contracts

Pursuant to the authority conferred by Executive Order No. 8839 of July 30, 1941, as amended, and Executive Order No. 9128 of April 13, 1942, and in order to avoid duplication of functions and personnel and to increase efficiency of operations, the following procedures and methods are prescribed with respect to the procurement and production of imported commodities financed through the Defense Supplies Corporation, the Metals Reserve Company, the U. S. Commercial Company and the Defense Plant Corporation:

1. Effective February 25, 1943, and except as may thereafter be expressly provided by the Chairman of the Board, the negotiation, preparation, supervision, and administration both in the United States and abroad of all existing or future imported materials contracts (as defined in the published Rules and Regulations of the Board of Economic Warfare, effective April 20, 1942) financed by any of the above-named agencies, including development, preclusive operations and related activities, but not including the corporate execution of contracts, the disbursement of funds, the necessary accounting with respect to such disbursements, or the acceptance of delivery of commodities and materials, shall be carried on by the Office of Imports of the Board of Economic Warfare and through the foreign representatives of the Board assigned to such functions, under the direction of the Assistant Director in charge of said Office, subject to the general supervision and direction of the Chairman and Executive Director of the Board. All negotiations abroad shall be conducted in complete accordance with the provisions of the Clarification and Interpretation of Executive Order No. 9128 of April 13, 1942, in Respect of Certain Functions of the Department of State and the Board of Economic Warfare, issued by the President on May 20, 1942.

2. The above-named agencies shall continue to be responsible for and conduct the corporate execution of imported materials contracts, the disbursement of funds thereunder, the necessary accounting with respect to such disbursements, and the acceptance of delivery of commodities and materials, pursuant to directives from the Board of Economic Warfare, in accordance with the published Rules and Regulations of said Board.

3. Effective February 25, 1943, all correspondence and communications relating to such negotiation, preparation, supervision or administration of imported materials contracts shall, except as may be thereafter provided by the Chairman of the Board, be conducted by said Office of Imports or through said foreign representatives of the Board; and all such

correspondence and communications to and from persons or missions sent abroad by the Board or any agency named in this Order shall be conducted by said Office of Imports through the facilities of the Department of State and the diplomatic missions, unless other means are agreed upon with the Department of State, in complete accordance with the Clarification and Interpretation of Executive Order No. 9128, of April 13, 1942, in Respect of Certain Functions of the Department of State and the Board of Economic Warfare, issued by the President on May 20, 1942.

4. On or before February 10, 1943, the Executive Director of the Board, after consultation with the head of each of said agencies and the Director of the Bureau of the Budget, shall submit to the Civil Service Commission, pursuant to War Manpower Commission Directive No. 10, effective September 27, 1942, entitled "Directive with Respect to the Transfer and Release of Government Employees", a request for the transfer to the Board of Economic Warfare of such of the employees of such agencies as are engaged, entirely or primarily, in the negotiation, preparation, supervision or administration of imported materials contracts.

5. In order to avoid the possibility of delays or disruptions in foreign procurement and development activities, the Office of Imports, with the approval of the Chairman of the Board and the consent of the agency concerned, shall be authorized to utilize, under its administrative direction, any of the employees of any of the agencies named in this Order whose requested transfer pursuant to Section 4 of this Order has not been completed by February 25, 1943.

6. Nothing in this Order shall in any way modify or affect relations or arrangements heretofore existing between the War Production Board and the Board of Economic Warfare.

/s/ H. W. Wallace

Chairman

Dated: January 19, 1943

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COPY

Board of Economic Warfare

January 19, 1943

The Honorable
The Secretary of Commerce

Dear Mr. Secretary:

The President's memorandum of December 22, 1942, addressed to all departments and agencies, requested that immediate steps be taken to eliminate any duplication or overlapping of functions between the various Government agencies.

In the light of the President's request, I have reexamined the operating relationship that exists between the staffs of certain of the RFC subsidiaries and the Office of Imports of the Board of Economic Warfare in the handling of the Government's imports program, and have come to the conclusion that, notwithstanding the best of intentions of all parties concerned, the present relations are not satisfactory, and a basic simplification must be made in the procedures and methods of operation.

The basic difficulty, as I see it, is that no clear-cut division has been adopted between the programming and administration of our development and procurement projects on the one hand, and the financing of such projects on the other. Because of a failure to recognize this principle, the attempts heretofore made to eliminate duplication of effort, have been abortive. Early last fall an attempt was made to solve the problem by giving the staff of the Board primary responsibility for programs of an essentially developmental character, leaving the more conventional procurement projects under the primary jurisdiction of the financing corporations. This arrangement broke down, not only because of the difficulty of distinguishing in individual cases between development and procurement projects, but, even more important, because even where the line was clear, the arrangement involved a confusing division of staff and responsibilities abroad. The effort made to meet this latter difficulty in the case of Brazil, by unifying all field personnel in a so-called "United States Purchasing Commission", has broken down, since, without clear-cut division of re-

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sponsibility between the Washington offices, the merging of the staffs has created an insoluble problem of dual responsibility.

In order to meet this basic problem, I am today issuing Order No. 5, copy of which is enclosed, which separates sharply the responsibility of the Board's staff and the responsibilities of the staffs of Defense Supplies Corporation, Metals Reserve Corporation, Defense Plant Corporation, and the U. S. Commercial Company. This Order follows the simple principle that, with respect to all imports work the negotiation, contract preparation, supervision and administration of contracts will be discharged by employees of the Board, while corporate execution of contracts, disbursement of funds, the necessary accounting with respect to disbursements, and the acceptance of delivery of commodities and materials, will be handled by the financing agencies. In some instances, particularly in Brazil, where the Board has previously transferred its own personnel to the staffs of the financing agencies and recruited others to be placed on their payrolls, it may be necessary to transfer to the Board's staff certain of the financing agencies' employees now engaged in functions for which the Board will hereafter have sole responsibility. Provision is therefore made in the Order that the Executive Director of the Board, after consultation with the heads of the financing agencies and with the Director of the Budget, shall request the Civil Service Commission to make the appropriate transfers.

I am confident that this step will serve to increase substantially the efficiency of the work of our Government as it relates to the imports program, and will enable all of us more effectively to discharge our respective responsibilities under Executive Order 9128.

Sincerely yours,

H. A. Wallace

Enclosure

Regraded Unclassified

NOT TO BE RE-TRANSMITTED

COPY NO. 13

U.S. SECRET
BRITISH MOST SECRET

O.T.L. No. 38

Information received up to 7 A.M., 25th January, 1943.

1. NAVAL

A convoy bound for RUSSIA was unsuccessfully attacked yesterday by 2 torpedo aircraft, 2 of which were shot down. On night 23rd/24th Norwegian manned motor torpedo boats attacked objectives south of BERGEN. Damage was done to a wireless mine and quays. A watch post was set on fire and a beached ship of 2,000 tons torpedoed. 3 prisoners were taken and 1 JU 88 shot down. One of H.M. Submarines sank a 2,000 ton ship off DJERBA TUNISIA on 17th and another 2,000 ton ship west of TRIPOLI (L) on 18th.

2. MILITARY

LIBYA. The enemy has retreated west of north and south line through MARETH. TRIPOLI town not much destroyed but thorough destruction in harbour and approaches blocked.

TUNISIA. The enemy has been pushed back on the GILIANA-PONT DU FAHS road to a point about 15 miles southwest of PONT DU FAHS. The road leading south over DJEBEL BARGOU has been cleared for a distance of 6 miles. The enemy advance from the OUSSELTIA VALLEY has been driven back about 5 miles but they have captured the high ground east of AIN SEROUT. In attack on DJEBEL-OUSSALAT the enemy is believed to have gained some initial successes.

3. AIR OPERATIONS

WEST FRONT. 23rd/24th.

LORIENT. Nearly 300 tons of bombs dropped. Photographs which indicated Fortress damage previous day show much destruction.

DUSSELDORF. 300 tons of bombs released.

FRENCH NORTH AFRICA. 21st/22nd. Bisleys successfully attacked transport and communications in the TUNIS and PONT DU FAHS areas while Wellingtons bombed SFAX airfield. 22nd. A total of 70 U.S. bombers made 3 attacks on TUNIS airfield and Allied fighters attacked ground targets near the battle area. At night KAIROUAN and MEDENINE Landing Grounds were attacked. 23rd. 35 U.S. Fortresses attacked BIZERTA Harbour, one large ship was sunk and another probably damaged. Lightnings destroyed 25 vehicles on the GABES-BEN GARDANE Road. Enemy casualties during all these operations 42, 10, 12. Allied 12 missing.

LIBYA. 22nd/23rd and 23rd. Attacks maintained on retreating enemy [illegible] between ZUARA and MEDENINE. MEDENINE and BEN GARDANE Landing grounds and [illegible] in ZUARA area were bombed.

MEDITERRANEAN. 22nd. U.S. Marauders with Lightning escort in Sicilian Channel scored two hits on a ship which was left listing. 23rd. Aircraft from MALTA, Wellington bombers, Wellington torpedo aircraft and Beaufort sank a [illegible] ton ship north-northwest of USTICA ISLAND, damaged another of the same size and also hit a destroyer. Three barges off Tunisian Coast were sunk.

SARDINIA. 21st. Wellingtons carried out attack at ELMAS airfield reported highly successful.

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January 26, 1943

TO THE SECRETARY:

Total subscriptions received to the two billion dollar certificate offering aggregate $6,400,000,000 of which $1,472,000,000 allotted in full, leaving allotment of fourteen percent to commercial banks. Total allotment will amount to about $2,160,000,000, of which about six hundred million dollars is new money. Debt limitation bills introduced in both House and Senate yesterday. Hearings are set for Friday morning in House and Saturday afternoon in Senate.

BELL

(Initialed) D. W. B.

Via Coast Guard

Regraded Unclassified

January 26, 1943

TO THE SECRETARY:

Colonel Bernstein is here with a special confidential message for you from General Smith re your visiting his area. He would like to fly down to see you to deliver this message. I suggest that he come next weekend if that is convenient to you and he can get transportation.

BELL

DWB:NLE

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January 26, 1943.

Conference in Mr. D. W. Bell's Office
January 26, 1943
10:00 A.M.

Present: Mr. D. W. Bell
Mr. Berle, State Department
Mr. Pasvolsky, State Department
Mr. H. D. White

Before Secretary Morgenthau left for Cuba he asked Mr. Bell to ask to see Secretary Hull to ascertain Secretary Hull's opinion on taking the next step with respect to the International Stabilization Fund proposal.

Mr. Bell called Secretary Hull's office on Monday, January 18, and Secretary Hull's office promised to let Mr. Bell know about the appointment. Mr. Berle telephoned Mr. White on Monday, January 25, to say that Secretary Hull had asked him to get in touch with the Treasury in lieu of the meeting in Secretary Hull's office. Mr. White asked Mr. Berle whether he was to speak for Secretary Hull at this meeting and Mr. Berle said yes. The meeting was arranged for 10:00 on January 26 in Mr. Bell's office.

Mr. Bell began by saying that at Cabinet meeting sometime previously, he got the impression that there were a few things to be cleared up with the British before going forward with the further consideration of the proposal. Mr. Berle explained that what they had agreed upon to do was to call a conference of the British, Russians, Chinese and Americans at which meeting the American draft would be submitted and discussions would take place.

Mr. White stated it was his understanding that when the matter of a proposal for an International Stabilization Fund and Bank was submitted to the President by Secretary Morgenthau that the President had indicated he was interested and had asked Secretary Morgenthau to take up the matter with Secretary Hull, Secretary Jones and the Board of Economic Warfare and then speak to him after the Secretary had talked with these people. Mr. White thought that before any official conference was arranged that it would probably be necessary for Secretary Morgenthau to see the President. Mr. White thought that before doing that, more progress might be made by continuing to handle it at an informal level and suggested that a letter, a draft of which is appended, be sent out to various Governments. After further informal discussions had taken place and we had a better idea of the reactions of the technicians of various Governments, Secretary Morgenthau could then speak to the President and decision could be made as to whether to go ahead with a formal conference.

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The letter was read and Mr. Pasvolsky thought that was the best way to handle it and suggested the addition of a phrase in the letter which was agreed upon. Mr. Berle thought that would be a better way to proceed also but said he thought in view of the general situation, it would be better to submit the draft proposal to the British, Russians and Chinese, as already had been agreed upon, and to inform the British that we propose to send copies to all the Governments and to suggest to the British they might like to do the same with their draft proposal; then allow about a week to elapse. We could then go ahead and send the letter to the various United (and Associated) Nations.

Mr. Bell said he would be troubled by sending the letter to some of the United Nations and not to the others. It was agreed that the draft proposal and the accompanying letter would go to all the United and Associated Nations. It was also understood that the State Department would go over the list of nations to make certain that the list contained the appropriate governments.

Mr. White was to send a number of copies of the International Stabilization Fund proposal to the State Department as soon as they were mimeographed and Mr. Berle was to forward copies to the Russian, Chinese and British Governments.

H. D. White

Regraded Unclassified

Dear Mr. Minister:

I am sending for your examination a preliminary memorandum and a preliminary draft of a Proposal for an International Stabilization Fund of the United and Associated Nations. These documents were prepared by the technical staff of the United States Treasury in consultation with the technical experts of other departments of this Government.

These documents are sent to you not as an expression of the official views of this Government but rather as an indication of the views widely held by the technical experts of this Government. I hope you will examine these documents and submit them for critical study by the technical experts of your Ministry and your Government. After you and your experts have had opportunity to consider these documents, you may wish in the not too distant future to send one or more of your technical experts to Washington to give me your preliminary reaction to the draft proposal, and to discuss with our technical experts the feasibility of international monetary cooperation along the lines suggested in these documents or along any other lines you may wish to suggest.

It seems to me that the draft proposal points the way to an effective means of facilitating through cooperative action the maintenance of international monetary stability and the restoration and balanced growth of international trade. It is my hope that as a result of unofficial discussions involving no commitments, we may find a sufficient area of agreement to warrant proceeding on a more formal basis.

Sincerely yours,

Secretary of the Treasury.

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January 26, 1943

Dear Dr. Clarke:

Mr. Plumptre has been kind enough to send me a copy of your dispatch to him dated January 22, 1943, concerning the tentative decision of Canada's U.S. dollar exchange reserve.

It appears, from your reply, that there is a misunderstanding concerning the basis of our tentative views. It is true that one of the factors taken into account is the relationship between Canada's reserve and that of other countries. However, this was of only minor importance. The major considerations were Canada's total international financial situation since the outbreak of war and the over-all policy of this Government in extending financial assistance to our Allies.

The prime purpose of the policy of this Government in extending financial assistance to the United Nations is the prosecution of the war. In view of Congressional directives and public commitments made by the Administration, it would be most difficult to defend extension of financial aid to the Allied Governments for the purpose of providing for their post-war needs.

So far as concerns the second major consideration, we were dubious about the feasibility of evaluating Canada's U.S. dollar position without reference to changes in her over-all international financial situation. Other factors influencing our decision were (1) the fact that your suggested minimum figure is higher than the U.S. dollar reserve held by Canada at the outbreak of war in September 1939, and (2) the lack of any justifiable basis for special treatment of Canada's post-war needs.

There is to be another meeting tomorrow morning at which time your views will be submitted. We shall, at that time, also examine very carefully your suggestion for handling the net proceeds of security sales.

Very truly yours,

(Signed) H. D. White

H. D. White,
Assistant to the Secretary.

Dr. W. C. Clarke,
Deputy Minister of Finance,
Ottawa, Canada.

TMK:rl 1/26/43

EX-234

January 22, 1943.

IMMEDIATE

CYPHER

12.40 p.m.

Following for A.F.W. Plumptre from W.C. Clark, Deputy Minister of Finance, begins:-

1. Please thank Dr. Harry White for the consideration which he had given to the proposal set forth in my memorandum of January 7th.

2. I am disappointed, of course, but I can see the reasons which have led Dr. White and his committee to take the position they have. As you point out, the chief differences between his approach and our own lies in the fact that we are concerned with the post-war position and the post-war relations between the two countries, while he and his group seem to be worried over the possibility of public criticism based primarily on possible comparisons between the exchange reserve which I had suggested for Canada and that which may be agreed upon in the case of certain other countries. Of course I think such criticism would be more tenable if our exchange reserves were being built up as a result of lend-lease assistance by the United States to Canada as in the case of the other countries with which comparisons would be made. Actually, however, we think that we are giving the United States dollar for dollar value in the delivery of war supplies which can be secured here quickly and economically. Furthermore in making comparisons between countries, regard should be had to Canada's debtor position vis-a-vis the United States, the peculiar vulnerability of her trade position and the other

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considerations outlined in my memorandum.

3. I still believe that the principles and considerations developed in my memorandum of January 7th were sound and appropriate and that the size of the reserve which I suggested therein was likely to be in the best interests of both countries. I am not in a position to make any alternative suggestion which would be sound on the basis of the principles that seem relevant to us and of course I would not consider this a matter for bargaining. You may therefore tell Dr. White that we are prepared to leave ourselves in his hands if the Treasury believes that they must settle the question primarily on the basis of considerations relating to possible comparisons with settlements reached for other countries. You might point out, however, that while, as he says, the difference between the two suggestions for the minimum figure is not as an absolute sum very large, it represents nevertheless a substantial percentage and would probably bring forward by eight or ten months the time when drastic action would have to be taken to protect our reserves if a drain upon them began in the immediate post-war period.

4. If the Treasury feel they must adhere to the minimum figure suggested by Dr. White, I would make only this one suggestion. Under those circumstances would he agree that the United States authorities would have no objection if we should wish to pay off in the next year or two maturing or callable securities payable /in U.S. funds up to the amount, say, of the net proceeds of sales of securities after the date of the new arrangement. This would avoid a further impairment in our capital position vis-a-vis the United States.

5. You should point out to Dr. White that of course there was no suggestion in my original memorandum or in our discussion that the provision in regard to security sales should be made retroactive.

6. I have expressed our position frankly but have no

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objection to your showing this despatch to Dr. White. As we are prepared to leave the question in his hands, I do not think any further discussions are necessary but in view of our Parliament Meeting next week, we would appreciate anything he can do to expedite a decision. Ends.

RS:

Copy dsl, rl
1-29-43

Regraded Unclassified

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

January 26, 1943

MEMORANDUM

To: The Honorable Henry Morgenthau

From: E. R. Stettinius, Jr.

Subject: Executive Reports

Transmitted herewith, for your information, are copies of the Executive Reports on lend-lease operations, as of December 31, 1942.

Attachments

Regraded Unclassified

CONFIDENTIAL
Executive Report No.1

Office of Lend-Lease Administration

STATEMENT OF ALLOCATIONS, OBLIGATIONS AND EXPENDITURES OF FUNDS APPROPRIATED TO THE PRESIDENT

Monthly Report as of Dec. 31, 1942
(Thousands of Dollars)

Appropriation Category	Adjusted Appropriations	Cumulative to December 31, 1942		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	$ 2,026,400	$ 1,843,592	$ 1,621,939	$ 921,520
Aircraft and Aero. Material	2,770,877	2,708,009	2,596,740	1,545,734
Tanks and Other Vehicles	911,608	791,034	662,366	453,853
Vessels and Other Watercraft	2,416,668	2,209,024	1,737,321	975,892
Misc. Military Equipment	367,016	361,777	328,255	156,841
Production Facilities	1,162,764	1,147,296	1,023,902	741,079
Agric. and Indust. Commodities	7,218,503	6,641,170	4,355,391	3,353,414
Servicing, Repair of Ships, etc.	531,470	514,680	331,079	274,537
Services and Expenses	971,694	445,140	216,078	166,016
Administrative Expenses	20,000	16,413	13,951	13,620
Total	$18,397,000	$16,678,135	$12,887,022	$8,602,506

Procuring Agency	Adjusted Limitations	Cumulative to December 31, 1942		
		Allocations	Obligations	Expenditures
War Department	$ 6,817,727	$ 5,963,070	$ 5,506,952	$ 3,659,401
Navy Department	3,238,169	3,163,226	2,278,106	1,060,650
Mar. Com. and War Shipping Admin.	2,154,238	1,858,621	1,441,843	1,154,463
Treasury Department	3,189,481	2,717,519	1,854,868	1,083,781
Department of Agriculture	2,982,100	2,961,199	1,793,252	1,632,578
Other	15,285	14,500	12,001	11,633
Total	$18,397,000	$16,678,135	$12,887,022	$8,602,506

Funds for freight and other necessary charges are not included in obligations.

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U.S.C. 50; 31 AND 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

Regraded Unclassified

CONFIDENTIAL
Executive Report No. 2

Office of Lend-Lease Administration

STATEMENT OF LEND-LEASE AID

Monthly Report as of Dec. 31, 1942
(Thousands of Dollars)

Type of Aid	Cumulative to		Month of	
	Dec. 31, 1942	Nov. 30, 1942	December	November
Goods Transferred	$6,547,679	$5,854,003	$693,676	$620,018
Servicing, Repair of Ships, etc.	265,897	256,144	9,753	12,087
Rental of Ships, Ferrying of Aircraft, etc	835,479	795,868	39,611	116,900
Production Facilities in U. S.	554,065	544,032	10,033	55,133
Miscellaneous Expenses	49,613	45,927	3,686	5,371
Total Services	$1,705,054	$1,641,971	$ 63,083	$189,491
Total Goods and Services	$8,252,733	$7,495,974	$756,759	$809,509

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the Army and Navy.

N.B. This report excludes data on the value of Goods in Process. At August 31, 1942, the amount from appropriations to the President was $1,360,195,000, comprised of the items "Articles Awaiting Transfer or Use" and "Articles in Process of Manufacture." It is not possible to determine the value of Goods in Process from appropriations to the Army and Navy.

