

DIARY

Book 394

May 1 - 4, 1941

- A -

	Book	Page
Agriculture		
Myers (William I.) and HMJr discuss continuous "raids" on Treasury and fact that problem is never solved - 5/1/41.....	394	21

- B -

Berlin, Irving
See Financing, Government: Defense Savings Bonds

- C -

Canada		
See War Conditions		
China		
See War Conditions		
Civilian Conservation Corps		
See War Conditions: Lend-Lease		
Coast Guard		
Status discussed by FDR, Knox, HMJr, Stinson, Hull, Stark, and King - 5/1/41.....		1
a) Navy wants seven big cutters to accompany Atlantic fleet		
b) Personnel to continue on Treasury payroll		
c) Navy to be asked for substitutes for Weather Patrol		
1) King's plan - 5/1/41: See Book 395, page 343		
d) Gaston's memorandum confirming arrangements - 5/7/41: Book 395, pages 344 and 353		
Committee for Industrial Organization		
See Financing, Government: Defense Savings Bonds		
Contracts		
See Defense, National		
Correspondence		
Mrs. Forbush's resume' - 5/1/41.....		50

- D -

Defense, National		
Total defense contracts awarded by War and Navy Departments to March 31, 1941.....		87,91
Statistics: FDR's desire for extreme caution discussed by Watson and HMJr - 5/1/41.....		25
a) HMJr discusses at 9:30 meeting - 5/2/41....		122
Defense Contracts		
See Defense, National		
Defense Savings Bonds		
See Financing, Government		
Driggins, Mr.		
See Mint, Bureau of		

Ecuador

See Latin America

Book Page

Financing, Government

Defense Savings Bonds:

- Irving Berlin to be asked to write song - 5/1/41.. 394 10,38
- a) Answer - 5/8/41: See Book 395, page 72
- b) Berlin coming to Treasury - 5/13/41: Book 397, page 388
- c) Song is ready - 5/22/41: Book 401, page 88
- d) ASCAP to release automatic copyright; CBS and NBC to push - 6/5/41: Book 405, page 7
- e) HMJr describes first playing to 9:30 group - 5/12/41: Book 407, page 106
- f) 10,000 to be given opportunity to get song free - 6/20/41: Book 411, page 36
- g) Song: Book 411, page 39

- Program of activities up to May 1, 1941..... 40
- Radio programs - advance notice - 5/1/41..... 43
- Wickard's talk - National Farm and Home Hour - 5/1/41..... 45
- Sales, Washington Post Office, up to 1 p.m. - 5/1/41..... 49
- Committee for Industrial Organization: Philip Murray offers cooperation - 5/2/41..... 126
- HM, Sr to buy stamps for grandchildren and great-grandchildren - 5/2/41..... 161

Finland

See War Conditions

Germany

See War Conditions

Latin America

Ecuador:

- Establishment of Stabilization Fund discussed in Welles-HMJr correspondence - 5/2/41..... 167,168

Lorwin, Lewis L.

See War Conditions: Germany

Mint, Bureau of

- Dwiggins' design for currency discussed at 9:30 meeting - 5/1/41..... 8

Morgenthau, Henry, Sr.

- To buy Defense Savings Stamps for grandchildren and great-grandchildren - 5/2/41..... 161

- N -

Book Page

Norway
See War Conditions: Oil

- O -

Oil
See War Conditions

- P -

Petroleum
See War Conditions: Oil
Price Control
See War Conditions

- R -

Research and Statistics, Division of Report on projects during March 1941.....	394	289
Revenue Revision FDR's proposed letter to Doughton concerning additional taxes for extraordinary defense expenditures - 5/1/41.....		56

- S -

Shipping
See War Conditions
Statistics
See Defense, National
Sterling
For offering by British sailors in Philadelphia,
see War Conditions: United Kingdom

- T -

Taxation
See Revenue Revision

- U -

United Kingdom
See War Conditions: Military Planning; Oil;
United Kingdom

	Book	Page
War Conditions		
Airplanes:		
Deliveries, January 1, 1940--April 26, 1941 - largest number for two-week period this calendar year.....	394	60
a) Copy to FDR.....		58
Canada:		
United States purchases in Canada discussed by HMJr, Coyne, Cochran, and Coe - 5/2/41..		137
China:		
Chiang Kai-shek discusses with American Ambassador the allocation of supplies to China under Stabilization Agreement - 5/1/41.....		81
Exchange market resume' - 5/1/41, etc.....		102,193,288
Export Control:		
Exports of petroleum products, scrap iron, and scrap steel from United States to Japan, Russia, Spain, and Great Britain, week ending May 3, 1941.....		287
Finland:		
Agreement with United States covering payment of amounts due on December 15, 1940, and which were postponed under the provisions of Public Resolution approved June 15, 1940 - 5/1/41.....		33
Reconsideration of indebtedness discussed in HMJr's letters to State Department and Vandenberg - 5/2/41.....		175,177
Joint Resolution and correspondence with Senate Finance Committee - 5/8/41: See Book 395, page 20		
a) Senate passes - 5/12/41: Book 397, page 133		
Foreign Funds Control:		
Return of Yugoslav money from Brazil to United States discussed in Cochran memorandum - 5/2/41.....		163
Germany:		
Recent economic developments - Heath memorandum - 5/1/41.....		61
Lorwin (Lewis L.) pamphlets prepared for National Resources Planning Board returned to White House - 5/1/41.....		70
a) White's memorandum of evaluation.....		76
Military Planning:		
Report from London transmitted by Halifax - 5/2/41.....		195
Lend-Lease:		
See also War Conditions: Purchasing Mission Civilian Conservation Corps asked for reimbursement of \$1,825,599 for clothing transferred - 5/1/41.....		95,96

	Book	Page
War Conditions (Continued)		
Oil:		
British Government alarmed at continued fall in petroleum stocks; asks for diversion to United Kingdom trade of Norwegian tankers now under charter to American companies * * * - Maritime Commission memorandum to Hopkins - 5/1/41.....	394	97,100
Price Control:		
Minutes of meeting on April 29, 1941 - 5/3/41....		212
a) Discussion of (1) coal freezing order; (2) copper prices; (3) iron and steel; (4) agricultural prices; (5) agricultural machinery - 5/3/41		
Purchasing Mission:		
See also War Conditions: Lend-Lease		
Federal Reserve Bank of New York statement showing dollar disbursements, week ending April 23, 1941 - 5/1/41.....		83
British Financial Position: Jesse Jones and Secretary of War asked for reports on pending negotiations concerning plants, etc. - 5/2/41..		135,136
a) Jones' answer - 5/4/41: See Book 405, page 56		
b) Phillips' "program" of major British plant facilities discussed with Reconstruction Finance Corporation: Book 405, page 58		
c) Evaluation by Office of Emergency Management of defense articles transferred or received by United States: Book 405, page 63		
d) Stimson's letter giving resume' of War Department action with regard to taking over British Contracts: Book 405, page 66		
e) Revised draft of Lend-Lease Agreement sent HMJr by Acheson, of State Department: Book 405, page 68		
f) Acheson's analysis of Treasury and State Department drafts: Book 405, page 80		
Shipping:		
Sinkings to be reported by word of mouth from Sir Arthur Salter to HMJr to FDR - 5/1/41.....		29
United Kingdom:		
Sterling: British sailors in Philadelphia offering sterling notes for \$2.00; Bullitt, HMJr, Cochran, and British Embassy discuss - 5/2/41.....		151
Wickard, Claude R. (Secretary of Agriculture)		
See Financing, Government: Defense Savings Bonds		

Yugoslavia

See War Conditions: Foreign Funds Control

May 1, 1941
9:25 a.m.

RE COAST GUARD

Present: Mr. Gaston
Mr. Waesche

H.M.Jr: At this meeting yesterday which the President and Mr. Knox and Admiral Stark and Admiral King attended with Mr. Stimson and Mr. Hull, the President said, "Couldn't we get together now about the Coast Guard," so I said, turning to Secretary Knox, "Well, I don't think it is unfair to say that we have been waiting on you for a couple of weeks."

He says, "Well, that is correct."

Well, Admiral King, very confidentially, wants these seven big cutters to accompany his Atlantic fleet which is divided up into three divisions, you see, and they want them to go along; so Mr. Knox said well, the thing has been bothering him. They didn't know where Waesche and his organization was to go, and the President said it was to stay in the Treasury.

I said, "Well, do you want to take these men over and put them on your payroll?"

He says, "No, I just want the cutters and let them be on the same status, same footing, as the men are at Lisbon."

- 2 -

Gaston: The law provides that way. We continue to pay them, and Navy gives them their orders.

H.M.Jr: What sort of orders did you (Waesche) get for the Campbell?

Waesche: For the Campbell, it was for the verbal approval of the President, for the Campbell to operate under the Chief of Naval Operations. We arranged it verbally with Stark, and I sent a telegram to the Captain of the Campbell to report by dispatch to the Chief of Naval Operations for duty, and he wired the Chief of Naval Operations for duty, and the Chief of Naval Operations gave him his orders.

Gaston: The President told you and you told me that the Campbell was to go to Lisbon under the Navy and then the rest of it was done by Navy and Coast Guard orders.

H.M.Jr: I then tell you the same thing now.

Waesche: It will be very easily arranged on the same basis as the Campbell.

H.M.Jr: The seven?

Gaston: As to the seven big cutters, nothing else at the present.

H.M.Jr: Nothing more at this time. And as to the weather patrol, the President said - I said we had tried for weeks now, and Stark said so, to get these two boats from Commerce Department. I said, "They have got two, and how can we get them?" And he said, "Give me something to sign, and I will sign it."

I said, "We can man those with our Coast Guard personnel," and that seemed to please Stark and

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- 3 -

King very much.

Waesche: What boats are you speaking of?

H.M.Jr: Doesn't the Department of Commerce have two boats?

Waesche: No, sir.

H.M.Jr: Somebody told me they did.

Waesche: You may be referring --

Gaston: They have the North Star which --

H.M.Jr: No, no; somebody said there were two boats around.

Waesche: The Department of Commerce have two little boats that they use to board motor boats, but of course, they are entirely unsuitable.

H.M.Jr: Somebody told me they had a couple of freighters. Who said they were four or five thousand tonners?

Waesche: Maybe your - you can't be referring to the last memorandum which I gave you whereby I took it up with Land, and he said the only ships that they possibly could think of that they could spare for this duty were some vessels up on the Lakes which were owned by private people, that we would have to buy and pay two or three hundred thousand dollars for, coal-burners, and they would be available. Now, if we had the money to actually buy the ships, they are old coal-burning vessels. Now, just recently again I have been pressing Land on this every week whenever I thought it was a suitable time, so that he wouldn't get too angry, and I have a letter on my desk now which just came over. The Maritime Commission have authorized the United Fruit Company to transfer to the Pan-American flag three of their older vessels, about 250 or 275 feet long, which will

be suitable for this work.

H.M.Jr: May I interrupt you? I don't give a damn. If the Navy wants these seven cutters, I would like them to have them. Where the vessels come from to do the weather patrol, I am going to let the Navy worry about it, because they want these seven. Now, they are not going to yank these seven out of the weather patrol unless they substitute another. Let that be the battle of the Navy.

Waesche: Yes, sir. That suits me one hundred percent. I am anxious to bring this thing to a head and let somebody else worry about it.

H.M.Jr: All right, I am instructing Mr. Gaston now, by direction of the President, to get in touch with the Navy, and I think, Mr. Gaston, if you will call up Secretary Knox's office yourself, just keep this on a civilian basis, and simply say that, "As fast as you are ready, here are the seven," and how fast do they want them, and where do they want them, and point out to them if they take these we are going to pull them out of the weather patrol, and you take it he will provide the ships to do the weather patrol. Now, is this agreeable to you (Waesche)?

Waesche: Yes, sir. Under the circumstances, very agreeable. Of course, due to the Navy's own delay, these vessels are not ready.

H.M.Jr: In front of the President I said, "I don't think it is unfair to say that I have been waiting for you (Knox) for at least a couple of weeks. I have been ready to turn them over." And the President again said that even in time of war he doesn't want the Navy doing all this stuff; and Knox said, "Well, I need the life-savers as observers," and so forth, and the President said,

- 5 -

"I don't want the Navy mixed up with this in-shore work," so there we are.

Gaston: That is right.

H.M.Jr: Well, Herbert, if you don't mind, I wish you would step out and then come back. I would like you to get this thing started. Don't you think so?

Gaston: Yes.

H.M.Jr: I mean, with Waesche, and then come to my nine-thirty meeting.

Gaston: Yes.

H.M.Jr: Will you please?

Gaston: Do that right away.

May 1, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Kuhn
Mr. Odegarde
Mr. White
Mr. Foley
Mr. Bell
Mr. Schwarz
Mr. Sullivan
Mr. Haas
Mr. Cochran
Mr. Thompson
Mr. Gaston
Mr. Graves
Mrs. Klotz

H.M.Jr: Are you in a hurry, John?

Sullivan: No, I am going to stay for your press conference. You asked me to.

H.M.Jr: Oh, that is right.

Bell, what are you and I doing at ten o'clock?

Bell: Signing the Finnish agreement to cover the repayments of those postponed amounts.

H.M.Jr: How long does that take?

Bell: Two or three minutes. I don't know anything about pictures. Chick, have you heard anything? I tried to discourage it.

H.M.Jr: Is this man coming at ten thirty?

Bell: Yes.

Schwarz: Yes, Procope. Unless the Secretary wishes, I think we have had so much of the Finns, and this is carrying out something that --

H.M.Jr: Can't you (Bell) sign it?

Bell: I can, but I think it would be better if you sign it. He will ask you about the postponement of next year's, and I think you can get rid of him very quickly by saying Senator Vandenberg, who introduced last year the resolution, has again written you and that we have that under consideration.

H.M.Jr: He is coming at ten, is he?

Bell: Yes.

H.M.Jr: Excuse me for interrupting you. What were you saying?

Bell: I say I think you can get rid of him rather quickly when he asks you about next year's payments by saying that Senator Vandenberg, who was responsible for last year's resolution, has asked you again for your opinion on postponing this year's payment, and that we have that matter up with the State Department and will make an appropriate reply within the course of a week.

H.M.Jr: You tell him that if necessary, but I will start as near as I can at ten, and then let's rush this other thing.

Bell: It will only take a few minutes, five minutes at the most.

- 3 -

Thompson: You sent me a letter that Mrs. Morgenthau had received from one of our Treasury employees asking for a transfer to New York.

H.M.Jr: Yes.

Thompson: I was able to arrange that.

H.M.Jr: Will you let Mrs. Morgenthau know through Mrs. Klotz, please?

Thompson: Yes. That is all.

Bell: I talked to Dr. Soong about the recommendations on the members of the board, and he said it would be all right for you to announce that at your press conference and that you could go so far as to say that the Chinese Government had accepted those recommendations and those people would be appointed if he had authority to do that.

I question that he will go that far. He probably will only say that we have recommended them through the State Department.

H.M.Jr: Can you give me a little note?

Schwarz: We have a press release prepared which I will bring in, also on the signing of the Finnish agreement.

H.M.Jr: All right.

Bell: That is all.

H.M.Jr: Harold?

Graves: We have had for some time the Dwiggins design on currency, and I think it would be nice for you to sign a little thank you note.

- 4 -

H.M.Jr: Are they any good?

Graves: Well, we reserved an answer.

Klots: That was most diplomatic.

Graves: He has been very nice to our people, and has spent a lot of energy on his job.

H.M.Jr: Couldn't the thing be done sort of gradually?

Graves: If it is to be done, it has to be done gradually.

Bell: But he admitted, didn't he, Harold, that there are a lot of things about the bills that he didn't know. He has learned a lot in his own contacts with the Bureau of Engraving.

H.M.Jr: Couldn't some of the things be done?

Graves: Well, it is going to require a lot of thinking before we do anything.

H.M.Jr: Don't give me that, Harold. I have known you nine years. (Laughter) You talk almost as if I had almost qualified for Civil Service.

Graves: Yes.

Secretary Wickard is speaking at eleven forty this morning about our bond program over WMAL. I didn't know whether you would have a chance to listen.

H.M.Jr: I listened afterward last night, and about every ten or fifteen minutes my music program was interrupted by these darn savings bonds. It was terrific. (Laughter)

You know, you never introduced me to the fellow that is handling the radio or the other business.

- 5 -

Graves: I would like to very much. He has done a corking job.

H.M.Jr: It is perfectly amazing. Save something for a year from now.

Graves: We are doing that. We are trying to spread this out.

H.M.Jr: Don't fall over backward. I wish you would write Irving Berlin a letter.

Klotz: What did he do?

H.M.Jr: I want him to write a song. (Laughter)

If you send him the President's speech, you see, and mine, he can get some ideas about that; and ask him whether he wouldn't consider writing this song for us.

Graves: Do you want to sign this, or do you want me to?

H.M.Jr: I will sign it. What else?

Graves: We have reserved all the low number E bonds, and I don't know whether you want us to do anything with those. The members of our group might want to have - for instance, on the Number One Bonds of the E Series, the President, of course, has one; and perhaps you yourself would like to have one of those.

H.M.Jr: Yes.

Graves: Then we have the twenty-five, fifty, hundred, and thousand denominations available. (Laughter)

H.M.Jr: Thank you. I can't buy them under the law. I wish you (Foley) would some time get a little thing through on the law that I can buy these bonds.

- 6 -

Sullivan: Does that apply to all of us?

Graves: No.

H.M.Jr: Herman Oliphant gave a ruling that I couldn't. Is that right, Ed?

Foley: Yes, it is in the statute.

H.M.Jr: He said it was questionable.

Foley: And he also ruled that the Undersecretary couldn't but I think Mrs. Magill bought a bond.

H.M.Jr: He ruled the children couldn't, and I overruled him on that; but definitely I couldn't, and Bell.

Foley: That is right. The officers of the Treasury that are dealing with finance.

Graves: That wouldn't apply to us publicity fellows, would it?

Foley: No.

Bell: Not you sales guys.

H.M.Jr: In view of the fact that Bell and I can't, whatever the numbers are, anybody in the group that wants to buy them. Release them, in other words.

Graves: There is plenty of demand for them, but I thought you should have the first chance.

H.M.Jr: Thank you very much.

Bell: I think it ought to be changed.

H.M.Jr: It should have been done with the debt limit.

- 7 -

Some time you can slip a little something in. Don't make it mandatory.

Foley: Put a limit on it. (Laughter)

Graves: Would you care to set down a time when I might bring Mr. Callahan?

H.M.Jr: Why not have him here right after - are you coming in with this labor fellow this morning?

Graves: Yes.

H.M.Jr: Why not have him outside and then I can see him right after that.

Graves: All right.

H.M.Jr: Or is this his busy day?

Graves: This is his busy day.

H.M.Jr: Let it go until next week.

Graves: All right, that will be better.

H.M.Jr: Anything else?

Graves: Nothing more.

H.M.Jr: This schedule is marvelous, wonderful.

Bell: Somebody said there was quite a line at the post office window this morning buying stamps.

Graves: Our people have estimated that the time that has been given us on the radio, that is, on the schedules we have, as far as it has gone, if paid for at commercial rates, would have amounted to about ten million dollars. That is the extent of the contribution we are getting out of the radio people.

- 8 -

H.M.Jr: And the Chase Bank had a beautiful ad today, a wonderful ad.

Gaston: Raymond Gram Swing gave it a plug just ahead of your program last night.

H.M.Jr: All right?

Graves: Yes.

H.M.Jr: Harry?

White: Nothing, sir.

H.M.Jr: Don't forget, Harry - I didn't see Peter Odegarde. Good morning.

Odegarde: Good morning.

H.M.Jr: You were going to talk to one fellow. I understood there was one economist in Washington who didn't believe in the AAA program, and you were going to contact him. I think in view of Krock's article today, if there is one economist in town who doesn't believe in it, you had better get in touch with him. Did you (Haas) get in touch with Bill Myers?

Haas: Not yet. I am writing up a memorandum on the thing.

H.M.Jr: I will call him myself. I don't want him to have a field day with me.

Haas: I didn't call, Mr. Secretary, because I thought we would get the material organized first.

H.M.Jr: I will call him.

When are you (White) and Mrs. White "shoving off," as we say in the Navy?

- 9 -

White: Possibly the first of next week.

H.M.Jr: Good.
Chick?

Schwarz: I have some reactions, clippings and radio.

H.M.Jr: Better come in five minutes before press to get me to sign that stuff. What is that, a dollar for each man?

Schwarz: Whichever you say, sir. We are ready on a dollar or a quarter.

H.M.Jr: Oh, a dollar.

Schwarz: And you want that to--

H.M.Jr: Mrs. Klotz will give you the money.

Schwarz: You might have a crowd here. (Laughter)
Bargain basement today.

H.M.Jr: It goes to the members of the Treasury Correspondent's Association.

Schwarz: It is still a crowd. All right.

Graves: There are some 40 odd of those assemblies made, not only for the newspaper boys but for your staff and so on.

H.M.Jr: Staff?

Graves: They are available, should you want them.

H.M.Jr: Well, I will give these newspaper boys some and then the radio fellows.

Schwarz: And the news reel boys. We promised them.

- 10 -

H.M.Jr: Yes. It will be all of 40, plus the radio men. They said they kept those dollar bills. Have we got \$40 in the bank?

Klotz: I think we can spare it.

Schwarz: All right, sir. Dan would--

H.M.Jr: As far as the staff is concerned, I will be glad to autograph them.

Foley: What are they. (Laughter)

H.M.Jr: He reminds me of the Chinese.

Barkley said something to Mrs. Barkley about she had 10 grandchildren and she could buy one for each. So I said, "That is all right." I said it would be \$50. "What?" he said, "I don't want more than a dollar stamp for each one." I said, "Aren't your grandchildren worth five dollars a piece?" So I expect your (Foley) grandchildren to buy a five dollar stamp. Do you get it?

Foley: Yes, I get it.

H.M.Jr: Don't be too long at it, either. (Laughter)

Schwarz: The HOLC today is announcing that on May 15 it will pay off a hundred and 92 million, I believe, and they are urging their - which is the first time in sometime, a decrease in the outstanding guaranteed debt. They are urging their customers to turn that money into defense bonds. They would like a pat on the back. I assume you will tell the boys that after they leave you are going to see the Railroad Brotherhood men.

H.M.Jr: What do I do about that?

- 10 -

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- 11 -

Graves: Well, Mr. Schwarz was invited to come with us at 11:00 o'clock.

Schwarz: Oh, if you want to wait until after--

H.M.Jr: I think the thing I would tell the boys when they leave is that they are coming in at 11:00 and let it go at that.

George?

Haas: I have got a chart fixed up on those light tanks which I think is about what you want.

H.M.Jr: Tell Stephens that I want to see you.

Haas: All right.

H.M.Jr: Where is it?

Haas: Right here.

H.M.Jr: Well, shoot it to me.

Haas: Here is what you have, broken down. (Exhibiting chart) That is the cumulative figure and here is your monthly.

H.M.Jr: That is perfect.

Haas: Shall we do that for the medium ones, too?

H.M.Jr: Yes, then go on with some of the other stuff.

Haas: All right, sir.

H.M.Jr: If you will hang on to this, George, and then when you get hold of - this shows the picture of everything which they are doing. Now the next thing is to find out which of these

- 12 -

things are in production, you see. This gives you some idea of everything. Find out which of those are in production.

Haas: All right.

H.M.Jr: You men have heard me complain so much about airplane production, I thought it was interesting to note that the last two weeks they produced actually more planes than any two weeks this year, although not as many as they did the last two weeks in December.

Sullivan: How many?

H.M.Jr: I am not saying.

Sullivan: I see.

H.M.Jr: But more than any time in this calendar year, which is good.

Peter?

Odegarde: The Gallup Poll is going ahead with the questions on the two problems that you proposed, and they will be done at the expense of the Gallup Poll, so it will cost the Treasury nothing.