Type of Aid	Cumulative to December 31, 1942				
	Br. Empire	China	U.S.S.R.	Other	Total
Goods Transferred	$5,040,839	$126,260	$1,261,024	$119,556	$6,547,679
Servicing, Repair of Ships, etc.	233,907	951	27,656	3,383	265,897
Rental of Ships, Ferrying of Aircraft, etc.	657,164	13,057	106,160	59,098	835,479
Production Facilities in U. S.	-	-	-	-	554,065
Miscellaneous Expenses	33,942	956	1,090	13,625	49,613
Total Goods and Services	-	-	-	-	$8,252,733

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U.S.C. 50; 31 AND 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

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CONFIDENTIAL
Executive Report No. 3

Office of Lend-Lease Administration

DETAIL OF ARTICLES TRANSFERRED

Monthly Report as of Dec. 31, 1942
(Thousands of Dollars)

	Cumulative to Dec. 31, 1942 (000 omitted)				
	Br. Empire	China	Russia	Other	Total
Ordnance (Excl. Ammunition)	$ 277,841	$ 14,661	$ 39,639	$ 41,867	$ 374,008
Ammunition and Components	499,460	19,491	148,288	14,783	682,022
Aircraft	539,493	35,212	310,005	14,031	898,741
Aircraft Engines, Parts, etc.	287,883	2,124	8,964	1,088	300,059
Combat Vehicles	315,698	922	210,305	8,790	535,715
Non-Combat Vehicles	183,053	25,453	139,136	6,664	354,306
Watercraft and Parts	375,147	447	15,549	6,651	397,794
Miscellaneous Manufactures (Textile, Leather, etc.)	113,699	7,025	39,816	6,281	166,821
Agric. Products (Foodstuffs)	937,118	-	101,869	1,553	1,040,540
Agric. Products (Excl. Food)	226,500	-	513	-	227,013
Machinery	216,161	3,603	62,001	183	281,948
Metals	383,063	8,975	113,909	617	506,564
Petroleum Products	315,289	3,237	14,806	5	333,337
All Other	370,434	5,110	56,224	17,043	448,811
Total	$5,040,839	$126,260	$1,261,024	$119,556	$6,547,679

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TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

OFFICE OF THE DIRECTOR

January 26, 1943

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended January 23, 1943.

The increased shipping space continues to hold firm. Some of the British seaport stocks of steel are being diverted to American industry through the medium of the Metals Reserve Corporation.

Clifton E. Mack
Director of Procurement

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

Regraded Unclassified

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF JANUARY 23, 1943
(In Millions of Dollars)

	Total	U. K.	Russia	China	Administrative Expenses	Miscellaneous & Undistributed
Allocations	$2735.7 (2724.5)	$1353.2 (1316.2)	$889.6 (875.8)	$58.4 (58.4)	$3.7 (3.7)	$430.8 (470.4)
Purchase Authorizations (Requisitions)	$2227.0 (2184.7)	$1270.9 (1264.2)	$882.6 (848.8)	$41.3 (41.3)	- -	$ 32.2 (30.4)
Requisitions Cleared for Purchase	$2092.2 (2068.5)	$1224.4 (1216.9)	$795.6 (781.6)	$41.2 (41.2)	- -	$ 31.0 (28.8)
Obligations (Purchases)	$1972.2 (1932.9)	$1152.0 (1126.8)	$748.1 (736.1)	$41.2 (41.2)	$3.6 (3.5)	$ 27.3 (25.3)
Deliveries to Foreign Governments at U. S. Ports*	$ 846.4 (831.2)	$ 661.7 (653.5)	$156.6 (150.2)	$20.3 (20.3)	- -	$ 7.8 (7.2)

*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 16, 1943.

Regraded Unclassified

January 26, 1943

AGENDA

FOR THE BOARD OF ECONOMIC WARFARE MEETING
TO BE HELD JANUARY 28, 1943 AT 10:00 A.M.
IN THE OFFICE OF THE VICE PRESIDENT
IN THE CAPITOL

1. Discussion of reports on cork and bristles. Copies attached - "Report on Cork" and "Report on Bristles".

2. Oral report on progress by Committee on Gold Mining in Colombia and Nicaragua.

Attached are the minutes of the meetings of the Board of Economic Warfare which were held on November 27, December 17, and December 31, 1942.

filed under dates held.

Regraded Unclassified

COPY 3

156

JAN 26 1943

BOARD OF ECONOMIC WARFARE
Document Security Section
424929

BOARD OF ECONOMIC WARFARE

Office of Imports

Miscellaneous Commodities Division

REPORT ON

CORK

CONFIDENTIAL

January 25, 1943

CONFIDENTIAL

Regraded Unclassified

CONTENTS

1. Summary

2. Uses

3. Controls

4. Source of Supply

5. Substitutes - Foreign and Domestic

6. Present Stocks in U. S.

7. Expectation for 1943 and 1944

8. Requirements of Friendly Nations

9. Purchasing for Government Stockpile

Regraded Unclassified

Summary

1. From an essential military standpoint stocks of cork now in this country are sufficient for at least three years.

2. Importation of cork should be definitely secondary to any strategic materials available in Spain, Portugal or Northern Africa; in political or preclusive purchasing negotiations cork may be utilized freely as a bargaining tool.

3. Operations in acquiring stockpile should be carefully regulated to avoid purchasing undesirable surplus stocks for non-essential needs causing economic waste of manpower, equipment, port and transportation facilities.

4. With the expected resumption of shipments from North Africa, care must be taken to correlate the procurement program there with the other North African problems. If, because of changes in the war situation, shipments are substantially reduced or eliminated from Spain, Portugal and North Africa, the stockpile will take care of immediate needs, but a more intensive search for substitute materials will have to be made.

CORK

Description:

Cork is the outer covering or bark of the cork oak tree. (Quercus Suber) There are three commercial classifications:

1. Corkwood
2. Milling
3. Grinding

Uses

Corkwood is used principally in the manufacture of marine goods, such as buoy rings, life preservers, floats, etc., and cork stoppers; milling cork in the manufacture of gaskets, crown cap liners; grinding cork in the manufacture of insulation board, linoleum, pipe covering.

Under normal conditions from 50 to 60 per cent of total cork consumption goes into insulation, 15 per cent into crown cap liners, 10 per cent into gaskets, washers, specialties, and 7 per cent into linoleum.

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Controls

Cork was one of the first imported materials to be placed under control. The War Production Board control order is GPO M-8, issued in May 1941, and amended several times since then. The original stockpile recommendation was issued in May 1941, and confirmed again in September 1941. The present stockpile recommendation is 64,000 metric tons of cork and 6,000 metric tons of corkwood. It is expected that a new stockpile directive will be issued shortly directly from the Stockpile and Transportation Division of the War Production Board to this Board, rather than the procedure heretofore, which has been for the recommendation to go from the Cork and Asbestos Branch of the War Production Board to Defense Supplies Corporation.

The allocation for consumption is currently based on approximately 65,000 tons monthly as compared to the 1941 consumption average of 11,000 tons monthly. With the exception of crown cap liners and cork stoppers, the use of cork is restricted to defense orders having a rating of A-10 or better and to certain types of insulation.

At the War Production Board-Cork Industry meeting on January 22, 1943, it was indicated that a supply for more extended use of cork for certain construction purposes might be permitted. It was felt that such a move was now in order, in view of the supply of cork already in this country, plus the expectation that importations would continue to come forward not only from Spain and Portugal but also from North Africa.

Source of Supply

Practically all of the world's supply of cork comes from a relatively small area, principally Portugal, Spain and Northern Africa. Imports since 1939 are broken down as follows (in short tons):

	1939	1940	1941	1942 (Jan/June)
Portugal	68,816	116,719	150,799	32,050
Spain	15,007	23,642	9,656	946
Algeria	24,794	17,117	1,637	699
Morocco	3,261	1,963	7,493	2,825
All others	1,909	729	137	1,136
	113,787	159,166	169,922	37,458

Portugal is the principal cork producing country and accounts for approximately half of the total world output. Production in Portugal increased steadily from about 80,000 tons in 1932 to 125,000 tons in 1940. Spain normally produces about one quarter of the total with most of the balance of one quarter produced in Northern Africa.

Substitutes - Foreign and Domestic

In addition to many well established substitutes of domestic origin (such as Rock Cork, hair felt, celotex, glass wool, sawdust, etc.) for insulation purposes there is also a bark "Pao Santo" available in Brazil which could be used. Use of this material is not commercially sound because of high price as compared to grinding cork and other equally good domestic substitutes. A few small shipments were imported from Brazil for testing purposes on a commercial scale but results indicated it was not superior to domestic substitutes and under present shipping conditions increased production in Brazil is not warranted.

Bark of the Douglas fir tree available in the United States in large quantities also has been tested recently but here again results to date indicate that use of it would be restricted to manufacture of corkboard and utilization of it will necessarily be governed by the price factor as compared to other domestic substitutes.

Present Stocks in U. S.

Total physical stocks of cork and corkwood in this country as of January 1, 1943 were approximately 109,000 short tons, of which industry owned approximately 65,000 short tons and government 44,000 short tons. The War Production Board has stated that these stocks are believed sufficient to meet anticipated non-substitutable military needs for at least three years.

Expectation for 1943 and 1944

Imports for 1943 and 1944 will be limited only by the steamer space available. Up to the present, operations in the cork stockpile did not entail any great difficulties, as purchases could be made in sufficient volume through regular trade channels in Spain and Portugal. Delivery was made on Spanish and Portuguese boats for which no more critical materials were available. Inasmuch as these countries need goods from the United States, it is logical to assume that they will continue ships in service so long as political conditions permit. To date, the Axis powers have not rigidly opposed exportation of cork.

Indications of the availability of cork is evidenced by the action of Portugal in the negotiations on the trade treaty with the United States for the year beginning July 1, 1943. The Department of State tentatively suggested exports of 105,000 tons. Portugal's counter proposal was for 120,000 tons.

While the freight space allocation was originally set at 100,000 tons with an A-3 rating, this is a theoretical matter only since conditions do not indicate any possibility of using U. S. facilities in the near future, except in connection with the North African occupation. Unquestionably, supplies in the producing countries will greatly exceed our needs for 1943 and 1944, but actual arrivals could be stopped completely by an Axis invasion of the Iberian Peninsula or enforced control of steamer movements or exports.

Regraded Unclassified

It is expected that as much as 30 metric tons may be available for shipment from North Africa during 1943, which under the Combined Raw Materials Board Decision 100 would be available to the United States. In addition, it is expected, depending upon political and shipping conditions, that Portugal will ship as much as 70,000 tons and that shipments from Spain will be much larger than the 5,000 tons shipped in 1942.

Requirements of Friendly Nations

So long as shipments continue to the U. S. it is reasonable to assume that they will also continue to other non-Axis countries. On this basis export requirements from the United States will be mostly for finished cork products and should not exceed a few thousand tons yearly. Inter-Departmental Foreign Requirements Committee reports of August 20, 1942, estimates approximately 2,000 tons yearly for Canada and Latin American Republics. However in the event all shipments from producing countries were completely stopped and it was necessary to supply requirements of all friendly nations out of U. S. stocks, the quantity involved would be possibly less than 10,000 tons yearly. This figure is based upon LPR report of November 1941 on a reduced rate of consumption base comparable to that which would take place in the U. S. if necessary, namely about four to one. All of the countries involved have a certain amount of stock on hand which is evidenced by continuous shipments from Portugal in 1941 and 1942. If they were faced with the fact of no further shipments of cork the use of their stocks would be strictly limited to essential needs. Consequently shipments out of the U. S. stocks would undoubtedly not be necessary in any large quantity for at least a year.

In any real world supply "squeeze" so many substitutes could be utilized -possibly slightly inferior and more expensive- that the essential export requirements in actual quantities should prove to be amply covered by the above figures.

Purchasing for Government Stockpile

Purchases for stockpile have been handled by Defense Supplies Corporation on the spot purchase theory. They accept offerings made to them by the consuming importers as well as the jobbing importers. These purchases are made on the basis of net foreign cost plus transportation charges to this country plus a service fee.

Contracts have been placed for approximately 58,000 metric tons, of which approximately 50,000 tons have already arrived and the balance of 8,000 tons are enroute. Defense Supplies Corporation has made sales of approximately 8,000 tons, leaving a net balance under their control of approximately 50,000 tons.

Most of the present stockpile is stored in very unfavorable locations and must be moved to other places in order to conform with wartime regulations involving a heavy expense as well as loss of cork. In order to force the movement of this stock directly into industry and the storing of new importations in more favorable places, a change in method of operation is being considered pursuant to which Defense Supplies Corporation would be the sole importer. In this way the use of the present stockpile could be enforced.

JAN 30 1943

BOARD OF ECONOMIC WARFARE

Office of Imports

Miscellaneous Commodities Division

REPORT ON

BRISTLES

BUREAU OF ECONOMIC WARFARE
Document Security Section
424930
CONFIDENTIAL
3

C O N F I D E N T I A L

January 25, 1943

Regraded Unclassified

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Regraded Unclassified

Summary

Hog bristles are essential for use in brushes and for wool-dabbing, a process in the manufacture of wool. Prior to 1942 over 90 per cent of all imports were obtained from the Far East. Because of the difficulty of transportation it has been necessary to attempt to open new sources of supply in South America. For this purpose a representative of the Board has been sent to South America to investigate the supply and instruct the producers in the proper methods of preparation and packing.

The stockpile recommendation is 2,500,000 pounds. Approximately 1,000,000 pounds have been purchased and approximately 268,000 pounds are now in stockpile.

Negotiations are now being conducted for the acquisition of the entire 1943 requirements from China.

Product

Bristles are procured from the backs of swine raised in regions where there are long and rigourous winters, causing the hair to grow long and tough. They are chiefly valuable for paint brushes because of the flag ends and spindle shape. The taper of the bristle gives a smooth flow of paint while the flag ends hold large quantities of paint. Bristles come in several colors; black, brown, white, or spotted. The lengths vary from under two inches, generally called riflings, up to six inches and over.

The quality of bristles varies with the country of origin. Bristles are classified as to the degree of stiffness. The various production centers are as follows:

Stiff Bristles	1. India 2. Russia 3. Chungking 4. Yunnan
Half Stiff	1. Hankow 2. Shanghai 3. Siberia
Soft Bristles	1. Tientsin 2. South America 3. Domestic

The South American bristle is of fair quality, but thus far very poorly dressed. The United States and Canadian types of bristles are inclined to be soft with an extreme taper which makes them unsuitable for paint brushes.

Regraded Unclassified

Uses

The woolen industry has a use for hog bristles for which no effective substitute has yet been found, although a dilution of 50 percent horsehair can now be used satisfactorily by application of a method recently invented. At the present rate of operations woolen mills will need for Noble Combs 100,000 pounds of hog bristles 3½" to 4" in length annually.

However, the principal normal uses for bristles are for paint brushes, toilet, and tooth brushes, and many types of industrial brushes.

The war uses are for paint brushes used by the Navy and Maritime Commission for the maintenance of maritime equipment, and by the Army for the construction and maintenance of equipment and facilities. The nature of the surfaces of ships, which are exposed to all types of weather, requires the application of paint by a brush rather than a spray.

In 1941, the distribution of the use of bristles was as follows:

Painters' brushes, including artists'	60%
Toilet brushes, including shaving and tooth	15%
Household	10%
Industrial	10%
All other types	5%
	100%

It is estimated that the proportion of use for paint brushes will increase because substitutes are being developed for other uses. Plans are also being made to use Nylon and flagged horsehair for brushes that are used for flat work and touching up. A Nylon bristle has been developed which is tapered and brushes for painting the hulls of ships are being made from these.

Istle, a Mexican vegetable fiber, is being used for other than varnish or paint brushes, but it is not as durable or as flexible.

World Production

World production has been estimated for 1939 at about 9,800,000 pounds which was increased to probable 10,500,000 pounds in 1941. Prior to 1914, the chief world supplier of bristles was Russia with China the secondary source. Under the Soviet regime, the quality and quantity of the Russian bristles declined, due to the scientific breeding of hogs for meat. After the first World War, China rapidly became the chief source of hog bristles, in 1940 supplying 94% of United States imports. Bristles are also produced in India, and to a small extent in Latin American countries.

China

In 1939 China accounted for 75% of world production. Two-thirds of this was exported and the remainder consumed within the country. Since that time the proportion of exports has increased. The hog bristles available to the United Nations at the present time are limited to the areas around Chungking and Kunming. Normal production in these areas is estimated at 4,000,000 pounds but the latest estimates from the Embassy at Chungking give the 1943 crop as approximately 1,333,000 pounds with a carry-over from last years crop of 1,000,000 pounds, of which approximately 667,000 pounds have already been sold to Russia.

India

Normal production is estimated at 700,000 to 750,000 pounds per annum, of which 75/80% is exported to the United Kingdom. According to recent estimates, production for 1942 was 800,000 pounds of which 45% was 3" or longer in length. The first call for this supply is for the use of the Indian government whose requirements are now estimated at 650,000 pounds. Under present arrangements, the United Kingdom has a prior call on all other Indian bristles. The latest reports show a surplus of Indian bristles of about 100,000 pounds.

U.S.S.R.

It is impossible to obtain accurate figures on production in the Soviet Union. Total exports in 1938 were 914,909 pounds, but much of this quantity was received from China in return for munitions of war. Exports to the United States have been as follows:

1930-1932	2,000,000	pounds per annum
1935	800,000	" " "
1937	57,000	" " "
1940	187,000	" " "
1941	223,000	" " "

Latin America

It is hoped to stimulate the gathering of hog bristles in Latin America, but these bristles are of poor quality compared with Chinese and Russian. Exports from these countries to the United States for 1941 were 67,000 pounds, but were increased to 83,000 pounds for the first half of 1941, 40 percent of which were crude bristles.

Regraded Unclassified

The Board has sent Mr. Cornelius Cronk to South America to investigate the supply and instruct the producers in the proper methods of preparation and packing of bristles and horse hair which is a substitute for bristles in certain uses and to a limited extent. He has been in Peru and Argentina and is to go to Uruguay, Brazil, Chile and Ecuador. He distributes to the processors carefully worded illustrated instructions for the proper preparation of bristles. A Portuguese translation has also been prepared for use in Brazil.

It is hoped to increase the South American supply to 500,000 pounds a year.

Supplies

Stocks

The War Production Board has estimated stocks on January 1, 1943 at 1,775,000 pounds, including the government stockpile of 218,000 pounds.

Imports

Total imports for the first eleven months of 1942 were approximately 1,259,000 pounds, divided as follows:

China	471,000 pounds
U.S.S.R.	550,000 "
Iran	30,000 "
India	27,000 "
Latin America	169,000 "
All other countries	12,000 "
Total	1,259,000 pounds

Re-exports

In 1940, 1,034,798 pounds were exported from the United States chiefly to the United Kingdom. Exports for 1943 are limited to Canada and will be about 126,000 pounds.

Requirements

Requirements for 1943 are stated by the War Production Board to be as follows:

For military uses	1,765,000 pounds
For exports and essential civilian use	476,000 "
Total	2,241,000 pounds

Controls

Bristles are on List I of War Production Board Order No. M-63. Imports from South America are covered by exemptions, the bristles going directly into essential military and civilian use. Defense Supplies Corporation is the sole importer from China, India, and Russia. The uses of bristles are controlled by Order M-51 last amended on November 30, 1942. The sale and use of bristles of 2" and longer are confined to defense orders and an admixture of at least 45% of other materials (usually horsehair or synthetic bristles) is required in any article made from hog bristles.

No specific price ceilings have been set by the Office of Price Administration but bristles are included under the general maximum price ceilings.

Program

Attempts were made as early as July 1942, to stimulate importations of bristles from South America and Russia. Early in 1942, a stockpile of 1,000,000 pounds was recommended, and subject to directive from the Board of Economic Warfare, purchases were made by the Defense Supplies Corporation. Considerable amounts were obtained from stocks in this country, and a purchase of 5,000 cases of #27 assortment was made on May 29, 1942, to be imported from China, divided as follows:

4,000 cases from Chungking
1,000 " " Kunming

Due to the closing of the Burma Road, arrangements were made for shipment of sizes of 3" and over to India through a contract with the Chinese National Air Corporation, the remainder being held in storage until transportation was available.

These 5,000 cases were completely delivered in China in October. The bristles of 3-1/2 inches and over from Chungking and those of 3" and over from Kunming, amounting to 212,000 pounds, have now been delivered in India, 24,000 pounds having reached the United States, the remainder being in rail transit in India or afloat. Under new air priorities, which permit shipment of 2-1/4 inch bristles, a further amount of 268,000 pounds is awaiting shipment by plane to India. This should be ready and the shipments completed early in February.

An offer has been received of an additional 5,000 cases (667,000 pounds) from China. We proposed negotiations for total 1943 requirements at a price based on out-of-pocket cost to the Foo Shing Company, which is a Chinese government owned corporation. The New York agents of this Company, the Universal Trading Corporation, requested that the purchase should be concluded of the 5,000 cases offered before consideration of the proposed over-all purchase, and offered to recommend to their principals the acceptance of last years prices of $3.40 ex-warehouse Chungking or $3.50 ex-warehouse Hinning, although this years offer had been at prices 20% above those of 1942. We are still awaiting a reply from China.

Regraded Unclassified

On May 19, 1942, arrangements were made with the British for the importation to this country of one-half of the bristles then on hand in India, and for a continuing allocation of supplies from that country. While our agreement with the British provides that the United States shall be the sole purchaser in China and the United Kingdom the sole purchaser in India, all bristles are subject to allocation by the C.R.M.B. The British share of Chinese bristles will be between 20% and 25% and the United States share of Indian bristles may run as high as 50%.

Stockpile

Total purchases against stockpile are 968,000 pounds. Of this amount 318,000 pounds have been delivered in New York and 30,000 pounds have been released as unsuitable, leaving a net stockpile of 288,000 pounds. Of the 670,000 pounds not yet received in New York, all have been delivered to the Defense Supplies Corporation at point of delivery in China or India; 188,000 pounds are in transit and the remainder are awaiting shipment which is delayed by lack of transportation facilities.

Problems

The chief problems are caused by the cutting off of the main sources of supply. Shipping from China and India is very difficult, and arrangements for air transport conflict with other vital commodities. Substitutes are generally unsatisfactory, and the stimulation of new sources is complicated by the fact that breeding of hogs is generally for meat, and due to early maturity, the quality and length of bristles is not good.

NOT TO BE RE-TRANSMITTED

COPY NO. 165

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 29

Information received up to 7 A.M., 26th January, 1943.

1. COMBINED OPERATIONS

In the operation south of BERGEN during 23rd/24th the landing was made by parties of United Kingdom Commandos with long range Fighter cover at SAGVAG on southwest corner of STORG ISLAND. Our casualties were one killed, 5 wounded. During operations on land 3 M.T.Bs. created a diversion on LIERVICK.

2. NAVAL

HOME WATERS. 21st. SCHARNHORST, PRINZ EUGEN and 5 destroyers seen west of SKAW steering west. On sighting the aircraft enemy put about and were last seen steering east. ADMIRAL SCHEER located in dry dock at WILHELMSHAVEN.

MEDITERRANEAN. One of H.M. Submarines sank a 6,000 ton escorted ship on 16th and a 2,000 ton ship and escorting schooner on 19th, a trawler being driven ashore at the same time.

3. MILITARY

TUNISIA. 25th/26th. 50 prisoners were captured by patrols in Northern Sector. In central [illegible]

Regraded Unclassified

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2. NAVAL

HOME WATERS. 21st. SCHARNHORST, PRINZ EUGEN and 5 destroyers seen west of SKAW steering west. On sighting the aircraft enemy put about and were last seen steering east. ADMIRAL SCHEER located in dry dock at WILHELMSHAVEN.