H.M.Jr: Fine.

Are you satisfied with last night's thing?

Kuhn: Very much. I thought it was grand.

H.M.Jr: Are you?

Odegarde: Yes.

Kuhn: And people who heard it over the radio,

- 13 -

Herbert Gaston, for example, would be better judges of how it came over.

Gaston: I thought it came over very well indeed.

White: I heard it, and I think it is the best you have ever done, as far as the speaking is concerned. I didn't mean the content.

H.M.Jr: Eddie Greenbaum called up and said he didn't think it was my voice.

White: It had a lower timbre. I didn't know whether it was due to the radio or what, but it sounded very excellent. (Laughter)

Sullivan: You almost got caught on that one.

Bell: You didn't speak very loud but loud enough.

H.M.Jr: Do you want to say something?

Kuhn: No.

Cochran: Archie Lochhead missed seeing you yesterday afternoon and wanted to give you this cable that he received from Chen. (Cable dated April 30)

H.M.Jr: Yes, he wanted to come in just before, and I couldn't do it.

Cochran: Yes, I know.

H.M.Jr: Thank you.

Now, I understand that nobody is satisfied with this letter for the President to sign to Mr. Doughton.

Sullivan: That letter conforms to the type you asked us to write, but I have some doubts as to whether

- 14 -

or not the President should take a position on the Treasury proposal. It is going to be changed somewhat anyway, of course, as it goes through, and it might give an opportunity for the newspapers to take a crack at him. I don't think the letter can be shorter and have in it the things that you asked to have in it. Ed thinks that a very much shorter, chattier letter would be in better form, and I agree with him, but we wrote this letter in--

- H.M.Jr: Leaving out the specific things?
- Sullivan: In accordance with the things you suggested. Now, I didn't know whether the President told you he wanted those in there or not.
- H.M.Jr: He didn't. He was very sketchy himself. I would rewrite it. Would you mind?
- Sullivan: No, sir.
- H.M.Jr: Do you think I can get something just before lunch?
- Sullivan: Yes, sir. Here are those tables, too.
- H.M.Jr: Thank you.
- Sullivan: That is all.
- Foley: I had a note from your father and I would like to talk to you about it sometime at your convenience.
- H.M.Jr: All right.
- Gaston: Four cutters were turned over to the British Admiralty at the Navy Yard yesterday. They had a little ceremony. They are going to

- 15 -

sail probably Saturday or Sunday and another one will be turned over this week.

Guffy recommended three possible candidates for Collector of Internal Revenue at Pittsburgh, and the investigations were made with the result that Guy Helvering recommends against all three, and I told Sherman Minton about that, and he was fit to be tied.

H.M.Jr: It is all right.

Gaston: He says, we can't do that to Guffy.

H.M.Jr: Maybe he should be tied.

Gaston: Well, I agree with that.

H.M.Jr: In the room here, the President decided yesterday that we will turn over the seven large cutters to the Navy, but keeping the Coast Guard crew on. They will simply take their orders from Navy. The Campbell is under their orders.

Gaston: The Campbell is returning and the Ingham is taking her place.

H.M.Jr: They are all seven to be turned over, but they will stay under - the crews and all that will be Coast Guard, but they will take their orders from Navy. They will join the North Atlantic fleet where they will be of great use.

Gaston: You will probably hear from Sherman Minton or somebody on those candidates.

H.M.Jr: Thank you all.

May 1, 1941
10:27 a.m.

Wm. I. Myers: Oh, I'm pretty well. And you?

H.M.Jr: I'm fine.

M: It's good to hear you.

H.M.Jr: Bill, I hear you made a good speech down before the bankers at Hot Springs.

M: Well, we won't - we'll skip that.

H.M.Jr: Bill, I made a statement the other day before the Committee on Ways and Means where I said that the figures that we had, going back over the seven or eight years, didn't show any definite correlation between the amount of money that Agriculture got out of the Treasury and the benefits that the farmers received. Hello?

M: Yeah.

H.M.Jr: Now, I'd like to send that up to you, just what I did say, and the table and of course when I go in the Senate they're going to go after me like hell on it, see, and I'd like to have you try to pull it apart and put it together and see whether you agree and see whether you think that what I said can be substantiated.

M: I'll be glad to do anything I can, sir.

H.M.Jr: Would you?

M: Yes, sir.

H.M.Jr: Because you see we went - I think my figures are correct. When it gets down to it, it looks like this: if they take \$1 billion out of the Treasury the farmers got a billion dollars more. If they took 2 billion they got 2, but it doesn't seem as though when you add any yeast to the cake that the cake grows any beyond the actual amount of the yeast.

- 2 -

M: Yeah.

H.M.Jr: I'll have George Haas send it up to you today.

M: All right.

H.M.Jr: Do you think maybe within a day or two you could send me something down on it?

M: I'll do the best I can; I'll go right at it.

H.M.Jr: Right. Have you ever thought of it in just those terms?

M: No, I never had.

H.M.Jr: Well, let me send you up our stuff and see what you think of it.

M: All right, Henry.

H.M.Jr: And I'd appreciate your criticism, and don't hesitate to add anything else to it.

M: I'll be glad to do anything I can. You're doing a great job and I know that you are extremely busy. I hate to bother you so I haven't.

H.M.Jr: Well, I've missed not seeing you.

M: Well, I've missed seeing you but I - if the thing ever gets over, I'll bother you some time.

H.M.Jr: Well, maybe if I could get you interested in this thing you'd come down and spend a day with me and go over the whole Agricultural Appropriations thing because unless I can shock some of these people into realizing that it is just a handout and that nothing is solved, I don't see how I'm ever going to stop the raid on the Treasury.

M: Well, the biggest trouble as I see it is that labor strikes and gets theirs directly and farmers don't.

- 3 -

H.M.Jr: True but as we approach

M: That's the only argument that I know

H.M.Jr: Well, granted, but as we approach \$90 billion all of the farm talkers - speakers - always say that the farmer would get his. We've got what labor gets and what the agricultural worker gets and they go up and down together.

M: They're related all right, but each one would like to have his first.

H.M.Jr: True. So would I.

M: Yeah.

H.M.Jr: All right, Bill.

M: O.K., Henry.

H.M.Jr: Thank you.

May 1, 1941
11:26 a.m.

H.M.Jr: How are you?

Vincent
Burke: Fine, and you?

H.M.Jr: Fine. How are sales?

B: Well, we're arranging to get a report at 1:00 o'clock and again at 5:00 as to the number and denomination of stamps and the number and denomination of bonds.

H.M.Jr: You couldn't get me some word so I could tell the President at 2:00? Could you get some word - you've heard of Harold Graves, haven't you?

B: Oh, yes. I can get the word to Harold. What time do you want it?

H.M.Jr: Well, I'd like it before 2:00.

B: All right. We'll get it to you just as quickly as - we're getting these reports by telephone at 1:00 o'clock.

H.M.Jr: Get something to Harold so he can give it to me at five minutes of 2:00.

B: Fine. I'll be glad to do that.

H.M.Jr: Will you?

B: Yes, sir. I enjoyed your broadcast very much last night.

H.M.Jr: Thank you.

B: And if you don't mind my saying so, I thought you were fully at ease and your voice was fine.

H.M.Jr: Thank you so much.

B: All right, Mr. Morgenthau.

May 1, 1941
4:15 p.m.

H.M.Jr: Hello.

General Watson: Yeah, he got that chart. Now, I've got the other. Is the data on the two the same?

H.M.Jr: It came from the same place. It came from Colonel Ayres.

W: Yeah.

H.M.Jr: Major Smith said he thought ours was much better. What do you think?

W: Well, I don't know. Now, the President what he was doing was limiting the way those things were getting out that way. There was just this one made, wasn't there?

H.M.Jr: No, that one chart that I sent you over is a 13-ton tank and they've made 40 or 50 of them, but they're not finished. They haven't got the guns in them.

W: Yeah, but I mean how many of these charts are made? Not many of those are there?

H.M.Jr: Charts?

W: Yeah. Like the one I'm giving the President.

H.M.Jr: I gave Smith four charts: one for the President, one for Stimson, one for the Undersecretary and one for Marshall. Four.

W: Yeah.

H.M.Jr: Why?

W: Well, what he means was, they had this meeting the other day and he said he was going to check the number of those things that were made and have them come from one source and kind of keep tab on every one that was issued.

H.M.Jr: Well, I gave all four to Major Smith who I take it is your man.

- 2 -

- W: That's right.
- H.M.Jr: There are only four in existence. I haven't even got one. The President has mine.
- W: Well, all right. That's what I mean. We've got to curb Ayres from doing that. You see if you're going to do it
- H.M.Jr: I haven't got anything from Ayres except the figures and those I got through the Undersecretary's office, that is, with his approval.
- W: Yeah.
- H.M.Jr: With the approval of the Undersecretary of War.
- W: Yeah, I know. Well, he wasn't there the other day when the President had this meeting and said he was just going to have one set come through one source, and one to you and one to him and Harry I think is all there is going to be, but they'd have some down at the War Department of course.
- H.M.Jr: Well, you just tell me
- W: The only thing is whether they want it made through your statistical department or direct through Ayres, isn't it?
- H.M.Jr: Well, that's the
- W: I think yours is more easily read.
- H.M.Jr: Well, Smith said there was no comparison. He said Ayres' was no damn good, but I told him if we could make one and then they liked it, then they could order Ayres to copy ours. I don't care how it is done. All I want is the President
- W: They were talking the other day about limiting the number. Things like that get out. They were going to watch them like a hawk.

- 3 -

H.M.Jr: I get you. Well, Pa.

W: Yes, and I knew that yours were watched.

H.M.Jr: Well, all I suggest is that if the President likes ours and he wants Ayres to do it or he wants me to do it and he'll tell me through you, that's all I want.

W: All right, boy, I'm going to get that. I'm going to show him both. I think yours is much the better myself.

H.M.Jr: By God, six weeks ago he asked Bernie Baruch to get it for him and he oughtn't to have to wait more than six hours.

W: Yeah, I know.

H.M.Jr: Now, you let me know. Anything doing about tomorrow morning?

W: No, I haven't got to him yet. He's still in the Cabinet.

H.M.Jr: Well, you let me know.

W: All right.

H.M.Jr: Thank you. That man, Smith, is a good man.

W: Yeah, you bet he is. Yeah, he's all right.

H.M.Jr: Thank you.

May 1, 1941
4:38 p.m.

H.M.Jr: Hello.

Operator: Mr. Secretary, General Watson.

General
Watson: Hello.

H.M.Jr: Yes, Pa.

W: I spoke to the President about that and I'm sending you down one of those three copies that I got from the Undersecretary of War. That's his idea of how it ought to be done.

H.M.Jr: Yeah.

W: Now, I'm going to give him your copy - a copy of your chart along with his copy of the other and he'll decide which is the better.

H.M.Jr: That's fair.

W: I think that's fair, don't you?

H.M.Jr: Perfectly.

W: All right, and I'll send it down by special messenger - just left here - your copy of the three they sent me. I gave you one, Harry one and one for the President.

H.M.Jr: Fair enough.

W: All right, Henry.

H.M.Jr: What about tomorrow?

W: He said he couldn't do it tomorrow. He's got press tomorrow and he says he is terribly rushed and to tell you he couldn't. I asked him.

H.M.Jr: O.K.

W: All right.

May 1, 1941
4:50 p.m.

H.M.Jr:

Sir Arthur
Salter:

Hello, is that Mr. Morgenthau?

H.M.Jr:

Yes.

S:

This is Salter speaking.

H.M.Jr:

Good evening.

S:

Good evening.

H.M.Jr:

Sir Arthur, at Cabinet the President asked me to get in touch with

S:

I'm so sorry, I couldn't hear that sentence.

H.M.Jr:

At Cabinet the President asked me to get in touch with you for the following reason: He was recently asked at his press conference what percentage of American goods had been sunk. Hello?

S:

Yes.

H.M.Jr:

And he went around the room and nobody knew, neither the Secretary of War or Navy.

S:

Yes.

H.M.Jr:

So he asked me to ask you, and he said if you would give it to me by word of mouth - you don't have to write it down - then I could pass it along to him.

S:

Yes, well I can give you that, but it's a thing we're rather anxious not to have published at this moment.

H.M.Jr:

Well, if you told it to me by word of mouth - I don't want it over the telephone - I could give it to him on Monday.

S:

Yes. Well, may I give it as a secret to you and the President?

- 2 -

H.M.Jr: You can.

S: He won't publish it, you see

H.M.Jr: No, no, no, no. He doesn't.

S: If he wants it, if he asks for it, I'll put the request over, you see, but at present I'd like to give it confidentially to you and to him.

H.M.Jr: Sir Arthur, let's leave it this way. If you give it to me by word of mouth, I'll give it to him with the understanding it cannot be released unless we get permission from Mr. Churchill.

S: Well, now, I must give it by word of mouth. I'd better not do it across the phone now, I suppose.

H.M.Jr: No. When would you like to give it to me?

S: Well, I can give it to you practically at once but - you're in the Treasury now, are you?

H.M.Jr: Yes.

S: Well, supposing I come over. I've just got some urgent things I'm trying to get off, would you be there in say half an hour's time?

H.M.Jr: No, I'd rather do it tomorrow morning.

S: All right, tomorrow morning, certainly.

H.M.Jr: Just a moment.

S: Anytime you tell me I'll come with it.

H.M.Jr: Just a minute. (Pause). How would - is 9:15 too early?

S: No, 9:15 if you - certainly 9:15.

- 3 -

H.M.Jr: That is not too early.

S: No, that's all right. 9:15 at the Treasury.

H.M.Jr: At my office.

S: Certainly. At the Treasury. I'll be there at 9:15 with that information.

H.M.Jr: Thank you so much.

S: All right.

May 1, 1941
5:17 p.m.

Sir Arthur
Salter:

I've just had a call from Malcolm MacDonald who is going back to Canada, I understand, tomorrow and is very anxious to see me but he said the latest date tomorrow morning is 10:00 o'clock. I wondered therefore whether sometime later than we mentioned would be equally suitable for you.

H.M.Jr: No, I've got a very bad day.

S: I see.

H.M.Jr: I could make it 9:00 o'clock.

S: Tomorrow morning.

H.M.Jr: Yes, the rest of the day is all tied

S: Well, I'm afraid that isn't any use, you see, with MacDonald if he is leaving at 10:00, because he's obviously got things to discuss with me, do you see.

H.M.Jr: Well, then let's let it go.

S: Well, could I see you later? I couldn't see you any time later in the day.

H.M.Jr: Well, you see I've got - 11:45?

S: That would suit me, I mean, but I'll keep the 9:15 if that's inconvenient to you and cancel MacDonald, do you see.

H.M.Jr: No, 11:45. Will you be on time?

S: I'll be dead on time in your room at 11:45.

H.M.Jr: Tomorrow.

S: That's right.

H.M.Jr: Thank you.

S: Thank you.

May 1, 1940

My dear Mr. Minister:

There is enclosed herewith one counterpart of the agreement executed today between your Government and the United States covering the payment of the amounts due on December 15, 1940, under the agreements between Finland and the United States, dated May 1, 1923, and May 23, 1932, and which were postponed under the provisions of Public Resolution approved June 15, 1940.

Sincerely yours,

161 H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable Kjalmar J. Procopé,

Minister of Finland.

6
W:mlb:ce

AGREEMENT
BETWEEN THE
REPUBLIC OF FINLAND
AND THE
UNITED STATES OF AMERICA
MAY 1, 1941

AGREEMENT,

Made the first day of May, 1941, at the City of Washington, District of Columbia, between the GOVERNMENT OF THE REPUBLIC OF FINLAND, hereinafter called FINLAND, party of the first part, and the GOVERNMENT OF THE UNITED STATES OF AMERICA, hereinafter called the UNITED STATES, party of the second part.

WHEREAS, under the terms of the debt funding agreement between Finland and the United States, dated May 1, 1923, and the agreement between Finland and the United States, dated May 23, 1932, there was payable by Finland to the United States on December 15, 1940, in respect of the indebtedness of Finland to the United States, the aggregate amount of \$235,398; and

WHEREAS, section 1 of the Joint Resolution of the Congress of the United States, approved June 15, 1940 (Public Resolution No. 84, 76th Congress), provides:

"That the Republic of Finland, at its option, may postpone the payment of amounts payable to the United States of America during the period from January 1, 1940, to December 31, 1940, inclusive, under the agreements between that Republic and the United States of America dated May 1, 1923, and May 23, 1932; and, in the event of the exercise of the option herein granted, the Secretary of the Treasury is authorized to make, on behalf of the United States of America, an agreement with the Republic of Finland for the payment of the postponed amount, with interest at the rate of 3 per centum per annum beginning January 1, 1941, in ten annuities, the first to be paid during the calendar year beginning January 1, 1941, and one during each of the nine calendar years following, each annuity payment to be payable in one or more installments: *Provided, however,* That the amounts postponed shall bear interest at the rate of 3 per centum per annum from the date payment of such amounts was postponed to January 1, 1941." ; and

AGREEMENT,

Made the first day of May, 1941, at the City of Washington, District of Columbia, between the GOVERNMENT OF THE REPUBLIC OF FINLAND, hereinafter called FINLAND, party of the first part, and the GOVERNMENT OF THE UNITED STATES OF AMERICA, hereinafter called the UNITED STATES, party of the second part.

WHEREAS, under the terms of the debt funding agreement between Finland and the United States, dated May 1, 1923, and the agreement between Finland and the United States, dated May 23, 1932, there was payable by Finland to the United States on December 15, 1940, in respect of the indebtedness of Finland to the United States, the aggregate amount of \$235,398; and

WHEREAS, section 1 of the Joint Resolution of the Congress of the United States, approved June 15, 1940 (Public Resolution No. 84, 76th Congress), provides:

"That the Republic of Finland, at its option, may postpone the payment of amounts payable to the United States of America during the period from January 1, 1940, to December 31, 1940, inclusive, under the agreements between that Republic and the United States of America dated May 1, 1923, and May 23, 1932; and, in the event of the exercise of the option herein granted, the Secretary of the Treasury is authorized to make, on behalf of the United States of America, an agreement with the Republic of Finland for the payment of the postponed amount, with interest at the rate of 3 per centum per annum beginning January 1, 1941, in ten annuities, the first to be paid during the calendar year beginning January 1, 1941, and one during each of the nine calendar years following, each annuity payment to be payable in one or more installments: *Provided, however,* That the amounts postponed shall bear interest at the rate of 3 per centum per annum from the date payment of such amounts was postponed to January 1, 1941." ; and

WHEREAS, Finland has exercised its option under such Joint Resolution to postpone the payment of the above-mentioned amount of \$235,398, payable by Finland to the United States on December 15, 1940;

Now, THEREFORE, in consideration of the premises and of the mutual covenants herein contained it is agreed as follows:

1. Payment of the amount of \$235,398, payable by Finland to the United States on December 15, 1940, in respect to the indebtedness of Finland to the United States, according to the terms of the agreements of May 1, 1923, and May 23, 1932, above mentioned, with interest of \$328.91, at the rate of 3 per centum per annum from the date the payment of such amount was postponed to January 1, 1941, amounting in all to \$235,726.91, is hereby postponed so that the amount of \$235,726.91 together with interest thereon at the rate of 3 per centum per annum beginning January 1, 1941, shall be paid by Finland to the United States in ten equal annuities of \$27,390.12 each, payable in United States dollars in equal semiannual installments on June 15 and December 15 of each calendar year beginning January 1, 1941, and concluding with the calendar year beginning January 1, 1950. The bonds numbered 9, dated December 15, 1922, matured December 15, 1931, in the principal amount of \$55,000, and numbered 18, dated December 15, 1922, matured December 15, 1940, in the principal amount of \$76,000, and delivered by Finland to the United States under the agreement of May 1, 1923, shall be retained by the United States until the annuities due under this agreement shall have been paid.

2. Except so far as otherwise expressly provided in this Agreement, payments of annuities under this Agreement shall be subject to the same terms and conditions as payments under the agreement of May 1, 1923, above mentioned. The proviso in paragraph 2 of such agreement, authorizing the postponement of payments on

account of principal, and the option of Finland provided for in paragraph 4, to pay in obligations of the United States, shall not apply to annuities payable under this Agreement.

3. The agreements of May 1, 1923, and May 23, 1932, between Finland and the United States, above mentioned, shall remain in all respects in full force and effect except so far as expressly modified by this Agreement.

4. Finland and the United States, each for itself, represents and agrees that the execution and delivery of this Agreement have in all respects been duly authorized and that all acts, conditions and legal formalities which should have been completed prior to the making of this Agreement have been completed as required by the laws of Finland and the United States, respectively, and in conformity therewith.

5. This Agreement shall be executed in two counterparts, each of which shall have the force and effect of an original.

IN WITNESS WHEREOF, Finland has caused this Agreement to be executed on its behalf by its Envoy Extraordinary and Minister Plenipotentiary at Washington, thereunto duly authorized, and the United States has likewise caused this Agreement to be executed on its behalf by the Secretary of the Treasury, pursuant to a Joint Resolution of Congress approved June 15, 1940, all on the day and year first above written.

THE REPUBLIC OF FINLAND

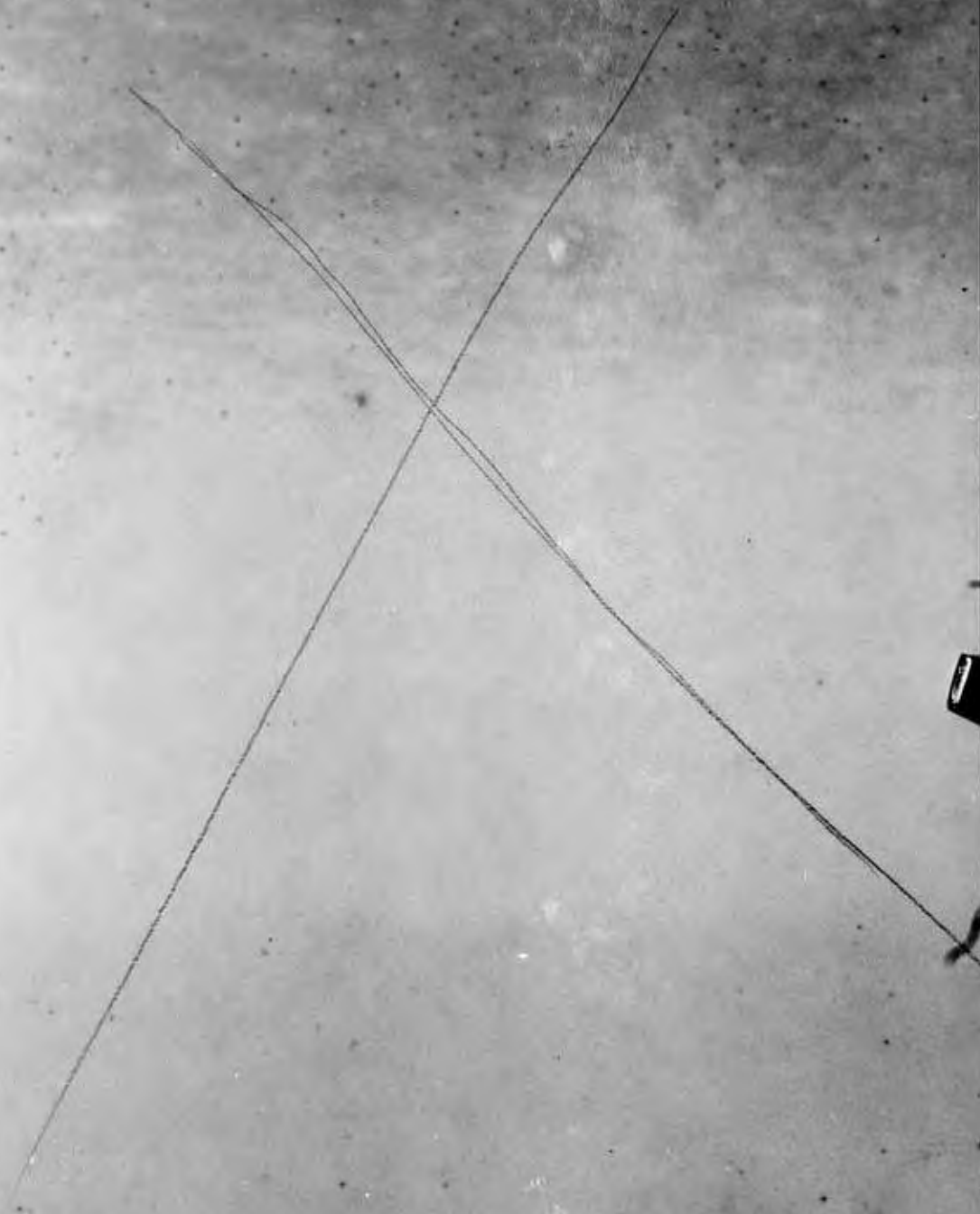
By *Hj. J. PROCOPE'*

Envoy Extraordinary and Minister Plenipotentiary

THE UNITED STATES OF AMERICA

By *H. MORGENTHAU, JR.*

Secretary of the Treasury



May 1, 1941.