MEDITERRANEAN. One of H.M. Submarines sank a 6,000 ton escorted ship on 16th and a 2,000 ton ship and escorting schooner on 19th, a trawler being driven ashore at the same time.

3. MILITARY

TUNISIA. 25th/26th. 50 prisoners were captured by patrols in Northern Sector. In central sector

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On May 19, 1942, arrangements were made with the British for the importation to this country of one-half of the bristles then on hand in India, and for a continuing allocation of supplies from that country. While our agreement with the British provides that the United States shall be the sole purchaser in China and the United Kingdom the sole purchaser in India, all bristles are subject to allocation by the C.R.M.B. The British share of Chinese bristles will be between 20% and 25% and the United States share of Indian bristles may run as high as 50%.

Stockpile

Total purchases against stockpile are 988,000 pounds. Of this amount 318,000 pounds have been delivered in New York and 30,000 pounds have been released as unsuitable, leaving a net stockpile of 288,000 pounds. Of the 670,000 pounds not yet received in New York, all have been delivered to the Defense Supplies Corporation at point of delivery in China or India; 188,000 pounds are in transit and the remainder are awaiting shipment which is delayed by lack of transportation facilities.

Problems

The chief problems are caused by the cutting off of the main sources of supply. Shipping from China and India is very difficult, and arrangements for air transport conflict with other vital commodities. Substitutes are generally unsatisfactory, and the stimulation of new sources is complicated by the fact that breeding of hogs is generally for meat, and due to early maturity, the quality and length of bristles is not good.

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COPY NO. 165

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 29

Information received up to 7 A.M., 26th January, 1943.

1. COMBINED OPERATIONS

In the operation south of BERGEN during 23rd/24th the landing was made by parties of United Kingdom Commandos with long range Fighter cover at SAGVAG on southwest corner of STORG ISLAND. Our casualties were one killed, 5 wounded. During operations on land 3 M.T.Bs. created a diversion on LISRVICK.

2. NAVAL

HOME WATERS. 21st. SCHARNHORST, PRINZ EUGEN and 5 destroyers seen west of SKAW steering west. On sighting the aircraft enemy put about and were last seen steering east. ADMIRAL SCHEER located in dry dock at WILHELMSHAVEN.

MEDITERRANEAN. One of H.M. Submarines sank a 6,000 ton escorted ship on 16th and a 2,000 ton ship and escorting schooner on 19th, a trawler being driven ashore at the same time.

3. MILITARY

TUNISIA. 25th/26th. 50 prisoners were captured by patrols in Northern Sector. In central TUNISIA Axis forward movement has been halted. French withdrawal being covered by United States armoured units. On 24th United States troops captured 80 prisoners during a raid on MAKNASSY (midway between GAFSA and SFAX)

RUSSIA. Don Sector - Germans are counter attacking strongly in area between rivers DON and MANIMU. Fierce confused fighting is taking place. CAUCASUS Sector - Heavy rain is hampering fighting. Russians are pressing advance down SALSK-KRASNODAR railway.

4. AIR OPERATIONS

WESTERN FRONT. 25th. Flushing docks bombed in good visibility by 12 escorted Bostons (one missing). Six enemy aircraft crossed south coast causing slight casualties at POOLE. 25th/26th. About 15 enemy aircraft, mostly minelaying, operated in THAMES ESTUARY.

FRENCH NORTH AFRICA. 23rd/24th. Wellingtons attacked BIZERTA docks. During 23rd and 24th 61 sorties made by Allied bombers on landing grounds near MEDENINE. About 25 aircraft destroyed on ground. 24th. U.S. Fortresses (B.17) bombed shipping at SOUSSE. One ship hit.

LIBYA. 24th. Allied fighters made 5 attacks on shipping at ZUARA and M.T. vehicles on coast road of which about 35 destroyed or damaged.

SICILY. 23rd/24th. Four U.S. Liberators bombed PALERMO Harbour.

Regraded Unclassified

U. S. COAST GUARD

Official Dispatch

(original went to Col Bernstein)

Date 27 January 1943

Incoming Heading

27 522P

FROM HENRY MORGENTHAU, JR

TO (FOR ACTION)

DANIEL BELL, TREASURY DEPT. URGENT

TEXT

TELL COL. BERNSTEIN I WILL BE GLAD TO SEE HIM ANY TIME. CALL TO HIS ATTENTION THE FACT THAT THE ARMY HAS A FLYING UNIT NEAR HAVANA. HAVE INSTRUCTED McBRIDE, 3D SECRETARY AMERICAN EMBASSY, TO ASSIST BERNSTEIN AT THIS END.

S E C R E T

630 PM 27 JAN 43

Regraded Unclassified

Hearings on Lend-Lease are still going on in the House and have not started in the Senate.

let it ride
per HSK at Tuesday
to Levy
2/9/43

Regraded Unclassified

January 27, 1943.

Dear Mr. Stettinius:

The Secretary is still away from Washington, and I am therefore acknowledging your letter of January 26, speaking of the hearings which will be held before the House Foreign Affairs Committee.

Just as soon as Mr. Morgenthau is back at his desk, I shall be very glad to bring your letter to his immediate attention.

Sincerely yours,

(Signed) H. S. Klotz
nmc

H. S. Klotz,
Private Secretary.

Honorable E. R. Stettinius, Jr.,
Administrator, Office of Lend-Lease
Administration,
Washington, D. C.

GEF/dbs

HON

Regraded Unclassified

OFFICE OF LEND-LEASE ADMINISTRATION

FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

January 26, 1943.

Dear Henry:

We are expecting to go before the House Foreign Affairs Committee towards the end of this week, asking for legislation extending the Lend-Lease Act for one year.

Because of your early interest in Lend-Lease and the important part which you have played in determining Lend-Lease policy, no hearing on the extension of the Lend-Lease Act would be complete without your testimony. If you are going to be in Washington while the hearings are in progress, I should like to feel that I might call on you to appear before the Committee if it becomes necessary.

If any questions arise in connection with the preparation of your testimony, Mr. Oscar Cox, our General Counsel, will be glad to discuss them with anyone you may designate.

Sincerely yours,

Ed

E. R. Stettinius, Jr.

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

FOR DEFENSE
BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

Regraded Unclassified

January 27, 1943.

Dear Mr. Stettinius:

This will acknowledge your letter of January 26, addressed to the Secretary, in regard to requisitions for Lend-Lease aid to French North Africa. I am acknowledging it in his absence and will see that it is immediately brought to the attention of the proper officials in the Treasury for their reading and action.

Sincerely yours,

(Signed) H. S. Klotz

nmc

H. S. Klotz,
Private Secretary.

Honorable E. R. Stettinius, Jr.,
Administrator, Office of Lend-Lease
Administration,
Five-Fifteen 22nd Street, N.W.,
Washington, D. C.

Del. by Dixon 9:35 1/28

Original file to Mack

Photo file in Diary

GEF/dbs

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OFFICE OF LEND-LEASE ADMINISTRATION

FIVE-FIFTEEN 22d STREET NW.

WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

January 26, 1943.

My dear Mr. Secretary:

Supplementing my letter of December 21, 1942, I wish to inform you that from now on requisitions for Lend-Lease aid to French North Africa or for other liberated areas whose defense may by the President be found vital to the defense of the United States will be signed either by Senior Deputy Administrator Bernhard Knollenberg, by Deputy Administrator Arthur B. Van Buskirk, or by myself.

We are making this change in order to have all of our procedures with respect to liberated areas conform just as closely as possible to those for the regular Lend-Lease countries.

Sincerely yours,

E. R. Stettinius, Jr.

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

FOR DEFENSE
BUY
UNITED STATES SAVINGS BONDS AND STAMPS

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January 27, 1943

Meeting of Cabinet Group Subcommittee on
Dollar Position of United Nations
Mr. White's Office
January 27, 1943
10:30 A.M.

Present: Mr. Currie for the White House
Mr. Neff for the War Department
Mr. Coe for B.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 Dr. Clarke's message of January 22, 1943, concerning the $300-$350 million range decided upon for Canada. Mr. Currie stated that he would support the recommendation if the President asked his opinion. He said that this range should be adequate, particularly as many of our purchases from Canada are for munitions to be used by the United Kingdom and are made merely to keep up Canada's dollar balances. In the reply to Dr. Clarke, Mr. Currie suggested that emphasis should be placed on the policy of the Ryde Park Arrangement and on the idea that a higher range might seem to other countries to set a precedent. Mr. Currie also agreed that the problem of proceeds from security sales should be treated on an ad hoc basis.

The committee was in general agreement on retaining the range of $300-$350 million. The discussion centered on the treatment of proceeds from sales of securities and what it would involve. Mr. Neff suggested that if Canada sold many securities and redeemed all of her U.S.-held obligations, our policy would be hard to defend. While the operation is really one of exchanging one type of claim for another, this might not be apparent to the layman. Mr. White and Mr. Knollenberg felt that the operation would not be too difficult to justify as Canada would not be adding to its cash balances or resources. Mr. Neff also raised the question of what our policy should be in case the proceeds are accumulated without being used for the redemption of securities.

The committee discussed in some detail the problem of which items should be included in capital movements — whether securities only according to the Canadian suggestion, all property transactions as suggested by Mr. Neff, or only bonds as suggested by Mr. Knollenberg. It was decided that instead of telling the Canadian Government that security proceeds would be treated on an ad hoc basis, we should say that we are sympathetic to the Canadian position but that we would like further information on the magnitude of the operation and the type of securities which would be involved.

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The meeting continued with a discussion of a cable from the Chancellor of the Exchequer urging the desirability of prior consultation before a decision is made on a range for British U.S. dollar balances. The committee felt that the reply already drafted was not appropriate. Mr. Neff and Mr. Coe both felt that the request for consultation would have to be answered and that the British should be given a chance to express their views. They thought that dodging the issue might be unfair to the British because it might keep them from making plans. It was finally agreed that the British be told that we would discuss the matter and that our reply should be that no new policy had been initiated and that the ceiling is merely a guidepost in implementing our policy of financial assistance as a means of aiding the conduct of the war. Our Government has no mandate to do more in order to meet post-war needs.

Copies of tables on the British gold and dollar position to be submitted to Congress were distributed. Mr. Knollenberg stated that Lend-Lease does not need funds for several months and is merely asking for an extension of the Act at this time.

A. L. Nielsen

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MESSAGE FROM THE CHANCELLOR OF THE EXCHEQUER TO MR. MORGENTHAU
DATED JANUARY 19TH, 1943.

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

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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.

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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..... $ 688
The British Government reports that against this gold foreign countries hold Sterling funds carrying specific rights of conversion into gold amounting to approximately $190 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..... 243
The British Government reports that against these balances are held U.S. registered sterling accounts, carrying the right of conversion into dollars on demand and that these accounts on November 30, 1942, the latest date available, amounted to $53 million.

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

4. Private dollar balances..... 280
(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 Viscose and Brown and Williamson, they account for the estimate of $900 million submitted to Congress in January 1941. There are in addition some small investments in U.S. enterprises which, because of their size, the British regard as virtually unsalable.)

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. The growth of $432 million during 1942 in our gold and official dollar balances must be looked at against the background of a deterioration of nearly $3 billion, or over six times as great, in our net overseas capital position in all other respects."

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CONFIDENTIAL

Estimated Dollar Expenditures and Receipts of British Empire, Excluding Canada and Newfoundland, January 1, 1943 to March 31, 1943 1/

(these are British Treasury estimates)

(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, 1943 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, 1943.....		55
Total dollar requirements.....		$370

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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 Ruandi-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.

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British Gold and Dollar Assets on Selected Dates,
August 31, 1939 -- December 31, 1942
(except where noted the figures
are British Treasury data)

(In millions of dollars)

	Aug. 31, 1939	Dec. 31, 1940	Aug. 31, 1941	Dec. 31, 1942
Gold.....	2,038	292	151	688
Official dollar balances.....	50	54	54	243
U.S. securities.....	950	616	372*	340*
Direct and miscellaneous investments in U.S., including trusts for U.K. beneficiaries.....	900	900	785**	785**
Total.....	3,938	1,862	1,362	2,056
Deduct securities and direct investments lodged against $390 million received by the British on the R.F.C. loan.....	-	-	145	450
Total, adjusted for collateral lodged against amount received on R.F.C. loan.....	3,938	1,862	1,217	1,606
Private dollar balances..... (This is taken from U.S. Treasury data)	545	305	310	280

* 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 and when the British Government takes up the remaining $35 million available to it under the loan.

Treasury Department, Division of Monetary Research January 13, 1943.

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COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTAL No. 31

Information received up to 7 A.M., 27th January, 1943.

1. NAVAL

MEDITERRANEAN. Entrance to TRIPOLI Harbour is completely blocked. It is hoped to clear 100 foot passage for ships of 24 feet draught by 8th February. One of H.M. Submarines torpedoed and probably sank a 8,500 ton ship on 23rd in the Strait of MESSINA.

2. MILITARY

LIBYA. By evening 26th our forward troops had reached points 4 miles west of ZAUIA and 50 miles south-southwest of ZUARA NALUT Road.

RUSSIA. Upper Don. Russians continue to attack on broad front south of VORONEZH. STALINGRAD. German 6th Army reduced to approximately 12,000 men split into 2 isolated groups. Lower DON. Heavy fighting continues between Rivers DON and MANMCH. Situation obscure.

3. AIR OPERATIONS

WESTERN FRONT. Engine sheds and railway at BRUGES bombed by 10 Venturas (B. 34). 18 Squadrons of Spitfires operated over enemy territory. Enemy casualties 3, nil, one. Ours 4, nil, 1. 11 enemy aircraft crossed our coast. 1 destroyed. Damage and casualties slight. 26th/27th. Aircraft were despatched - LORIENT 156, 2 missing, some cloud and ground haze; Leaflets over FRANCE 18; enemy shipping 33.

FRENCH NORTH AFRICA. On 25th adverse weather restricted operations.

LIBYA. 24th/25th and 25th. A total of 17 medium bombers and 36 Kittyhawks (P.40) bombed MEDENINE West Landing Ground. On 25th Kittyhawks (P.40) made 2 bombing attacks on shipping at ZUARA.

BURMA. 25th. Shipping at RANGOON attacked by 9 U.S. Liberators (B. 24). 1 6,000 ton ship hit. 25th/26th. HEHO (250 miles east of AKYAB) bombed by 10 Wellingtons.

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BOARD OF ECONOMIC WARFARE
OFFICE OF EXECUTIVE DIRECTOR
WASHINGTON, D. C.

JAN 28 1943

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

In the report entitled, "Report on Cork", dated January 25, 1943 which was discussed at the Board of Economic Warfare meeting on January 28 there are two errors: Page 2, second paragraph, second line - "65,000 tons" should read "6500 tons"; Page 4, first line - "30 metric tons" should read "30,000 metric tons".

Will you please have your copy corrected accordingly.

Sincerely yours,

Milo Perkins

Executive Director

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 28, 1943.

TO Secretary Morgenthau

FROM Harold Mager hm.

Intelligence Report 58 (1-15-43) contains matter that should be of interest to you:-

(1) Taxes. Press Bureau Surveys and field reports suggest that the proposed new taxes and compulsory savings recommended by the President in his Budget Message ($16 billion) will be accepted by the public. Correspondents report that people appear to have a good understanding of the case for higher taxes. A selective poll made as early as last October reveals that nearly half of the people were reconciled to the necessity for higher taxes in 1943. (See pages 12 and 13.)

People are concerned about two things, however: (a) that they may be asked to pay more taxes than their fair share of the burden (especially pronounced among white-collar, professional, and the small business people whose income has declined or remained fixed); (b) that pay-as-you-go be imposed as soon as possible.

Intelligence Report 59 (1-22-43) reveals that pay-as-you-go has become synonymous with the Ruml Plan for most people, and that little patience has been shown toward the Treasury's suggested substitutes or its objection that the plan fails to place tax liabilities actually on a current basis. (See page 4-5.)

(2) Rationing. Reaction of the public to food rationing is also extremely interesting. Americans accept without reservation the need for comprehensive food rationing, according to the studies made. The overwhelming majority express the following sentiments: that the Government plans to ration a large number of foods (83%); that such rationing would be approved (79%); that rationing should be instituted before shortages develop (77%); and that food rationing to date has been handled very well (66%). (See pages 6 to 11, Intelligence Report 58.)

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The general satisfaction with rationing as a device to distribute equitably goods in short supply suggests interesting possibilities for controlling inflationary influences by means other than fiscal policy.

(3) Post-war planning. There is a growing popular interest--and sympathy--in post-war planning. Vice President Wallace is now receiving a very favorable press, an interesting reversal from a short time ago. His approach to post-war problems is coming to be regarded as practical and reasonable, except for the extreme isolationist minority of the press. Most editorial comments agree the time has now come for discussion of post-war problems. They agree, in particular, with the Vice President's view that the enemy must be disarmed physically and psychologically. Some urge that the nature of the peace be outlined in greater detail. (See Intelligence Report 58, pages 16, 17 and 18.)

Regraded Unclassified

184

1·15·43

INTELLIGENCE REPORT 58

CONFIDENTIAL

This document contains information relating to the national defense of the United States within the meaning of the Espionage Act, as amended, U. S. Code 50, Sections 31 and 32. Its transmission or communication in any manner to any unauthorized person is prohibited by law.

OFFICE OF
WAR INFORMATION

BUREAU OF
INTELLIGENCE

COPY No. 7
Henry Morgenthau, Jr

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A summary of investigation and analysis conducted for certain OWI officials, issued for OWI and the interest of other members of the Government.

The period covered by this report is the week of January 7 through January 13, except where otherwise specifically stated.

X-8765

EDITORIAL ATTITUDES

MESSAGE

The President's message on the state of the Union drew the greatest editorial applause accorded him since his last appearance before Congress, 13 months ago, to announce that America was at war. The Kansas City Star called it "masterful"; the Worcester Telegram said it was "inspiring"; the Philadelphia Record was content with no less an adjective than "magnificent." With the exception of a few bitter-end opponents of the Administration, praise for the address was unanimous, unstinted and genuine.

It was the conciliatory tone of the message which evoked the greatest admiration. Commentators recognized the outstretched hand and showed great eagerness to grasp it; most of them felt that the new Congress now ought to be willing to meet the President half way. The Richmond Times Dispatch called it "an address to promote national unity. There was nothing in it to ruffle the sensibilities of any group of Americans." Even William Randolph Hearst's New York Daily Mirror remarked that "No one could listen to, or read, the message without noting its dominant overtone of conciliation. The President held out the olive branch to Congress. His remarks should go far toward establishing that working cooperation between the legislative and executive branches of our American democracy which has been lamentably lacking."

There was gratification, too, over the President's candor in acknowledging past mistakes and over his recognition that criticism has its uses. The

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Newark Star Ledger expressed a common reaction in commenting that "The President welcomed criticism as a spur to our effort, rejecting only such criticism as is malicious and likely to create doubts and fears. It was a speech that holds out the promise of sincere and effective cooperation between a strong-minded New Deal President and a resurgent, conservative Congress." Editors were especially pleased by the warmth of Mr. Roosevelt's tribute to American industry.

Finally, there was relief that the President laid his primary emphasis upon the winning of the war, without introducing, in detail, controversial proposals for the future. The Baltimore Sun said, in this connection: "With his assurance that victory in the war is our first goal and that victory in the peace is second, President Roosevelt states the case as his countrymen in general must wish it stated. Nothing can come before military victory, either in time or in interest. It has priority in every sense."

The President's recital of American accomplishments and his analysis of United Nations prospects for the year was regarded as greatly heartening. The prevailing tone in all comment on the message was one of exultation.

THE PRESIDENT'S RADIO AUDIENCE

President Roosevelt's message to Congress on the state of the Union was heard, according to a survey conducted by C. E. Hooper, in 27.7 per cent of all American homes with radios. The adult listening audience was estimated to have been about 14,000,000.

CENSORSHIP

A number of commentators during the past week renewed their complaints about

military censorship. From the beginning of the North African campaign, the editors have been dissatisfied with the quantity and the reliability of news from that sector. More recently they were disgruntled by the paucity of detail in accounts of air battles in the southwest Pacific. Our losses have been concealed, complained Fletcher Pratt, "behind the usual silly censorship"; the statement that they are negligible, he declared "can mean anything at all, especially after what they told us about the Tokyo bombers."

But the liveliest concern over concealment was expressed in regard to the war against submarines in the Atlantic. A recent statement by Admiral Stark and an appraisal of the situation in the Christian Science Monitor appear to have touched off the current demand for more facts. "Because of tight naval censorship," said the Omaha World-Herald, "it is not possible to say what our losses have been in the U-boat war. Admittedly, they have been great. Hundreds of our vessels, loaded with precious cargoes, have been sent to the bottom. That is the big unpublished news of the day. It is causing grave concern to the officials in Washington, but the people are not told about it, officially. They are allowed to go along blindly in the belief that our side is taking every trick."

Alarm over the submarine problem does not yet appear to be general or intense, but the seriousness of the situation is beginning to be appreciated. The St. Louis Post-Dispatch, for example, pointed out to its readers that, "Even though we are building more tonnage than the U-boats are sinking, the slaughter of men, the loss of war materials and the sacrifice of vessels will go on while the Germans are building more U-boats than we are sinking."

Regraded Unclassified

In addition to demanding more information about ship losses, some commentators have begun to urge the adoption of revitalized methods for combatting the submarine menace. In a criticism echoed by others, Walter Lippmann observed that, "Our conduct of the submarine war is the most backward and the most primitive, the least inspiring and the most lethargic, the least planned and the most unorganized campaign in our fighting." He called for the establishment of a special corps within the Navy, commanded by a submarine admiral, with status comparable to that of the Marines. The growing dissatisfaction with the Navy on this score may be a product of ignorance stemming from inadequate information about the Navy's real accomplishments."

GASOLINE

The ban on pleasure driving in eastern states was accepted by most of the press somewhat wryly, but not uncheerfully. To newspapers hostile to the Administration, it furnished, of course, an occasion for acidulous recrimination based upon pious hindsight. Thus, the Washington Times-Herald and the New York Daily News took the opportunity to observe: "We do not see... how the bureaucrats can duck the charge that their lack of foresight was chiefly what brought on these sufferings."

A great many commentators had misgivings about the implementation of OPA's ruling. They were uncertain about the definition of the term "pleasure," and even though sympathetic to the need for conserving gasoline, they balked vehemently at an enforcement method which many referred to as "snooping."

The Scripps-Howard newspapers declared that "putting the finger of suspicion on a man or woman and then requiring him to clear himself smacks of police

methods of Fascism and Nazism. We cannot afford to indulge in methods of the Gestapo." Most commentators agreed, however, that it is the civilian's duty to get along on as little gasoline and fuel oil as possible.

OPTIMISM IN THE NEWS

An analysis of major headlines in 20 metropolitan newspapers shows that events in the principal war theaters are being reported to the American people in overwhelmingly optimistic terms. The headlines, regardless of the details narrated in the stories over which they appeared, chronicled good news almost exclusively.

During the week of January 5 through January 11, the 20 newspapers examined carried 144 headlines about the fighting on the Russian front. All but one of these headlines conveyed news of a gain for the Red army. Even the single exception could not be considered bad news; it was merely non-committal

In the same period, 81 headlines appeared about the fighting in Tunisia; 61 of these brought good tidings; only 12 recorded enemy successes, while the remainder could be considered neither optimistic nor pessimistic.

Out of a total of 66 headlines about the southwest Pacific, 57 told of American successes and only seven acknowledged losses inflicted on us by the Japanese.

The following table indicates how heavily headlines about the four major battlefronts were weighted on the side of optimism. The imbalance has prevailed over the past few weeks:

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Headlines	"Good News"	"Bad News"	Non-Committal
Russia	99%	0%	1%
Tunisia	75	15	10
New Guinea	85	10	5
Solomons	88	12	0

POPULAR REACTIONS

REACTION TO THE BAN ON PLEASURE DRIVING

The ban on pleasure driving served to bolster the misconception that mileage rationing is simply a device for distributing equitably a limited supply of gasoline. The relation between mileage rationing and rubber conservation is still not generally appreciated.

According to OWI field men, some people accepted the recent curtailment of gasoline allowances as a temporary expedient to meet the gas and fuel oil shortage; they may grumble if they are still kept on short rations when spring arrives.

Before the imposition of the ban on pleasure driving, people displayed considerable anxiety about additional restrictions. Rumors flourished. The most common prophesied further gas sale suspensions and the abolishment of "A" books. In Massachusetts, a fancy rumor went around that autos not registered now could not be registered in the spring, and that the Government intended to take all tires from unregistered cars. Worcester reported the greatest last-minute registration rush in its history.

In Boston, the field men reported, people became quite defensive about their "A" books. They commonly took the position that their "A" ration

was barely sufficient for "necessary" driving. A few people argued that they were entitled to a certain minimum mileage for personal use, for which they should not be accountable to anyone.

Despite these attitudes, the ban on pleasure driving was fairly well received in the judgment of the OWI field men; perhaps people feared that even more severe measures would be taken. Resistance to the ban seemed greatest in cities, like Pittsburgh, where gasoline was relatively plentiful.

The ban created a number of new problems. In New York, ration boards were swamped with requests for definitions of "essential" driving. The use of taxicabs became, for many people, a moral issue. Here and there absenteeism mounted, and many cities reported almost unmanageable transportation jams. Surburban areas were particularly hard hit.

Many of the Bureau's correspondents have expressed the belief that Washington made a mistake in depending solely on threats and compulsion to enforce the driving ban. They believe that the ban represented an opportunity to give people a greater sense of participation in the war effort. If the ban is extended nationally, they recommend that the coercive approach be supplemented by informational efforts designed to secure voluntary cooperation.

RESPONSE TO PLANS FOR FOOD RATIONING

Americans accept without reservation the need for comprehensive food rationing. This is the outstanding finding of a survey made by the Bureau shortly after the new program was announced.

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All but a very few people were aware that the Government was going to ration food. And they approved of the idea:

IN THE NEXT 12 MONTHS, DO YOU THINK THE GOVERNMENT IS PLANNING TO RATION ONLY A FEW FOODS, OR QUITE A LARGE NUMBER OF FOODS?

Only a few	7%
Large number	83
Don't know	10

(Unless "Don't know") DO YOU APPROVE OR DISAPPROVE OF THIS?

Approve	79%
Disapprove	6
Don't know	5

There is at present little expressed dissatisfaction over the shipment of food abroad. Three-fourths of the people knew that we are shipping food to our allies, and an even larger number -- 90 per cent -- approved of our doing so, even if it means further restrictions here:

DO YOU HAPPEN TO KNOW WHETHER WE ARE SHIPPING ANY FOOD OVER TO HELP FEED ENGLAND AND RUSSIA?

Yes, are shipping	74%
No, are not	1
Don't know	25

DO YOU THINK WE OUGHT TO SEND FOOD TO ENGLAND AND RUSSIA, EVEN IF IT MEANS RATIONING A LOT MORE FOODS OVER HERE?

Should send food	90%
Should not	5
Don't know	5

The public was less aware of the fact that we are sending food to North Africa to help feed the civilian population. But 85 per cent of the sample believed that we should follow such a policy:

42% say we are shipping food and should do so
43% say we are not shipping food, but think we should do so
2% say we are shipping food, but shouldn't
5% say we are not shipping food, and are glad of it
8% don't know

People strongly favored a policy of launching rationing programs before shortages develop:

DO YOU THINK WE OUGHT TO START NOW TO RATION ALL FOODS IN WHICH SHORTAGES MAY DEVELOP, OR DO YOU THINK WE OUGHT TO WAIT UNTIL THERE REALLY IS A SHORTAGE?

Ration now	77%
Wait	17
Don't know	6

Although a minority doubted the necessity for sugar rationing, on the whole people were well satisfied with the way food rationing has been handled:

DO YOU THINK IT WAS NECESSARY TO RATION SUGAR AND COFFEE?

Yes, both	68%
Yes, sugar; not coffee	1
Yes, coffee; not sugar	18
No, neither	8
Don't know	5

WOULD YOU SAY THAT SO FAR FOOD RATIONING HAS BEEN HANDLED VERY WELL, ONLY FAIRLY WELL, OR POORLY?

Very well	66%
Fairly well	21
Poorly	8
Don't know	5

There was considerable confidence, furthermore, that the comprehensive rationing program will work out satisfactorily:

ON THE WHOLE, DO YOU THINK THE FOOD RATIONING PROGRAM WILL WORK VERY WELL, ONLY FAIRLY WELL, OR POORLY?

Very well	68%
Fairly well	21
Poorly	4
Don't know	7

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One serious threat looms on the horizon: the possibility that the advance announcement may encourage hoarding. Wickard's and Davis' explanation of why it was necessary to disclose the Government's plans was overwhelmingly approved by those who said that they heard or read their talks. But this included only 58 per cent of the public.

Considering the sample as a whole, more disapproved of the advance announcement than approved of it. Previous interviewing has revealed a widespread belief that advance announcements lead to hoarding. This survey revealed that three people in four fear that people will stock up in advance this time, too.

DO YOU APPROVE OR DISAPPROVE OF THEIR ANNOUNCING THIS A MONTH AHEAD OF TIME?

Approve	43%
Disapprove	47
Don't know	10

IN THE NEXT MONTH, DO YOU THINK A LOT OF PEOPLE WILL STOCK UP ON THE FOODS THEY EXPECT TO BE RATIONED?

Yes, a lot will stock up	72%
No	25
Don't know	3

The fear that others will hoard may encourage people to do a little precautionary hoarding on their own account. Such an impulse might be bolstered by the expectation that enforcement won't be strict enough to prevent "chiseling", once the program goes into effect. There is consequently some danger in the fact that one person in four believes that there has been a good deal of chiseling in connection with sugar and coffee rationing:

DO YOU THINK THERE HAS BEEN MUCH CHISELING IN THE RATIONING OF SUGAR AND COFFEE?

Yes, has been chiseling	26%
No	59
Don't know	15

The impulse to hoard may also be strengthened by the fear that eventually there won't be enough food to go around. One-fourth of the sample displayed deep anxiety about the food situation:

DO YOU THINK THE FOOD SITUATION WILL BECOME SO SERIOUS THAT SOME PEOPLE WON'T BE ABLE TO GET ALL THE FOOD THEY NEED?

Yes	26%
No	68
Don't know	6

A special study made by the Bureau in Philadelphia, on the two days following the announcement of the new program, indicates that many housewives are hoarding canned goods. Although the buying rush was perhaps exaggerated by the anti-Administration Philadelphia Inquirer, it seems equally clear that it was minimized by the pro-Administration Record and by Leon Henderson in his statement thanking the housewives of the city for their cooperation.

Excessive buying was especially pronounced in the super-markets, where customers enjoyed the security of anonymity. Despite Elmer Davis' explicit request, there was considerable evidence that people were shopping around in a number of stores for hard-to-get commodities. Demand for baby foods was conspicuously heavy. Only the stores in low-income areas seemed completely untouched by the buying wave.

Although apprehension and fear of what others might be doing are leading

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some people to hoard, on the whole, Americans are facing food rationing in a constructive spirit:

WHAT SORT OF THINGS DO YOU THINK PEOPLE THEMSELVES MIGHT DO TO HELP THE FOOD SITUATION?

Economize generally	36%
Actually produce foods	32
Refrain from hoarding	21
Purchase sparingly	16
Preserve and can food	11
Utilize substitutes	11
Plan meals better	9
Eat less	6
Buy cheaper food	5
Make the best of it	5
Comply with regulations	4
Miscellaneous	5
Not ascertainable	4

The reasons for rationing, while they merit continued restatement, appear to be fairly well understood. More informational emphasis seems needed, however, on the Government's reasons for announcing its rationing plans in advance. The need for everyone to accept his individual responsibility not to hoard also requires stress. Finally, continued emphasis must be put on the fact that no over-all food shortage is in prospect, and that compliance with rationing regulations is a contribution to the war effort.

DEVELOPING SITUATIONS

TAXES

The President's "total war" budget message was well received by the press. One or two newspapers argued that not quite as much as 50 per cent of a

$109,000,000,000 budget should be raised through taxes and compulsory savings. Other editorials maintained that the proposed higher taxes made it imperative for the Government to adopt a pay-as-you-go collection plan, which newspapers have been advocating in increasing numbers, and with mounting insistence, for some time. But, in general, commentators did not question the broad outlines of the President's program. They took the position that it constituted a challenge to Congress and to the Nation.

Previous Bureau surveys and field reports suggest that the proposed new taxes and compulsory savings will be accepted by the public, too, with no more than perfunctory grumbling. However, the increased levies will hit some groups especially hard, and new measures may have to be taken to facilitate tax collection.

Interviewing in October revealed that nearly half of the people were reconciled to the necessity for higher taxes in 1943:

DO YOU THINK PEOPLE'S TAXES NEXT YEAR SHOULD BE HIGHER THAN THEY WERE THIS YEAR?

Yes, higher	44%
No	44
Don't know	12

In another survey that same month, three people in four said that it had been no hardship for them to pay taxes in the past year.

The correspondents of the Bureau of Intelligence report that people appear to have a good understanding of the case for higher taxes. People do not question the need for an all-out effort to win the war, whatever the cost.

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There is little disposition to complain about the expensiveness of the conflict or to argue that the United States is spending more than her fair share. There is an overwhelming insistence, however, that the expenditure be well-managed—to demand the utmost efficiency and economy on the part of the Government. Frequently this takes the form of protests against some non-war expenditures.

While not protesting about prospective higher taxes, people are deeply concerned about the possibility that they may be asked to pay more than their fair share of the burden. This feeling pervades all classes. But it is especially pronounced among white-collar, professional, and small business people whose income has declined or remained fixed.

Some of these people simply point out, without bitterness, that "higher taxes on an increasing income are less difficult to meet than higher taxes on a stable or even a decreasing income." But others are so frightened about their general economic position that they have an almost paranoiac conviction that any new taxes are certain to fall most heavily upon them. People in this mood are frequently bitter about the "waste and extravagance" of the administration, and extremely hostile toward industrial workers, whose prosperity they exaggerate and resent.

Among people generally, there is considerable anxiety about how to accumulate enough money to pay taxes, even at their present level. Many correspondents express the fear that most wage earners are not making any provision to meet their 1942 tax bills. They anticipate a pinch next March which will drive some workers into the hands of the loan sharks and even

cause some to default or attempt to evade the payment of taxes. Several correspondents advocate an educational campaign urging the public to set aside money for taxes. The labor press is one recommended medium.

Some of this solicitude is expressed by people who plume themselves on their own providence, and must be attributed to disguised hostility toward workers. But labor editors and other people unmistakably friendly to workers also feel that individuals who have been living on a hand-to-mouth basis need to be instructed about how to meet taxes.

There is widespread sentiment in favor of some sort of pay-as-you-go plan. Many correspondents have expressed their personal preference for such a plan, and have reported that the idea meets with favor among people in all economic groups.

A survey made by the Bureau last summer, before the imposition of the Victory Tax, revealed that this type of withholding levy was overwhelmingly approved by workers. Only one respondent in ten voiced any objection to the tax. The questions, of course, dealt with a relatively small deduction, but it is significant that many workers spontaneously suggested that more or all of their income tax should be paid through deductions from earnings. From their own point of view, they looked upon withholding at source as a convenient and relatively painless method of meeting tax payments. And they regarded it as a sensible and efficient way for the Government to collect taxes.

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POST-WAR PLANNING

Success on the battlefronts has made the future seem imminent and real. Editors have suddenly taken a lively interest in post-war problems.

Interest manifested itself most dramatically in the reaction to Vice-President Wallace's recent speech commemorating Woodrow Wilson's birthday. The Vice President's press has improved astonishingly since his Free World address of last May 8.

Mr. Wallace's address of December 28 was given prominent and complete coverage in all but four of 22 representative newspapers examined by the Bureau of Intelligence. The four exceptions were the Kansas City Star and the Chicago Tribune, which carried the story but gave it little prominence, the Philadelphia Record and the Richmond Times-Dispatch, which carried no story in the editions available. All the other morning papers examined ran the story prominently on page 1, seven giving it banner headlines and six giving it the #1 position. Ten of the 22 newspapers printed the complete text of the speech.

The same 22 newspapers virtually ignored Mr. Wallace's speech of May 8 at the Free World Association dinner. Among them, all except PM buried its discussion of post-war problems, headlining only that part of the speech which mentioned a possible Japanese attack on Alaska. Only PM and the Chicago Sun carried the complete text of this address; only PM and the Baltimore Sun treated it as the #1 story; and only six papers ran it on page 1.

Editorial reaction to the two addresses was in even greater contrast. For some time after his Free World talk, Mr. Wallace was the butt of much facetious comment. Those commentators who did not denounce him as an agent of totalitarianism tended to ridicule his ideas or, at best, to treat him as a well-intentioned, but impractical, dreamer.

The bulk of the editorial comment about his more recent speech, however, praised it and, for the most part, regarded it as a practical, reasoned approach to post-war problems. The prevailing judgment was expressed by an editorial in the Christian Science Monitor: "Those who call his ideas Utopian, while themselves believing that the United States can once more indulge in a selfish high-tariff isolationism without wrecking the peace, are the real dreamers."

Invective came, of course, from the extreme isolationist minority of the press. Such papers again labeled the Vice President's ideas as subversive to the American way of life.

In addition, however, some commentators generally more sympathetic to the Administration expressed alarm over Mr. Wallace's suggestions that "Congress should formally recognize the maintenance of full employment as a declared national policy." And they were uneasy about his recommendation that we keep prices in control and assure continuity in the flow of income. The San Francisco Chronicle said that "This program, in plain words, means the manpower control, frozen jobs, frozen wages, frozen prices, rationing, the whole lockstep regimentation and regulation of private life we accept as temporary necessity in war emergency, riveted permanently upon us in an

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anthill civilisation."

But this sort of misapprehension was rare. Most comments agreed that the time had now come for discussion of post-war problems. They agreed, in particular, with the Vice President's view that the enemy must be disarmed physically and psychologically. And some of them urged that the nature of the peace be outlined in greater detail.

Interestingly enough, however, there seems to be little eagerness to have President Roosevelt present a blue print for the solution of post-war problems. On the contrary, the prevailing judgment appears to be that the President has been wise in holding himself somewhat aloof from the current discussion. Mr. Wallace's remarks were generally construed as a trial balloon for the President's message to Congress. A number of commentators, notably Walter Lippmann, commended the President for allowing proposals to be broached by his aides, while avoiding specific commitment to any particular plan on his own account. The prevailing judgment in the press, in short, seems to be that post-war plans should be debated at this time -- but not yet determined.

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OFFICE OF WAR INFORMATION

BUREAU OF INTELLIGENCE

COPY No. 7

Henry Morgenthau, Jr.

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A summary of investigation and analysis conducted for certain OWI officials, issued for OWI and the interest of other members of the Government.

The period covered by this report is the week of January 14 through January 20, except where otherwise specifically stated.

EDITORIAL ATTITUDES

FEUD

Editors are distinctly unhappy about affairs in North Africa. The whole situation there is concealed, they charge, behind a frustrating censorship which denies them essential facts.

Three events during the week brought their anxiety to a ferment — a story by Geoffrey Parsons, Jr. in the New York Herald Tribune reporting grave differences between the United States and Britain; denials of these differences by Brendan Bracken and Harold MacMillan; and the appointment of Marcel Peyrouton as Governor General of Algeria.

Mr. Bracken's statement only partially dispelled a widespread feeling that Britain has been working at cross purposes with the United States behind the North African scenes. His pledge of cooperation was generally applauded. The prevailing judgment is that any decisions made by General Eisenhower ought to be backed to the limit by both Governments.

Some of the General's defenders suggested that he has been made the victim of factional wrangling. The Scripps-Howard papers described it in this way: "...because Eisenhower acted as a great military commander with a single eye to victory, instead of as a partisan politician — because he refused to operate as a factional De Gaullist — they are now out to get him. 'They' include the left wing of the De Gaullists, a British official group (though not Churchill), and an American minority which has tried to smear Secretary of State Hull for many months."

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This is a judgment supported by a number of newspapers customarily hostile to the Administration's foreign policy. The Chicago Tribune observed, for example, that "North Africa has apparently become an arena in which conflicting groups, working at cross purposes, are sabotaging General Eisenhower's hope of attaining a military decision... The implication is that, while trying to fight a war, he is compelled to look over his shoulder to Washington and London to discover the political intentions of his superiors."

But some outstanding commentators of more liberal hue placed the blame for North African political difficulties squarely upon our own Department of State. "One cannot avoid the impression," said Dorothy Thompson, "that the State Department, or persons it it, have a personal feud with General De Gaulle, dating from the St. Pierre-Miquelon affair... The unrealistic policy of our State Department constitutes a menace to our war."

It was the transfer of M. Peyrouton from Argentina to the North African scene which evoked the greatest editorial ire. The Washington Post called this the "last straw" and declared, "North Africa today is in a highly explosive state. In no small measure the hopeless mismanagement by civilian American officials on the spot, notably the American Minister, Robert D. Murphy, is responsible for it. The elevation of Peyrouton to a high place in the administrative apparatus of that liberated region has all the dangerous potentialities of a lighted match in a powder barrel."

Similarly, Walter Lippmann felt that the trouble stemmed from the fact that, "When General Eisenhower was confronted with a political problem which no

one had prepared him for, his chief American adviser was the political agent, Mr. Robert Murphy, who had misjudged the situation." Mr. Lippmann ended his column with a sweeping indictment: "The time has come to cease misleading the American public by pretending that the political situation in North Africa, which is our entire responsibility, is muddled because of what has been said about it and thought about it in London. That is just an unsportsmanlike search for a scapegoat, and altogether unworthy of a great people. The control of this situation is in Washington and nowhere else, and it is in Washington that the crucial decisions will have to be made, and the measures taken, to send to North Africa American political representation of sufficient stature and caliber to cope with the problem."

Most commentators seemed to have no objection, on principle, to diplomatic opportunism as a means for the achievement of praiseworthy ends. They have a horror of naivete and an uneasy notion that rigid adherence to principles may be naive. But, apparently, they are beginning to wonder whether American expediency in North Africa was, after all, genuinely expedient.

STRIKE

James C. Petrillo's appearance before a Senate committee and the wild-cat strike in the anthracite coal fields, afforded opportunities, not ignored by the press, for moralistic comments on the Administration's labor policies.

Mr. Petrillo's defense of his ban on musical recordings was generally castigated as illogical. Only under an Administration which deliberately helped promote union organization, it was commonly pointed out, could such dictator-

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ship by a labor official be perpetrated.

Most papers regarded the coal strike as a grave peril to eastern fuel reserves and to the war effort in general. Editorial wrath at the strikers was somewhat mitigated by the fact that one of the expressed reasons for their walk-out was the imposition of increased union dues by John L. Lewis. While not condoning the strike, some papers argued that the workers had no other avenue of protest against extortion by their own leaders.

Most commentators saw in this situation further evidence of the evils of "union dictatorship"; they agreed that it stemmed from Administration favoritism toward labor and a failure to establish union responsibility.

Nearly all editorial comment demanded strong governmental action to break the strike and applauded President Roosevelt's ultimatum to the strikers. Even newspapers relatively sympathetic to labor considered the situation intolerable. The Philadelphia Record warned the strikers of congressional reprisals against all organized labor and declared that, "Up to now, the strike has been politely called a wild-cat walk-out. From now on it rates as sabotage."

TAXES

Editorial pressure for a pay-as-you-go tax plan, which has been mounting steadily, achieved fresh fervor last week. Newspapers declared that the ides of March will present a crisis for which the average taxpayer is wholly unprepared.

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The problem can be met, many of them said, only by an immediate shift to some form of pay-as-you-go taxation. The Detroit Free Press observed, for example, that "Congress' most pressing taxation task is to regard March 15 as the arrival date of an emergency... This means prompt enactment of the Ruml plan or a similar device."

In most comment, the Ruml plan has been uncritically represented as a pay-as-you-go formula. Little patience has been shown toward the Treasury's suggested substitutes or to its objection that the plan fails to place tax liabilities actually on a current basis. The Ruml plan as a synonym for "pay-as-you-go" is now widely accepted as a magic device for rendering taxation convenient, if not positively agreeable.

POPULAR REACTIONS

RESPONSES TO RADIO TREATMENT OF THE WAR

Fears that the American public is "fed up" with radio material about the war appear to be unfounded. Most people say that they are listening to the radio more than, or as much as, they did a year ago. Relatively few feel that there is "too much" about the war on the air. These are some of the salient findings of a recent Bureau of Intelligence survey of public reactions to radio treatment of the war.

The survey was made in Philadelphia, because a monitoring study was then being conducted in that city by the Bureau to discover how much time was devoted to war-related material on the air. This study revealed that about

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one-fifth of all broadcast time was given over to the war. The Bureau wished to discover, in addition, whether people felt they were hearing too much or too little about the war over the radio. A representative cross section was questioned, and a number of individuals were interviewed intensively.

Only a fourth of the people felt that they were listening to the radio less than they did a year ago. Thirty-seven per cent felt that they were listening about the same amount, and 35 per cent claimed to be listening more.

Furthermore, most of those who were listening more attributed their increased interest to the war. In contrast, most of those who were listening less were doing so, not because they were fed up with news or programs about the war, but simply because they had less time.