Dear Mr. Berlin:

As you will see from the enclosed extracts from only one of today's newspapers, the Defense Bonds and Stamps are already making a great impression.

Would you care to contribute a song to the cause of National Defense, with mention of these Bonds and Stamps? They are a way to "Buy a Share in America." Perhaps this phrase has possibilities for you. Will you let me know?

All of us at the Treasury will be so grateful to you if you will take the lead among artists and writers in this way.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. Irving Berlin,
129 East 78th Street,
New York, New York.

FK/nkb 9.K
5/1/41

CLIPPINGS FROM NEW YORK TIMES, May 1,
1941, sent to Mr. Berlin:

"Roosevelt Buys First Savings Bond For
Defense Fund", by John MacCormac

"Text of Appeal by Roosevelt" - AP

Ad, "Enlist your Dollars" - Central
Savings Bank, 14th St. at 4th Ave.,
73rd St. at Broadway

Ad, "Buy U.S. Defense Savings Bonds Here"
Public Nat'l Bk. and Trust Co. of N.Y.
Main office: 76 William St.

Ad, "Invest in Defense" - Serial Fed.
Savings & Loan Assn. of N.Y.C.

Large ad, "Now Dollars, Too, Can Enlist"
Chase Nat'l Bank of N.Y.C.
Head office: Pine St. Corner of Nassau

Ad, "United States Defense Savings Bonds"
Guaranty Trust Co. of N.Y.
"All citizens can aid in financing" etc.

Ad, "Here's a Defense Program in which
we can all take part!"
Nat'l City Bank of N.Y.
Head office: 55 Wall St.

"Topics in Wall Street" - Defense Bonds

Program of Activities up to May 1

1. **Printing and distribution of stamps and bonds to post offices and banks, to telegraph offices and such other outlets, commercial and industrial, as can be arranged.**
2. **Recruitment of copy writers and script writers to assist Fossil, Irvin and Callahan in the immediate job of producing necessary material.**
3. **Preparation of promotional literature:**
 - (a) **Revision of order forms and booklets for direct mail distribution.**
 - (b) **Preparation of leaflets and booklets for distribution at post offices and other outlets explaining the nature of the securities and the terms of purchase. Some attempt should be made to make this material as attractive as possible without too much "art" but with considerable personal appeal.**
 - (c) **A start should be made in preparing special literature for such particular groups as labor, farmers, women, etc.**
4. **Distribution of literature:**
 - (a) **In addition to post offices, banks, etc. an effort should be made to insure the friendly support and cooperation of labor leaders, leaders of farm organizations, women's groups, etc. This should be done directly either by conferences with responsible people at the Treasury or through Mr. Johnston.**
 - (b) **Arrangements might well be made for central distribution of especially prepared literature to employees through their employers after consultation with worker representatives. Care should be taken to avoid waste and inefficient handling.**
 - (c) **Certain kinds of publicity material might be distributed through the post offices and redistributed in public places by local organizations such as the Boy Scouts.**
5. **Posters:**
 - (a) **We cannot hope to achieve perfection in our initial posters and it would be well to proceed upon the basis of some satisfactory design executed by a competent artist even though it does not satisfy everyone.**
 - (b) **If we are to display our posters in hotels, railroad stations, department stores, factories, as well as post offices, banks and telegraph companies we ought to be thinking in terms of 150,000 or more at least.**

-3-

- (e) If possible, these posters should be of the sort that are easy to mount and do not require too much effort in the process.

6. Radio:

- (a) See Callahan memorandum.
- (b) Postpone the national broadcast by the Secretary until later. Avoid unnecessary fanfare at the outset.
- (c) Spot and program break announcements on all Government sponsored programs as soon as script is ready and arrangements can be made.
- (d) Letters to radio chain and station managers as suggested in the Callahan memo. but without asking them for much more than an expression of sympathetic interest and a willingness to meet with Callahan or Fowal or some Treasury representatives for more detailed discussion of nature of their cooperation.
- (e) Preparation of recordings with music and prestige names but with never more than a minute of talk on the bond program itself.

7. Press:

- (a) Releases to Washington correspondents and wire services either through the Secretary or Schwartz's office.
- (b) These releases should be fed out from time to time as new things emerge in our developing program. Here would be a good chance to use some of the "what can I do to help" letters that have come in. The letter from the small boy, etc.
- (c) Wherever possible supplement the foregoing releases with localized stories telling of the relation of local persons or events to the defense program and the savings campaign.
- (d) Never lose sight of the need for explaining the financial problems of the government in simple terms to the average reader. Always relate the news to affirmative action in relation to national defense.

8. Public Opinion Polls:

- (a) Make use in the next week or so of Hadley Cantrill's generous offer to loan:

-3-

- (1) Attitudes of department stores, manufacturers, and other buyers of advertising space toward sharing their regular space with us as a contribution to national defense.
- (2) General public attitudes toward Government securities and Savings Bonds in particular, savings stamps, the national debt, taxation vs. borrowing for national defense, etc.

9. Advertising:

Probably none by May 1st. Thereafter we ought to be ready with copy for local advertisers who express a willingness to carry us and who want us to prepare the copy.

10. Motion Pictures:

- (a) View Mr. Dodal's work. If favorably impressed might ask him to come to Washington to work on animation for news reels, trailers, etc.
- (b) Ask Lee Rooten, Edgar Dale, Ray Stryker, Fure Lorents and others conversant with the movier for suggestions.
- (c) Induce exhibitors to display our posters and if possible give savings bonds as prizes for bank night. Some exhibitors might even carry savings stamps.

11. Advisory Committee:

Should be representative of major groups we hope to reach such as bankers, schools and colleges, farmers, workers, business men, women and the media we expect to use such as the press, radio, motion pictures, Government Agencies, advertisers, foreign language groups.

This committee might well be a panel of distinguished names from which we could choose smaller committees or individuals to advise with us on particular problems within their special fields. The chairman and members in addition to a spirit of cooperation, intelligence, and experience should have enough prestige to command confidence and perhaps some publicity.

12. Field Organization:

Selection and training of internal revenue collectors to serve as regional directors. Recruitment of state or regional assistants to the collectors who can devote either full time or most of their time to our organization job. This task of recruitment and training will take time and no more than a start can be made by May 1st.

May 1, 1941

DEFENSE SAVINGS STAFF
ADVANCE NOTICE RADIO PROGRAMS

TODAY - May 1, Thursday.

Time: 7:55-8:05 A.M.
Station: WJSV, Washington, D.C.
Program: Arthur Godfrey buys a bond from a post office official.

Time: 8:00-8:10 A.M.
Station: WMAL, Washington, D.C., and National Broadcasting Co., Blue Network.
Program: Speaker of the House speaking from Washington Post Office.

Time: 8:05-8:15 A.M.
Station: WMAL, Washington, D.C.
Program: Toby David will buy a bond from a post office official.

Time: 8:10-8:20 A.M.
Station: WOL, Washington, D.C.
Program: Art Brown will buy a bond from a post office official.

Time: 8:15-8:25 A.M.
Station: WRC, Washington, D.C.
Program: Gordon Hittenmark will purchase bond from a post office representative.

Time: 8:20-8:30 A.M.
Station: WINX
Program: Frank Owen buys a bond.

Time: 8:45 A.M.
Station: KMBC, Kansas City, Mo. - from Kansas City station only.
Program: Postmaster General Walker launches Drive.

Time: 11:30 A.M.
Station: WMAL, Washington, D.C., and National Broadcasting Co., Blue Network.
Program: Secretary of Agriculture Wickard addresses farmers on the "National Farm and Home Hour".

Time: 12:30 P.M.
Station: WOL, Washington, D.C.
Program: Dramatization of Bonds "Helen Holden - Government Girl".

- 2 -

Time: 3:45 P.M.
 Station: WJSV, Washington, D.C., and Columbia Broadcasting System.
 Program: Fifteen-minute program at Meddybemps, Maine, interviewing the Governor of Maine, the postmaster, and other citizens. This town is subscribing 100% to Defense Bonds and Stamps.

Time: 4:30-4:45 P.M.
 Station: WOR, New York; Mutual Broadcasting System.
 Program: New York's Mayor, Fiorello LaGuardia, hears report of first day's sale of Bonds and Stamps by New York's Postmaster, Albert Goldman.

Time: 5:00-5:10 P.M.
 Station: WRC, Washington, D.C., and National Broadcasting Company's Red Network.
 Program: Commuters of New York buy Defense Bonds and Stamps in the Grand Central and Penn Stations, New York.

Time: 5:15-5:30 P.M.
 Station: WJSV, Washington, D.C.
 Program: "Magic Carpet" program salutes Defense Savings Drive.

Time: 7:00 P.M.
 Station: WOL, Washington, D.C., Mutual Broadcasting System.
 Program: Wythe Williams, famous newscaster, gives news of Defense Savings Stamps and Bonds.

Time: 7:15-7:30 P.M.
 Station: WOL, Washington, D.C., Mutual Broadcasting System.
 Program: "Border Patrol" program. Ruth Sadler of the Immigration Office, Department of Justice, will salute the Defense Bonds drive.

Time: 7:30-8:00 P.M.
 Station: WMAL, Washington, D.C., and National Broadcasting Co., Blue Network.
 Program: Commentators' Round Table - H.V. Kaltenborn, Lowell Thomas, Don Goddard, John Vandercook Earl Godwin, Walter Winchell and Baukhage discuss Defense Bonds and Stamps. Televised (Doc Morton).

Time: 9:30-10:00 P.M.
 Station: WRC, Washington, D.C., and WFER, Baltimore, Md.
 Program: "Quiz of Two Cities" program includes salute to the Defense Savings Drive.

5/11/41

NATIONAL FARM AND HOME HOUR - 11:30 A.M.

Secretary Wickard

America has no choice but to arm and arm as thoroughly and as rapidly as possible to make sure that this country remains secure against aggression and to supply the nations that are resisting aggression across the sea. In fact, right now our best defense against aggression is to supply Great Britain with the food, planes, ships, and tanks she needs to hold back the Nazi drive to conquer the world. If England falls, there will be one less nation standing between us and Hitler.

In our drive to supply the British we are developing what other nations tried desperately and too late to develop, the capacity to produce the weapons of defense. Given time to build the factories and the machines and develop the new skills we need, we can produce armament much more efficiently and more rapidly than any other nation on earth and England's gallant defense is enabling us to gain precious time in which to supply both England and ourselves with the munitions of war.

If we are to be successful in this effort to guard the

- 2 -

freedom which we pride above all else, we have got to finance without stint a mighty program of defense. The money to finance this program will come from new taxes and from Government borrowings through the sale of bonds which you and I buy so that our defense program can go forward.

The Nazi threat is one of two great dangers we face. The other is the danger of skyrocketing prices and inflation and the inevitable crash that follows. To guard against this danger, we have a system of priorities to hold down competition for manufactured goods and give defense efforts the right of way. Also we have certain price controls that can be depended upon to prevent rapidly spiraling prices and, most important of all, we can depend on the good common sense of the American people. With so much of our industrial capacities required to produce our defense needs, we cannot demand more than we usually consume of some of the manufactured goods. If we do, we are apt to create shortages which will result in sharp price increases.

We face this second danger partly because so many people have more money to spend. When factory wheels are spinning at top speed and there is a greater demand for many farm

- 3 -

products, national income jumps sharply. Wages and salaries increase as income rises. In referring to the fact that farm income will increase, I am not forgetting that thousands of farm families are faced with a serious situation because of the loss of export markets resulting from the war, but many farmers will receive more income this year, and I know that every one of these farmers will consider seriously the best way to use these funds, both for their own welfare and for the national welfare. Most farmers have a place for almost every dollar, but if they can use some of this money to invest in defense securities, they will serve the nation and themselves. They will build a backlog of buying power that may help greatly to cushion the possible shock to farm income when defense and war demands for farm products eases off. Furthermore, when farmers buy Defense Savings Bonds, they are buying an obligation of the greatest nation in the world, greatest from the standpoint not only of wealth and resources, but of human freedom and liberty.

The plan of the Treasury Department involves the sale of Government bonds to as many people as possible to help finance the defense program and to provide an opportunity

- 4 -

to save some of our increased income by putting it aside at compound interest as a grade A reserve. The outcome of the tremendous struggle now being waged between democracy and dictatorship will affect the future of every American. Our freedom and security in the future will depend upon our willingness to work and sacrifice for that security now.

One of the ways in which we can all help is to assist in providing the funds needed to build the weapons of defense, and we can do this by buying Defense Savings Stamps and Bonds. Buy bonds if you can. If not, buy stamps until you have enough to exchange for a bond. This is one way in which everyone with investment funds can strike a blow for the defense of democracy. In this drive we are actually investing not only in our own future but in the future of our country. I know that in this cause farmers will do their full share.

Sales, Washington Post Office, to 1 P.M.

Stamps:	1061	-	10¢		<u>Totals:</u>
	2418	-	25¢		
	553	-	50¢		
	386	-	\$1.00	4484	
	66	-	5.00		\$1703.10

Books:	177	-	5.25		<u>Totals:</u>
	43	-	1.00		
	56	-	1.00	296	
	13	-	5.00		\$26,175
	7	-	10.00		maturity value

— May 1, 1944 —

MEMORANDUM FOR THE SECRETARY



May 1, 1941

Excerpts and summaries of mail received from April 25 - 30

George W. Mearts - Telegram - New London, Wisconsin.

Willing to pay taxes for defense of America, not to save deadbeats, War mongers and new dealers in favor of Lend-Lease bill should give up their own wealth. England started the war - hope she is bombed out. Secretary directly responsible for Greeks and Slavs who have lost their lives.

I. Meldrum - Telegram - Quincy, Massachusetts.

"Stop the Coal Strike - Stop other Defense Strikes - Get Rid of Secretary Perkins"

Delcavare King - Quincy, Massachusetts.

Encloses clipping from The Boston Herald, with which he absolutely agrees. The editorial favors all aid possible to Britain, including convoying, and promptly.

B. C. Cobb, New York, New York.

Pleased with Secretary's recommendation that all expenditures but defense be abandoned or cut down. Can't understand objection to general Federal sales tax. It would be fair, but present income tax is not. Gives example of small wage earner "taxed to death" while others go free. The American people generally want Old England to win, but projects like the St. Lawrence make them mad.

Charles A. M'Cormack, Demarest, New Jersey.

We are crazy to spend all those billions for England. Millions of Americans do not forget that England did not pay us for last war. "I am not a Nazi sympathizer." If his tax will be anything like the papers state, he must discharge two of four gardeners and reduce wages of two maids in home, and spend less on food, clothing, liquor and entertaining.

- 2 -

Mrs. Mary Barkerrill Green - Memphis, Tennessee.

No excuse for strikes on defense work. If many billions were not wasted, new taxes would not be needed. Why are Communists and Nazis not imprisoned? Colonize immigrants and un-American citizens like Lindbergh elsewhere.

W. J. Starrett, Boyertown, Pennsylvania.

Read with interest Secretary's appeal for economy and is sure the people will be with him. Local post office has murals at cost of \$1150 that are a pain in the neck. "More than one billion could be saved if wasteful spending is stopped."

W. L. Whittlesey, Princeton, New Jersey.

U. S. is paying for senility and incompetence, and to "save" British imperialism. We would "acquire" the Azores, Cape Verde, etc. if we were paying for safety and protection.

Captain John G. W. Dillin, Media, Pennsylvania.

Wants not only the C.C.C. appropriation cut to the bone, but a complete elimination. Would like an interview with the Secretary to discuss the C.C.C. Considers it not only a money failure, but a calamity.

Rev. Walter W. Reid, Tomkins Cove, New York.

Doesn't mind paying additional income tax but does object to lack of convoys for what we send abroad and to temporizing in regard to soft coal strikes. Taxpayers want to know we are going to produce.

Mrs. O. H. Clausen, Los Angeles, California.

Protests income tax plan. The President and members of Administration should retrench as an example to nation. Remember state taxes etc. President takes cruises and goes to Hyde Park when majority cannot pay living expenses let alone medical aid, etc.

A. J. Diederichs, San Gabriel, California.

Childish to bother with pennies and dime saving stamps when large sums are squandered by high officials. It is ridiculous to tax more those who cannot make ends meet, when so many in upper brackets squander. American citizens asked to pay for another foreign war, when British still hold millions in investment here.

- 3 -

Joseph P. Waters, Glendale, L. I.

Wonders why Government doesn't institute a payroll deduction plan: 5% as a defense tax and 5% as an obligatory payment towards the purchase of government bonds, such rates to apply on salaries of from \$500 to \$2500 a year, with rates doubled on salaries higher than \$2500.

Miss Adelaide Kelf, Oshkosh, Wisconsin.

Lives on interest of money, which is very little. Unable to work. At rate Secretary wishes to tax people, all they can do is starve. Tax luxuries but let middle class have enough to stay healthy.

Mrs. J. L. de V, Toledo, Ohio.

Asks Secretary not to forget group of people (retired) who are unable to work who will suffer greatly if taxes are raised. This groups depends largely upon dividends of Corporations, which they won't get if corporations are taxed unmercifully. Let Government cut out some of its unnecessary expenses - like the St. Lawrence water way, increased farm allotment, etc.

Alex Gibson, Secretary and Treasurer, Marion Steam Shovel Company, Marion, Ohio.

Suggests that payroll deductions be made by employers monthly from their employees salaries as a means of getting income tax. The opportunity to pay currently is of great importance to individuals who live on a budget.

E. P. Johnson, Los Angeles, California.

The little fellow is the buying power of the country. Every dollar you tax the less buying power he will have. Why not tax the concerns getting the defense orders?

L. Pinkney, Hollywood, California.

Protests vigorously fearful tax raise Secretary is proposing. Why should we pay attention to Mr. Hull's statements? Colonel Lindbergh is the finest man in the country; Senators Wheeler and Eys are also wonderful men. Worst administration country has ever had.

- 4 -

W. C. Holl, Harrisburg, Pennsylvania.

Wants to express loyalty as American, but does protest the extravagant expenditure of our money. A glowing example - Federal camp at Indiantown Gap, mentioned by another writer.

Miss Helen Meister, Chicago, Illinois.

Much worried about the fate of the Jewish people here and abroad. Cannot understand why U. S. With all her resources etc., united with England, should not be able to defeat Hitler and Hitlerism.

K. H. Collins, Nashville, Tennessee. (copy of letter sent to Ways and Means Committee)

When a man is about to be attacked by a bandit, he grabs any weapon without debating first how much he should pay for its use. But not the present Administration. Its main concern seems to be what is the highest rate of tax it dares impose. Why not concentrate on manufacture of munitions and let cost take care of itself temporarily?

Mr. and Mrs. James Gale, Whittier, California.

Do not fear higher taxes, but do fear economic slavery if Nazis win. Willing to pay higher taxes and sacrifice. Have never paid income tax, but could easily spare \$5 per month for our country.

I. W. Hays, Salt Lake City, Utah.

Read with sincere interest and approval of Secretary's plans to assess new and increased taxes. Suggests ~~that~~ investigation as well as increased taxes for business partnerships.

Dr. Bruce Snow, Manchester, New Hampshire.

Defense Bonds offer no attraction as an investment. The only reason for buying bonds is patriotism and desire to help defeat Hitler, but Roosevelt has not made it clear whether American business or Hitler is his main antagonist. If he (Mr. Roosevelt) needs money for defense he should consistently cut down on wasteful extravagances of past 5 years. Unless there is an end to labor sabotage of defense it is a sheer waste of money to talk defense.

- 5 -

L. D. McGee, Gilboa, Ohio.

Agrees with Secretary's opposition to extra sales tax. Encloses letter from A. A. A. county office which wants to pay him for something the Government does not owe. Millions of dollars spent for nothing, which could go for National Defense.

John C. Hampton, Fayetteville, Tennessee - Telegram

Urges Secretary not to discourage Agriculture appropriation bill as American farmers in desperate condition compared to labor and industry.

Miss Louise Wood, Indianapolis, Indiana.

While it is true that we wish to be taxed, being backed against a wall of inflation or possible financial collapse, we deserve some other things at the same time. Thrift, care used in disbursement of Government money. Those who are trying to steady the Ship of State should stop rocking the boat themselves and settle down to something resembling sanity.

J. F. R. Packard, Philadelphia, Pennsylvania.

Understands Treasury is proposing several "luxury" taxes, including an increase from 11% to 20% on safe deposit box rentals. Does not consider this a "luxury". Indicates that largest proportion of safe deposit box renters are people of small or average means.

Mrs. Louis F. Hetrick, Deal, New Jersey.

Would like explained justice of imposing brunt of new taxes upon the white collar of middle class. Watching with eagerness developments in regards to a stamp sales tax, the best way to acquire more money for the Government.

Rod Maclean, Los Angeles, California, Advertising Manager of California Bank.

Presents idea which might make funds available for defense. Offer to workers of America privilege of supplementing their old age pensions by depositing now in fund from which they will later be paid an additional monthly income after retirement.

- 6 -

"A 1941 Minute Man", Taunton, Massachusetts.

Suggests a law to provide that all persons, regardless of wages earned, file an income tax return.

Dan M. Rugg, Port Washington, Long Island.

Would make sacrifice for National Defense willingly if there was inclination on part of Congress or Administration to curtail vast and unnecessary expenditures. Government is not fair to men conscripted for military service when it encourages labor groups to impose unreasonable demands on top of highest wages. Also suggests that young men who prefer Navy be permitted to enlist for a year or for duration of emergency, instead of 3 or 4 years as now required. Also urges Secretary to support a whole-hearted participation with British in pursuing war to successful conclusion.

Mrs. Genevieve Trevor, New York, New York.

Secretary misinformed when he says people will not kick and are willing to shoulder burden of defense. Absolutely opposed and all women are opposed to this high tax. Suggests more taxes for corporations and "Big Business". Try to live on \$40 a week and keep a family housed, clad and healthy - and then pay taxes too.

Exra C. Anstatt, Columbus, Ohio.

Congratulates Secretary on recommendation that Federal Government reduce to a minimum all its non-defense expenditures. No more effective way than if present Administration would take the lead and eliminate tremendous waste of millions of dollars.

J. H. Powell, Wichita, Kansas.

If Secretary's proposal to tax soft drinks one cent per bottle is put into effect it will be the death knell for industry. Urges Secretary to look into this matter thoroughly.

Geo. Forbush

5/1/41

THE WHITE HOUSE
Washington

My dear Mr. Chairman:

Secretary Morgenthau has recommended that three and one half billion of additional taxes should be levied during the coming year to defray in part the extraordinary defense expenditures.

His program represents the minimum of our revenue requirements. I hope that you and the other members of your Committee will act favorably on his recommendation.

You will recall that in my Budget Message this year, I suggested a financial policy aimed at collecting progressive taxes out of a higher level of national income. I urged that additional tax measures should be based on the principle of ability to pay. This still is my view.

I am confident that your Committee will recommend legislation specifically aimed at making the Federal revenue system evasion-proof and so devised that every individual and every corporation will bear its fair share of the tax burden. The income tax can not fix the tax liability of individuals and corporations with equity as

- 2 -

long as the tax base is defined to exclude substantial and significant elements of income.

I hope your Committee, with the help of the Treasury, will formulate a tax bill which will convince the country that a national defense program intended to protect our democracy is not going to make the rich richer and the poor poorer.

I am sure that you and I are agreed that defense is a national task to which every American must contribute in accordance with his talents and treasure and that the people of the United States are gladly willing to make whatever sacrifices may be necessary to strengthen the common defense.

Sincerely yours,

FRANKLIN D. ROOSEVELT

Honorable R. L. Doughten
Chairman, Ways and Means Committee
House of Representatives

CLK:t
5-1-41

May 1, 1941

My dear Mr. President:

I am sending you herewith a confidential list of production of airplanes from April 13th to April 26th.

You will be pleased to see from this report that the number of planes during this two-weeks period is the largest number turned out so far in this calendar year.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,
The White House.
Inc.

By Handwritten 7 35

May 1, 1941

My dear Mr. President:

I am sending you herewith a confidential list of production of airplanes from April 18th to April 26th.

You will be pleased to see from this report that the number of planes during this two-weeks period is the largest number turned out so far in this calendar year.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

By Messenger

DELIVERIES OF AIRPLANES, BY PURCHASERS AND BY TYPES OF PLANES

January 1, 1940 - April 26, 1941

STRICTLY CONFIDENTIAL

	Numbers	Pursuits	Trainers	Other military planes	Commercial planes	Total
TOTAL ALL PURCHASERS						
Jan. 1 - June 22	954	500	606	100	379	2,341
June 23 - July 20	101	198	234	14	81	628
July 21 - Aug. 17	111	170	270	10	105	666
Aug. 18 - Sept. 14	70	146	170	20	98	677
Sept. 15 - Oct. 12	53	270	377	17	141	858
Oct. 13 - Nov. 9	74	150	343	17	63	647
Nov. 10 - Dec. 7	117	194	275	16	56	658
Dec. 8 - Jan. 4	158	247	315	6	98	824
Subtotal June 23 - Jan. 4	844	1,325	2,117	100	640	4,026
Jan. 5 - Jan. 18	80	97	168	5	36	406
Jan. 19 - Feb. 1	75	151	123	31	32	404
Feb. 2 - Feb. 15	79	113	150	13	31	371
Feb. 16 - Mar. 1	174	102	107	19	27	427
Mar. 2 - Mar. 15	100	101	223	17	13	454
Mar. 16 - Mar. 29	155	114	326	16	34	635
Mar. 30 - Apr. 12	149	110	261	16	34	570
Apr. 13 - Apr. 26	171	156	340	13	19	679
Total Jan. 1, 1940 - Apr. 26, 1941	2,222	2,749	5,045	332	1,237	11,585
ARMY						
Jan. 1 - June 22	28	31	461	61	-	561
June 23 - July 20	14	40	131	6	-	191
July 21 - Aug. 17	18	69	156	5	-	248
Aug. 18 - Sept. 14	12	54	161	7	-	234
Sept. 15 - Oct. 12	10	86	173	-	-	269
Oct. 13 - Nov. 9	12	20	199	-	-	191
Nov. 10 - Dec. 7	8	14	129	2	-	153
Dec. 8 - Jan. 4	4	19	75	-	-	98
Subtotal June 23 - Jan. 4	78	302	984	20	-	1,384
Jan. 5 - Jan. 18	6	6	86	-	-	98
Jan. 19 - Feb. 1	1	2	166	-	-	169
Feb. 2 - Feb. 15	13	9	74	4	-	100
Feb. 16 - Mar. 1	43	33	153	7	-	236
Mar. 2 - Mar. 15	26	64	170	5	-	214
Mar. 16 - Mar. 29	29	67	185	6	-	287
Mar. 30 - Apr. 12	35	81	169	6	-	291
Apr. 13 - Apr. 26	50	62	237	7	-	376
Total Jan. 1, 1940 - Apr. 26, 1941	308	577	2,635	116	-	3,736
NAVY						
Jan. 1 - June 22	42	3	78	35	-	158
June 23 - July 20	-	2	26	6	-	34
July 21 - Aug. 17	8	9	14	1	-	24
Aug. 18 - Sept. 14	10	9	17	1	-	29
Sept. 15 - Oct. 12	16	13	40	17	-	86
Oct. 13 - Nov. 9	22	23	38	17	-	97
Nov. 10 - Dec. 7	17	13	80	14	-	124
Dec. 8 - Jan. 4	16	18	76	6	-	116
Subtotal June 23 - Jan. 4	86	76	299	78	-	539
Jan. 5 - Jan. 18	17	24	79	5	-	115
Jan. 19 - Feb. 1	31	13	113	33	-	188
Feb. 2 - Feb. 15	21	17	43	10	-	81
Feb. 16 - Mar. 1	30	12	12	12	-	66
Mar. 2 - Mar. 15	27	-	39	12	-	70
Mar. 16 - Mar. 29	37	15	61	10	-	123
Mar. 30 - Apr. 12	30	19	60	10	-	119
Apr. 13 - Apr. 26	28	22	53	5	-	109
Total Jan. 1, 1940 - Apr. 26, 1941	345	167	671	209	-	1,612
BRITISH EMPIRE AND FRANCE*						
Jan. 1 - June 22	469	869	164	2	9	933
June 23 - July 20	86	139	56	2	1	284
July 21 - Aug. 17	86	95	69	-	4	254
Aug. 18 - Sept. 14	30	83	50	-	-	166
Sept. 15 - Oct. 12	20	121	102	-	10	253
Oct. 13 - Nov. 9	28	69	57	-	3	165
Nov. 10 - Dec. 7	75	147	46	-	8	276
Dec. 8 - Jan. 4	128	154	144	-	-	426
Subtotal June 23 - Jan. 4	455	678	476	2	27	1,038
Jan. 5 - Jan. 18	57	69	9	-	5	140
Jan. 19 - Feb. 1	43	126	40	-	-	209
Feb. 2 - Feb. 15	44	87	26	1	10	168
Feb. 16 - Mar. 1	70	57	36	-	2	277
Mar. 2 - Mar. 15	52	53	50	-	-	155
Mar. 16 - Mar. 29	73	12	16	-	2	133
Mar. 30 - Apr. 12	64	6	30	-	2	102
Apr. 13 - Apr. 26	93	26	69	-	-	168
Total Jan. 1, 1940 - Apr. 26, 1941	1,442	1,543	354	5	57	4,061
OTHER						
Jan. 1 - June 22	15	175	105	2	370	677
June 23 - July 20	1	17	21	-	60	119
July 21 - Aug. 17	2	6	31	-	101	140
Aug. 18 - Sept. 14	18	-	108	-	131	257
Sept. 15 - Oct. 12	1	-	1	-	50	52
Oct. 13 - Nov. 9	14	8	62	-	46	124
Nov. 10 - Dec. 7	17	16	16	-	94	143
Dec. 8 - Jan. 4	10	16	30	-	94	150
Subtotal June 23 - Jan. 4	65	69	358	-	615	1,107
Jan. 5 - Jan. 18	-	8	14	-	11	33
Jan. 19 - Feb. 1	-	12	4	-	22	38
Feb. 2 - Feb. 15	-	-	4	-	25	29
Feb. 16 - Mar. 1	-	-	21	-	21	42
Mar. 2 - Mar. 15	-	4	10	-	13	27
Mar. 16 - Mar. 29	-	20	14	-	12	46
Mar. 30 - Apr. 12	-	6	2	-	19	27
Apr. 13 - Apr. 26	-	6	1	-	-	7
Total Jan. 1, 1940 - Apr. 26, 1941	127	308	595	2	1,180	2,212

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

April 30, 1941.

* See Statistical Tables, Department of the Treasury, Bureau of Economic Warfare, 1940.

Regraded Unclassified

TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE May 1, 1941

TO Mr. White
FROM Mr. Gass
Subject: Heath memo on recent economic developments in Germany

Mr. Heath's memo of March 24, 1941, lists several interesting developments in the German economy:

1. The Reich has declared its intention to recapture all profits in excess of those made in peacetime. The Treasury must be paid all such excess profits, and prices must be reduced sufficiently to prevent the recurrence of such profits.
2. Minister Funk has announced that no dividends in excess of 6 percent of capital will be permitted hereafter. However, Puhl, vice president and acting manager of the Reichsbank, says that this dividend limitation is largely "social window dressing". Firms paying dividends in excess of 6 percent of their capital will be permitted to increase their capital through stock dividends or by other painless means.
3. Puhl emphasized his desire to "cooperate" with the financial authorities of Britain and the United States. He hoped that the United States would not block German funds.
4. Russia has been supplying the quantities specified in her trade agreements with Germany, according to Heath's information, which is very vague and general.
5. Rubber, copper, nickel, alloys and gasoline are the chief industrial materials of which there is a scarcity according to Heath.

ated

A. W. Cochran

Berlin, March 24, 1941.

MEMORANDUM
FOR TREASURY FROM HEATH

RECENT ECONOMIC DEVELOPMENTS IN GERMANY

The Excess Profits-Price Reduction Order and Dividend Limitation. The most important economic news in Germany during the past fortnight was the price and excess profits order of the Price Commissar reported in the Embassy's No. 989, March 18, noon and Funk's speech reported in the Embassy's No. 950, March 18, 4 p.m. The price and profits order provided that profits in excess of those made in peacetime under normal competitive conditions must be paid into the Reich Treasury and the manufacturer or industry making the excess profits must reduce prices sufficiently to prevent the recurrence of "abnormal" profits. The effect of this order and Funk's speech in which he announced that hereafter six per cent would be the maximum dividend allowed by the government, promptly threw the stock market into a sharp decline. Since then, in spite of obviously inspired and convincing editorial reminders that Funk had also indicated that undercapitalized stock companies could escape the 6 per cent limitation by issuing additional stock or stock dividends, the general tone of the market has been one of continued uncertainty and nervousness. The BERLINER BOERSEN ZEITUNG index of stock quotations on the Berlin stock exchange stood at 175.6 on March 22 compared with 179.6 on March 15 and 183.4 on March 8. Apparently, despite the reassuring editorials, it is still feared that many firms will simply lower dividends without increasing their capital, as was already done by one firm last week, and the new price regulations have been interpreted in some quarters to mean that no dividend increases even by firms heretofore paying less than 6 per cent will be possible.

From one point of view the order of the Price Commissar is a revenue measure, inasmuch as it will produce a one-time yield of excess profit taxes. No estimate is available as to the revenue which may be expected from the operation of this order, but it will certainly be relatively unimportant compared to the huge amounts now being spent by the Reich. The main cause of this order is to be found in the concern of the economic authorities over the price rises which have occurred during the past year, and the increase in inflationary psychology and apprehension. The inflationary psychology is evidenced by the continued increase in illicit trading in rationed articles and the developing tendency of the public to buy anything without much regard to price or utility. Illicit trading has apparently become very widespread even among the poorer classes, due in part to increasing opportunities for its practice through access to the supplies of the occupied countries. Illustrative of this fact and of the buying and present monetary psychology in Germany is the case of one charwoman with a gross income, due to long hours of work, of about 35 marks a week who paid 25 marks (\$10 at par of exchange) for a pound of tea on the black market. It may be said here that this expenditure

would

would still theoretically leave her enough to feed herself since the fixed prices for minimum quantities of the articles comprising the normal ration amount to a little over 3 marks a week. This calculation, however, is for the cheapest grades and cuts which are often not obtainable and it does not include vegetables and other non-staple articles.

As stated in the Embassy's telegram above referred to, it is to be doubted that the new price decree will have complete success but the organization and discipline is strong enough so that the authorities may be able for a time to offset inescapable price increases in certain articles by reductions in others.

The food situation. The prediction of a decrease in meat and fat rations which was reported in my memorandum of January 24, 1941 has now become a fairly general rumor that meat rations will be diminished from 500 to 400 grams during the next few months. Fairly well informed sources are authority for the statement that Germany in particular and Europe in general will be in the almost unprecedented situation of having no grain reserves of any significance at the end of the present crop year. In spite of this situation, however, there are no rumors of reductions in bread rations but it is significant that whereas until now the full amount of the bread ration could be taken in white bread if desired, beginning April 7 only part of the total (varying as to district - in Berlin 50 per cent) may be taken in wheat bread.

Although reductions of meat and fat rations appear certain this year, it must be said that in the second winter of the war the German public has in general been adequately fed, so that for a time a diminution of fat and meat rations should not produce much discontent or suffering. Not only the quantity but quality of the food during the past months was superior to that of the first war winter, supplemented as it was by drafts on the food stocks of occupied countries and greater imports of fruit and vegetables. Recently in Berlin and certain other centers the diet of the higher income groups has been improved by the development of frosted fruits and vegetables whose prices are, however, prohibitively high for the working classes.

General opinion here is that the military occupation of Rumania and Bulgaria will not add importantly to the Reich's supplies of either food or raw materials except that presumably the full output of the Rumanian oil industry will be available to the Reich's military machine.

German-Russian trade. The only practical source of increased imports of food and raw materials is Russia. It has so far been impossible to get any statistical data as to the development of Russian trade. I am told by contacts that Russia has been fairly well supplying the quantities specified in the trade agreements with Germany and I am informed that arrangements for a further increase in the deliveries of certain products were recently agreed upon. On the other hand, it is understood that German counter-deliveries are somewhat late and insufficient and I am told that recently the Reichsbank made a shipment of gold in the value of 20 million marks to Moscow to balance the clearing account.

Whatever the amount of Russian deliveries, they are far below German needs. Statistical data regarding Germany's industrial raw material position are jealously concealed but it is evident that it is worsening. Rubber, copper, nickel, alloys and gasoline are believed to be the chief cause of concern. The supplies of retail goods are visibly diminishing and customers are increasingly informed that certain staple articles are no longer produced. This scarcity of industrial raw materials is accompanied by an ever more stringent labor shortage, in part occasioned by the recent and apparently still continuing expansion of the armed forces and presumably in part by efforts to develop new military production to offset future American deliveries to Great Britain.

While there is evidence of increasing scarcity and strain, no indication of any vital deficiency is as yet apparent. While the process of economic deterioration will continue, I do not believe that any vital economic weakness will develop during 1941.

Donald R. Heath,
First Secretary of Embassy

Approved:

Leland Morris,
Chargé d'Affaires ad interim

RECEIVED
Treasury Department
APR 28 1941
Division of
Monetary Research

EMBASSY
~~XXXXXXXX~~Strictly confidential

Berlin, March 24, 1941.

MEMORANDUM
for Treasury from Heath

I called by appointment on Puhl, Senior Vice President and active administrative head of the Reichsbank. Puhl said that he was distressed over the trend of events but that he was pleased that the standstill agreement with American banks had been renewed. It was well that these little economic ties between the two countries be maintained as long as possible and if events brought about an interruption that the interruption be as short as possible, since after the war there would have to be cooperation between the Reichsbank and the financial and monetary authorities of Britain and the United States. He hoped from the standpoint of maintaining normal ties as long as possible that the United States would not block German funds but realized this was a possibility.

He spoke of the monetary situation in Germany saying that with the price control and ration system they had managed substantially so far to escape inflation. Nevertheless a certain amount of actual inflation had already occurred and also a certain degree of inflationary psychology. Without actually saying so, he conveyed the impression that he was concerned over the inflationary possibilities in Germany. He remarked that so far the Reichsbank had been fairly successful in its efforts with the government to keep down an excessive issue of currency, but said that it was a constant struggle. He went on to say that the monetary situation of the country was a pretty infallible index of its economic situation. He then remarked that he was going to take a trip to Norway and intimated that he was worried over the monetary and economic situation in that country. He said that the Reichsbank's representatives there were having a terribly hard time and observed that it was dangerous to make too heavy economic drafts on a country in the situation of Norway.

In regard to the general economic situation of Germany, he said that there was no particular weakness at the present moment but that, frankly, there was an unavoidable deterioration of production and transportation.

With respect to the new price and excess profits order and Funk's speech (see my memoranda of March 24 on recent economic developments in Germany and Embassy's telegrams No. 950, March 13, 4 p.m., and 989 of March 18, noon) he said that the stock market and business had been a little too frightened by these two occurrences. He said laughingly that particular fright had been caused in the stock market by a typographical error in the manuscript of Funk's speech. Funk had said that industry would have to face an effective prohibitive taxation, (wirkende prohibitiv Besteuerung) whereas what originally had been

written

written and intended was "an effective progressive taxation". He quoted a rather ironical north German proverb about the use of foreign words. He remarked that Funk was essentially conservative and that his announcement that German dividends must be restricted to 6% was really social window dressing; that it did not look well for dividends to be too high, but that concerns paying higher dividends could conform to the 6% (six per cent) requirement by enlarging share capitalization through stock dividends or other methods. As regards the capture of excess profits under the new price and excess profits order, he said that it was in no way an attack on capitalism but quite a normal and just procedure in war time.

Donald R. Heath
First Secretary of Embassy

Approved:

Leland Morris
Charge d'Affaires a.i.

DRH/eah

TO THE SECRETARY
TECHNICAL ASSISTANT
OF THE OFFICE

CO & MR AI 394 118

RECEIVED
DEPARTMENT

RECEIVED
Treasury Department
MAY 28 1941
Division of
Monetary Affairs

MAY 1 1941

Dear Mr. Hillman:

I have asked Dr. White of my staff to make a quick study of G.C.C., N.Y.A., W.P.A., the Office of Education, and United States Employment Service, particularly with respect to their defense and non-defense expenditures. In view of your responsibility for the defense training program in which these agencies are participating, I should very much appreciate anything you could do to help him obtain the relevant information and data.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Sidney Hillman,
Associate Director General,
Office of Production Management,
Washington, D.C.

HEW:ten
5/1/41

File to Mr. Thompson

MAY 1st 1941

Dear Mr. Carmody:

I have asked Dr. White of my staff to make a study of the defense and non-defense expenditures of V.P.A. I should very much appreciate anything you could do to help him obtain the relevant information and data.

I would like him to see at first hand some of the things V.P.A. is accomplishing, and would appreciate it also if you could facilitate any interviews or trips he might wish to undertake.

Sincerely,

(Signed) H. Morgenthau, Sr. Jr.

Honorable John H. Carmody,
Administrator, Federal Works Agency,
Washington, D. C.

EDW:SA:rel/dbe
4/30/41

File to Mr. Thompson

MAY 1 1941

Dear Mr. McFatt:

I have asked Dr. White of my staff to make a brief survey of the defense and non-defense expenditures of G.C.C., N.T.A., the Office of Education, and the United States Employment Service. I should very much appreciate anything you could do to help him obtain the relevant information and data.

I would like him to see at first hand some of the things these agencies are accomplishing, and would appreciate it also if you could facilitate any interviews or trips he might wish to undertake.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Paul V. McFatt,
Administrator, Federal Security Agency,
Washington, D. C.

File to Mr. Thompson

HW:Sa:rel/dbe

4/30/41

May 1, 1941

MEMORANDUM FOR GENERAL WATSON.

In accordance with the President's request in his memorandum of March 11th, I am returning the attached correspondence from Mr. Frederic A. Delano.

(Initialed) H.M.Jr.

By Messinger 11¹⁵ - m 11/2

May 1, 1941

MEMORANDUM FOR GENERAL WATSON.

In accordance with the President's request in his memorandum of March 11th, I am returning the attached correspondence from Mr. Frederic A. Delano.

(Initialed) H.M.Jr.

By Messner

May 1, 1941

MEMORANDUM FOR GENERAL WATSON.

In accordance with the President's request in his memorandum of March 11th, I am returning the attached correspondence from Mr. Frederic A. Delano.

(Initialed) H.M.Jr.

By ~~Manager~~

73

Returned:

Pamphlet, "War-Time Planning in
Germany 1939-1940" by Lewis L.
Lorwin.

Section VII. "The Financing
of the War"

Mimeographed bound book, "War-Time
Planning in Germany, 1939-1940"
by Lewis L. Lorwin

THE WHITE HOUSE
WASHINGTON

March 11, 1941.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

This will interest you.
Please return.

F. D. R.

H. White - - - 2/10

RECEIVED
Treasury Department
MAR 13 1941
Division of
Monetary Research

EXECUTIVE OFFICE OF THE PRESIDENT
National Resources Planning Board
Washington, D.C.

Mar. 10, 1941

MEMORANDUM for THE PRESIDENT:

At one of our recent conferences with you, you mentioned an interest in the way in which Germany has financed her preparations for war and war itself without inflation of prices. You may thus be interested in the discussion of "Financing the War" which is part of a recent staff memorandum entitled "War-Time Planning in Germany, 1939-1940".

This memorandum was prepared by Dr. Lewis L. Lorwin who was formerly a member of the staff of the International Labour Organization under John G. Winant. It is one of the following series:

1. "National Planning in Latin America"
2. "Public Works and Employment Planning in Germany 1933-1939"
3. "Stabilization Planning in Sweden, 1929-1939"
4. "War-Time Planning in Germany, 1939-1940".

/s/ Frederic A. Delano
Chairman

Attachment

Treasury Department
Division of Monetary Research

Date..... April 8, 1941 19

Secretary Morgenthau

Mr. White

There is attached a brief summary which you requested of the study by Lorwin on German War Financing which had been sent to the President by Mr. Delano.

Points of special interest in the report are:

1. Tax revenues for 1941-42 are officially expected to be RM 34 billion, or almost double those of 1938-39. (National income roughly estimated at RM 100 billion.)

2. Disclosed outstanding debt over 80 billion RM. In 1941-42 RM. 38 billion may be raised by borrowing.

3. Since the outbreak of war the Government has succeeded in reducing interest rates on Government issues and commercial loans by 1/2 percent.

4. Currency in circulation rose from RM 10.3 billion in August 1939 to RM 16.7 billion in December 1940. Yet there is no evidence of price inflation due chiefly to system of rationing and price controls.

Note: I agree with Mr. Gass that Dr. Lorwin's study does not really explain German methods of war financing, and that a much more meaningful explanation can be given with the readily available material.

KDW

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE April 3, 1941

TO Mr. White

FROM Mr. Gass

Subject: Dr. Lewis L. Lorwin's study of War Finance

Dr. Lorwin's essay on The Financing of the War is a chapter in his book on War-Time Planning In Germany 1939-1940, prepared for the National Resources Planning Board. The book is a very indifferent sort of compilation which contains no new information and no new analysis.

The chapter on the financing of the war is a summary account of the principal sources from which the Reich derives its funds for war-time expenditures.

Dr. Lorwin's treatment does not go much beyond the sort of thing one finds in the financial pages of good newspapers. In most cases we have considerably later information than any he gives (and such information is used in the summary below, wherever relevant.)

The following are the principal points covered by this chapter:

Taxation Since the outbreak of war, the following major changes have been made in the tax system:

(1) A war surtax of 50 percent was added to the normal individual income tax, on incomes in excess of 2400 marks, with the stipulations that this surtax was not to exceed 15 percent of the total income and that income tax plus surtax should in no case exceed 65 percent of the total income.

(2) The taxes on tobacco and liquors were increased by 20 percent of the retail price.

(3) Municipalities and States were subjected to a special levy of 15 percent of their normal contribution to the Reich.

(4) Differential income taxes were levied on Poles, Jews, etc. "to compensate for their social inferiority".

(5) The special atonement payment was raised from 20 to 25 percent of total Jewish-owned property.

The increase in tax revenues from the fiscal year 1938-9 to the fiscal year 1941-2 is expected to be very large. German official sources have estimated that 1941-2 tax revenues will be almost 100 percent above those of 1938-9.