Direct questioning did reveal some feeling that there is too much on the air about the war:

SO FAR AS YOUR OWN PERSONAL LISTENING IS CONCERNED, IS THERE TOO MUCH ABOUT THE WAR, OR NOT ENOUGH ABOUT THE WAR, IN RADIO PROGRAMS AND ANNOUNCEMENTS THESE DAYS?

Too much about the war	15%
About the right amount	62
Not enough	12
No opinion	11

It is to be noted, however, that almost as many said there was "not enough" on the air about the war as said that there was "too much." With these viewpoints just about balancing, and with almost two-thirds of the sample maintaining that just about the right amount of time is devoted to the war,

it appears that the public is reasonably well satisfied with present radio emphasis on the war.

While only 15 per cent of the sample felt that, in general, the radio put too much emphasis on the war, an additional 20 per cent felt that there was too much of certain types of war material. Radio serial stories, news commentators and dramatizations about the war were the types of program to which objections were most frequently raised.

Dissatisfaction with the amount of war news on the air may be expected to fluctuate with the degree of interest in the war at any particular time and with other factors. Interest may have been unusually high in December because of the North African campaign.

Some differences appeared between the people who complained that the radio put too much stress, in general, upon the war and those who raised objections only to certain programs. People in the latter group were highly interested in the war, but objected to the over-emphasis or kind of treatment given the war in some types of program. The people dissatisfied in general complained about the nerve-wracking or depressing effect of war material on the radio and were irritated by the repetition of the news. They showed some tendency to want to escape the war. Their surfeit is not with war on the radio, but with war talk generally.

As these facts suggest, there was a definite relation between the opinion that there is too much about the war on the radio and people's general orientation toward the war. The people who complained about the amount of

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war material on the air were prone, far more than those who did not, to be out of sympathy with the war effort and to be dissatisfied with the way it is being conducted. They were less likely to be active participants themselves in home-front war activities.

Interestingly enough, the people who held these attitudes were also more prone than those more closely identified with the war to complain that there is not enough on the radio about the war. Thus, any effort to placate some of those whose dissatisfaction is related to basic disaffection by cutting down the amount of broadcast time devoted to the war would probably only heighten the dissatisfaction of other members of the same group.

> People's views about whether there is too much, too little or the right amount of emphasis on the war over the air waves does not reflect itself to any significant extent in their listening habits. The surfeited and the non-surfeited spend about the same amount of time listening to the radio.
>
> There was some slight tendency for the surfeited group to avoid programs dealing with the war. It is clear that their dissatisfaction does not basically stem from the amount of time they spend listening to war material on the radio. If anything, those who expose themselves least to such material complain most.

Straight news broadcasts, despite the frequency of criticism by the surfeited groups, were the most popular type of program about the war. News commentators rated second in esteem. About three people in ten expressed a preference for serial stories and dramatizations of the war. A comparatively well educated group of listeners, comprising about one-fifth of the entire radio audience, were particularly attracted to speeches, forums and round table discussions.

An earlier survey conducted by the Bureau showed that most people say they like radio war programs for one of two reasons: (1) because they are informative, or (2) because they give listeners a sense of participation in the war — of "being in on things." They like news commentators because "they help clarify the news" and "seem to have inside dope."

An effort was made to discover whether people minded having regular broadcasts interrupted for war announcements. Only five per cent objected to this practice.

A question was also asked about radio treatment of the United Nations to see if people were surfeited with the subject as a result of the six week spot campaign which had just run its course. It was found that, on the contrary, many people think that too little due has been given America's allies on the air:

IS THERE TOO MUCH, OR NOT ENOUGH, ABOUT THE UNITED NATIONS (OUR ALLIES) IN THE RADIO PROGRAMS AND ANNOUNCEMENTS THESE DAYS?

Too much	2%
About the right amount	51
Not enough	29
No opinion	18

The people who protested that there was too much or too little about the war on the radio also tended to make the same complaints about the movies and newspapers. But the movies were criticized somewhat more frequently than the radio for devoting too much or too little attention to the war, and the press was criticized somewhat less frequently.

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MANPOWER CONVERSION

A December poll of the American Institute of Public Opinion sheds further light on the problems involved in recruiting eight million additional workers into war industry. Only about half of the men not already in war jobs expressed a willingness to shift into war work:

WOULD YOU BE WILLING TO TAKE A JOB IN A WAR PLANT AT YOUR PRESENT RATE OF PAY? (Men only)

Yes	49%
Yes, if	6
No	40
Don't know	5

The "Yes, if" group includes those who said they would be willing to accept work in war plants "if capable of handling the job"; "if the job is in the immediate vicinity"; and "if able to stand it physically."

> Yes responses might have been higher than they were if the question had not specified, "at your present rate of pay." Previous Bureau of Intelligence surveys have shown that willingness to shift into war work is definitely affected by satisfaction with present remuneration.
>
> On the other hand, the responses are less encouraging if it is remembered that there is a big difference between willingness to take a job in a war plant and an active impulse to seek such a job. An October survey conducted by the Bureau revealed that only 15 per cent of those not employed in war industries, and only seven per cent of those not then employed at all, had actually applied for war jobs.

Economic position and age did not appear to affect the willingness of men to shift into war work. But awareness of the acute manpower shortage exerted a considerable influence — indicating the importance of the

informational task ahead. Fifty-five per cent of those aware of the shortage were willing to shift into war work. In contrast, only 47 per cent of those who didn't know whether there was a shortage or not, were willing to make a change.

Sixty per cent of the men who lived in defense areas, but only 53 per cent of the remaining city dwellers, and only 33 per cent of the farmers, expressed a willingness to accept war work. Unquestionably these differences, too, were largely a product of understanding of the manpower crisis. As the Bureau's October survey showed, people in areas with many war plants are far better aware than people in other parts of the country of the existing manpower shortage.

As is natural, there was a close relationship between willingness to shift into war work and approval of compulsory manpower mobilization. Fifty-eight per cent of those who favored giving the Government the right to tell workers where to work and at what jobs were willing to accept war work themselves at their present rate of pay. Only 36 per cent of those who opposed compulsory mobilization were similarly willing to shift into war work.

BAN ON "PLEASURE" DRIVING

Up and down the eastern seaboard, motorists seem to be taking the ban on pleasure driving with reasonable good cheer. Reports from BOI field observers and from OWI's regional information offices agree that, in the states hit by the new restriction, there is general acceptance and cooperation.

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Indeed the stringency of the OPA ruling on gasoline seems to have convinced people in a number of localities that the gasoline shortage is real and serious. There have been some protests and a number of inquiries, of course. But complaints are less frequent than they were before the ban, and a healthy feeling has developed that now everybody is being treated alike, at least in the eastern states.

The inquiries centered, for the most part, around definition of the term "pleasure". There has been some concern over differing interpretations of this word by individual OPA offices, and some localized criticism of special gas allowances.

Regional information officers and BOI field man agreed that acceptance and cooperation were high, even in the Boston area, where the Massachusetts Public Works Commissioner, whose department faces heavy losses in gasoline taxes, complained that New England had been singled out for gasoline restrictions. He described the motorist as "the prize sap of the century" for paying automobile registration fees under the illusion that he would be allowed to drive his car. In Philadelphia, a city with important suburban communities, reaction to the prohibition was reported to be "remarkably good."

The greatest irritation developed along the fringes of the restricted areas. Field men say that the inclusion of Pittsburgh in the eastern gas rationing area evoked considerable bitterness there. The check on motorists while driving was vehemently resented. The OPA office in this city had 900 phone calls on this subject in one day.

The situation in the Middle West was aggravated by some organized opposition, especially by the Chicago Tribune, to the rationing program. In Milwaukee, where OPA officials themselves were charged with failure to cooperate, there has been some tendency to disregard OPA rules. The theft of 6,500 gasoline ration books in Chicago has led to fear of a large gas bootlegging ring in that city.

People in the Southwest, where gasoline rationing remains a serious problem, have been hearing a number of rumors as a result of the eastern ban on pleasure driving. There is now some fear that coupon values in the Southwest will be cut to salve the feeling of those in the eastern shortage area.

A traffic survey conducted by the North Carolina Highway Department showed that the volume of traffic in that state during December 1942 was 49 per cent lower than during December 1941. On rural highways, there was a decrease of 67 per cent in traffic. But public conveyances are said to be seriously overtaxed, while private cars still on the road drive without full loads.

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NO TO BE RETRANSMITTED

BRITISH MOST SECRET
U.S. SECRET

COPY NO. 13

OPTEL No. 32

Information received up to seven A.M. 28th January, 1943.

1. MILITARY

LIBYA Our forward armoured troops were held up by enemy rearguards in area seven miles west of Zaura where there was very bad soft sand on both sides of the road. Further south our patrols maintained contact with enemy armoured cars and a few tanks on the Zuara-Giado Road at a point about 50 miles S.W. Zuara where approximately 30 Italian Deserters surrendered.

TUNISIA During 25th and 26th Allied Forces have gained some ground in the Ousseltia Valley where we have consolidated our positions. On Northern Tunisia operations have been confined to patrol and artillery activity.

RUSSIA West of Voronezh Germans have withdrawn to a new defensive position which is being strongly attacked by Russians. Germans have captured a number of localities 40 to 50 miles west south west of Voronezh. East of Rostov fierce and confused fighting continues between Rivers Don and Manich. In Caucasus Russians have made progress on Railway West of Salsk and N.E. of Tuapse.

2. AIR OPERATIONS

WESTERN FRONT 26th/27th 182 tons of bombs were dropped at Lorient resulting in scattered fires with some large ones in Dock Area in centre of town. 27th 9 Mosquitos (one missing one crashed) dropped seven tons of bombs on Diesel Engine Works at Copenhagen. Fires were started in Test Shops. A force of Fortresses (17) and Liberators (24) were despatched to North West Germany. 53 Fortresses dropped 118 tons of H.E. on Wilhemshaven. Results believed good. Three Aircraft missing. One Locomotive destroyed and 10 damaged in France by Typhoons, Mustangs (51) and Spitfires. 27th/28th Aircraft were despatched. Dusseldorf 162 (6 missing) Sea Mining 54 (one missing one crashed) Anti-Shipping 4. Intruder, one. The blind bombing attack on Dusseldorf considered successful.

FRENCH NORTH AFRICA 26th Hurricanes escorted by Spitfires (two missing) bombed Jefna Railway Station. 8 Enemy Aircraft dive bombed Souk El Arba Airfield. Allied casualties on ground two nil two. Enemy in Air nil two three.

ITALY 26th/27th Mosquitos damaged a Northbound Tanker off South East Coast Italy and three engines on Railway on the same Coast. Liberators (24) bombed Messina obtaining hits near Ferry Terminus.

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NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 38

Following is supp amentary resume of operational events covering the period 21st - 28th January, 1943.

1. NAVAL

MEDITERRANEAN. A convoy to BONE which arrived 22nd twice heavily attacked by aircraft, 4 of which shot down. One ship damaged. 8 enemy ships reported sunk by H.M. submarines and naval aircraft, also one U-boat and 2 escort ships. Estimated some 17,000 tons of enemy shipping sunk or damaged by aircraft. No major change in position of Italian heavy naval units. Volume of traffic to Tunisian ports much lower in January than in 2 preceding months. Last week more traffic to TUNIS and less to BIZERTA and SOUSSE.

RUSSIA. Of 6 submarines on passage from north-eastern SIBERIA and PACIFIC to north RUSSIA via AMERICA one lost, three now at MOSYTH, one in ICELAND (C) and one on passage to north RUSSIA. Russian Naval Commander-in-Chief Black Sea has moved his headquarters north to TUAPSE. In SEA OF AZOV there is ice for distance of 7 miles from coast line and covering GULF OF TAGANROG. Considerable drift ice in KERCH STRAIT.

SUBMARINE WARFARE. A number of enemy submarines of which there are some 95 in the ATLANTIC have been concentrated in the areas south of GREENLAND but have not repeat not so far intercepted a convoy though one homeward bound convoy is still in danger. This immunity may be in part due to heavy weather. Week ending 27th, 4 promising attacks on U-boats in MEDITERRANEAN.

SHIPPING CASUALTIES. During the week 23rd - 29th inclusive 6 ships reported torpedoed. One Swedish in the north-western approaches, 3 United States ships southwest of the AZORES, one Belgian off ORAN and one United States in the South PACIFIC which was last reported to be afloat and drifting. In addition, one British ship was sunk and another damaged by aircraft in the western MEDITERRANEAN and a sailing barge was blown up, probably by a mine in the THAMES ESTUARY. The British ship reported last week torpedoed east of DEMERARA has arrived undamaged. One Panamanian tanker is reported overdue at GIBRALTAR.

TRADE. Imports into United Kingdom in convoy during week ending 23rd - 352,000 tons, including 125,000 oil.

2. MILITARY

LIBYA. The enemy has succeeded in withdrawing the bulk of his forces to the area of the Tunisian frontier and is unlikely to make any determined effort to halt our advance before MARETH LINE defences reached. Impetus of our further advance largely dependent on possibilities of reopening TRIPOLI port on which good progress being made. Petrol now being landed BOUERAT.

FRENCH NORTH AFRICA. Operations in OUSSELTIA area probably not repeat not more than local importance. Net gain to enemy has been capture of some mountain passes north of OUSSELTIA-KAIROUAN Road, thus increasing protection of TUNIS-GABES Coastal supply route. Considerable United States forces now reached Central Tunisia and assisting French.

RUSSIA. German Divisions. Further departures of divisions from FRANCE to RUSSIA and also slight intake of divisions into FRANCE. Number in FRANCE and LOW COUNTRIES now estimated at 34.

FAR EAST. BURMAK-ARAKAN. Position unchanged MAYU-RATHEDAUNG area where Japanese may have up to 2 battalions forward of AKYAB. Enemy troop movements reported OPTEL No. 37. Probably part of plan to reinforce AKYAB area.

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3. AIR OPERATIONS

WESTERN FRONT.

Night. 768 bombers took part in night operations. 17 missing. 3 attacks on LORIENT by total of 389 aircraft. Object to damage town and port facilities so as to slow up servicing and maintenance of U-boats based there. Bombing was highly successful, particularly having regard to small area of target which is less than that of Krupps works at ESSEN. Some dislocation may have been caused to U-boat turn round but effect on the number operational at sea cannot yet be assessed. 2 attacks on DUSSELDORF by total 245 aircraft which dropped 617 tons of bombs. Believed that in spite unfavourable weather considerable damage caused.

Day. One daylight attack also on LORIENT by 35 United States Fortresses which dropped 66 tons. 5 aircraft missing out of 90 operating. 53 Fortresses and Liberators carried out first attack by United States forces on GERMANY by bombing WILHELMSHAVEN. 118 tons dropped. 3 aircraft missing which was much smaller loss than expected. Attack successful, new dry docks under construction and dock facilities round main entrance being hit.

FRENCH NORTH AFRICA. Heavy attacks maintained on enemy ports and communications. BIZERTA Harbour bombed heavily by day and night. Now considered that whole of Axis Libyan air force is based in Southern TUNISIA.

LIBYA. Allied fighter bombers and light bombers operated on a large scale and maintained constant pressure by day and night on retreating columns. Forward landing grounds occupied and utilised as our ground forces advanced. Offensive patrols maintained over forward area. Our forces not repeat not seriously opposed by enemy air attacks. German fighters which had probably sustained heavy losses were employed in protection of their Panzer units.

RUSSIA. Little news from northern and central front but Russians have somewhat intensified their effort in south against communications and supply bases.

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

ESSEN. Photographs 17th show damage between 23rd December and 13th January as follows: Serious damage in 2 of Krupps' Plants, also in Sawmills and Glassworks. Damage to residential and commercial property scattered over wide area and mostly from high explosives.

DUISBURG. Photographs same day show severe industrial damage especially to cable works and a steel works. 5 large warehouses in docks wrecked or burnt out.

5. HOME SECURITY

Estimated civilian casualties week ending 27th. Killed 120, seriously wounded 191, including 87 and 142 in LONDON daylight raid 20th.

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January 29, 1943

TO THE SECRETARY:

Bernstein leaving Washington this afternoon and will arrive Havana approximately eight o'clock Havana time Saturday morning, January thirtieth. Will contact Third Secretary of Embassy and see you shortly thereafter.

BELL

NLE

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Analysis of Exposure to Payroll Savings Plans

January 23, 1943

Classification	Number of firms exposed to payroll savings plans	Total number of firms in the country (estimated)	Percent of total exposed	Number of employees exposed to payroll savings plans	Total number of employees in the country (estimated)	Percent of total exposed
I. Business organizations						
(1) Firms with 5,000 employees or more.....	470	473	99	8,645,091	*	*
(2) Firms with 500 to 4,999 employees.....	5,722	5,855	98	8,007,264	*	*
(3) Firms with 100 to 499 employees.....	25,755	29,151	88	5,806,055	*	*
(4) Subtotal - large firms.....	31,947	35,479	90	22,458,410	*	*
(5) Firms with less than 100 employees.....	139,780	*	*	3,343,017	*	*
(6) Total Business organizations.....	171,727	*	*	25,801,427	32,700,000 1/	79
II. Governmental organizations						
(1) Federal Government.....	*	*	*	2,376,067	2,800,000 1/	85
(2) State and local governments.....	*	*	*	1,435,034	2,900,000	49
(3) Total governmental organizations.....	*	*	*	3,811,101	5,700,000	67
III. Grand total.....	171,727	*	*	29,612,528	38,400,000 1/	77

Treasury Department

January 29, 1943

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

* Data not available.

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Firms Employing 100 Persons or More Participating in Payroll Savings Plans

(As reported by the War Savings Staff's State Administrators)

January 23, 1943

State	Firms employing 100 - 499 persons			Firms employing 500 persons or more		
	Total number of firms (estimated)	Number of firms with payroll savings plans	Percent of total with payroll savings plans	Total number of firms (estimated)	Number of firms with payroll savings plans	Percent of total with payroll savings plans
Alabama	332	258	78	68	67	99
Arizona	72	72	100	14	14	100
*Arkansas	131	101	77	17	17	100
Northern California	781	732	94	134	133	99
Southern California	1,267	1,146	90	161	158	98
Colorado	142	137	96	31	31	100
Connecticut	692	582	84	165	155	94
*Delaware	63	59	94	25	25	100
District of Columbia	190	177	93	52	52	100
Florida	356	220	62	51	46	90
*Georgia	419	393	94	127	126	99
Idaho	33	33	100	10	10	100
Illinois	2,195	2,121	97	504	499	99
Indiana	816	739	91	170	151	89
Iowa	214	178	83	47	40	85
Kansas	300	290	97	26	26	100
Kentucky	294	243	83	52	50	96
Louisiana	333	303	91	55	55	100
Maine	168	160	95	55	55	100
Maryland	405	359	89	111	111	100
Massachusetts	1,378	1,217	88	336	328	98
Michigan	1,318	1,023	78	287	287	100
*Minnesota	441	440	99	81	81	100
Mississippi	119	107	90	37	37	100
Missouri	976	737	76	143	141	99
Montana	49	49	100	4	4	100
Nebraska	144	139	97	29	29	100
*Nevada	27	21	78	5	5	100
New Hampshire	170	149	88	32	32	100
New Jersey	1,181	1,000	85	200	199	99
*New Mexico	42	41	98	5	5	100
New York	4,267	4,001	94	935	916	98
North Carolina	554	491	89	141	138	98
North Dakota	20	20	100	0	0	-
Ohio	1,921	1,782	93	504	486	96
Oklahoma	325	303	93	56	56	100
Oregon	311	297	95	55	55	100
Pennsylvania	2,717	2,333	86	639	626	98
Rhode Island	341	307	90	85	78	92
South Carolina	166	159	96	99	99	100
South Dakota	26	26	100	5	5	100
Tennessee	519	435	84	93	89	96
Texas	1,014	742	73	125	124	99
Utah	44	44	100	10	10	100
Vermont	75	71	95	12	12	100
Virginia	360	350	97	111	111	100
Washington	399	370	93	73	73	100
*West Virginia	282	220	78	77	77	100
Wisconsin	680	502	74	154	154	100
Wyoming	25	25	100	4	4	100
Alaska	2	2	100	3	3	100
Railroads	52	49	94	115	109	95
Total	29,151	25,755	88	6,328	6,192	98

Treasury Department

January 29, 1943

* Data are for January 16, inasmuch as no January 23 report was received.

MEMORANDUM FOR THE SECRETARY.

January 29, 1943.

Mail Report

Both in volume and in content, mail for this week varied very little from that received last week. Taxes continue to be the dominant subject, with interest again centering on some sort of pay-as-you-go plan. In a group of 50 letters urging adoption of such a plan, one-fourth mention and support the Ruml idea. Among these letters were endorsements from groups of Public Accountants, and an Association of Credit Men. Fifteen letters opposed the Ruml Plan, believing it unwise to forgive a year's taxes.

The Victory Tax continues to be exceedingly unpopular. Fifteen letters called attention to the great number of persons who escape payment of the tax; 3 Labor organizations protest collection of the tax on raises granted prior to January 1 but not paid until afterwards because of delay by the Government itself -- the War Labor Board being slow in approving increases.

The Sales Tax was favored 2 to 1, and a tax on the excess profits of individuals had occasional endorsement.

There were 7 protests on increased taxation from white-collar taxpayers who have had no salary increases. There were the usual questions and suggestions in regard to the application of the tax bill.

Correspondence in regard to Bonds introduced no new note. Suggestions repeated those of earlier weeks -- smaller denominations, different maturity periods, need for additional safe-keeping facilities, and possible methods of stimulating sales.

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Memorandum for the Secretary. January 29, 1943.

Of the 10 persons who wrote of the necessity for cashing Bonds to pay taxes, one or two considered this a good means of meeting tax obligations and suggested short-cuts in connection with the transaction. Forty-eight Bonds were submitted for redemption -- 10 came from Patchogue, Long Island, although 6 of these came at one time from the same owner. There were 44 complaints in regard to outstandingly bad delays, 32 of these coming from War Department personnel.

In the general correspondence there were a number of rather cynical comments upon the recent release of $6,600,000 in Federal Reserve Notes.

Only 5 persons advanced plans for prepayment on post-War delivery of durable goods.

The pros and cons of advertising were discussed by a number of correspondents. A few believe that advertising should be almost completely banned; others wish it taxed heavily; and still others protest any allowance for advertising expense on income tax returns. A few letters have defended the basic principle and pointed to the part advertising has played in educating the public and forming good buying habits.

Ten letters proposed national lotteries and a number included clippings of editorials endorsing the idea.

Gabrielle E. Forbush

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General Comments

Ben DuBois, Secretary, The Independent Bankers Association, Sauk Centre, Minn. We understand that the Department of Agriculture expects to loan a quarter of a billion dollars to farmers through resurrected RACC. We also understand that the RACC will work in conjunction with the AAA to the confusion of other agencies within that Department. The country banks of the Nation are able and willing to finance all agriculture needs and why a quarter of a billion dollars of Government money should be used where it isn't needed and an old agency brought to life to administrate it when that Department has more financial agencies than it can intelligently now use indicates confusion most confounded. Apparently the Agriculture Department is bent on the elimination of country banking at a time when much of the bankers' energies are devoted to the sale of Government Bonds, etc.* *

Congressman John D. McWilliams, (Connecticut). * * * It would seem that Mr. Munz is being accorded treatment in direct contradiction to our Democratic form of Government and to the country of his adoption. I have known Mr. Munz personally ever since I can remember, and can endorse wholeheartedly Mr. Hellyar's sentiments with regard to him, that he is considered among the half dozen most beloved persons in the City of Norwich. I cannot conceive of any American citizen being treated in such despicable fashion at the hands of our Government officials, and I feel so strongly and deeply for both Mr. and Mrs. Munz that I am determined to do for these good people what I would do for my very own family. It is my intention to leave no stone unturned until I solve this shameful mystery and ferret out the facts in the case. * * * (The following are comments from Mr. Hellyar's letter to Congressman McWilliams.) * * * Mr. Munz is a Swiss by birth and his father and grandfather were Swiss. He came to the United States in 1889 and became an American citizen at the very earliest permissible time, in 1894. Mrs. Munz is a native-born United States citizen and has never been outside the United States. Mr. Munz is now 76 years

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of age and Mrs. Munz 75. * * * During the more than forty years during which Mr. Munz has been connected with our company, and during which he has held the highest offices it had to fill, he has left the larger part of his excess earnings, that is to say, his life's savings, on account with the company. * ** The result is that for many years, Mr. Munz has had on our books a very large credit balance. * * * Now that our affairs are blocked and Mr. Munz has retired from active service, the Munzes desired to withdraw a large part of the funds due to them. The company not only did not oppose this, but welcomed the lightening of its responsibilities that such a withdrawal would bring about. * * * Application to do this immediately gave rise to a staggering amount of investigation and questioning, including a request that we trace all transactions in the Munz accounts back to the beginning of the account or accounts. Since Mr. Munz's account began about 1900, this would have involved the tracing of thousands of transactions. Documents in sworn form were required, photostats, copies of accounts, contracts and agreements were asked for. Citizenship papers had to be produced, and they were produced, yellow with age, and dated in 1894. Mr. Munz was asked to appear in New York for questioning. Stories were told and re-told; affidavits were filed in duplicate, in triplicate. The file became enormous. After two and one-half months the application was denied without any explanation. Appeal from denial was made and more papers were filed. Assurance was given that everything appeared to be regular and that the license ought to be forthcoming after the appeal. * * * Mr. Munz was told in New York that since it might take some time to decide the issues, an application for a much smaller amount would receive immediate consideration. Mr. Munz thereupon stated that he was in immediate need of about $2,000 for his living expenses and he proceeded to file a stop-gap request for this amount. * * * The last questionnaire received was a repetition of the requests for information which had already been filed in voluminous written and oral form, hence it was necessary to go all over the story again. What was worse, the new questionnaire referred only to the stop-gap request for $2,000, although Mr. Munz's appeal to the Treasury asked for re-consideration of both denied applications. In the meantime, Mr. Munz has found it necessary to borrow money for his immediate needs. * * *

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Wm. E. Zeuch, Director, School of Organized Education, Fairhope, Alabama. Your reply, through Mr. Bell, to my recent letter is received. This is an acknowledgment and not to prolong correspondence. I have a distinct impression from Mr. Bell's letter and enclosure, as well as from press stories about the two-thirds billion greenbacks released, that the Treasury and Federal Reserve System have knowingly and purposely embarked upon a program of inflation. The twelve billion bond issue based upon expanded bank credits and normally unused bank reserves permits no other interpretation. Some of us had hoped that the Administration would have the courage as well as the statesmanship to finance this war from taxes and savings derived from the stabilized values (prices) of current production. We have bought Bonds on the basis of that hope. Now that the Treasury and Federal Reserve System have launched upon a program of financing the war by debauching our currency, partially at least, we cannot be charged with lack of patriotism if we no longer buy Bonds. And I cannot, with a clear conscience, advise others to buy Bonds that represent dollars whose purchasing power decreases as the Administration-inaugurated inflation develops.

R. C. Love, Sycamore, Va. Please find enclosed AAA Parity check. I don't feel like taking money from the United States Treasury like that in time of war. It is a small contribution, but please accept it with my best wishes. ($9.89)

H. W. Spencer, Louisville, Ky. * ** I think you have done a swell job in a most difficult time.

Congressman Wesley E. Disney, (Oklahoma), sends the following letter he has received from Judge Tom Shaw of the Municipal Court of Tulsa, Oklahoma: As you know, we confiscate sizeable quantities of liquor every month

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here in Tulsa, and under our State law we must destroy this liquor. This is a great waste and when we add this to the alcohol confiscated and destroyed all over the country, it is enormous. It can be nothing less than a crime during wartime to destroy this liquor which could be converted to war purposes. Therefore, in case you agree with me, I should like for you to do whatever can be done to have some kind of an order, law or edict invoked whereby all such contraband liquor could be turned over to the United States Government for war purposes.

Congressman Leonard W. Hall (New York), transmits letter from a constituent, Charles H. Gillespie, Williston Park, New York, and says in part: * * * Today, we are cooperating and uniting our efforts as never before. Essentially, cooperation means common aid, common help, and I do not understand why the Federal Reserve Bank could not pitch in, and also other U. S. Government Agencies that could be of cooperation.
(The following comments are from the letter written by Mr. Gillespie.) As you are probably aware, the decentralization program has placed a number of Government Departments in New York. The result is that when the paychecks are distributed, there are hundreds of additional Government employees endeavoring to cash their checks at or about the same time. Sometimes the Post Offices are able and willing to cash these checks, but it can be readily understood that they frequently are not in a position to handle the demands made upon them. This means that many employees of the Federal Government have paychecks which are worthless to them for several days. Of course, some of the middle and higher salaried group have checking accounts in the city are are able to dispose of the checks through the usual banking cycles, but except for this minority, the banks are of no assistance whatsoever. "The Federal Reserve Bank" simply states that, "This is a private institution; we do not cash those checks". * * * It is not a question of proper identification as most of the Departments furnish identification certificates which bear the employee's certificate, position and signature. * * *

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William L. Standard, Counselor at Law, N.Y.C. * * * A problem to be dealt with affects the unwarranted withholding by Treasury Department officials of money earned by merchant seamen as wages, and which they have in their possession at the time they arrive in this country. The manner in which the Federal Reserve Bank of New York is administering its powers and duties, under the Foreign Funds Control Regulations, unnecessarily works hardships on persons not intended to be affected by those Regulations. The purpose of these Regulations is to prevent certain types of money from being brought into this country. At no time were they intended to deprive merchant seamen of their earned wages. (Gives example of seaman whose wages for 8 months were taken by Customs and not yet refunded.) * * * This practice should be stopped in all cases where, as here, the seaman is able to prove where and how he received his money. * * * While $830 of his money has been tied up, he was left with only $50 when his funds were taken from him. Having spent that, he now finds himself destitute. May I urge that you give such instructions as will guarantee to seamen that their earned wages will not be taken from them, wherever they can prove the sources from which they received same.

Frank P. Fenton, Director of Organization, American Federation of Labor, Washington, D. C. * * * Your service discharged Mr. Gregory J. Bardacke because an investigation showed that he was arrested several times on strike activities, although never convicted. This discharge was predicated upon an investigation made by your Department. I was very much surprised to learn of this because he was working jointly with my representatives who have been appointed by your Department, and who also have been appointed as voluntary workers of the American Federation of Labor. I have known Mr. Bardacke for seven or eight years and I have worked with him in many trade union matters, such as strikes, etc., and I have always found him to be capable, honest, and an efficient trade union officer. I find it difficult to understand why he was discharged because he was arrested several times in trade union disputes. Surely the valiant history of trade

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union struggle should mitigate any opinion about such arrests. * * * I certainly hope that you will see the advisability of reopening this case so that justice and equity may be done to a man who has conscientiously devoted his service to the trade union movement.

Albert S. Goss, Master, The National Grange, Washington, D. C. For some time I have wanted to drop in to see you and tell you what a swell job you are doing, but I have not had nerve enough to take your time or even bother you with a letter. Now I have something definite to present and make use of the opportunity to tell you how much we all appreciate your work. * * * I believe the Treasury would find a lot of installment buyers who would welcome a bond which would be repayable, principal and interest, in quarterly sums throughout the life of the Bond. Such Bonds could run for 10, 15, or 20 years, be issued in multiples of not less than $100 or $200, bear a rate of interest, possibly as low as 1½%, and be repayable in equal quarterly installments throughout the life of the Bond. The purchaser would then be able to use his money to further the War effort and would then have an instrument which would protect against any difficulties which might arise in connection with his mortgage. I have personally known a dozen or more cases where farmers have written to me for advice on this very point, and I am sure there are a great many thousands of farmers and home owners who would be glad to invest in a Bond of this nature.

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Favorable Comments on Bonds

H. J. Stomberg, The Fox Rig & Lumber Co., Ardmore, Oklahoma. We have your circular letter of January 14 relative to our offering encouragement to our employees to continue the payroll allotment plan for purchase of War Bonds, and disregard the increased income taxes and Victory Tax. This we are attempting to do. * * * In fact, we received the first target flag in the State of Oklahoma; our employees are continuing to buy War Bonds on the same basis as heretofore. At the same time, your letter has overlooked one very vital factor and that is the increased cost of living. As employers, we are perfectly willing to forego any profit in our business during times of this kind, but in order for an employee to live, pay Victory Tax, pay increased income taxes, and buy War Bonds, it means that he must receive enough salary to do so. We have been trying to increase the salaries of our employees to the extent that they would be able to do the above. However, we have been unable to receive authority to do so and have found the orders to be very complicated, the men in charge of Government offices apparently unwilling to listen to what we consider sound reasoning. * * * We believe that when an employer is willing to increase salaries to the extent that it will enable his employees to pay these different taxes, and in addition, buy War Bonds, he is entitled to more consideration than we have been accorded.

A. A. Pinski, Plumbing and Heating, Great Falls, Mont. * * * It is my observation that employees and employers alike are realizing more and more the necessity of sacrificing and putting their country's needs before their own. Also, as they accumulate a few War Bonds, the true picture unfolds and they are surprised and delighted to find that every dollar invested in War Bonds really is an asset to their future welfare without any strings attached, guarded against marauding of numberless inducements to part them from their savings, and last, but not least, their sense of obligation started them in a saving habit of far greater magnitude than they ever dreamed possible.

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Ralph Sorrentino and William Capizzo, Brooklyn, N. Y.
My friend, Willi, and I, Ralph, feel that we are not doing enough by going out to look for scrap only. We will like to have your permission to sell defence stamps. I think we are trustworthy of selling them. If you give us permission please send them to the above address. In case of an order of a Bond we will take their name and address and send it to the nearest bank. We like to do this because we are to young to join any of the arm forces so at least we are doing our part by selling stamps. We will send the money to you. So please give us your permission and we will be on our way.

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Unfavorable Comments on Bonds

Mrs. D. J. Raymond, Route 2, EauClaire, Mich. (Letter referred from the White House.) There is something gnawing at the ropes of Victory, and I believe you should know about it. The boys in the Armed Services are urged to take out War Bonds. * * * Most of the boys don't mind, but they do worry when over five months have passed and those Bonds aren't sent. Our boy is in the Army and had a Bond a month taken out of his pay. He wrote telling us to be expecting it; to put it away for him and to let him know just as soon as they arrive. Five months have passed and there isn't any trace of a Bond. We have advised him to discontinue taking them. To most of his inquiries he is told that's the way the Government does things. * * * If the presses are so overworked printing Bonds as I was led to believe when I made an inquiry, maybe it would be a good idea to stop civilian sales of Bonds until the soldiers get at least their first one. * * * This is causing a great deal more worry than you can believe, not only with ours, but countless others. I am advised if I don't want to get in trouble, to keep my mouth shut about things of this kind. But being an American of several generations, that isn't easy when you think something is causing as much trouble as I believe this is.

William K. Paton, President, Farmers Bank of the State of Delaware, Dover, Delaware. When we down the line have the heat put on because it is believed we are not doing our job, and when bureaucratic orders come out of Washington, it just burns us up a little bit to see situations like this, minor though they may be. There is so much of it in the various Departments that comes to my attention, that I could not refrain from taking a crack at this one. (Encloses full-page ad showing records of carrier-boy sales in various states. Delaware is omitted in column between Connecticut and District of Columbia, and the ad bears the following notation: "Since when has Delaware ceased to be a State -- or is it further

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inaccuracy in Government at Washington? For your information, it was the FIRST State in the Union!

Lieutenant R. C. Draper, U.S.N.R., Naval Operating Base, Guantanamo Bay, Cuba. This is the third inquiry on the subject of Defense Bonds, and to date no reply. I allot $37.50 each month to purchase a $50.00 Bond, but to date no Bonds have been delivered. Original allotment was made at Quonset Point, R. I., in July, 1942. The address to which the Bonds were to be sent -- Mrs. R. C. Draper, Navesink River Road, Red Bank, New Jersey, U.S.A.

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Favorable Comments on Taxation

Jerome Laadt, Sales Organization, Chicago, Ill.
TOO SUDDEN -- without any real serious consideration - and ABSOLUTELY IN THE WRONG TIME - the Ruml Pay-As-You-Go Plan has been announced, which is nothing new. The Egyptians had it 3000 years ago. Hitler has had it ever since 1931 when he began to build his war machine -- a bayoneted Nazi stands at every cashier's pay window and collects right then and there 40-50%, now supposed to be 70% of the wage-earner's pay, as taxes. An old story -- "Pay-as-you-go Plan" -- but a good one -- a very good one. * * * (After suggesting plan for 1944.) Above all, stop talking pay-as-you-go quick, if you don't want to get into a muddle by being short millions of tax returns by March 15. Please realize that you are "doing business" with people who are short-minded, they do not understand what you talk about. They hear all kind of conflicting reports over the radio and in newspapers -- this tax is on, this tax is off -- and so on, nothing definite. The only thing they know and remember is that they will not have to pay a tax for 1942 because of the pay-as-you-go tax plan. Whether they pay or not means nothing to them, they just know and remember that which they hear over the radio, see on the screen and read in newspapers -- that their 1942 tax may be cancelled.

Edward Grop, Jr., C.P.A., Boston, Mass. Sitting here in my rather cool hotel room, I read the enclosed despatch re Ruml. * * * I know F.D.R. has given it his blessing under certain delightfully indefinite conditions. I suppose he says to himself, and rightly so, "This is Henry's job, let him muss up his hair on this one". From a strictly selfish point of view, I'm for it. * * * What would Congress say on some payday in 1944 if you had collected all taxes due, and borrowed all you could, and spent it, and there was no back-log for you to dig into to get that payroll? But let me tell you, Henry, Mr. Ruml and his eminent endorsers haven't said anything

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about forgiving the 1942 debts their customers owe them, provided said customers pay on the nose for what they owe in 1943. Frankly, neither will I do it. * * * Based upon the possibility that many will not be able to pay their 1942 income taxes in 1943, especially the little fellows, let us adopt the Ruml, or perhaps some other pay-as-you-go plan for income taxes in 1943, but don't forgive the 1942 income taxes as per Ruml. * * * The real people in these United States don't want forgiveness, but they probably will appreciate paying on 1943 income, as we go, and if you'll let them pay 1942 same as they do a betterment assessment on their real estate (seeing as how they have been in 1942 paying back bills, taxes, and buying Bonds) they will feel fine about it. * * *

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Unfavorable Comments on Taxation

Jack Winocur, President, Atlantic District, American Communications Association, C.I.O., N.Y.C. We have written the Internal Revenue Department regarding the unjust application of the 5% Victory Tax to seamen's wages. Having received no reply from this bureau, I am writing you in the hope that something will be done to end the penalties and discrimination now being applied to the men who risk their lives in delivering the goods to our allies and armed forces. * * * Seamen receive the bulk of their wages in one lump sum at the end of their voyage. Voyages these days range anywhere from one to eighteen months in length. The 5% being deducted from the payoff at the end of the voyage is actually collected on wages earned not only in 1943 but also in 1942, and in some cases, even in 1941. * * *

John H. Bowles, Notary Public, Fort Bragg, N.C. Ten days ago the undersigned made a formal request in writing to the Collector of Internal Revenue at Greensboro, N.C., for a special ruling on the following: Are the expenses incurred in travelling to and from work (Defense Jobs) deductible from income tax where the distance is 50 miles or more, roundtrip? The Collector at Greensboro, N.C., has not even replied to my inquiry. I am this date asking Senator Bailey to get in touch with you in regard to my inquiry.

W. Croft, Elmhurst, L. I., New York. In your pamphlet entitled, "Your New Income Tax" you appeal to every one, who is able, to pay their income tax in full. I am ready to do so right now, my friends are ready to do so, and no doubt thousands of others are eager to do likewise. There is only one thing that prevents people from doing so, and that is the uncertainty about what new rules may be forthcoming from Washington, and the result is that people are only going to pay one-quarter of their taxes until they know exactly where they stand. Will you please advise me what to do under the circumstances, and also the public at large, otherwise, I think your appeal will be in vain.

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Dunlevy Milbank, N.Y.C. Your request that income taxes be paid as early as possible is understandable. The benefit to the Treasury Department is obvious, but the disadvantages to the taxpayer are not so clear. The law requires the filing of income tax returns on March 15, and permits payment of income taxes in four installments, but the regulations and practices of the Treasury Department modify this in certain particulars. For example -- the taxpayer cannot be sure, if in order to relieve the burden upon the Treasury Department, he anticipates the date for filing his return, that the statute of limitations will not thereby start to operate as of this earlier date; he cannot be sure if he anticipates payment of his first installment of taxes that interest on additional assessments will not take this earlier date as the basis for computation; but he can be sure if he makes payment of any installment or installments in Tax Anticipation Notes, that interest thereon will be accrued and credited only to the first of the month in which he makes payment -- not to the first of the month in which payment is due. It seems to me that if in issuing another appeal for early payment of income taxes, you will state that so far as the Treasury Department is concerned, the taxpayer will not in any particular be penalized for his considerateness -- with such an assurance you will find the taxpayer will cooperate.

Jan Williams, Drexel Hill, Pa. I am a sailor in the Merchant Marine and have just returned from a 6 months' trip abroad. You can imagine the surprise and disgust of myself and my fellow workers when we were told that this famous Victory Tax would apply to us from the beginning of our trip, that is to say, from last July -- and even including money spent abroad or on allotments to our families. I would be pleased if you could explain to me why we sailors are penalized in this fashion for having spent months in a submarine-infested ocean and having daily run the risk of losing our lives. Why is it that those who had soft jobs ashore only pay the tax from January 1? If you can give a satisfactory explanation to this, you're a clever man.

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Copy of letter addressed to Frank Scofield, Collector of Internal Revenue, Austin, Texas, by Edward H. Shirley and Wife, Eagle Lake, Texas. Am paying this interest under protest. When return was rendered last year, well in advance of March 15, a serious but completely honest mistake was made in computing the tax, and in the amount sent in. As soon as the form was mailed, we discovered the mistake and wrote in immediately, asking to be allowed to correct it, and HOW TO PROCEED. The answer over your signature was that in due time the matter would be taken up. In November your adjuster, Mr. Horn, in a most satisfactory and gentlemanly manner, went over it with us and the additional tax was paid. Mr. Horn informed us "an amended return" could have been filed. Which definite suggestion would have been appreciated at an earlier date. * * * We are loyal citizens, and are glad to pay our income tax, but we would be happier if fairer and more businesslike methods were used by the representatives of our Government.

Lawrence J. Klauder, Certified Public Accountant, Philadelphia, Pa., Prentice-Hall, Incorporated, publishers of the Federal Tax Service, states in a recent report that "An appeal for early filing of tax returns on 1942 income was made today to 35,000,000 Americans by Secretary Morgenthau". If you made this appeal, as you are quoted as having done, are you aware of the fact that in Philadelphia it is still impossible to obtain 1942 corporation and fiduciary income tax blanks, and that individual tax blanks have not yet been received in the mail by taxpayers?

Mrs. L. N. Wheelwright, Blowing Rock, N.C. * * * Millions of families like my own, on small fixed incomes, are compelled to turn their homes over to banks and insurance companies who hold the mortgages because we cannot meet the new taxation -- especially the Victory Tax -- and pay the mortgage interest. We are going around these weeks with stricken hearts because on January 23 our life savings are wiped out by the Jefferson Standard Insurance Company, for lack of $394, with which to meet the interest,

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and $200.00 with which to meet the taxes (property tax) plus $98.00, town tax -- a sum we have raised each year for thirteen years by stinting to the bone because we loved the place, and because it was home. We do our own work, our own painting, planting, etc.; because we stay at home and within these gates, the place is our heaven on earth. Now we must lose it. We had nothing to do with bringing War to America and can contribute in no way to its prosecution, being too old, the little ones too young. When we move on the 23rd, we must go into a small brown shingle house, heated only by one fireplace and a cooking stove, storing our furniture in a barn. I was supposed to be comforted by the tax collector who mentioned that a part of the tax would be refunded later on, but that comes too late, we will have lost everything long before that time. The sense of frustration, of silent fury at the helplessness of such people as ourselves makes matters even worse. To be able to do nothing except sit and wait until 1944, when we can cast two minor little votes against those responsible for the state of affairs in America is almost physically sickening. * * *

Arthur E. Bateman, Cambridge, Mass. My letter of Dec. 23, 1942, asked for a simple statement as to whether or not the benefits received from Accident and Health Insurance should or should not be included in my Federal Income Tax Return. On January 20, 1943, I received a two-page (on different kinds of paper) typed reply which was more or less a copy of printed instructions which indicated that benefits should be excluded, although, "Section 23X", the exception, was not explained satisfactorily. * * * Not receiving an answer to my letter of December 23, 1942, and not receiving my Form with printed instructions, although we read continually in the press of difficulties in tax collecting, I visited the Boston Office of Internal Revenue on January 15, 1943, and from a Counter Clerk (I looked in vain for an "Information" sign) learned that these benefits should be included in my return, but that I could exclude premiums paid. As this did not seem sensible, I called at the Cambridge branch and received a contradictory statement; that is, the benefits should

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be excluded, which was verified by the printed instructions received subsequently, and also by the typed letter received 29 days after my letter of December 23, 1942. Possibly the Treasury Department is in a groove.