Year ending March 31	Total revenue (billions of RM)
1938/39	17.7
1939/40	23.6
1940/41	27 (estimated semi-officially)
1941/42	34 (estimated semi-officially)

Borrowing Borrowing may yield even more than taxes in 1941-2. Herr Reinhardt, State Secretary in the Ministry of Finance placed the total disclosed indebtedness of the Reich at 79 billion marks for the end of 1940. If this figure is comparable with those previously published, this means an increase of 19 billion marks during the second half of 1940. Should such a rate of borrowing be maintained, the annual total for 1941 will amount to approximately 38 billion marks — or over 10 percent more than the highest estimate of Reich tax revenues. Acknowledged short-term debt has risen much faster than the medium and long-term debt. During 1938 medium and long-term debt was three and a half times the amount of short-term debt; at the end of 1940 short-term indebtedness was equal to almost the total of medium and long-term debts.

Reichsbank To facilitate its control over the whole German economy, and particularly over the monetary system, the German Government took over complete and direct administration of the Reichsbank. On June 15, 1939 the Reichsbank was transformed from a nominally independent bank of issue into a Government institution directly responsible to the Chancellor. The credit which the bank may extend to the Government is entirely in his discretion.

However, this credit has been used only sparingly for the financing of the war. Indeed not more than a few billion marks have been supplied to the Reich by all public credit institutions, including the Reichsbank, the Reichskreditkasse, the Rentenbank and the OEFFA. The accessibility of funds from public credit institutions has served to smooth certain moments of disturbance and has contributed to the general liquidity of the money and capital markets, but these funds have not been used directly in large volume to finance Government expenditures.

Lowering of Interest Rates

Since the outbreak of war there has been strong Government pressure to reduce interest rates, and this has resulted in a decline of about $1/2$ of 1 percent on all types of public issues. To effect this policy of lower interest rates, the Government ordered the banking system to reduce the private discount rate from $2\ 3/4$ percent at the outbreak of war to $2\ 3/8$ percent on April 1, 1940, and to $2\ 1/4$ percent in the middle of August, 1940. Rates on ordinary commercial loans were also lowered about $1/2$ of 1 percent — though, with a normal rate of about 6 percent, they are still fairly high by current American standards. So also interest rates on German Government obligations are quite high in comparison with the rates on comparable maturities of U. S. obligations. Current issues of Reich obligations bear interest rates ranging from $2\ 3/4$ percent to 4 percent, according to maturity.

Currency Expansion

The total volume of currency in circulation (including Reichsbank notes, Rentenbank notes, and coin circulation) increased from 10.3 billion marks in August, 1939 to 16.7 billion marks in December, 1940. Though the needs for currency rose with the expansion of the area of the Reich by annexations, the actual volume of currency in circulation expanded much more rapidly than population — and in the face of declining civilian business turnover.

These are the points which Dr. Lorwin discusses, and what he has to say about them is distinguished neither by abundance of information nor by acuteness of analysis.

In general, this kind of "Where did they get the money?" analysis does not constitute a very meaningful explanation of any system of war economics, and it is particularly empty when applied to an economy with such far-reaching real controls as those of Germany. As we have said in an earlier memorandum 1/:

1/ September 17, 1940

Division of Monetary
Research

- 4 -

"More important than the particular way in which the Reich gets its money for military expenditures is the system of controls by means of which all the economic resources of Germany are made available for public purposes. By the rationing of consumers' purchases, and by the authoritarian allocation of labor, land, plant and imported materials, the German Government determines what portion of the national resources shall be devoted to current consumption. By the rationing of construction materials, by the requirement of a permit to undertake any plant expansion or improvement, by the allocation of labor, and by direct orders and prohibitions with respect to specific investments, the German Government determines what portion of the national resources shall be devoted to private investment. When civilian consumption and investment have been provided for, the rest of the national resources are available for the needs of armament and war. The particular way in which to get the money to buy these resources reduces itself, in the German system, to a matter of administrative convenience and technical finesse, and of technical finesse the German financial authorities have plenty".

A really significant analysis of German war economics might be developed in answer to major questions like the following:

- (1) From what components of the national income did the Nazis derive the resources for their war expenditures?

(How much came from the expansion of the national income? How much from the restraint of consumption? How much from the restraint of private investment? How much from the reduction of stocks? How much from the consumption of domestic durable capital goods? How much from an excess of imports, etc.?)

- (2) How did the Nazis organize the job of producing what was needed for the national war effort?

(How did they expand plant? How did they order priorities? How did they train labor? How did they encourage industrial research, etc.?)

COPY

PARAPHRASE

The pertinent portion of a strictly confidential telegram (no. 157) of May 1, 1941 from the American Ambassador at Chungking reads substantially as follows:

On the afternoon of April 30 the American Ambassador called on General Chiang Kai-shek and gave him the substance of recent telegrams from the Department in regard to the allocation of supplies to China and in regard to the stabilization agreement. The Generalissimo expressed himself as very grateful to the American people and to the American Government and requested that his deep appreciation be conveyed to the President, the Secretary of State and the Secretary of the Treasury. In speaking of the proposals which the American Government advanced previously concerning the stabilization loan, the Generalissimo said that although in ordinary times the proposals could not be considered as unusual, the present times were extraordinary. The Generalissimo added that he thought the best course was to be frank when misunderstanding arose as the United States is the best friend that China has. General Chiang was appreciative of the speed with which Secretary Morgenthau had signed the stabilization agreement and of the statements which he (General Chiang) said Secretary Morgenthau had made to Mr. Soong and to the Chinese

*M. Cochran please
ask to see cable to Peking. if this
paraphrase is correct refer to Secy
in that text of cable.*

Ambassador. The Generalissimo said further that evidence of American confidence and aid is gratifying to the Chinese people and the Chinese Army and that they will try to do everything possible to accomplish the heavy tasks with which they are faced.

TO THE SECRETARY
LEGATION WASHINGTON
CHINA 114

MAY 5 1941

RECEIVED
DEPARTMENT OF STATE

Copy:bj:5-2-41

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

May 1, 1941.

CONFIDENTIALDear Mr. Secretary: Attention: Mr. H. Haris Cochran

I am enclosing herewith our compilation for the week ended April 23, 1941, 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. Knabe

L. W. Knabe,
Vice President.

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

Enclosure

COPYING: 5/3/41

ANALYSIS OF BRITISH AND FOREIGN ACCOUNTS
(In Millions of Dollars)

Week Ended April 23, 1941.

Strictly Confidential

PERIOD	DEBIT								CREDIT						
	Total Debits	Gov't Expenditures (a)	Other Debits	Total Credits	Sales of			Net Liab. (+) or Debr. (-) in Balance	Total Debits	Gov't Expenditures (d)	Other Debits	Total Credits	Sales of		Net Liab. (+) or Debr. (-) in Balance
					Gold	Securities Official (b)	Other Credits (c)						of Gold Sales	Other Credits	
First year of war (8/29/39-8/28/40)*	1,793.2	605.6	1,167.61	828.2	1,356.1	52.0	420.1	+ 35.0	866.3(e)	416.6 (e)	449.7	1,095.3(e)	900.2	195.1(e)	+222.0
1940															
Aug. 29 - Oct. 2	316.8	344.3	72.5	308.9	271.5	6.0	31.4	- 7.9	8.6	4.4	4.2	1.3	-	1.3	- 7.3
Oct. 3 - 30	196.7	167.8	28.9	198.5	160.5	6.0	32.0	+ 1.8	0.5	0.3	0.2	0.5	-	0.5	-
Oct. 31 - Nov. 27	241.0	201.1	39.9	259.5	210.0	18.0	31.5	+ 18.5	0.8	0.1	0.7	0.7	-	0.7	- 0.1
Nov. 28 - Dec. 31	234.6	206.5	27.8	198.0	111.4	26.0	60.6	- 36.6	2.1	-	2.1	0.6	-	0.6	- 1.5
1941															
Jan. 2 - 29	197.4	162.7	34.7	259.9	176.2	52.0	31.7	+ 62.5	1.7	-	1.7	0.5	-	0.5	- 1.2
Jan. 30 - Feb. 26	164.6	137.8	26.8	101.4	26.6	26.0	48.8	- 63.2	0.2	-	0.2	0.2	-	0.2	-
Feb. 27 - Apr. 2	229.7	157.6	32.1	237.9	103.7	72.0	62.2	+ 8.2	0.7	-	0.7	1.6	-	1.6	+ 0.9
Apr. 3 - Apr. 30															
May 1 - May 28															
May 29 - July 2															
July 3 - July 30															
July 31 - Aug. 27															
Second year of war (8/29/40-8/27/41)															
Aug. 28 - Oct. 1															
Oct. 2 - Oct. 29															
Oct. 30 - Dec. 3															
Dec. 4 - 31															
WEEK ENDED:															
April 2	47.6	41.5	6.1	30.9	-	14.0	16.9	- 16.7	-	-	-	0.7	-	0.7	+ 0.7
9	32.6	24.8	7.8	138.3	125.6	6.0	6.7	+105.7	0.1	-	0.1	0.1	-	0.1	-
16	29.2	23.8	5.4	49.0	-	2.0	47.0	+ 19.8	0.5	-	0.5	0.4	-	0.4	- 0.1
23	37.2	32.6	4.6	16.5(f)	-	3.0	13.5(g,h)	-20.7	0.3	-	0.3	0.1	-	-	- 0.2

Average Weekly Expenditures Since Outbreak of War
France (through June 19) \$19.6 million

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

(See footnotes on reverse side)

England (through June 19) 27.6 million
England (since June 19) 52.6 million

Week ended April 23 \$ 10.0 million
Cumulation from July 6 \$ 162.2 million

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

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (f) Adjusted to eliminate \$36.5 million representing the initial payment on the American Viscose Corp. - subsidiary of Courtauld's Ltd. - which amount was included in figures for week ended April 16.
- (g) Includes \$7 million transferred from accounts of British authorized banks.

PERIOD	DEBITS															
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Inscr. (+) or Deor. (-) in Balance	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Inscr. (+) or Deor. (-) in Balance
						For Own A/C	For French A/C									
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	5.1	+ 4.9
1940																
Aug. 29 - Oct. 2	44.3	-	44.3	43.9	16.4	-	27.3	0.2	- 0.4	8.7	2.5	5.2	8.0	6.7	1.3	- 0.7
Oct. 3 - 30	25.7	-	25.7	28.6	14.0	-	14.3	0.3	+ 1.9	10.1	7.5	2.6	7.9	6.5	1.4	- 2.2
Oct. 31 - Nov. 27	35.2	-	35.2	69.6	49.2	-	16.7	3.7	+ 34.4	3.1	0.6	2.5	3.6	2.1	1.5	+ 0.5
Nov. 28 - Dec. 31	48.0	-	48.0	60.6	42.5	-	13.7	4.4	+ 12.6	4.8	-	4.8	6.8	4.8	2.0	+ 2.0
War period through Dec. 31, 1941	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	+ 4.6
1941																
Jan. 2 - 29	53.7	-	53.7	33.9	16.9	-	15.0	2.0	+ 0.2	4.8	-	4.8	6.8	5.1	1.7	+ 2.0
Jan. 30 - Feb. 26	31.1	-	31.1	24.3	14.3	-	6.8	3.2	- 5.8	5.0	1.7	3.3	3.2	0.6	2.6	- 1.8
Feb. 27 - Apr. 2	60.9	-	60.9	46.0	23.1	-	19.1	3.8	- 14.9	5.8	0.8	5.0	13.7	12.5	1.2	+ 7.9
Apr. 3 - Apr. 30																
May 1 - May 28																
May 29 - July 2																
July 3 - July 30																
July 31 - Aug. 27																
Second year of war (8/29/40-8/27/41)																
Aug. 28 - Oct. 1																
Oct. 2 - Oct. 29																
Oct. 30 - Dec. 3																
Dec. 4 - 31																
WEEK ENDED:																
April 2	18.1	-	18.1	3.8	3.4	-	0.1	0.3	-14.3	0.3	-	0.3	6.3	5.9	0.4	+ 6.0
9	2.3	-	2.3	6.5	0.1	-	0.5	5.9	+ 4.2	1.2	-	1.2	0.6	-	0.6	- 0.6
16	4.1	-	4.1	7.5	3.6	-	-	3.9	+ 3.5	0.2	-	0.2	-	-	-	- 0.2
23	11.7	-	11.7	13.9	2.0	-	10.0	1.9	+ 2.2	0.3	-	0.3	4.6	4.4	0.2	+ 4.3

Weekly Average of Total Debits Since Outbreak of War

Through April 23, 1941 \$ 7.2 million

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

Preliminary figures on total defense contracts awarded by War and Navy Departments to March 31, 1941 ^{1/}
(Excluding project orders to Government arsenals and shipyards)

(In millions of dollars)

Number:	Name of company	: Amount of :		Cumulative	
		: defense :	: contracts :	Amount :	Percent of total ^{1/}
1.	Bethlehem Steel	\$1,009	\$1,009	9.2	
2.	Dupont	602	1,611	14.6	
3.	Curtiss-Wright	406	2,017	18.3	
4.	Newport News S.B.&D.D. Co.	403	2,420	22.0	
5.	U. S. Steel	391	2,811	25.6	
6.	General Motors	374	3,185	29.0	
7.	Consolidated Aircraft	242	3,427	31.2	
8.	Douglas Aircraft Corp.	232	3,659	33.3	
9.	Glen L. Martin	230	3,889	35.4	
10.	New York S. B. Corp.	228	4,117	37.4	
11.	United Aircraft	219	4,336	39.4	
12.	Seattle-Tacoma S. B. Co.	171	4,507	41.0	
13.	Boeing	152	4,659	42.4	
14.	Ford	148	4,807	43.7	
15.	Western Cartridge Co.	130	4,937	44.9	
16.	North American Aviation	129	5,066	46.1	
17.	Bath Iron Works	128	5,194	47.2	
18.	Cramp Shipbuilding	126	5,320	48.4	
19.	Electric Boat	125	5,445	49.5	
20.	General Electric	107	5,552	50.5	
21.	Consolidated Steel	99	5,651	51.4	
22.	Sperry Corp.	94	5,745	52.2	
23.	Chrysler Corp.	93	5,838	53.1	
24.	Bendix Aviation Corp.	81	5,919	53.8	
25.	Hercules Powder Co.	80	5,999	54.5	
26.	Baldwin Locomotive Co.	76	6,075	55.2	
27.	Sun Oil Co.	76	6,151	55.9	
28.	American Car & Foundry	73	6,224	56.6	
29.	Packard Motor Car Co.	63	6,287	57.2	
30.	Republic Aviation	62	6,349	57.7	

^{1/} Excludes contracts of less than \$10,000.

Treasury Department, May 1, 1941.

- 2 -

Preliminary figures on total defense contracts awarded by War and
 Navy Departments to March 31, 1941 ^{1/}
 (Excluding project orders to Government arsenals and shipyards)

(In millions of dollars)

Number:	Name of company	Amount of:		Cumulative	
		defense	contracts	Amount	Percent of total ^{1/}
31.	American Woolen Co.	\$ 54	\$6,403	58.2	
32.	Ingalls Shipbuilding Co.	54	6,457	58.7	
33.	Lake Washington Shipyards Co.	54	6,511	59.2	
34.	American Locomotive Co.	53	6,564	59.7	
35.	Day & Zimmerman	52	6,616	60.2	
36.	Grumman Aircraft Engin. Corp.	48	6,664	60.6	
37.	White Motor Co.	47	6,711	61.0	
38.	Lockheed Aircraft Corp.	46	6,757	61.4	
39.	Savage Arms Corp.	45	6,802	61.8	
40.	Vultee Aircraft, Inc.	42	6,844	62.2	
41.	Los Angeles S. B. & D. D.	41	6,885	62.6	
42.	Westinghouse Elec. & Mfg. Co.	40	6,925	63.0	
43.	Continental Motors Corp.	39	6,964	63.3	
44.	Moore Drydock Co.	38	7,002	63.7	
45.	Proctor & Gamble Defense Corp.	38	7,040	64.0	
46.	Reynolds Metals Co.	37	7,077	64.3	
47.	Associated Shipbuilders	35	7,112	64.7	
48.	Colt's Patent Fire Arms Mfg. Co.	35	7,147	65.0	
49.	Studebaker Corp.	35	7,182	65.3	
50.	J. P. Stevens & Co.	34	7,216	65.6	
51.	T. A. Loring & Co.	32	7,248	65.9	
52.	Gulf Shipbuilding Corp.	31	7,279	66.2	
53.	Northern Pump Co.	31	7,310	66.5	
54.	Manitowac Shipbuilding Co.	30	7,340	66.7	
55.	U. S. Realty & Improvement Co.	30	7,370	67.0	
56.	Diamond-T Motor Car Co.	26	7,396	67.2	
57.	Fairbanks, Morse & Co.	26	7,422	67.5	
58.	Beech Aircraft Corp.	25	7,447	67.7	
59.	J. A. Jones Construction Co.	25	7,472	67.9	
60.	Lansdowne Steel & Iron Co.	25	7,497	68.2	

^{1/} Excludes contracts of less than \$10,000.

- 3 -

Preliminary figures on total defense contracts awarded by War and
Navy Departments to March 31, 1941 ^{1/}
(Excluding project orders to Government arsenals and shipyards)

(In millions of dollars)

Number	Name of company	Amount of defense contracts	Cumulative	
			Amount	Percent of total ^{1/}
61.	Budd Wheel Co.	25	\$7,522	68.4
62.	Eastman Kodak	24	7,546	68.6
63.	Sun Shipbuilding & D.D.	24	7,570	68.8
64.	Standard Oil Co. of N. J.	23	7,593	69.0
65.	Bell Aircraft Corp.	22	7,615	69.2
66.	Western Electric Co.	22	7,637	69.4
67.	Brewster Aeronautical Corp.	20	7,657	69.6
68.	Wark & Co.	19	7,676	69.8
69.	Crucible Steel Co.	19	7,695	70.0
70.	Scoville Mfg. Co.	19	7,714	70.1
71.	Radio Corp. of America	18	7,732	70.3
72.	Phoenix Securities Corp.	18	7,750	70.5
73.	Guy F. Atkinson Co.	18	7,768	70.6
74.	National Pneumatic Co., Inc.	17	7,785	70.8
75.	Virginia Engineering Co.	17	7,802	70.9
76.	Frederick Snare Corp.	17	7,819	71.1
77.	York Safe & Lock Co.	17	7,836	71.2
78.	Aviation Corp.	17	7,853	71.4
79.	H. W. Williams Co.	16	7,869	71.5
80.	Norris Stamping & Mfg. Co.	16	7,885	71.7
81.	Mack Trucks, Inc.	16	7,901	71.8
82.	Allis-Chalmers Mfg. Co.	15	7,916	72.0
83.	Sanderson & Porter	14	7,930	72.1
84.	Pullman, Inc.	14	7,944	72.2
85.	William Whitman Co.	13	7,957	72.3
86.	Defoe Boat & Motor Works	13	7,970	72.5
87.	Botany Worsted Mills	13	7,983	72.6
88.	Brodericks & Gordon	13	7,996	72.7
89.	Arma Corp.	12	8,008	72.8
90.	R. G. Le Tourneau	12	8,020	72.9

^{1/} Excludes contracts of less than \$10,000.

- 4 -

Preliminary figures on total defense contracts awarded by War and
Navy Departments to March 31, 1941 ^{1/}
(Excluding project orders to Government arsenals and shipyards)

(In millions of dollars)

Number :	Name of company	: Amount of :		Cumulative	
		: defense	: contracts	: Amount	: Percent of total ^{1/}
91	Hoover, Owens, Rentschler	\$ 12	\$ 8,032	73.0	
92	Empire Securities, Inc.	- 12	8,044	73.1	
93	Revere Cooper & Brass, Inc.	12	8,056	73.2	
94	Bates & Rogers Const. Co.	12	8,068	73.4	
95	Fraser-Brace Engineering Co., Inc.	11	8,079	73.5	
96	Consolidated Eng. Co.	11	8,090	73.6	
97	Anaconda Cooper Mining Co.	11	8,101	73.7	
98	Ford J. Twaits	11	8,112	73.8	
99	Robert & Co., Inc.	11	8,123	73.9	
100	Doyle & Russell	10	8,133	73.9	
	Sub-total	8,133	8,133	73.9	
	All other contracts of \$10,000 or more	2,866	10,999	100.0	
	Total all contracts of \$10,000 or more	\$10,999	\$10,999	100.0	

^{1/} Excludes contracts of less than \$10,000.

Supply contracts awarded by the War and Navy Departments to
 March 31, 1941 ^{1/}
 (Excluding project orders to Government arsenals and shipyards)

(In millions of dollars)

Number	Name of company	Amount of supply contracts	Cumulative	
			Amount	Percent of total ^{1/}
1	Bethlehem Steel	\$ 989	\$ 989	11.1
2	Curtiss-Wright	406	1,395	15.7
3	Newport News S.B. & D.D.Co.	389	1,784	20.0
4	General Motors	374	2,158	24.2
5	U. S. Steel	336	2,494	28.0
6	Dupont	271	2,765	31.0
7	Consolidated Aircraft	229	2,994	33.6
8	Glenn L. Martin	222	3,216	36.1
9	New York S. B. Corp.	217	3,433	38.5
10	Douglas Aircraft Corp.	210	3,643	40.9
11	United Aircraft	205	3,848	43.2
12	Seattle Tacoma S. B. Co.	167	4,015	45.1
13	Boeing	141	4,156	46.7
14	Bath Iron Works	128	4,284	48.1
15	Ford	126	4,410	49.5
16	Electric Boat	126	4,536	50.9
17	North American Aviation Co., Inc.	124	4,660	52.3
18	Cramp Shipbuilding	114	4,774	53.6
19	General Electric	107	4,881	54.8
20	Western Cartridge Co.	100	4,981	55.9
21	Sperry Corp.	94	5,075	57.0
22	Consolidated Steel	94	5,169	58.0
23	Bendix Aviation Corp.	80	5,249	58.9
24	Baldwin Locomotive Co.	76	5,325	59.8
25	Sun Oil Co.	76	5,401	60.6
26	Chrysler Corp.	73	5,474	61.5
27	American Car & Foundry	73	5,547	62.3
28	Packard Motor Car Co.	63	5,610	63.0
29	Republic Aviation	62	5,672	63.7
30	American Woolen Co.	54	5,126	64.3

^{1/} Excludes contracts of less than \$10,000.

Treasury Department, May 1, 1941.

- 2 -

Supply contracts awarded by the War and Navy Departments to
March 31, 1941 ^{1/}
(Excluding project orders to Government arsenals and shipyards)

(In millions of dollars)

Number	Name of company	Amount of supply contracts	Cumulative	
			Amount	Percent of total ^{1/}
31.	Lake Washington Shipyards Co.	\$ 54	\$5,780	64.9
32.	American Locomotive Co.	53	5,833	65.5
33.	Ingalls Shipbuilding Co.	50	5,883	66.1
34.	White Motor Co.	47	5,930	66.6
35.	Lockheed Aircraft Corp.	46	5,976	67.1
36.	Grumman Aircraft Engin. Corp.	44	6,020	67.6
37.	Los Angeles S.B.&D.D.	41	6,061	68.1
38.	Continental Motors Corp.	39	6,100	68.5
39.	Vultee Aircraft, Inc.	38	6,138	68.9
40.	Moore Drydock Co.	38	6,176	69.3
41.	Associated Shipbuilders	35	6,211	69.7
42.	Reynolds Metals Co.	35	6,246	70.1
43.	Studebaker Corp.	35	6,281	70.5
44.	J. P. Stevens & Co.	34	6,315	70.9
45.	Manitowac Shipbuilding Co.	30	6,345	71.3
46.	Gulf Shipbuilding Corp.	29	6,374	71.6
47.	Colt's Patent Fire Arms Mfg. Co.	27	6,401	71.9
48.	Savage Arms Corp.	27	6,428	72.2
49.	Diamond-T Motor Car Co.	26	6,454	72.5
50.	Northern Pump Co.	26	6,480	72.8
51.	Fairbanks, Morse & Co.	26	6,506	73.1
52.	Budd Wheel Co.	25	6,531	73.3
53.	Proctor & Gamble Defense Corp.	25	6,556	73.6
54.	Eastman Kodak	24	6,580	73.9
55.	Fairchild Aviation	24	6,604	74.2
56.	Beech Aircraft Corp.	23	6,627	74.4
57.	Bell Aircraft Corp.	22	6,649	74.7
58.	Hercules Powder Co.	22	6,671	74.9
59.	Western Electric Co.	22	6,693	75.2
60.	Brewster Aeronautical Corp.	20	6,713	75.4

^{1/} Excludes contracts of less than \$10,000.