Raymond E. Guiel, Holyoke, Mass. I'm wrighting to know what the consaquences be to a working man or woman who cannot meet his income tax of 1942. Recently I red your booklet called, Your New Income Tax, and I'm not sure I can pay as much as it calls for. I'm 17 years of age and I've worked hard for the money I've earned. Each week 1/4 of my pay goes to taxation, bonds and insurences. Besides all taxes on food, clothing, gas, oil, ect. I have a brother 19 going in the army. There are 4 smaller than I, and Mom and Dad are not working. I have at last two sisters who pay their board and so that leaves only me to keep my family going. Mr. Morgenthau, I'd really like to know what you would do, you in the place of mine. * * * I'd be pleased to have you, Mr. Morgenthau, to write me back personally to what can be done to aid me through this painful year of income taxation. * * *

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NOT TO BE RE-TRANSMITTED

BRITISH MOST SECRET
U. S. SECRET

COPY NO. 13

OPTEL No. 33

Information received up to 7 A.M., 29th January, 1943.

1. NAVAL

One of H.M. submarines sank a 500 ton armed ship and two 250 ton schooners and damaged two other small ships off Eastern Tunisia.

2. MILITARY

LIBYA, 27th. Leading elements of eighth armoured brigade reached Sabratha which was unoccupied and advanced another fifteen miles.

RUSSIA. The Russians have captured the railway junction of Kastornaya fifty miles west of Voronezh. In the North Caucasus they have advanced southwest and northeast of Kropotkin.

3. AIR OPERATIONS

WESTERN FRONT. 27th/28th. DUSSELDORF. 127 Aircraft dropped 47 tons of bombs in about equal proportion H.E. and I.B. including five 8,000 pound and 93 4,000 pound. Complete cloud en route and over objective large concentration of bombs was dropped on and around the markers placed by Mosquitos. Attack completed in about twenty-three minutes. Glow of many fires seen on the clouds but success of attack cannot be ascertained at present. Searchlights ineffective. No enemy fighters met.

28th. In France and Belgium our fighters destroyed one and damaged twelve locomotives. Two spitfires missing. One JU 88 shot down by fighters off Essex.

BRITISH NORTH AFRICA. 27th. Six U.S. Mitchells bombed and hit two enemy destroyers, one was left on fire and listing heavily six U. S. Bostons bombed Mezzouna fifty-four miles W.S.W. of SFAX with results believed satisfactory.

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FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

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

Marketable issues:
Market purchases 1/..... +
Market sales 1/..... -
Direct purchases from Treasury -d
Maturities..... -m

Special one-day certificates 2/:
Net increase..... +d
Net decrease..... -d

Column B shows price changes in 32nds for all securities except certificates. For certificates, Column B shows yield changes in decimals.

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Index	Description	Last Week: Monday Jan. 18 A	B	Tuesday 19 A	B	Wednesday 20 A	B	Thursday 21 A	B	Friday 22 A	B	Saturday 23 A	B	Full Week A	B	This Week: Monday Jan. 25 A	B	Tuesday 26 A	B	Wednesday 27 A	B	Thursday 28 A	B	Friday r 29 A	B	Saturday 30 A	B	Full Week A	B
	I. Summary																												
	Marketable issues:																												
	Market purchases	+13.6		+6.4		+36.0		+56.4		+44.9		+47.1		+211.6		+8.3		+99.4		+53.1		+66.2		+76.8		+48.1		+351.9	
	Market sales	-21.7		-6.4		-75.4		-62.9		-5.9		-37.5		-209.8		-32.3		-60.4		-72.8		-71.8		-67.2		-24.7		-349.2	
	Direct purchases from Treasury																												
	Maturities					-m77.3								-m77.3						-m79.0								-m79.0	
	Special one-day certificates:																												
	Net change																												
	Total net increase (+) or decrease (-)	-2.5		+2.0		-116.7		-6.5		+39.0		+9.6		-75.5		-24.0		+39.0		-58.7		-5.6		-10.4		+23.4		-76.3	
	Wednesday report of total portfolio					5818.0														5729.0									
	II. Taxable securities																												
	Bills - all issues combined																												
	Market purchases	+17.3				+30.1		+49.6		+29.3		+38.5		+164.8		+2.5		+80.0		+23.5		+54.0		+49.7		+47.5		+257.2	
	Market sales	-14.7		-4.5		-61.5		-50.5				-36.5		-167.7		-15.5		-16.6		-30.0		-31.8		-47.5		-16.2		-157.6	
	Maturities					-m77.3								-m77.3						-m79.0								-m79.0	
	Total net increase (+) or decrease (-)	+2.5		-4.5		-108.7		-.9		+29.3		+2.0		-80.2		-13.0		+63.4		-85.5		+22.2		+2.2		+31.3		+20.6	
	Certificates																												
C 1	5/8% A - 2-1 43		-.02%						-.02%						-.02%			+17.0	-.02%	+18.6		+11.0		+22.6		+.6	-.02%	+69.8	-.04%
C 2	.65 C - 5-1 43								-.02%						-.02%				-.02%		-.02%								-.04%
C 3	7/8 B - 8-1 43				-.02%			+5.0						+5.0	-.02%				-.02%	+5.0		+1.2					-.02%	+6.2	-.04%
C 4	7/8 D - 11-1 43			-7.0	+.02%	+1.0		+.8		+15.6		+7.0		+31.4	+.02%		-.02%		-.02%						-.01%		-.01%		-.06%
C 5	7/8 E - 12-1 43																												
	Special one-day certificates																												
C 6	7/8 A - 2-1 44																		+.04%						-.02%				-.06%
	Treasury notes																												
N 1	3/4% D - 3-15 43																												
N 2	3/4 D - 9-15 44																+1												-1
N 3	1-1/4 C - 3-15 48							-5.4						-5.4				-3.5		-7.5		-4.5		-3.0	+1	-1.0		-21.5	+1
N 4	3/4 E - 12-15 45		+1		+1		+1				-1				+2										+1				+1
N 5	1 A - 3-15 46		-1		+1		-1		+1						+4														
N 6	1-1/2 B - 12-15 46		+1			-2.5		-2.3	+1			-.5		-5.3	+2			-7.5		-10.6		-2.2		-7.9		-2.0		-30.2	
	Treasury bonds																												
B 1	2% - 3-15 48-50					-1.5								-1.5			-1		+2			-1.6	+1			-.4		-2.0	+2
B 2	1-3/4 - 6-15 48						+1						-1						+2		+1						-1		+2
B 3	2 - 6-15 49-51										-1				-1		-1		+1		+1								
B 4	2 - 9-15 49-51				-2		+1				-2				-3				+1					-3.0	-1			-3.0	
B 5	2 - 12-15 49-51		-1		-1						-2				-4				+2	-2.0			+1						+1
B 6	2 - 3-15 50-52				-1			-.5			-1			-.5	-2		-1.0		-14.7	+1	-8.5	+1	-7.2			-1		-2.0	+2
B 7	2 - 12-15 51-55			-.5	-1		+1			-5.4	-1			-5.9	-1							-2.9		-.8				-32.2	+2
B 8	2-1/2 - 3-15 52-54	-7.0				-.5		-1.0		-.5		-.5		-3.5								-5.0		-5.0				-7.9	
B 9	2-1/4 - 6-15 52-55		+1		-1	-1.0	+1	-1.5			-1			-2.5			-1.0	-3.5	+1	-5.8		-6.0		-1.5				-17.8	+1
B 10	2-1/2 - 3-15 56-58					-.6	+1	-.2						-.8	+1		-1.0	-2.0	+1	-6.3		-6.0		-2.0		-.5		-17.8	+1
B 11	2-1/2 - 6-15 62-67																					-.5						-.5	
B 12	2-1/2 - 12-15 63-68						-1				-1		-1		-1				+2		+1				-1		+1		+5
B 13	2-1/2 - 9-15 67-72				-1	-.4					-1			-.4	-2			-1.2		-.5					-1	-.3		-2.0	-1
	Guaranteed securities																												
G 2	RFC 1-1/8% V - 7-15 43								-1						-1								+1	+1.5				+1.5	+1
G 3	RFC 1 W - 4-15 44		-1												-1				+1										+1
G 1	CCC 1-1/8 G - 2-15 45																				+1								+1
	All taxable securities																												
	Marketable issues:																												
	Market purchases	+17.3		+7.0		+31.1		+55.4		+44.9		+46.5		+201.2		+2.5		+97.0		+47.1		+66.2		+73.8		+48.1		+334.7	
	Market sales	-21.7		-5.0		-68.0		-61.4		-5.9		-37.5		-199.5		-18.5		-51.0		-71.2		-62.7		-70.7		-20.4		-294.5	
	Direct purchases from Treasury																												
	Maturities					-m77.3								-m77.3						-m79.0								-m79.0	
	Special one-day certificates:																												
	Net change																												
	Total net increase (+) or decrease (-)	-4.4		+2.0		-114.2		-6.0		+39.0		+8.0		-75.6		-16.0		-46.0		-103.1		+1.5		+3.1		+27.7		-38.8	

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

* Less than $50,000.

r Original figures revised.

1/ 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.

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

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FEDERAL RESERVE OPERATIONS IN GOVERNMENT SECURITIES

Page 2

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

Market purchases 1/..... +
Market sales 1/..... -
Maturities..... -m

Column B shows price changes in 32nds.

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Index	Description	Last Week: Monday Jan. 18 A	B	Tuesday 19 A	B	Wednesday 20 A	B	Thursday 21 A	B	Friday 22 A	B	Saturday 23 A	B	Full Week A	B	This Week: Monday Jan. 25 A	B	Tuesday 26 A	B	Wednesday 27 A	B	Thursday 28 A	B	Friday 29 A	B	Saturday 30 A	B	Full Week A	B
	III. Tax-exempt securities																												
	Treasury notes																												
N 101	1-1/8 A - 6-15 43																-1								+1				
N 102	1 C - 9-15 43																						+1						+1
N 103	1-1/8 B - 12-15 43																						+1						+1
N 104	1 B - 3-15 44																												
N 105	3/4 A - 6-15 44																				+1		+1						+2
N 106	1 C - 9-15 44																								-1				-1
N 107	3/4 A - 3-15 45																				+1								+1
	Treasury bonds																												
B 101	3-3/8 - 6-15 43-47								-2						-2	+.5		+1.0		+1.0				+3.0	-2			+5.5	-2
B 102	3-1/4 - 10-15 43-45			+1.1		+.1						+.1		+1.3		+1.3		+1.0		+1.0	-2							+3.3	-2
B 103	3-1/4 - 4-15 44-46	+.5				+.9						+1.4		+2.8		+3.9	-2	+.1										+4.0	-2
B 104	4 - 12-15 44-54								-1						-1						-1				-1				-2
B 105	2-3/4 - 9-15 45-47																				+1								+1
B 106	2-1/2 - 12-15 49		+1			-.6		-.5	+1					-1.1	+2	-1.0	+1	-2.0						-4.3				-7.3	+1
B 107	3-3/4 - 1-85 46-56							+1.0						+1.0				+.1										+.1	
B 108	3 - 8-15 46-48																												
B 109	3-1/8 - 6-15 46-49																												
B 110	4-1/4 - 10-15 47-52								+1		-1					-.6				+1				-.5			-1	-1.1	
B 111	2 - 12-15 47								+1		-1		+1		+1					+1									+1
B 112	2-3/4 - 3-15 48-51																-1						+1						
B 113	2-1/2 - 9-15 48				-1				+1		-1				-1		-1			+1		-.8		-5.0		-5.6		-3.5	-14.9	
B 114	2 - 12-15 48-50					-.6								-.6		-1.2		-2.8											-4.0	
B 115	3-1/8 - 12-15 49-52													-.9		-1.0	+1			+1	-1								-1.0	+1
B 116	2-1/2 - 12-15 49-53			-.9																+1				-1.2		-2.0			-3.2	+1
B 117	2-1/2 - 9-15 50-52																			+1						-4.2		-.5	-4.7	+1
B 118	2-3/4 - 6-15 51-54				-1	-3.0			-1		-1			-3.0	-3					+1										+1
B 119	3 - 9-15 51-55				-2		+1		-1		-1				-3										+1				-.2	+1
B 120	2-1/4 - 12-15 51-53				-1	+3.0	+1		-1		-1			+3.0	-3														-4.4	
B 121	2 - 6-15 53-55				+1	-1.0					+1			-1.0	+1															
B 122	2-1/4 - 6-15 54-56				-1	-.9	+1		+1		-1			-.9																
B 123	2-7/8 - 3-15 55-60								-1		-1				-1														-5.1	+1
B 124	2-3/4 - 9-15 56-59					-.8	+1				-1			-.8															-.8	
B 125	2-3/4 - 6-15 58-63															-2.5		-2.6					+1						-4.6	-1
B 126	2-3/4 - 12-15 60-65					-.5	+1	-.5		-1.0				-2.0	+1	-.8													-.8	
	Guaranteed securities														-1	-3.0		-.5		-.2	-1	-.5	+1	-.1		-.3	-1	-4.6	-1
G 101	OCC 3/4% F - 5-1 43															-.3		-.5		-.6		-.4		-.1	-1			-1.9	-1
G 106	FFHA 1-3/8 - 2-1 44																	-1.0	-1									-1.5	-1
G 103	FFMC 3 - 5-15 44-49																												
G 102	FFMC 3-1/4 - 3-15 44-54					+.5					-1	+.1		+.6	-1													+4.0	
G 104	HOLC 3 A - 5-1 44-52					+.2					-1			+1.2	-2								+1					+.3	-3
G 105	HOLC 1-1/2 M - 6-1 45-47				-1	+.2					-1			+.5	-1								-1						-1
															+1								-1		+2				-4
	All tax-exempt securities																												+2
	Market purchases															+5.8		+2.4		+6.0		-		+3.0				+17.2	
	Market sales															-13.8		-9.4		-1.6		-9.1		-16.5		-4.3		-54.7	
	Maturities																												
	Total net increase (+) or decrease (-)															-8.0		-7.0		+4.4		-9.1		-13.5		-4.3		-37.5	
		+1.5				-2.5		-.5				+1.6		+.1															

r Original figures revised.

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

* Less than $50,000.

1/ 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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January 30, 1943

Dear Ed:

In the absence of the Secretary I acknowledge receipt of your letter of January 27, 1943.

We did not have any suggested changes to make in the statement which you proposed to make before the Foreign Affairs Committee of the House, so we did not think it was necessary to call Mr. Davidson as you suggested.

Very truly yours,

S/ DAN

Honorable E. R. Stettinius, Jr.,
Administrator,
Lend-Lease Administration,
515 - 22nd Street, N. W.,
Washington, D. C.

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OFFICE OF LEND-LEASE ADMINISTRATION

515 - 22nd Street N.W.,
Washington, D. C.

E. R. Stettinius, Jr.,
Administrator

January 27, 1943

My dear Mr. Secretary:

Attached is a preliminary draft of my testimony to be used before the Foreign Affairs Committee of the House in the next few days in connection with the extension of the Lend-Lease Act. It is likely our hearings will commence Friday.

Owing to the time limitation, I wonder if you will be good enough to have your secretary give your comments to Mr. Alfred Davidson, REpublic 7500, Ext. 6813, as early Thursday as possible.

With appreciation of your assistance and our best wishes.

Sincerely yours,

(Signed) E. R. STETTINIUS, JR.

E. R. Stettinius, Jr.

Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury

Washington, D. C.

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CONFIDENTIAL

Statement of E. R. Stettinius, Jr.
Lend-Lease Administrator
Before the House Foreign Affairs Committee On
the Extension of the Lend-Lease Act

The American people and the Congress considered the Lend-Lease Act necessary in the spring of 1941 when we were not at war. I think there would be few who would contend that Lend-Lease is not a vital military instrument today.

That Act, passed by the Congress in a time of disaster, was an affirmative expression by the American people of their will to oppose the Axis in its attempt to dominate the free peoples of the world. The years preceding the debate on the Lend-Lease Act had been years of retreat and defeat. Germany had seized Austria and Czechoslovakia; Japan had overrun Manchuria. Poland had fallen, and the Axis armies had blitzed their way through Norway, Belgium and the Netherlands. The men of Vichy had met with Hitler in the Compiègne Forest. The Luftwaffe was over Britain night and day.

There was no assurance in the sombre beginning of 1941 that Britain could hold out alone. With Dunkerque Britain had lost the major part of her equipment. We know now how pitifully small was her stock of weapons and supplies -- so small in fact that the 500,000 antiquated Lee-Enfield rifles, the _____ rounds of ammunition, and the _____ pieces of old artillery sent by our Government out of its World War stocks were a major contribution to the equipment of her army, and to the sustenance of her spirit in the dark days.

Airplanes, tanks and other munitions ordered by Britain a year before had hardly begun to arrive. But British and French orders had stimulated our industries to take the first steps towards conversion to war. Bombers, tanks and ships cannot be bought off the shelf. We had begun

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the long, hard work of building and equipping plants, of designing, retooling and testing. To turn industry from peace to war takes time. That time was necessary — necessary to the defense of the United States today. We and our allies are fighting now with the machines, the planes and weapons ordered in the spring and summer of 1940.

Fortunately, the American people and the Congress were not willing to give Britain up for lost. What would have happened had we done so? Can anyone seriously believe that there could have been a Libyan or a North African offensive in 1942 if Britain had been bombed into submission? Or would we have been fighting Hitler on the shores of Maine and New Jersey and Florida?

The American people and the Congress determined in 1941 that the support of Britain, in what Prime Minister Churchill called her finest hour, was necessary to the defense of this country. Britain desperately needed planes and tanks and guns, and she could not pay for them. Her dollar exchange had run low, and she could no longer place orders in this country, which was then her only source of additional war material.

The issue before the Congress in March 1941 was this: Should the American people stand by and say, no munitions unless the cash — the non-existent cash — were put on the barrelhead?

That issue was met in the most practical kind of way. We would supply the tools of war and discuss the terms of settlement later. The American people and the Congress of a democratic country understood our danger and met the Nazi challenge. Aid had to be rendered them. The democracies had had enough of too little and too late. Today we can be thankful for that vision and that foresight.

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The Axis had counted on our not helping our friends when their till ran empty. They had propagandized against us so much as the country of the money-bags that they came to believe that legend themselves.

The Lend-Lease Act was the answer of the American people and the Congress to both our friends and our enemies.

The Lend-Lease Act meant that the war for our life as a free people would be won. It meant that supply would go where it was needed, with reference only to need, and not to dollars. It meant that we could really begin to arm, and to organize our economy and our people for war.

Within sixteen days after the passage of the Lend-Lease Act, the Congress appropriated seven billion dollars to carry out its provisions.

Soon after this appropriation was passed, about $2,000,000,000 was allocated for the production of aircraft, over half a billion dollars for new ship ways and new ship construction, and more than $1,700,000,000 was allocated for the construction of other munitions plants and war material.

Lend-Lease and the Pooling of Resources

In the year and a half since the passage of the Lend-Lease Act the world scene has changed enormously. In June 1941, Hitler's armies struck east towards the Soviet Union. In December, Pearl Harbor was attacked by the Japanese, and Hitler and Mussolini declared war against us. The conflict which had started in Europe has spread to the corners of the earth. With the entry of the United States into war, and with Britain, Russia, China and the United States fiercely fighting a defensive

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and delaying action against Axis aggression, it became imperative for the United Nations to combine as rapidly and as efficiently as possible their resources and manpower.

Lend-Lease has become an essential part of the co-ordinated process of supplying our armed forces and those of our allies. The system for allocating United Nations supplies to the different theatres of war according to military need rests on lend-lease and lend-lease in reverse. The flow of war supplies from the factories to the fighting fronts proceeds without being impeded by considerations of finance. Lend-Lease in fact fulfilled the President's original pledge to remove the dollar sign from war supply. Lend-lease in reverse has removed the symbol of the pound sterling. To paraphrase the President, money cannot take the place of munitions at the fighting fronts.

There is only one war. What we send to fight in Russia or the Middle East, the bombers based in Britain or Australia or India, the tanks which have just fought across 1300 miles of desert in ninety days, these are part of our war effort. The guns, the food and the camps we receive all over the world as lend-lease in reverse are a vital

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factor in the supply of our troops. Mutual aid among the allies, on the supply side as on the battlefields, is of the essence of our organization for waging war--an organization of Nations united in complete determination to destroy Axis power.

In the last war there was no real pooling of the resources of the United States and its allies. The United States paid in dollars all the necessary expenses for its army in France and England. In the year and one-half that the United States was in the war total expenditures of the United States in France exceeded two and a quarter billion dollars.

The situation in the present war is wholly different. Weapons, food, industrial equipment for Russia, China, the United Kingdom and the other allied countries are provided by the United States under lend-lease. These countries in turn provide the armed forces of the United States as reciprocal lend-lease aid with equipment, food, shelter, and all necessary services.

When I speak of the pooling of the resources of the United Nations and when I refer to the battle of the world between the United Nations and the Axis powers, I wish to emphasize the magnitude of our supply problem. This map shows (specify countries, distances, etc.).

Total Lend-Lease Aid

The total amount of lend-lease aid, to the end of December, 1942, is $8,253,000,000. The volume has increased greatly during the last year as is apparent from this chart (Chart No. I).

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The value of goods transferred and services rendered under lend-lease for the three months ended December 31, 1942, totaled $2,482,000 as compared with $690,000,000 for the three months ended December 1941, or three and one-half times as much.

This chart (Chart No. II) shows the growth of our aid to each of the major groups of countries during the period from September 1941 to November 1942.

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Aid to Britain

As you will note, lend-lease aid in the beginning went almost entirely to help win the battle of Britain, which was at that time standing alone against the enemy. The flow of arms, food, and other materials to Britain has sustained first a defensive operation and now an increasingly powerful series of offensive thrusts on the seas, in the air, and on the many fronts of the war. One of the greatest achievements of Lend-Lease has been the help we have given in making the British Isles an impregnable base for offensive operations and one of the great arsenals of democracy. A large part of the North African campaign was launched from Britain and so were the campaigns in the Middle East, Italian Africa, Syria, Madagascar; the forces for India, Iran, Iraq, and many other places started and were largely equipped from Britain, which remains one of the key regions of the war.

Britain provides the base for a United Nations offensive--and the pooling of United Nations resources is nowhere better illustrated than in Britain. Our troops in Britain have received as reciprocal aid such weapons and munitions of war as Spitfires, 25 pounder guns, and other artillery, small arms, grenades and mines. Barracks, hostels, transportation, canteen supplies, blankets, medical supplies have been supplied, as Major Spiegelberg will tell you in more detail later. In spite of the severe shortages which exist in the United Kingdom, our fighting forces have received large quantities of British-grown food. Battle damage suffered by our fighting ships and our merchantmen has been repaired in the United Kingdom as reciprocal aid. A revolving

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fund in sterling has been established for us in the United Kingdom to enable us to take care of all shipping disbursements which must be made there. The British have sent benzol and machine tools to the United States and have supplies our fighting forces with invaluable technical and scientific advice out of their longer experience with the war.