- 3 -

Supply contracts awarded by the War and Navy Departments to
 March 31, 1941 1/
 (Excluding project orders to Government arsenals and shipyards)

(In millions of dollars)

Number:	Name of company	: Amount of :		Cumulative	
		: supply :	: contracts :	: Amount :	: Percent of total 1/
61.	Scoville Mfg. Co.	\$ 19	\$6,732	75.6	
62.	Lansdowne Steel & Iron Co.	19	6,751	75.8	
63.	Crucible Steel Co.	19	6,770	76.0	
64.	Westinghouse Elec. & Mfg. Co.	18	6,788	76.2	
65.	Radio Corporation of America	18	6,806	76.4	
66.	Phoenix Securities Corp.	18	6,824	76.6	
67.	York Safe & Locks Co.	17	6,841	76.8	
68.	National Pneumatic Co., Inc.	17	6,858	77.0	
69.	Norris Stamping & Mfg. Co.	16	6,874	77.2	
70.	Mack Trucks, Inc.	16	6,890	77.4	
71.	Aviation Corp.	15	6,905	77.5	
72.	Allis-Chalmers Mfg.	15	6,920	77.7	
73.	Pullman, Inc.	14	6,934	77.9	
74.	William Whitman	13	6,947	78.0	
75.	Defoe Boat & Motor Works	13	6,960	78.1	
76.	Botany Worsted Mills	13	6,973	78.3	
77.	Standard Oil Co. of N. J.	12	6,985	78.4	
78.	Arma Corp.	12	6,997	78.6	
79.	Le Tourneau, R. G.	12	7,009	78.7	
80.	Hoover, Owens, Rentschler, Co.	12	7,021	78.8	
81.	Empire Securities, Inc.	12	7,033	79.0	
82.	Revere Copper & Brass, Inc.	12	7,045	79.1	
83.	Anaconda Copper Mining Co.	11	7,056	79.2	
84.	Borg-Warner Corp.	9	7,065	79.3	
	Sub-total	7,065	7,065	79.3	
	All other contracts of \$10,000 or more	1,841	8,906	100.0	
	Total all contracts of \$10,000 or more	8,906	8,906	100.0	

1/ Excludes contracts of less than \$10,000.

TO: *

94

①

Miss Chauncey:

I am attaching photostat of
a letter addressed to the Secretary
and copy of reply thereto. Mr. Young
said these should be sent to you
for the Secretary's files.

bj
5/1/41

①

From: MR. YOUNG

May 1, 1942

Dear Mr. McEntee:

This will acknowledge your communication of April 9th, addressed to the Secretary of the Treasury, authorizing the transfer of certain items of clothing to the War Department and requesting a reimbursement of \$1,525,599.

This request has been transmitted to the Bureau of the Budget.

Sincerely yours,

(Signed) Philip Young

Philip Young

Mr. J. J. McEntee, Director,
Civilian Conservation Corps,
Federal Security Agency,
Washington, D. C.

PI:bj

May 1, 1941.

My dear Admiral Land:

I just want to thank you for sending me
a copy of your confidential memorandum of
April 28th, prepared for Harry Hopkins.

I have been much interested in reading this.

Sincerely,

(Signed) H. Morgenthau, Jr.

Dear Admiral Harry S. Land,
Chairman, Maritime Commission,
Washington, D. C.

GEY/dbs

May 1, 1941.

My dear Admiral Ladd:

I just want to thank you for sending me
a copy of your confidential memorandum of
April 26th, prepared for Navy Hopkins.

I have been much interested in reading this.

Sincerely,

(Signed) H. Bergenthan, Jr.

Dear Admiral Henry S. Ladd,
Chairman, Maritime Commission,
Washington, D. C.

GKT/abe

May 1, 1941.

My dear Admiral Land:

I just want to thank you for sending me
a copy of your confidential memorandum of
April 25th, prepared for Harry Hopkins.

I have been much interested in reading this.

Sincerely,

(Signed) H. Morgenthau, Jr.

Dear Admiral Harry S. Land,
Chairman, Maritime Commission,
Washington, D. C.

GKF/dbs

82

April 28, 1941

CONFIDENTIAL

Memorandum for Mr. Harry Hopkins:

Secret information presented to the Maritime Commission by the British Supply Council in North America (Sir Arthur Salter) indicates that the British Government is becoming increasingly alarmed at the continued fall in petroleum stocks in the United Kingdom and views the situation with real concern.

There are some Norwegian tankers now trading to and from the United States under charter to American companies who pay their charter hire or freights in United States dollars. These vessels could be diverted to the United Kingdom trade but in this connection, the British have suggested that the vessels be chartered by the United States Government and turned over to the British under the Lend-Lease Bill and the vessels then assigned by the British to the United Kingdom trade.

To interpret this to be a means whereby the Norwegians would still get their dollars but would get them from the United States Government instead of from private American charterers and that the vessels would then be turned over by the United States Government to the British for use in the United Kingdom trade.

It is intended that the Lend-Lease Bill should be used as suggested by the British for the purpose of the United States chartering Norwegian vessels and turning them over to the British?

In this connection we point out that the Norwegian vessels are under the control of a Norwegian Shipping Mission in New York, which has under its jurisdiction approximately 20% of the former Norwegian Fleet. This 20% of the Norwegian Fleet are operating as free vessels where they can earn dollars. Some of these vessels, especially the dry cargo ships, are accepting high charter rates and are subcontracting the Commission in the Commission's efforts to have American owners refrain from accepting high charter rates and consequently high freight rates. This subject is a matter of discussion between the Commission and the British Ministry of Shipping in order that the latter may use such influence as can be brought to bear upon the Norwegian Shipping Mission.

Our suggestion is to request the British to make whatever arrangements they can with the Norwegians for the diversion of the Norwegian

-3-

tankers and cargo vessels into the United Kingdom trade and not for us to charter the Norwegian vessels for turning over to the British.

E. S. Land
E. S. Land
Chairman

cc - The Honorable ✓
Henry Morgenthau, Jr.
Secretary of the Treasury

(By longhand)

Please note that this is "suggestion" as the matter has some involved angles and may have other solutions.

Jerry.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 1, 1941.

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 49,000
Purchased from commercial concerns	£111,000

Open market sterling held steady at 4.03-1/4. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 4,000
Purchased from commercial concerns	£ 4,000

The Canadian dollar discount, which closed at 11-5/8% yesterday, widened to 12-1/4% by mid-afternoon. The final quotation was 12-1/8%.

In New York, closing quotations for the foreign currencies listed below were as follows:

Swiss franc	.2321
Swedish krona	.2385
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2355
Braxilian milreis (free)	.0505

Since there was a holiday in both Cuba and Mexico today, there were no quotations for the Cuban and Mexican pesos by New York banks.

In Shanghai, the yuan was unchanged at 5-5/32¢, and sterling was again quoted at 3.88-1/4.

We purchased \$500,000 in gold from the earmarked account of the Central Bank of Peru.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$3,560,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

In London, the price fixed for both spot and forward silver remained at 23-1/2d. equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 34-3/4¢.

- 2 -

We made six purchases of silver totaling 590,000 ounces under the Silver Purchase Act, all of which was bought for forward delivery. Of this amount, 265,000 ounces represented new production from Honduras, 200,000 ounces, new production from Peru, and 125,000 ounces, new production from various foreign countries.

A handwritten signature in dark ink, appearing to be 'J.M.P.', is centered on the page below the typed text.**CONFIDENTIAL**

RESTRICTED

G-2/2657-220; No. 380 M.I.D., W.D; 12:00 M., May 1, 1941.

SITUATION REPORTI. Western Theater.

Air: German. Subnormal activity over Great Britain last night.

British. Normal offensive operations over north-west Germany, centering on Kiel.

II. Greek Theater.

Minor German and Italian mopping up.

III. Mediterranean and African Theaters.

Ground: North Africa. Axis forces heavily supported by tanks and planes attacked Tobruk last evening and by this morning had penetrated the outer defenses. Axis patrol activities are reported east of Sollum.

Air: Axis. Strong attacks on Tobruk. Another heavy attack on Malta.

British: Relatively light attacks on motor transport in Libya.

RESTRICTED

SECRET 105

By authority A. C. of S., G-2

Paraphrase of Code Cables
Received at the War Department
at 13:34, May 1, 1941.

Date MAY 3 1941 (T. J. H.)
Initials

London, filed 18:30, May 1, 1941.

This message is for General Arnold from General Egan and deals with the present status of Boeing B-17 bombers now in England:

- 1. Four B-17-G bombers have been received to date. British pilots flew one of them extensively at their test station to measure its performance at high altitudes. Its performance at altitudes from 30,000 to 36,000 feet pleased them.
- 2. A board of officers, headed by the Air-Officer-Commanding, Bomber Command, with members from the Ministry of Aircraft Production and the Staff of the Air Ministry, convened on April 28 and decided as follows:
 - a. The first mission of the B-17-G will be short-range, high-altitude, daylight bombing.
 - b. It will carry a crew of 2 pilots, 1 bombardier, 1 radio operator, 1 navigator, and 3 gunners.
 - c. Its bomb load will consist of either four 1,000 or eight 500 pound bombs. Initially American bombs will be carried.
 - d. Until service use indicates that changes are necessary this plane will carry the defensive armament delivered with it.
 - e. To carry out preliminary training and familiarize pilots, one bomber will be assigned immediately to an Operational Training Squadron.
 - f. The British do not at present contemplate any major modifications to the B-17-G. At a later date they will furnish a detailed list of the modifications necessary to place this bomber in operational use.

SECRET

g. Air Force officers believe that the first plans will be ready for use about May 31, with others placed in service rapidly thereafter.

h. My previous experience, supplemented by twenty hours of test flying of the B-17-D in Britain, leads to the following conclusions:

1. The expansion joint clamps on the tail pipe of the exhaust system are not sufficiently sturdy for service operation. They have failed five times.

2. There is a general concurrence that the method of turbo control now installed is too difficult for proper operation by average pilots for use in formation under battle conditions.

3. The supercharger induction system needs constant repair of the flexible joints and broken welds and is too fragile.

4. Air Force pilots all complain of the extreme sensitivity at high altitudes of the turbo waste gate controls.

5. If this bomber is to be flown on night missions it will be necessary to install some device to hide the light of exhaust. At night fighters can easily detect the bomber as equipped at present.

6. On two occasions minor failures of the hydraulic system have caused a complete loss of turbo operation at altitude. These turbos should be individually regulated by engine oil and freed from the hydraulic system of the plane.

7. The oil tanks should either be leakproof or carry armored protection against rear gunfire in a 30-degree cone.

8. Production of B-17-B and B-17-E for the future should take into consideration the deficiencies listed above.

-3-

LHM

Distribution:

Secretary of War Assistant Chief of Staff, G-2
Secretary of Treasury War Plans Division
Office of Naval Intelligence Air Corps

SECRET

SECRET 107

By authority A. C. of S., G-2

Date 2 May 41 (MUK)
Initials

Paraphrase of Code Radiogram
Received at the War Department
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Cairo, filed 22:20, April 30, 1941.

Aerial observation reported three destroyers and
21 motor craft in the harbor of Tripoli on April 30.

FELLERS

Distribution

Secretary of War
State Department
Secretary of Treasury
Under Secretary of War
Chief of Staff
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
Assistant Chief of Staff, G-3

SECRET

May 2, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Thompson
Mr. Gaston
Mr. Sullivan
Mr. Haas
Mr. Kuhn
Mr. Cochran
Mr. Foley
Mr. Schwarz
Mrs. Klotz
Mr. Graves

H.M.Jr: Chick, I wish you would throw this story down. (Handing clipping to Schwarz) And then after you have done it, call up the press man of the State Department and tell him to please tell Mr. Hull that we have thrown the story down.

And then, Chick, I got a very nice letter from Walter Fitzmaurice, which reads as follows:

"My dear Mr. Secretary:

"The preparation of the tax story published in last week's issue of Newsweek called for the assembly of voluminous data.

"The courteous and expert cooperation accorded us in this matter by Chick Schwarz, Richard Stephenson and Ed Mehl seemed to me to merit

- 2 -

something more than oral thanks.

"Therefore, I should like to write it down, respectfully, that the Treasury is to be congratulated on the caliber of the man who directs, and of those who staff, its press relations division.

"With best wishes,

Sincerely yours,

(signed) Walter Fitzmaurice"

Schwarz: Newsweek is getting more reliable than Time.

Gaston: Getting?

H.M.Jr: You mean more reliable in their comments on you? (Laughter)

Incidentally, you can tell this fellow from Time, in that article - I don't mind it - you don't have to do it today - they said this fellow Bryan --

Schwarz: I called Bryan up and told him he should keep his --

H.M.Jr: You never showed it to me.

Schwarz: It was in the press conference. I told him to keep his remarks in the family, though.

H.M.Jr: I don't have any recollection of it. Bryan hasn't been here.

Schwarz: It was two or three weeks ago, I believe.

- 3 -

H.M.Jr: Have you checked it?

Schwarz: I read it.

Sullivan: I recall it, sir. I was there that day.

H.M.Jr: Bryan?

Sullivan: Yes, and Dan Bell was here, too. It was the day Dan and I sat over there in the corner.

H.M.Jr: They multiplied you two fellows by eight. It is all right. That is humorous. If that is the worst they do to me, that is all right.

(Mr. Graves entered the conference.)

H.M.Jr: George, could you have for me Tuesday a little slip of paper - I want to take it with me - showing the deliveries of - that we may expect from American factories for twelve months beginning with May or as far out as the orders go, you see. I would like to have it this way: four-engine bombers, you see, that will be the heading. And underneath that will come Consolidated, you see. And then under Consolidated would be - I would have a line --

Haas: The type?

H.M.Jr: No, I am just talking four engines, you see. That would be Consolidated and then there would be, let us say, two to the Army and two to the English, total, four, you see.

Haas: Yes.

H.M.Jr: And then showing how many Boeings and I think they are the only ones, and then the total number of four-engine bombers we can expect for the next twelve months.

- 4 -

I think they divide these two-engine bombers into heavy and light.

Haas: Yes, there is an Interceptor and there is something else.

H.M.Jr: Do you know the difference?

Haas: No. I can find out.

H.M.Jr: Well, as far as I am concerned, it doesn't make much difference. Just the number of two-engine bombers.

Haas: Yes, sir.

H.M.Jr: I mean, I wouldn't fuss with that much.

Haas: The nomenclature varies with the different people.

H.M.Jr: I just want to know how many four-engine bombers American factories are going to turn out for the next twelve months, and how many two-engine bombers, you see.

Haas: Yes, sir.

H.M.Jr: I was just studying it, and gentlemen, it is terrible.

Haas: Those two items only? Did you say Tuesday, Mr. Secretary?

H.M.Jr: Tuesday. I am going down to Langley and spend all day Wednesday. They are putting on an air show for me at Langley. Confidentially. They are bringing in everything from all over America.

I start out at eight thirty. I will be back again in the afternoon.

- 5 -

But they are going to put on a big show for me, an air review and high bombing and so on.

Herbert?

- Gaston: I wasn't able to talk to anybody in the Navy Department but a man named O'Keefe, Assistant to Knox; and he told me later that he had reported the situation to Knox and I am still waiting to hear from him.
- H.M.Jr: O'Keefe is his --
- Sullivan: Secretary.
- H.M.Jr: Secretary and also the former secretary to one Samuel Insull.
- Schwarz: I am glad you said it first. I was about to remember.
- Foley: He is a nice fellow.
- Schwarz: Sure he is a nice fellow.
- Gaston: Anyway, I told him we wouldn't send out letters to the other agencies telling them that the weather patrol was discontinued until we heard from them.
- H.M.Jr: Anything else?
- Gaston: No, nothing else. I had in mind to leave at one thirty.
- Foley: Ed Sheridan of the SEC called up and said that they were quite upset over there because of rumors that have come to them from two or three sources that Leon Henderson was setting up a section on capital funds control, and

- 6 -

he said that they were wondering where the order stood, the Executive Order, and they were trying to devise some kind of strategy to handle this thing.

If there was any chance of having that order signed, so that our committee would blanket that field, they would hold off. On the other hand, if there isn't any chance, they want to move in on Leon.

I understand our order is over in Budget, and Mr. Smith has put it in his desk, pigeon-holed it.

H.M.Jr: Well, give me a little memo for when I see the President Monday for lunch, will you? I have given him two orders, and I don't feel like giving him a third.

Foley: Yes. He has got one of Harry's ex-men down there as a financial economist who will assist him in this work.

H.M.Jr: Who?

Foley: I mentioned --

H.M.Jr: You mean Leon?

Foley: Yes. He is from Harvard. I have forgotten his name.

Haas: Isn't it Ostrander?

Foley: No.

H.M.Jr: When you (Sullivan) see Leon on the tax thing, ask him pointblank and tell him that we have got this thing and does he know it. Tell him to keep out. If he doesn't want to do it, I

- 7 -

would like to talk to him about it myself. Just tell him pointblank. You are going to see him anyway.

Sullivan: Yes.

Foley: I can have Joe talk to him about it if you want.

H.M.Jr: Sure.

Foley: You see, Joe is on that price thing.

H.M.Jr: Tell him to keep off, private property.

Foley: O.K.

H.M.Jr: Is that all they are worrying about?

Foley: Yes.

H.M.Jr: Introduce them to General Maxwell.

What were you (Sullivan) trying to get over to me last night, that your figures were wrong? Are they too high or too low or what?

Sullivan: You see, we haven't had any figures. We were guessing.

H.M.Jr: At what?

Sullivan: At what the excess profits tax returns would show, and there were only nine hundred of them in a week ago; and there have been another forty-eight hundred come in since then; and in order to get the four hundred million, we have to reduce the credit substantially and up the rate twenty-six percent, which is a terrific wallop.

I telephoned for Carl Shoup last night and he is on his way down this morning, and we are going to work on it; but Mr. Eccles and Mr. Currie think that we ought to get a billion extra out

- 8 -

of excess profits, and when they see these figures, it is just going to break somebody's heart.

- H.M.Jr: All right. My farm is not incorporated, I should worry. (Laughter) Just as long as you leave chewing tobacco alone.
- What is that button on your coat? I can't see that.
- Sullivan: I found a souvenir.
- H.M.Jr: Oh yes, I have got some. You had better keep it.
- Sullivan: I have, too.
- H.M.Jr: You had better pin this on some of the people around town.
- Sullivan: They could use that very handily.
- H.M.Jr: All right otherwise?
- Sullivan: Sure.
- Cochran: Playfair called me yesterday.
- H.M.Jr: Playfair called you?
- Cochran: He called me again last night on that currency business, and said all that was on board that ship had been impounded now. He said this did happen the first day they were in port, but the last five there has been no currency coming ashore.
- H.M.Jr: Are you coming in at eleven?
- Cochran: That is right, with Phillips; and at eleven fifteen with Coyne.
- H.M.Jr: Where is Harry White?

- 9 -

- Cochran: I don't know, I haven't seen him.
- Foley: He was going to stay home today.
- Thompson: He told me he might be home today.
- Foley: To study up on his project.
- Cochran: Knoke told me this morning that the Swiss National Bank is sending over a representative to stay in this country, and you sent me a memo about Mr. Goold, from Casablanca, that you wanted to see next week. Have you heard from him? I have checked with the State Department and they say he is not in town.
- H.M.Jr: Just somebody was in and told me I ought to see him.
- Cochran: He will be in in the next few days I think, and I left a message.
- H.M.Jr: Do Greek ladies have good French pronunciation?
- Cochran: You will have to ask Ed. He knows more about it.
- H.M.Jr: He didn't talk French to them.
- Cochran: She was speaking English when I called.
- H.M.Jr: Ed said he couldn't understand a word the two of you talked about. He said the first thing he knew the two of you were on his sofa talking there. (Laughter)
- Cochran: He is a very good chaperon.
- H.M.Jr: This Greek lady, one of my father's acquaintances, arrived. Who was chaperoning who?
- Foley: He was sitting on the sofa.
- (The Secretary spoke on telephone to Mrs. Harry White.)

- 10 -

Cochran: I have a couple of letters that Dan asked me to get you to sign.

H.M.Jr: All right. It is funny how you bother me about all these details, but when these French-Greek people come in, I never hear anything about it. (Jokingly)

I saw Lovett last night.

Foley: Did you tell him?

H.M.Jr: I told him, and he knows all about it, and he knows all about this man, and he knew how he was supposed to have sold the plans for the 12 cylinder engine to the Swiss to go to the Japanese. He knew that whole story. It went through some Swiss people. He knows all about it.

Foley: Is he going to see her?

H.M.Jr: He said he will see her for my father's sake.

Cochran: I wondered if he was on the list.

H.M.Jr: Pardon?

Cochran: You (Foley) told the Secretary about that, didn't you?

Foley: No.

Cochran: These two employees have been with this same concern longer than--

H.M.Jr: Are they in the United States?

Cochran: No, they wanted to come over here.

H.M.Jr: Well, there isn't a better man to send her

- 11 -

to because that will end it one way or the other, because he knows the whole background from France. He knows the whole background from France.

Cochran: That is the letter to Senator Vandenberg recommending a two year postponement for the Finns.

H.M.Jr: I am glad that you people got time to go into this matter thoroughly. (Facetiously) You know, they call up and they bring all these people in and everything, but when there is this other matter it is just down at the other end of the hall.

What else?

Cochran: That is all.

Kuhn: I have nothing.

H.M.Jr: Harold?

Graves: This is the list of the women members in the states. I will have the other list for you. That is by states, all of them.

H.M.Jr: And on the picture?

Graves: The only company that used that Ways and Means picture was Universal, and it is now showing at the Metropolitan, and we can't get a copy today.

H.M.Jr: You can not?

Graves: But I have asked them to get a copy.

H.M.Jr: The Metropolitan?

- 12 -

Graves: That is the one.

Schwarz: Can't get a copy?

Graves: Can't get a copy today, but I have asked them to get a copy as soon as they can. They say in three or four days.

H.M.Jr: Well, that is time enough.

Graves: The other picture we can arrange to show--

H.M.Jr: You can show that next Monday or Tuesday, can't you?

Graves: We will have copies of both here.

H.M.Jr: Why not let it wait. I don't think today is so good. It is a bad day. I thought that you said that you had the two pictures.

Graves: No, last night I asked them to get them, and I assumed that they would be able to, but this morning when I checked I found that they couldn't get the Ways and Means picture.

H.M.Jr: We are going to buy a regular large movie projector and install it immediately below this room so from now on any time we have something we can just go to the room below to see it.

Gaston: You are buying a 30 millimeter projector?

H.M.Jr: A regular large commercial style machine.

Foley: Sound?

H.M.Jr: Sound. Why?

Gaston: Well, we were trying to scrape funds together

- 13 -

to buy one to put over in the Bureau of Engraving and Printing auditorium over there. We have none over there yet, and we have a projection booth for it.

H.M.Jr: Well, that doesn't interest me.

Gaston: All right.

H.M.Jr: The one down here does. Got the funds, Harold?

Graves: We will get it.

Schwarz: We couldn't get a portable to take over there once in a while?

Gaston: We have got plenty of portables. They are 16 millimeter. We have no 30 millimeters.

H.M.Jr: I don't think you can get them in the portable. I think you have to have a fire-proof cabinet and everything. I think by the time you get this thing and the fire-proof cabinet and everything else, I don't think you can move it anywhere.

Gaston: Oh, no. I was just wondering whether you had room enough there for a standard size. It is pretty close focus.

Graves: I am leaving at 10:00 to look at that place, so we will know.

H.M.Jr: All right.

I didn't know anything about the Bureau of Engraving.

Gaston: Well, we haven't done anything because we haven't been able to find the money.

- 14 -

- H.M.Jr: Harold always has it in his vest pocket.
- Gaston: We haven't approached the Stabilization Fund yet. (Facetiously)
- H.M.Jr: George?
- Haas: I have nothing in particular. Mr. Secretary, what--
- H.M.Jr: Have you seen the charts that were so secret-secret that your friend over there - come over here - that they had? Don't leave this lying around. This goes from you into Mrs. Klotz' own hands and from there into my safe, because the President of the United States got very fussy about figures being given out, and this is the one that they gave me, and this is the one that Major Smith thinks is terrible, but from your hands into Mrs. Klotz' hands and then into my own safe. There are only three copies, supposedly, in existence.
- Klotz: Where are the other two?
- H.M.Jr: The President and Harry Hopkins.
- Haas: You know these charts I was making for you on these tanks?
- H.M.Jr: Yes.
- Haas: What would you think of the idea right along with the title to put a picture of the item because M-3 doesn't mean anything. We can splice the film and put it in, but I didn't want to ask for a photograph because they would prick up their ears right away.
- H.M.Jr: I gave you that book.

- 15 -

Haas: But many of those items are dead items. We are looking them up now. It doesn't have the particular photograph.

H.M.Jr: All right. And then any of the military statistics that go on in your office, I want a list Monday. I want to check who gets copies of it. Any statistics, English or American military statistics that leave this office, I want to get over the whole list of who gets them.

Haas: Fine. I will have it for you. We have taken every precaution.

Klotz: It is about time.

Haas: Cox has called up once in awhile. You know, he has access to Phil Young's copy, and needed a copy for some conference he is having with Hopkins. Is that all right to give him a --

H.M.Jr: I am going to shut down on everything after I go over the list, and if Hopkins - let's go over it and see. I mean, if the President is confining copies from the War Department to three people, himself and Hopkins and me, I want to go over the thing.

Haas: I will have it.

H.M.Jr: But I think you will find they may shut down on you, too, George.

Haas: All right.

H.M.Jr: We will okay it, you see.

Haas: I have the whole list.

H.M.Jr: If he wants to get it, let Hopkins ask for it.

- 16 -

- Haas: That is right.
- H.M.Jr: If Hopkins wants something, let him ask for it. He has got a telephone.
- Schwarz: You didn't know in these clippings on the bond stories that one outfit in New York voluntarily began a button.
- H.M.Jr: I took it up with Harold. We are trying to stop it.
- Schwarz: Ferdie and I talked, and Mr. Stone has called the Federal Home Loan Bank Board. They supervised this thing.
- H.M.Jr: Now, Graves - don't go off half-cocked. Graves is the man who is in charge of it. If you don't mind my saying it, it is completely out of your bailiwick, Chick.
- Schwarz: We saw it in the paper, and we are just asking for information.
- H.M.Jr: But don't do that, please.
- Schwarz: I just wanted to report.
- H.M.Jr: If you read it in the paper, your job is to bring it to Graves' attention but not to go into action.
- Schwarz: That is right.
- H.M.Jr: Please don't do that. I know your intentions are good, but Mr. Graves is in charge.
- Schwarz: I wanted a memo to give to him.
- H.M.Jr: Your intentions are good, but Harold is already on top of it.

- 17 -

Schwarz: O.K. May I be excused to take care of this thing?

H.M.Jr: If you please.

Thompson: If you approve, I plan to bring in Denzil Right to succeed John Fox. You may remember him from Farm Credit Administration. He is a very fine boy and knows the ropes.

H.M.Jr: How is he with a scrub brush?

Thompson: Pretty good.

H.M.Jr: Is he tough?

Thompson: Yes. He knows the Public Buildings Administration people, and that is very essential because we have to wheedle some money out of them.

H.M.Jr: Just so that you golfers and fresh air fiends will know, I am leaving sometime after lunch today to go up to the farm, and I will be back Monday morning.

Cochran: Do you want me to have Mr. Coyne--

Sullivan: Who stays here?

H.M.Jr: Bell is on vacation, so somebody has got to be here.

Thompson: He (Foley) has the honor.

Sullivan: It is brand new, too. He hasn't used it.

H.M.Jr: Who is going to be here tomorrow?

Sullivan: There will be somebody here.

H.M.Jr: He hasn't used the honor?

Sullivan: Brand new, shiney.

- 18 -

Foley: You have to catch me first.

Cochran: Do you want Mr. Coe in Harry's place at 11:00 o'clock?

H.M.Jr: Yes.

Cochran: All right.

H.M.Jr: That is all, thank you.

May 2, 1941.

MEMORANDUMFor the Secretary's Diary:

Mr. Philip Murray, head of the C. I. O., had a fifteen-minute talk with the Secretary this morning in connection with the defense savings program. He was accompanied by Mr. Ralph Hetzel, Director of Economics of the C. I. O. Mr. Houghteling and Mr. Kuhn were with the Secretary.

The Secretary began by saying that he was going to have to borrow a lot of money and would need the help of the C. I. O. He said that it was the Treasury's purpose to go to the workers themselves instead of to the "bosses" in seeking to spread information about the bonds and stamps and to promote sales. Mr. Murray said that he and his organization would be glad and delighted to give whatever practical help they could. In particular, he said that he would reach the leaders of the international unions, who were the most effective people for getting word of the Treasury's program down to the workers themselves.

The talk then turned to production. The Secretary asked Mr. Murray how the rank and file of the C. I. O. felt about the preparedness effort. Mr. Murray answered that there was no great enthusiasm, but a great deal of solid thinking on the part of labor, and a wide diversity of opinions as to what and how much America should now do. He felt that the American working man was still thinking chiefly in terms of his own livelihood and did not have a sense as yet of what the present emergency meant to him personally.

The Secretary then asked about the Reuther plan, and said that when Mr. Reuther had visited the house, his plans seemed to be "good horse sense". Mr. Murray said that the Reuther plan had not gone very far and that the same was true of the C. I. O.'s plan of industrial councils, in which labor would have a direct share in administration and management. So far, said Mr. Murray, these plans were no more than "knocking at the door", but he felt confident that the door would be opened ultimately. He said that the C. I. O.'s criticism of the Administration was meant to be constructive and helpful; that the C. I. O. wanted to get all sections of the American people working together in harmony, and to give all of them a sense of participation. That, said the Secretary, was just what the Treasury was trying to do, in a modest way, with its defense bonds and stamps, and Mr. Murray agreed.

J.K.

May 2, 1941
11:10 a.m.

RE AID TO BRITAIN

Present: Mr. Cochran
Mr. Phillips
Mr. Playfair
Mr. Coe

H.M.Jr: What I wanted to say, I have written two letters here which I haven't signed. I will read them out loud to you. One is to Jones.

"Dear Jesse:

On March 19, 1941, in reply to my letter of March 11, you advised me as to the progress of negotiations with regard to the purchase of plants financed by the British Purchasing Mission. We constantly examine the dollar position of the British Treasury and would appreciate very much a statement from you indicating the progress made since that date. We would particularly like to know (a) the payments, if any, already made to the British Treasury, and (b) the payments contemplated in present negotiations during each month up to August 31, 1941, possibly with some indication of the specific plants to be taken over.

"It would also be helpful if we could have a rough estimate of the total of refunds that the British may expect to receive from the transfer of plants owned by the British Purchasing Mission.

"I would appreciate receiving this information as soon as possible inasmuch as decisions must be made bearing on financial arrangements

- 2 -

involving their dollar position."

And a similar letter to Mr. Stimson, so that would kind of bring the thing up to date. Does that about cover it?

- Phillips: Of course, there aren't any negotiations going on with the War Department at the moment.
- H.M.Jr: There aren't?
- Phillips: No.
- H.M.Jr: Well, there should be.
- Phillips: There should be.
- H.M.Jr: I don't understand it unless they have bought all the --
- Phillips: They have bought the small machine gun contracts.
- H.M.Jr: The proposal was that they were going to buy all outstanding, cash down contracts, and the RFC was to take over the plants.
- Phillips: Yes. Well, we haven't got any further with the -- when that letter goes, of course we can get on them again.
- H.M.Jr: Well, that is what I thought. If and when we hear anything, we will let you know.
- Phillips: Yes.
- H.M.Jr: I have read this (referring to Phillips' letter to Cochran of April 18), and if I interpret it correctly, you have no immediate troubles.
- Phillips: Well, they are not very far ahead. Perhaps I

- 3 -

ought to say that in the first place our position up to this moment has been a little better. There are certain reasons for that. The first is that, like every other matter, the British Purchasing Commission in dealing with the existing contracts, when they give us a schedule of what they are going to need so far ahead, they always fall below that amount. There was about thirty million dollars difference on one. Of course, it doesn't mean anything. It means the matter is going to be met later on. And then, secondly, we thought that in March there would be sort of an interim for weeks, perhaps, during which we should have to continue to pay for new contracts because U.S. Government departments would not be able immediately to take them over. Well, now, that has gone much better than we feared.

H.M.Jr: That has gone better?

Phillips: Yes. I don't say there haven't been cases. There have been some cases where we have had to pay because no one was ready to take that, but they have been much fewer. On the whole, their job was well done.

H.M.Jr: That is good.

Phillips: Then we did get a small windfall in gold in March which, if you like, I will explain to you. It is a windfall, and it is not for publicity purposes.

Cochran: He told us that in explanation of a difference that we had found in gold figures.

H.M.Jr: All right. Are you familiar with what he is talking about?

Cochran: He told me about this. He hasn't given the details.

- 4 -

- Phillips: I can't give him the names because I have strict instructions.
- H.M.Jr: You stay behind a minute.
- Phillips: Yes, I am perfectly willing to tell you. Well, now, as I say, the position is a little better than we had feared, but there are several lines ahead. In the first place, looking at April, Gifford seems to have run very definitely nowhere. Instead of the fifty or sixty millions in one month, he produced somewhere about fifteen. That has gone on three or four months, and it is very serious. And then, of course, I always do bear it in mind that we have given you estimates of the dollar receipts of the U.K. and the sterling area, of which the great part is exports and merchandise. Well, we know the shipping position, and we have given the figures in good faith, but we have realized there is not enough there. If we don't get these things shipped across there is nothing we can do about it. Those are the great dangers I see ahead. Well, now, I come to the question of existing contracts, and I would like to explain to you, because I think you might hear it later on, I am not sure you would, but I think it would perhaps be better if I just explain to you two small points where, at this moment, existing contracts, so to speak, are being taken over. They are quite unimportant. In the first place, there is shell.
- H.M.Jr: I am not familiar with it.
- Phillips: Well, we have got an order out there for a small amount, and then the system was changed and it became necessary to get the whole complete charges for this gun, which complete charges we are getting under the Lease-Lend Act and our old contracts for shell, existing contracts,

- 5 -

have been dropped now. We told the Navy Department that, and they said, "All right, go ahead. We would rather you would." In a few cases of that kind - I don't think it would reach a million dollars. Then we are running into another type of case. Perhaps I might explain it this way. Suppose we ordered a hundred units at a price of a hundred and then the specifications changes, which frequently happens in those contracts, and the price goes up to a hundred and twenty-five. What we have tried to do in that case would be to alter our old contract to eighty and try to get it under Lease-Lend. That may be a little more important, but it isn't very important in terms of money. Well now, sir, coming to the possibility of getting more funds, broadly speaking, you remember that there was a figure mentioned of three or four hundred millions, of which up to the present of the ones settled, there is a total of seventy-three millions. They are the ten power plant and certain machinery contracts. Well, now, in the first place, there remains the capital facilities. I have got a list of those, the remaining capital facilities we have to sell, and I have gone through it carefully, and I do not believe that more than at the outside they are more than fifty or sixty million dollars more.

H.M.Jr: Have we a list of those?

Phillips: Yes. Well, I can supply you with a list. It came actually in a discussion with --

H.M.Jr: I don't think we have.

Coe: We haven't had it.

Phillips: I will leave that with Mr. Cochran when I go.

Cochran: You mean you haven't discussed it with Mr. Jones?

- 6 -

- Phillips: No, it is on the program for discussion. Well, then, that leaves us the alternative of the actual taking over of contracts, which we should have to discuss with the War Department if they were willing to.
- H.M.Jr: Well, this letter lays the ground for it.
- Phillips: Yes. The main groups that are the most hopeful are certain airplane engine contracts, Packard, Curtiss, where of course, the War Department is already very much mixed up. They aren't joint contracts now. Both of us have contracts with Packard. Also, the Packard plant is one of the things which we hope the RFC will take over. And apart from that, certain tank contracts, and those seem to us the most promising line for investigation.
- H.M.Jr: If I can have a list of all of that.
- Phillips: Yes, I think we can let you have that list.
- H.M.Jr: And then knowing that this letter is going out, that sort of clears the road for you.
- Phillips: Yes, I will leave those here in the course of the day.
- H.M.Jr: And then you see, after a time, I will write another if I don't get a satisfactory answer, and I will say, "Well, the English say they have this. What about it?"
- Phillips: Yes. Very well, sir.
- H.M.Jr: This thing that Secretary Knox sent me. You (Cochran) can take that up with him direct.
- Cochran: It doesn't fall in our field here right now.
- H.M.Jr: It doesn't?

- 7 -

- Cochran: I don't think so.
- H.M.Jr: Have I overlooked anything?
- Cochran: I don't think so. Our only question was on that gold transaction, you see. That was the only thing in their figures which was not clear to us, and we did hope that they could give us some more information showing possibilities under this contract and capital investment, and if they are going to leave those tables with us, that is all there is.
- H.M.Jr: Are you going to leave the data but not the name of the country, is that right?
- Phillips: Yes.
- Cochran: That, he is going to leave with you, sir.
- Phillips: There is one other point. How does Canada stand at the moment?
- H.M.Jr: Well, they are right outside now waiting to see me.
- Phillips: Because I haven't, in stating our financial position after the settlement you have made with Canada, put in anything for payments to Canada. Of course, your generosity has been great. You have covered about three quarters of that.
- H.M.Jr: That is what I want to find out. I just heard yesterday that there was sixty million dollars, Mr. Jones said, to Canada on the new aluminum plant. Well, that is dollars, and that wasn't in this figure.
- Phillips: I see.
- H.M.Jr: You see? That is U.S. dollars. It wouldn't take

- 8 -

very many of those transactions to strike a balance.

Phillips: No.

H.M.Jr: I think it is sixty million dollars additional plant funds for aluminum up north of Quebec.

Phillips: Yes. One other question, if I may put it to you, sir. China, I rather wanted to find out - I don't want to worry you, but I wanted to find out if anything was progressing on China, any idea of freezing their assets, and so on.

H.M.Jr: No.

Phillips: If you would tell me who to go to.

H.M.Jr: It is very simple. A man by the name of Cordell Hull. It is the only place if you want to get results. I wish you luck.

Phillips: Fine. Thank you.

see meeting in
major meeting
5/17

SA

MAY 9 1941

Dear Jesse:

On March 19, 1941, in reply to my letter of March 11, you advised me as to the progress of negotiations with regard to the purchase of plants financed by the British Purchasing Mission. We constantly examine the dollar position of the British Treasury and would appreciate very much a statement from you indicating the progress made since that date. We would particularly like to know (a) the payments, if any, already made to the British Treasury, and (b) the payments contemplated in present negotiations during each month up to August 31, 1941, possibly with some indication of the specific plants to be taken over.

It would also be helpful if we could have a rough estimate of the total of refunds that the British may expect to receive from the transfer of plants owned by the British Purchasing Mission.

I would appreciate receiving this information as soon as possible inasmuch as decisions must be made bearing on financial arrangements involving their dollar position.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Jesse H. Jones,
Administrator,
Federal Loan Agency,
Washington, D. C.

File to D.W. Bell

HDW:DWB:cs

By Messinger 12th pm
copy name

MAY 2 1941

My dear Mr. Secretary:

Mr. McCloy, on March 17, 1941, in reply to my letter of March 11, 1941, submitted information with respect to the amount of funds that the War Department could make available to the British Treasury on account of Purchasing Mission contracts which it might take over.

We constantly re-examine the dollar position of the British Treasury and would very much like to receive the most recent information with respect to the present status of these arrangements with the British.

It would be particularly helpful if we could receive a statement as to (a) the contracts which the War Department has already taken over from the British Purchasing Missions and sums already paid and to be paid to the British on these contracts with some indication, if possible, as to the month in which such payments shall be made, and (b) value of contracts which the War Department expects to take over from the British Purchasing Mission again with some indication, if possible, as to the month and in what amounts payments are likely to be made. It is quite essential that I have information as to payments to be made to the British during each of the next four months.

I would appreciate receiving this information as soon as possible inasmuch as decisions must be made bearing on financial arrangements involving their dollar position.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,

The Secretary of War.

HDW:DWB:cc - 4-30-41

File to D.W. Bell

D. Morgenthau 12¹⁰ pm

copy to [unclear]

May 2, 1941
11:30

RE CANADA

Present: Mr. Cochran
Mr. Coyne
Mr. Coe

H.M. Jr: The reason I asked to see you was that I wondered how much headway you were making since the Prime Minister made his public statement in regard to U.S. purchases in Canada plus anything under the lease-lend.

Coyne: Yes. On the U. S. purchases in Canada, the general picture is, I think, that ships and Universal Carriers seem to be going very well. Those are the armored fighting vehicles with caterpillar treads but without a protective roof which the British Army and the Canadian Army uses. I understand the aluminum deal is closed. The ships - they are very confident they are going to do a big business there, but it isn't finalized yet. There is some question, I believe, on whether there is any money available at the present time to buy more ships, which we assume is a technical objection that won't necessarily last very long. The Universal Carriers, Mr. Taylor - have you met him, Mr. Morgenthau?

H.M. Jr: No.

- 2 -

- Coyne: He is one of the assistants to the Minister of Munitions and Supplies now, and he is down here and he is rather confident that you will buy those Universal Carriers in Canada rather than set up the capacity here, and that is for the purpose of the lend-lease, of course. Mr. Bateman, the Metals Comptroller, was here and will be back again shortly, and he is making every effort to divert, if necessary, but certainly to get nickel and zinc to you, and he also hopes to sell some lead, but I don't know whether that has gone through.
- H.M.Jr: That aluminum was - how much was that? It ran into big figures.
- Coyne: That was to be a down payment of about 28 million U. S. dollars, which would represent 50 percent, I think, of the three-year contract.
- H.M.Jr: That really, in a sense, is a windfall, isn't it?
- Coyne: Yes.
- H.M.Jr: You really hadn't counted on that, had you?
- Coyne: Oh, yes, we had in our figures, yes, in our calculations. That actually is the preeminent case where we are being of assistance to you, and it is not you just being of assistance to us.
- H.M.Jr: Good. Is that one of the subsidiaries of Aluminum Company, Alcoa?
- Coyne: They say not. Our Minister, Mr. McCarthy, is very vehement that they are not. But they are owned by the same shareholders.

- 3 -

H.M.Jr: That is kind of beating around the bush.

Coyne: The Canadian management is very touchy on the subject. They claim they are entirely different companies.

Coe: They were in the cartel, weren't they?

Coyne: I understand so, yes. We think they have behaved well indeed, though, so far as the Canadian and British war programs are concerned.

H.M.Jr: How much do you see, so to speak, in the bank.

Coyne: I haven't been quite as optimistic as some of the others. I think if we can get a hundred and fifty millions by the end of the fiscal year, that is all we can count on.

H.M.Jr: When is your fiscal year?

Coyne: March 31.

H.M.Jr: I see. Well, how far ahead can you see that your dollar exchange position visavis the U. S. A. is all right. How far ahead before you are going to get worried.

Coyne: Well, before this plan came along we were going to be absolutely strapped by the end of December.

H.M.Jr: Yes.

Coyne: I suppose particularly with the aluminum deal, we might have as much as a hundred millions left by the end of December now, but that is a good deal less than what we feel we ought to have in hand as a reserve.

- 4 -

- H.M.Jr: Now, in that are you counting or are you not counting the dollar payments from England?
- Coyne: That is without counting the dollar payments from England.
- H.M.Jr: Well, if you are that well off, I am not going to worry about you. (Laughter) Anybody that can see daylight from now until the first of January, I congratulate them.
- Coyne: We feel that we are in such a vulnerable position, our economy being what it is, that we have to have a reserve. We feel we have a much greater need for it than England, even. We need dollars in hand all the time, and we are rather worried about it.
- H.M.Jr: Well, how far have you gone or what success have you met with on lend-lease - to use an example - U. S. A. planes and gold in Canada to be put into something here.
- Coyne: That is something I wanted to ask you about. On the new orders, I think they have started to go already. That is, when Canada has to fill a British order and has to buy airplane engines down here, they have already started passing the specifications on to the British Purchasing Mission, who in turn requisition under the Lend-Lease Act. There remains the question, though, which is particularly important in the next six months. There are a number of orders outstanding that Canada has already placed for aircraft engines and other things of that sort. I asked Mr. Purvis about that, and he said,

- 5 -

"Well, we shouldn't go to Mr. Hopkins until we got Mr. Morgenthau's advice on that because that is primarily a financial matter."

- H.M.Jr: Well, if I understand what Sir Frederick Phillips has done - you can check it - as far as I - he has just left here. As I gather, practically everything since the 15th of March they have maneuvered it so that the contracts will be lend-leased.
- Coyne: Yes.
- H.M.Jr: To England.
- Coyne: There were one or two exceptions I know of.
- H.M.Jr: Well, he mentioned them, but he said they didn't amount to more than a million or two million dollars. They were small, he said.
- Coyne: I think it would be rather larger than that.
- H.M.Jr: What do you refer to?
- Coyne: I am sorry, I couldn't say exactly, but I know we placed an order - perhaps it hasn't been closed yet - we started to place orders through the lend-lease machinery for cash payments about a month ago in order to use the facilities of the U. S. Ordnance Department to - for placing the contracts in conjunction with their own contracts and for inspection and so on, and there were several things there like transmissions for tanks and some guns for tanks, I think, which might have been 10 or 15 million dollars, but that is just a guess.

- 6 -

- H.M.Jr: Well, but I gather from what you are saying here that you don't do what England is doing, that is, since the 15th, that all the Canadian orders here for Canada are being put under the lend-lease.
- Coyne: No, we haven't put any order under the lend-lease except three or four specific orders where we notified that we wanted to pay cash, but it was a question of machinery, it was more convenient, both for Canada and for the United States Army, that we should join our orders with some of theirs or, at any rate, that we should use their purchasing machinery.
- H.M.Jr: Yes.
- Coyne: The technique was to put it under the Lend-Lease Act, but with a provision for cash payment so that there was no question of cutting down the amount of the seven billion available for the ordinary purposes of the Lend-Lease Act. There is that revolving fund provision.
- H.M.Jr: Well, am I right or wrong that the English on orders placed prior to the 15th of March, some of those they are going to put under the lend-lease?
- Cochran: No, it is just where they are - those are contracts they are talking of turning over now.
- H.M.Jr: Yes.
- Cochran: That is the thing they are negotiating on, but Phillips was talking about subsequent to March 15 they would put practically everything and as near as I can tell from what Mr. Coyne is saying, they aren't yet benefitting

- 7 -

by that - such an arrangement.

Coyne: No. That was British orders which existed and which they would like to have taken over. Now--

H.M.Jr: Now, what are you asking me, that Purvis said you should talk to me about? Restate it, will you?