Aid to the Middle East and Far East

The central portion of this chart shows the development of our aid to the Middle East and Far East. This includes our aid to Egypt and the armies fighting in the Libyan desert, of which I shall speak briefly a little later.

Our aid to the Far East has gone largely to Australia and New Zealand and to China.

We are sending Australia arms for her troops and machine tools and raw materials for her rapidly-growing arsenal.

Australia is supplying to us, as reciprocal lend-lease, practically all of the food consumed by our men in the South Pacific Area, and is expanding her food program so as to be able to supply the Southwest Pacific Area as well. Our forces in Australia have also received camps, air fields, repair depots, a complete tire rebuilding and maintenance plant, and numerous other items.

In New Zealand--normally a food exporting nation--such great quantities of food have been supplied to our forces without cost to us that eggs, milk and fruit are in short supply, and the civilian population is feeling the pinch.

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China, of course, is a pivotal battle front in this global war. We have not been able under lend-lease to supply all the aid that is needed in China or that we would have liked to have supplied. China's heroic stand since 1937 against the full force of the Japanese Army, Navy and Air Force has been one of the bright chapters in the history of the world. The difficulties of transport on the Burma Road were faced and improved. But Burma fell. Now, even greater efforts must be exerted to get supplies into China. Supplies are being flown across the highest mountains in the world under conditions that might seem impossible. But they are getting through. They are getting through in pitifully small amounts in terms of what China needs, but at an accelerating rate. We will not--and we should not--stop until every ingenuity and every effort is expended to get more aid to China.

What China has done under reciprocal lend-lease is symbolic. China paid dollars to purchase vital planes for the famous Fighting Tigers of the American Volunteer Group. When the American Volunteer Group was to be abolished, a Board of United States Army officers recommended that the 46 planes and other equipment of the Fighting Tigers be taken over by the United States Air Forces and paid for in cash. But Generalissimo Chiang Kai-shek insisted upon turning over the planes to the United States Air Forces without the payment of cash, as a token of China's feelings for what we had done for her people.

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Aid to Russia

The top layer on the chart represents aid to the Soviet Union.

Soon after Russia came into the war a mission was sent to confer with the Soviet Government, and on October 1, 1941, the United States and Great Britain gave the Soviet Government a formal assurance with regard to the weapons and supplies which would be furnished, known as the Moscow Protocol. Under the terms of the Protocol, the United States agreed to make available at United States production centers the goods to a vlaue of approximately $800,000,000. Aid in shipping was promised but no specific assurance was given that the Protocol items could all be delivered.

Two months after the signing of the Protocol the Japanese attacked Pearl Harbor and Germany and Italy declared war upon us. In spite of the heavy drain on United States production which immediately resulted, the terms of the Protocol have been substantially met.

A second Protocol was entered into for the period from July 1, 1942, to June 30, 1943, and aid to the Soviet Union is now being extended under this Protocol.

Since the inception of the Soviet aid program in October 1941, we have shipped to the Soviet Union slightly more than dollars of supplies, including food. The amount of these supplies sent to the Soviet Union in relation to other areas of the world is perhaps best shown by this chart (Chart No. V).

You will note that Russia has received 41.3% of the tactical planes, and by that I mean military planes other than training planes,

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which have been exported under lend-lease; 52.9% of the tanks; and 32.8% of the motor vehicles. In order to give you a better idea of what this means in actual figures, I can tell you that we had to the end of November 1942 sent Russia 2670 planes—more than to any other country—and we had sent her 3888 tanks—more than to all other countries combines.

Out of Britain's hard-pressed production, she had, to the end of November, sent Russia 1,554 planes and approximately 2,500 tanks.

Russian food shipments in the past have not been such a large proportion of our total food exports, but Russian food shipments are greatly on the increase. For the month of January, the tonnage of food shipments to Russia is expected to amount to eight times that to the United Kingdom. While this proportion is not expected to continue, lend-lease food shipments to Russia may from now on exceed by a considerable margin lend-lease food shipments to all other parts of the world combined.

No one can ever estimate how much the peoples of Russia have helped us by holding back the Nazi forces and taking the offensive away from them. Nor can anyone estimate the value to our national interests of the superb fight which the Chinese have put up against the Japanese. By the lives lost, the cities and homes destroyed and in the other losses of war, Russia and China and Great Britain have made limitless contributions to their cause, as well as to ours. There has not been

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and there never will be developed a standard of values by which we can measure lives lost against airplanes or guns.

Egyptian Campaign

Britain, Russia and China are not the only fighting fronts on which lend-lease has played an important part. The Egyptian campaign was an excellent example of lend-lease in action. During the period from February to November, 1942, the United States exported to Egypt over 1,000 planes, many hundreds of tanks, [illegible],000 trucks and hundreds of pieces of artillery. Here again we reaped the benefit of work done over a year ago. Lend-lease funds and British funds were used to construct the supply lines over which these weapons were sent. Supply bases, docks, and naval facilities, air fields, and repair and assembling shops in the Red Sea area and in Egypt were built, rebuilt or enlarged. Air ferry routes were established across Africa, and, together with the British and Fighting French, the United States built or improved air fields all the way from the Atlantic coast of Africa to the Anglo-Egyptian Sudan and the Red Sea. Without these supply lines, the Egyptian campaign could not have been undertaken.

North Africa - Military Front

The same considerations governed in the preparations for battle in North Africa. While there the American share in supply was larger, the campaign represents a genuine pooling of our resources with those of our allies. The military burden in the beginning was almost equally shared by the British and ourselves. Now, British, French and American forces are fighting together in a completely combined operation. The equipment of every unit is both British and American, ~~and lend-lease~~

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and lend-lease in reverse have a large part in the process of supply. One hundred sixty-eight of the planes flown by American pilots in the invasion of North Africa were Spitfires given to us by the British as reciprocal lend-lease. One of our divisions was completely equipped with British 25-pounder guns instead of United States 75's. Airfield runways, bombs, ammunition, 600 ambulances, reconnaissance boats and four 1000-bed field hospitals were among the equipment provided. During the development of plans for the campaign the British installed supply officers in United States Headquarters with instructions to supply whatever the American Army needed and the British Navy furnished two-thirds of the warships which convoyed the expedition.

North Africa -- Civilian Front

In total war the civilian front cannot be divorced from military operations. As the Nazis have found through bitter experience in Russia, Greece and Yugoslavia, the civilian population can play a vital part in winning the war. In our liberation of North Africa we recognized that we had a portion of the French people who could, with assistance, be made affective fighting partners in their own interest and in the interest of the United Nations.

The object of our policy, the President said, is to see to it that "no one will go hungry or without the other means of livelihood in any territory occupied by the United Nations, if it is humanly within our powers to make the necessary supplies available to them. Weapons will also be supplied to the people of those territories to hasten the defeat of the Axis.

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Since that time the British and ourselves have sent vitally needed civilian supplies forward to North Africa. North Africa is normally a surplus producer of foodstuffs, but the country has been ruthlessly looted by the Germans. As a result, the people of North Africa are experiencing extreme shortages of food and clothing. Every report we have reiterates the urgent need for civilian supplies — a need which will last until the next harvest, at least, and perhaps beyond that time for some things.

It is a political and military necessity of the highest order that starvation disappear in any country we reoccupy. We must make sure that reoccupation by our forces will be accompanied by a swift and well-planned importation of food, seed, and essential supplies. We must see to it that populations delivered from Axis bondage are given a real deliverance, for they have been told many times by our enemies that a democracy means freedom without bread. We must be ready, and we are ready, to send the essentials of life with our troops. Their job in combat could be gravely complicated by revolt and pestilence behind the lines.

This work of feeding is a responsibility of the entire group of the United Nations. It should be planned and carried out by the United Nations working together, each contributing what it can in supplies, ships and services. In the beginning a large part of the burden may well fall upon us. But each of the United Nations will do what it is able, and all will share the task. It should be noted that in North Africa the British Government has so far made available more

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supplies than we have to tide over the urgent and serious shortages of the region.

French North Africa has always been an exporting country, and it will become so again. The bulk of lend-lease goods sent to North Africa is being sold for cash and this cash is being used to acquire such critical raw materials as manganese, cobalt and cork which, in accordance with the allocation made by the Combined Raw Materials Board, North Africa will be able to supply to us. Once restored, North Africa should also be in a position to supply food for our troops. In our own and the United Nations' common interest we must make this possible.

In close consultation with Governor Lehman, we are trying to enlarge the inventories of supplies we have on hand to meet the changing pattern of lend-lease needs in liberated areas, not only for North Africa where the supply problem is relatively small, and will become smaller, but for other areas as they are liberated. We have established a Special Division of our office to work with the Governor's staff in preparing these estimates so as to facilitate, strengthen and unify all efforts in the field of forward purchasing. To a maximum extent we are trying to limit our purchasing to goods which are equally usable for any lend-lease area, for our own armed forces, or even for our civilian economy, if urgent and unexpected needs should develop.

The supplies we buy will not be locked up in warehouses. Such a practice would only result in their deterioration. They will be used

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for general lend-lease purposes, and replaced in stock, insofar as we can do so, to the end that an adequate supply be on hand at all times to meet all needs.

This program is an indispensable step to facilitate the prosecution of the war. As far ahead as we can easily see, we must act with vigor to supply medicines, food, clothing and other needs for those whom the Nazis and the Japanese have despoiled. As the President has said, "Success in restoring the countries we free will be a powerful factor in shortening the war, giving the liberated peoples their chance to share in the victory".

Conclusion

If we look back over the part that Lend-Lease has played in the war, and its relation to the United Nations battle against the Axis powers, we realize that a principle has been hammered out in time of crisis. That principle is the principle of total cooperation among nations — cooperation in the interest of each and for the benefit of all. If the peace is to be a lasting peace — and it must be — it will be founded on cooperation, and the blood and the suffering of this terrible war will not have been in vain. Indeed that is what this war is all about.

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CANADIAN LEGATION
WASHINGTON

January 30, 1943.

Dear Dr. White:

I enclose two copies of the most recent monthly supplement to our quarterly estimates of balances of payments. This is the supplement covering the month of December 1942.

Yours sincerely,

A.F.W. Plumptre

A.F.W. Plumptre

Dr. Harry White,
Assistant to the Secretary,
Treasury Department,
Washington, D.C.

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NOTES ON RECONCILIATION OF ACTUAL RESULTS WITH U. S. DOLLAR FORECAST FOR THE FOURTH QUARTER OF 1942

The latest U. S. dollar forecast showed an estimated surplus (or increase in U.S. reserves) of $16 Mm. for the fourth quarter of 1942. The actual surplus was approximately $58 Mm. leaving a discrepancy of $42 Mm. to be explained. Of this amount, $21 Mm. was obtained in the form of a receipt of gold from the United Kingdom, purchased for Canadian dollars. This was a new development which could not have been forecast. Therefore, there remains a residual of $21 Mm. to be reconciled with the forecast.

This discrepancy is the result of a number of diverse factors only some of which can be ascertained from data presently available. Subject to the qualification arising from more complete information to be obtained later, the following appear to be the principal factors.

1. Gold sales in excess of forecast	$3 Mm.
2. Miscellaneous current receipts in excess of forecast	13
(Some part of this discrepancy may be attributed to the substantial receipts from Alaska Highway activities which amounted to $12 Mm. in the quarter. A refund of $1.4 Mm. was received by Department of National Defense (Air) which was not forecast).	
3. War Supplies Limited's receipts in excess of forecast	1
4. Dividends and profits received in excess of forecast	3
(of which $1.7 Mm. was received from Subsidiaries Holding Company, not forecast).	
5. Reimbursement from the United Kingdom for exports of metals to Russia, originally passed through United Kingdom, account	6
6. Net surplus on commodity trade in excess of forecast	1
(it is impossible to be sure of this figure or to determine whether the discrepancy lay in forecasting exports or imports until more data is available).	
Total of factors bettering forecast surplus	$27 Mm.
7. Capital receipts less than forecast	$1 Mm.
8. Miscellaneous current payments in excess of forecast	5
Total factors detracting from forecast surplus	6
Difference Reconciled	$21 Mm.

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OFFICE OF THE
DEPUTY MINISTER

Ottawa, January 30, 1943.

Dear Dr. White,

Thanks very much for your letter of January 26th, which arrived only today. I am sorry that I apparently misunderstood the basis of your tentative views in regard to our U.S. dollar Exchange Reserve and placed too much emphasis on the comparison with the reserves of other countries. I note this latter point was only of minor importance in your thinking, and that the major considerations were our total international financial situation since the outbreak of war and the over-all policy of your Government in extending financial assistance to Allied Countries.

By the first point, I assume you refer to the reduction in our indebtedness to the United Kingdom. As this reduction has not been fully offset by increased indebtedness to the United States or loss of U.S. assets, this is a valid point. The second point I would regard as valid to the extent that financial aid was rendered without quid pro quo. We have always wanted to stand on our own feet without being an additional burden to the people of the United States and have been inclined to feel that our arrangements for the sale of war supplies to you took a corresponding burden off your economy. You may look at this differently, particularly if you believe that some of the equipment and supplies you bought from us, perhaps some of those you lease-lent to other countries, you would not otherwise have produced yourselves.

However, I did not intend to make any argument at all. As I said in my dispatch to Mr. Plumptre, I appreciated the considerations which you had to keep in mind, and we were and are completely ready to accept any decision which the Treasury may feel it necessary or appropriate to make.

I had an inquiry from Plumptre in regard to my suggestion for handling the net proceeds of security sales. I have sent him a reply which doubtless he has already made available to you.

Yours very truly,

Dr. Harry D. White,
Assistant to the Secretary,
Treasury Department,
WASHINGTON, D.C.,
U.S.A.

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TREASURY DEPARTMENT

Office of the Secretary

January 30, 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 20, 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.

(Init.) E. M. R.

imc:1/30/43

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FEDERAL RESERVE BANK
OF NEW YORK

January 29, 1943

CONFIDENTIAL

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

I am enclosing our compilation for the week ended January 20, 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:1/30/43

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[illegible] OF BRITISH AND FRENCH ACCOUNTS
[illegible] at Ottawa)

Strictly [illegible]

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT) DEBITS: Total Debits	Gov't Expenditures(a)	Other Debits	CREDITS: Total Credits	Proceeds of Sales of Gold	Securities (Official)(b)	Other Credits(c)	Net Incr. (+) or Decr. (-) in $ Funds(d)	BANK OF FRANCE DEBITS: Total Debits	Gov't Expenditures (e)	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in $ Funds (d)
First year of war	1,793.2	605.6	1,187.6	1,828.2	1,355.1	52.0	420.1	+ 35.0	866.3(f)	416.6(f)	449.7	1,095.3(f)	900.2	195.1(f)	+229.0
War period through December, 1940	2,792.9	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1
Second year of war**	2,203.0	1,392.2	810.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1
Third year of war***	1,692.6	904.8	330.8	1,361.5	21.8	5.5	1,334.2	+125.9	18.5	-	18.5	4.4	-	4.4	- 14.1
1942															
Sept. 3 - Sept. 30	56.1	37.1	19.0	81.6	-	0.5	81.1	+ 25.5	10.1	-	10.1	0.4	-	0.4	- 9.7
Oct. 1 - Oct. 28	46.7	27.4	19.3	37.5	-	-	37.5	+ 10.8	-	-	-	0.3	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.8	35.5	61.1	83.7	-	-	83.7	- 12.9	0.2	-	0.2	0.3	-	0.3	+ 0.1
Dec. 3 - Dec. 30	30.4	13.3	17.1	51.9	-	-	51.9	+ 21.5	-	-	-	-	-	-	-
WEEK ENDING:															
Dec. 30, 1942	6.9	4.5	2.4	14.2	-	-	14.2	+ 7.3	-	-	-	-	-	-	-
Jan. 6, 1943	45.4	3.2	42.2	9.9	-	-	9.9	- 35.5	-	-	-	-	-	-	-
13	9.3	7.2	2.1	7.3	-	-	7.3	- 2.0	-	-	-	-	-	-	-
20	48.9(g)	3.6	45.3(g)	15.4(h)	-	-	15.4(h)	- 33.5	-	-	-	-	-	-	-

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

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

Week ended January 20, 1943 - million
Cumulation from July 6, 1940 162.7 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)

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

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $334 million.

(c) Includes about $45 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 transferred to official Canadian account here.
(h) Includes $ 6.2 million deposited by British Ministry of Supply;
5.0 million transferred from Commonwealth Bank of Australia.

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[illegible] OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended January 30, 1943 — Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government) DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C: For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in $ Funds	COMMONWEALTH BANK OF AUSTRALIA (and Australian Government) DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in $ Funds(a)
First year of war*	323.0	16.6	306.4	504.7	412.7	20.9	36.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war***	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
1942																
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
WEEK ENDED:																
Jan. 30, 1943	14.7	-	14.7	18.4	-	-	-	18.4	- 1.3	4.0	2.0	2.0	2.5	-	2.5	- 1.5
Jan. 23, 1943	21.1	-	21.1	48.9	-	40.0	-	8.9	+ 27.7	3.7	-	3.7	5.4	-	5.4	- 1.3
13	5.4	-	5.4	18.6	-	-	-	18.6	+ 13.2	2.4	-	2.4	12.3	-	12.3	+ 9.9
90	13.2(b)	-	13.2	46.1(b)	-	40.0	-	6.1(c)	+ 32.9	5.4	5.0	0.4	0.5	-	0.5	- 4.9

Weekly Average of Total Debits Since Outbreak of War
Through January 30, 1943 $ 8.5 million

*For monthly breakdown see tabulations prior to April 23, 1941.
**For monthly breakdown see tabulations prior to October 8, 1941.
***For monthly breakdown see tabulations prior to October 14, 1942.
(a) Reflects changes in all dollar holdings payable on demand or maturing in one year.

(b) Does not reflect Treasury Bill transactions.
(c) Includes 4.0 million deposited by War Supplies, Ltd.

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AIR 18

BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission

who enclose Statement No. 70 - Aircraft Despatched

- for week ended January 26, 1943.

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

January 30, 1943.

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MOST SECRET

STATEMENT NO.70
Aircraft Despatched from the United States
Week Ended January 26th

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
BREWSTER					
Bermuda	U.K.	U.K.	8		
BOEING					
Fortress II	U.K.	Canada enroute		1	
CONSOLIDATED					
Liberator III	U.K.	Canada enroute		1	
Liberator GR V	U.K.	Canada enroute		4	
Catalina 1 B	U.K.	Bermuda enroute		4	
Catalina 1 B	Bahamas	Nassau		2	
GLENN MARTIN					
Baltimore III A	Middle East	Middle East		7	
Baltimore	Canada	Canada			1
DOUGLAS					
Boston III A	U.K.	Canada enroute		1	
Boston III A	U.K.	U.K.		4	
Boston III A	U.K.	Miami enroute		4	
FAIRCHILD					
Cornell PT26	Canada	Canada			11
LOCKHEED					
Hudson III A	U.K.	Canada enroute		1	
NORTH AMERICA					
Mitchell I	Bahamas	Nassau		1	
Harvard	S' Africa	Capetown	29		
Harvard	W' Africa	Lagos	3		
VULTEE					
Vengeance	India	Bombay	45		
NORTHROP					
Vengeance	India	Bombay	9		
		Total	94	30	12

Movements Division
British Air Commission
January 30, 1943.

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BRITISH MOST SECRET
U.S. SECRET

COPY NO. 13

OPTEL No. 34

Information received up to seven A.M. 30th January, 1943.

1. NAVAL

One of H.M. Mine Layers severely damaged by heavy weather on 25th west of Bloody Foreland is now repeat now presumed lost with all hands. One of H.M. Submarines sank a Schooner off Capri on 20th. One of H.M. Corvettes was sunk by a U-Boat North East of Bougie this morning.

2. MILITARY

LIBYA. By last night 28th our armoured cars had advanced to points ten miles south east and south of Zuara. Heavy shelling west of Mellita held up the advance of our armoured elements. Further South Patrols of Fourth Light Armoured Brigade reached points on the Zuara Road six miles north and south of El Ouotia.

TUNISIA. Increased enemy activity is reported in the Mateur Area.

RUSSIA. The Russian advance north west and west of Voronezh continues. In the Northern Caucasus they have occupied important Railway Junction of Kropotkin after stubborn fighting.

3. AIR OPERATIONS

WESTERN FRONT 29th. Off the Norwegian Coast R.A.A.F. and R.N.Z.A.F. Hampdens put six torpedoes into a 6,000 ton ship which was left sinking. Escorted Bostons attacked the Railway Viaduct at Morlaix Brittany. No hits are claimed but the Railway was damaged. In the day's operations enemy casualties 5 3 5 Ours 4 missing.

29th/30th 146 Aircraft despatched. Lorient 116 (4 missing) Sea-Mining 17 (one missing) Leaflets 5 (one missing) Intruders 8. There was heavy cloud over Lorient and all Aircraft bombed on Navigational Figures.

FRENCH NORTH AFRICA. 28th. 60 escorted U.S. Bombers effectively attacked the Docks and Railway Centre at Sfax. In fighting enemy casualties 6 2 2 Allied one lost.

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COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 35

Information received up to 7 A.M., 31st January, 1943.

1. NAVAL

Reference OPTEL No. 28. This convoy of 14 ships has now reached NORTH RUSSIA without loss.

2. MILITARY

LIBYA. 29th. Our troops advancing along the coast road were held up 5 miles east of ZUARA, where the enemy had taken up defensive position. In the central sector our patrols have crossed the Tunisian frontier, while further south one of our patrols found NALOUT held by the enemy.

RUSSIA. Russians announce capture of TIKHORETSK and MAIKOP on 30th.

3. AIR OPERATIONS

WESTERN FRONT. 30th. 6 Mosquitos were sent to BERLIN, 3 bombed the city at 11 A.M. and 2 at 4 P.M. 15 500 pound bombs were dropped. 1 Mosquito is missing. 19 Wellingtons were sent to attack objectives in Western GERMANY, 4 are missing. 3 Beaufighters, of which 2 are missing, when on patrol in the BAY OF BISCAY destroyed 2 Junkers 88.

30th/31st. 169 bombers despatched - HAMBURG 148, sea-mining 17, other objectives in GERMANY 4. 5 aircraft are missing.

MEDITERRANEAN. 29th. A Wellington torpedoed a north bound ship of about 2,500 tons off CAPE RIZZUTO, CALABRIA. SICILY. 30th. 10 Spitfires bombed and hit a power station southwest of SYRACUSE.

FRENCH NORTH AFRICA. 29th. 22 United States Fortresses bombed BIZERTA and hit 3 ships. 11 United States Marauders attacked TUNIS airfield, dropping bombs among parked aircraft.

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