Coyne: Canada has an outstanding order for aircraft engines in the United States on which it has not yet got delivery. Those aircraft engines are to go into airplanes which are being delivered by Canada to the United Kingdom. What we would like is to have the lend-lease authorities take over that existing contract, provide the engines to Great Britain under the Lend-Lease Act, and then have Great Britain ship them up to Canada in the ordinary way for inclusion in the finished article up there.

H.M.Jr: And you are asking me whether it is O.K.?

Coyne: Yes.

H.M.Jr: My answer is yes.

Coyne: Thank you.

Cochran: That was the example put up to us originally.

H.M.Jr: I thought that had gone through.

Coyne: Well, I have been rather expecting Dr. Clark to come back, and I think perhaps you were too, and I just got word after the budget that he is laid up and nothing of that particular character has been done yet.

- 8 -

- H.M.Jr: Well, why don't you try it?
- Coyne: Well, we will, thank you.
- H.M.Jr: Now, do you want to put up anything else to me?
- Coyne: Well, we still want or hope as we indicated in that memorandum Dr. Clark left with you that the British will be able to pay us some dollars.
- H.M.Jr: Well, you had better keep hoping, I don't think it is going to be very good. I would much rather go the limit under the lend-lease, you see.
- Coyne: Yes.
- H.M.Jr: And put off the day that we are going to have to lend - extra confidentially - put off the day when we will have to consider lending England cash. Just put yourself in my place, you see, and the alternative, as long as we get along on the lend-lease or the position that the British Treasury is going to come to us and say, "We have got to borrow cash." I have no authority for that.
- Coyne: What we had in mind was if those three or four hundred million dollars of existing lend-lease contracts we are taking over, that would put the British in funds.
- H.M.Jr: I wrote a letter today to Mr. Jones and one to Mr. Stimson, saying, "Where do we stand on this question of your taking over the contracts," you see, and I read the letter to Mr. Phillips and based on that he now is going to see these people and press this thing hard, you see, but he doesn't know

- 9 -

where he is going to get, but I am worried about their situation because I don't want to be faced with the situation I am going to have to lend them ready money.

Coyne:

Yes.

H.M.Jr:

So I think for the time being this is something that ought to be checked every fortnight or oftener, if necessary, but you are all right for a couple of months.

Coyne:

Yes.

H.M.Jr:

But either you or Mr. Clark or somebody from your Government, I think we ought to sit down at least every fortnight and go over this thing just the way I have now with the English and then let's see where we go now.

Coyne:

Yes.

H.M.Jr:

But for the time being, I wouldn't count on anything from the English. You haven't touched your securities yet.

Coyne:

I beg pardon?

H.M.Jr:

You haven't touched your U. S. securities.

Coyne:

No. As you know, probably, they made the preliminary arrangements, but they haven't done anything that I know of toward going ahead with it.

H.M.Jr:

As I say, at least you have got the green light from me as to talking about the engines.

Coyne:

Yes.

H.M.Jr:

And if next week there is something else that

- 10 -

you have in mind, come on down.

Coyne: Thank you, I would love to.

Cochran: If he could give us a list of those as he brings them up you might even write similarly to the War Department and Commerce again. I was asking if they had started the re-registration of those securities yet.

Coyne: They haven't made any public notice yet. The Government doesn't like the idea of selling securities, I know that.

H.M.Jr: Well, nobody does.

Coyne: They may be hoping that, as a result of this new arrangement, it won't be necessary.

H.M.Jr: We will see. Can you think of anything?

Coe: Just in connection with the list, some indication of how much relief you could get if you got this back stuff put under Lend-Lease.

Coyne: Yes, we are getting the figures now. So far, I got an earlier figure of about fifty millions, but I think that should be a bit larger than that.

H.M.Jr: O.K.

May 2, 1941
1:00 p.m.

H.M.Jr: How are you?

Cong. John
Cochran: Pretty good. Say unfortunately Andy Somers
is pretty sick.

H.M.Jr: Oh, I'm sorry.

C: And the doctor just told me a while ago
that he'll be operated on probably Tuesday
or Wednesday. Looks like he'll be out of
the picture for three weeks or a month.

H.M.Jr: Yeah.

C: Now that message came down from the President.
What I want to know is, when would it be
convenient for you to come down before the
Committee?

H.M.Jr: Well, when would the Committee like it?

C: Well, I'm the one to decide that.

H.M.Jr: Well, you're the boss.

C: I'm willing to make it at your convenience,
not theirs. Of course I'd like to give them
a couple of days notice.

H.M.Jr: Yeah, so would I.

C: Then I'd want to know whether you want to
talk in open session or in executive session.
They'll undoubtedly want to ask you some
questions about the condition of that
Stabilization Fund and so forth.

H.M.Jr: Executive session I'd prefer. How about the
8th? Thursday.

C: Thursday.

H.M.Jr: The 8th of May.

C: All right. Let's make it Thursday the 8th
at 10:00 a.m. and see if we can get through
that morning.

- 2 -

H.M.Jr: Thursday the 8th at 10:00 a.m.
C: All right. Do you want to talk in the open
or in executive session.
H.M.Jr: Executive.
C: Executive session.
H.M.Jr: Yeah.
C: All right.
H.M.Jr: Thank you.
C: All right then. Thursday the 8th at 10:00 a.m.
H.M.Jr: Thank you.
C: I'll notify the members.
H.M.Jr: Good-bye.
C: All right.

File

CONFIDENTIAL

May 2, 1941

To: The Secretary

From: Mr. Young

From time to time there have been conversations between you, Harry Hopkins and myself concerning the statistical and tabulation job which will have to be done for the lend-lease administration. On April 25th, I transmitted to you a copy of a memorandum addressed to Harry Hopkins concerning this situation.

If adequate information both for operating as well as for record purposes is to be maintained on the lend-lease business for the benefit of the President and for the information of the lend-lease Cabinet Advisory Committee, there must be attached to this office a person properly qualified to supervise the compilation of such records.

I am fully aware of the pressure which is placed upon the Treasury Division of Research and Statistics yet I respectfully request the use of Mr. Wesley Lindow and his chief assistant for lend-lease operations. I would like to add that I have talked to Harry Hopkins about this matter and that he concurs in this request. I consider the use of Lindow important to satisfactory lend-lease operations because of the experience which he has acquired over the last year in working with the British and the Dutch. He is already fully acquainted with foreign purchasing problems and procedures, and he has done an excellent job in the past.

Because of your desire to help the British, because of your responsibilities as a member of the Lend-Lease Advisory Committee, and because of your paternal interest in the Treasury boys who are attempting to carry on this work, I hope that you will treat this request seriously and sympathetically.

T.Y.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

May 2, 1941

MEMORANDUM TO THE SECRETARY:

Weekly Report - Lease-Lend Purchases
(4/26 - 5/2/41)

Purchases to 4/25/41.....\$ 1,892,316.73
 Purchases 4/25 to 5/2/41..... 24,303.10

Total to 5/2/41.....\$ 1,916,619.83

<u>Requisitions Pending</u>	<u>Estimated Cost</u>
Cleared by O.P.M.	\$ 119,301,553.81
Awaiting clearance by O.P.M.	6,011,050.00
Total pending requisitions (Including steel, equipment, chemicals, etc.).....	\$ 125,312,603.81

Only two purchases (\$24,303.10) have been made this week; others withheld pending allotments requested in our memorandum of April 22, and determination as to the necessity for proprietary items requisitioned by the British Purchasing Commission.

Inquiries are now being made relative to purchases for China Defense Supplies, Incorporated particularly certain commodities required for prompt shipment, and commitments will be made as soon as funds are authorized.


 Clifton E. Mack
 Director of Procurement

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 2, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

While I was attending a Foreign Funds meeting at 4:15 yesterday evening, the Secretary telephoned me. He said that Minister Wiley, who had been called from the meeting to the Secretary's office, had told him of a message which ex-Ambassador Bullitt had received from his brother Orville, a banker in Philadelphia, in regard to a situation there which might strain international relations. The report was that British sailors ashore from a naval vessel in that port were obtaining only two dollars for their sterling bank notes. The Secretary asked that I get in touch at once with Sir Frederick Phillips and see if some arrangement could not be worked out whereby such currency would be accepted at the official rate of a little over four dollars a pound. I told the Secretary that sterling notes could be purchased in New York for just a little over two dollars and that currency offered unofficially, as in the present case, would bring only about two dollars. The Secretary suggested, in return, that we might arrange through the Federal Reserve Bank at Philadelphia to buy up this currency for us to use in our British island bases. I reminded the Secretary that our agreement with the British requires that such sterling as we acquire for our needs in these bases be purchased from official dealers at the official rate. I told the Secretary that I would at once get in touch with the British Treasury people and report back. I at once telephoned Mr. Playfair. He told me immediately that he was aware of arrangements whereby the British officials in the United States were providing visiting British naval ships with dollars to finance their dollar needs while in American waters, including shore money for sailors. Furthermore, it was definitely against the rules for the men from such ships to bring sterling ashore. Playfair promised to get a communication through to the Commanding Officer at Philadelphia. He asked me to let the Secretary know, however, that we should have no concern over this matter which the British officials here had already thought was properly handled.

I gave this report by telephone to the Secretary shortly after 5 o'clock. Later in the evening Playfair called back to confirm the information which he had previously given me and to give a report which they had received from the Commanding Officer on the ship at Philadelphia. The latter stated that there had been some smuggling of sterling ashore the first day the ship was in port, but that during the past five or six days this practice had, he thought, been stopped. All sterling currency on board the ship was now impounded, so no more could be gotten out. Again Playfair expressed his thanks for our bringing this matter to the attention of the Treasury, and also expressed his regret that Philadelphians, including some of the young ladies of that city, had been taken in by British sailors representing that the sterling notes were worth four dollars instead of two.

152 ✓

THE WHITE HOUSE
WASHINGTON

May 2, 1941

MEMORANDUM FOR

H. M., JR.

For your information.

F. D. R.

Enclosures

HENRY L. STIMSON
SECRETARY OF WARFRANK KNOX
SECRETARY OF THE NAVYWILLIAM S. KNUDSEN
DIRECTOR GENERALSIDNEY HILLMAN
ASSOCIATE DIRECTOR GENERALOFFICE OF PRODUCTION MANAGEMENT
OFFICE OF THE DIRECTOR GENERAL
WASHINGTON, D. C.*File*

May 1, 1941

The President

The White House

Dear Mr. President:

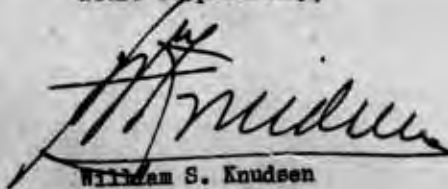
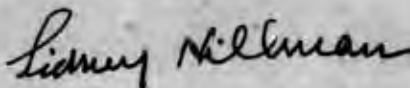
The Council of the Office of Production Management has given careful consideration to the joint recommendations recently made to you by Secretary Morgenthau and Mr. Nelson.

At a meeting on April 29 of the Council of the Office of Production Management, it was agreed that the labor policy, as outlined by the Advisory Commission to the Council of National Defense in September 1940 and transmitted by you to the Congress, is in full force and effect and will continue to be followed in the letting of defense contracts.

The Council is unanimously opposed to the adoption of the recommendations jointly made to you by Secretary Morgenthau and Mr. Nelson, as unnecessary. It was stated that the officers of OPM charged with the clearance of contracts will, in doubtful cases, consult the Labor Division of OPM and will refrain from clearing contracts to habitual violators of the Federal labor laws, except in instances where, in their opinion, such action would result in undue interference with the preparation of national defense.

The papers forwarded by you are herewith returned.

Yours respectfully,


William S. Knudsen
Director General

Sidney Hillman
Associate Director General

Enclosures

*(not dated, but sent to
the President 4-18-41)*

154

THE SECRETARY OF THE TREASURY
WASHINGTON

MEMORANDUM FOR THE PRESIDENT:

As a result of several conversations we have come to the conclusion that a statement of policy, incorporating the labor requirements issued by the Advisory Commission on August 31, 1940, ought to be issued by the Office of Production Management. We recommend for your consideration the desirability of the issuance by that office, and its publication in the Federal Register, of a statement of labor policy along the lines set forth in the attached statement.

The statement adopts the labor policy of the Advisory Commission and implements it by requiring, before the award of any defense contract, a certificate from the contractor that he is complying with and will comply with all Federal laws affecting labor. A suggested form of certificate is also attached.

This suggestion is made in lieu of our individual recommendations previously made to you.

W. M. C. [Signature]
Secretary of the Treasury

W. M. C. [Signature]
Director of Purchases.

STATEMENT OF LABOR POLICY
OF OFFICE OF PRODUCTION MANAGEMENT.

1. Notice is hereby given that no defense contracts shall hereafter be awarded unless the contractor is complying with the labor policy of the Advisory Commission to the Council of National Defense unanimously adopted on August 31, 1940. The President of the United States considered that policy to be of such importance as to justify transmitting the statement of it to the Congress in a message on September 13, 1940. The statement of the Advisory Commission's labor policy follows:

"Primary among the objectives of the Advisory Commission to the Council of National Defense is the increase in production of materials required by our armed forces and the assurance of adequate future supply of such materials with the least possible disturbance to production of supplies for the civilian population. The scope of our present program entails bringing into production many of our unused resources of agriculture, manufacturing, and manpower.

"This program can be used in the public interest as a vehicle to reduce unemployment and otherwise strengthen the human fiber of our Nation. In the selection of plant locations for new production, in the interest of national defense, great weight must be given to this factor.

2.

"In order that surplus and unemployed labor may be absorbed in the defense program, all reasonable efforts should be made to avoid hours in excess of 40 per week. However, in emergencies or where the needs of the national defense cannot otherwise be met, exceptions to this standard should be permitted. When the requirements of the defense program make it necessary to work in excess of these hours, or where work is required on Saturdays, Sundays, or holidays, overtime should be paid in accordance with the local recognized practices.

"All work carried on as part of the defense program should comply with Federal statutory provisions affecting labor wherever such provisions are applicable. This applies to the Walsh-Healey Act, Fair Labor Standards Act, the National Labor Relations Act, etc. There should also be compliance with State and local statutes affecting labor relations, hours of work, wages, workmen's compensation, safety, sanitation, etc.

"Adequate provision should be made for the health and safety of employees;

"As far as possible, the local employment or other agencies designated by the United States Employment Service should be utilized;

"Workers should not be discriminated against because of age, sex, race or color;

"Adequate housing facilities should be made available for employees.

"The Commission reaffirms the principles enunciated by the Chief of Ordnance of the United States Army, during the World War, in his order of November 15, 1917, relative to the relation of labor standards to efficient production:

3.

"In view of the urgent necessity for a prompt increase in the volume of production ***, vigilance is demanded of all those in any way associated with industry lest the safeguards with which the people of this country have sought to protect labor should be unwisely and unnecessarily broken down. It is a fair assumption that for the most part these safeguards are the mechanisms of efficiency. Industrial history proves that reasonable hours, fair working conditions, and a proper wage scale are essential to high production. *** every attempt should be made to conserve in every way possible all of our achievements in the way of social betterment. But the pressing argument for maintaining industrial safeguards in the present emergency is that they actually contribute to efficiency."

2. In order to effectuate this labor policy, no defense contracts shall hereafter be awarded, unless the contractor shall have first certified to the Government department or agency awarding such contract that he is complying with and will continue to comply with all Federal laws affecting labor to which he is subject and that he will require subcontractors to sign similar certificates before making awards to or purchases from such subcontractors.

4.

Any person falsely certifying as to such compliance may be punished as provided in section 35 of the Criminal Code, as amended.

CERTIFICATE OF COMPLIANCE WITH FEDERAL LAWS AFFECTING LABOR
IN CONNECTION WITH DEFENSE CONTRACTS

To: _____
(Insert name of Government Department or Agency awarding
contract)

It is hereby certified that the undersigned is complying with and will continue to comply with all Federal laws affecting labor to which the undersigned is subject, and that the undersigned will require all subcontractors to sign similar certificates before the undersigned will make awards to or purchases from such subcontractors.

(Signature)

Penalty for False Certification

Section 35 of the Criminal Code, as amended, provides a penalty of not more than \$10,000 or imprisonment of not more than ten years, or both, for knowingly and wilfully making or causing to be made "any false or fraudulent statements * * * or use or cause to be made or used any false * * * certificate * * * knowing the same to contain any fraudulent or fictitious statement * * *" relating to any matter within the jurisdiction of any Governmental department or agency.

EXECUTIVE ORDER

ESTABLISHING THE DIVISION OF DEFENSE AID REPORTS
IN THE OFFICE FOR EMERGENCY MANAGEMENT
OF THE EXECUTIVE OFFICE OF THE PRESIDENT

By virtue of the authority vested in me by the Constitution and Statutes and by the Act of March 11, 1941, entitled "An Act to Promote the Defense of the United States" (hereafter referred to as the Act), in order to define further the functions and duties of the Office for Emergency Management of the Executive Office of the President in respect to the national emergency as declared by the President on September 8, 1939, and in order to provide for the effective administration of said Act in the interest of national defense, it is hereby ordered as follows:

1. There is established within the Office for Emergency Management of the Executive Office of the President the Division of Defense Aid Reports, at the head of which shall be an Executive Officer appointed by the President. The Executive Officer shall receive compensation at such rate as the President shall approve and, in addition, shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties.

2. Subject to such policies and directions as the President may from time to time prescribe, the Division of Defense Aid Reports shall perform and discharge the following described duties and responsibilities:

- a. Provide a central channel for the clearance of transactions and reports, and coordinate the processing of requests for aid under the Act.
- b. Maintain such system of records and summary accounts to be approved by the Bureau of the Budget, as may be necessary for adequate administrative and financial control over operations under the Act and as will currently reflect the status of all such operations.
- c. Prepare such reports as may be necessary to keep the President informed of progress under the Act; assist in the preparation of reports pursuant to Section 5b of the Act; and serve generally as a clearing house of information for agencies participating in the program.
- d. Perform such other duties relating to defense aid activities as the President may from time to time prescribe.

3. Within the limitation of such funds as may be allocated for the Division of Defense Aid Reports by the President, the Executive Officer may employ necessary personnel and make provision for the necessary supplies, facilities, and services. In so far as practicable, the Division of Defense Aid Reports shall use such general business services and facilities as may be made available to it through the Office for Emergency Management or other agencies of the Government.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

May 2, 1941.

New York, N. Y., May 2, 1941.

Harford Powel, Defense Savings Staff Room 1001 Washington Bldg.,
Washington, D. C.

Have arranged to have Henry Morgenthau, Senior, buy five dollar stamp for each of his twelve grandchildren and five great grandchildren. Sale will be made Tuesday or Wednesday next week with New York Postmaster Goldman personally selling the stamps to Mr. Morgenthau at the latter's New York home. Arranging ceremony with photographers and newspapermen.

VINCENT F. CALLAHAN.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE MAY 2, 1941

TO Secretary Morgenthau

FROM Mr. Wiley

FBI reports:

April 29. The German Consulate in New York City has apparently ceased to make withdrawals in \$500 and \$1,000 bills, as has been done in the past. From April 7 to 11, 1941, inclusive, the German Consulate General withdrew \$31,500 in \$50 and \$100 bills, the serial numbers of which it was not possible to obtain.

ONI reports:

March 17 - Tokyo. The Japanese South Sea Island Budget for the fiscal year 1941-1942 amounts to ¥15,072,164 and in addition to normal governmental expenses there are appropriated ¥1,228,032 to complete aviation communication facilities, ¥300,000 to construct a dock at Palau in the Japanese Caroline Islands, ¥218,531 to establish and repair aids to navigation, and sums up to ¥300,000 for harbor and road construction.

Wiley

May 2, 1941

Files

Mr. Cochran

At 12:45 today Mr. Bernstein talked with me by telephone in regard to a suggested draft of a cablegram to be sent by the Federal Reserve Bank of New York to the Banco de Brasil, with reference to the latter's No. 3 of April 29.

The draft which Mr. Bernstein had before me when the conversation took place was the attached copy marked No. 1. We spoke further on the subject after No. 2 arrived.

When Mr. Bernstein told me that he had worked out this draft with Assistant Secretary Berle of the Department of State, I told Mr. Bernstein that I was fully aware of the interest of the Department of State in seeing the transaction get through, that is, the \$11,500,000 of Yugoslav money returned from Brazil to the United States. I thought, therefore, it was a question for the State Department to decide upon high policy, and for Mr. Bernstein to pass upon the legality of the transaction. I preferred not to be asked to OK the message.

When Mr. Bernstein pressed me for an expression of opinion, I told him that I thought it preferable that the message definitely assure the Banco de Brasil that the funds if transferred as suggested would be definitely frozen, and that there would be no withdrawal therefrom pending such time as the Banco de Brasil might require to receive from Yugoslav authorities full confirmation and instruction as to their own desires in the premises.

I made the point that we are not aware that Brazil has adopted any legislation which relieves the Banco de Brasil from responsibility, in such a fashion as the recently enacted law relieves the Federal Reserve Bank of New York from responsibility when it permits the Minister of the defunct, for the present at least, state of Yugoslavia to draw upon the accounts of the Central Bank of that country, which authority he did not enjoy while the Government of Yugoslavia was in power at Belgrade. Even though we might feel that this new legislation gives legality for the steps that have been taken here with respect to the Yugoslav account, should we feel that funds transferred to the Federal from the Banco de Brasil, belonging to the Yugoslav Central Bank, could be dealt with by the Minister here in the same fashion? Mr. Bernstein assured me that there would be no desire on the part of any officials here to play "loose and fast" with such funds, under cover of our legislation. I, of course, had no idea that there would be such intention, but I doubted the resistance that our Central Committee might be able to make to procure that conceivably might be exercised upon it for licenses to permit further disposal of the funds once they reach our custody. To me, still retaining some concepts of honorable central banking practice, this proposition seemed both "slippery and smelly."

RMC:lap-5/5/41

Draft of Suggested Cable to Banco de Brasil

YOUR No. _____.

We can not cable to Banco Nacional de Republia de Yugoslavie but Minister of Yugoslavie to the United States has been informed of your cable. We would have no authority to agree to condition suggested by you but we are authorized by our Treasury and State Departments to say that if transfer is made to us funds will be blocked under existing "freezing" order covering Yugoslavian property and that our Government will not issue license permitting withdrawal until after satisfying itself that instructions for such withdrawal are authorized and until after consultation with you so that you may obtain whatever confirmation from Yugoslavian authorities that you may deem appropriate covering the transfer to us.

Federal Reserve Bank of New York.

MESSAGE FROM MR. LOGAN:

We think the cable would be clearer if your first suggestion were adopted; that is to say, that the latter part of the cable should read as follows:

"will be blocked under existing freezing order covering Yugoslavian property, and that our Government will not issue license permitting withdrawal until after consultation with you and after satisfying itself that instructions for such withdrawal are authorized.

In the meantime you will be in a position to get whatever confirmation from Yugoslavian authorities you may deem appropriate covering the transfer to us."

12222

Received by phone from Mr. Weber, FEB 27 - 4/29/41 - 122

From: Rio de Janeiro, Brazil
To: Federal Reserve Bank of N.Y.
Date: April 29, 1941

Minister of Yugoslavia Rio de Janeiro, Brazil has requested Banco de Brasil to transfer to Federal Reserve Bank \$11,225,000 which we hold for account Banque Nationale du Royaume de Yugoslavia, Belgrade since we have not received instructions directly from Banque Nationale du Royaume de Yugoslavia nor can we communicate with the same consult if you can do so or if not whether Federal Reserve Bank will agree to accept deposit holding same for account of that bank on conditions Banco de Brasil to accept all future responsibility.

sgl. Banco de Brasil

MAY 2 1941

Dear Mr. Welles:

Reference is made to your letter of April 27, 1941 (BA) relevant to the request of the Government of Ecuador for technical and financial assistance in the establishment of a fund to assist in stabilizing the relationship between the Ecuadoran sucre and the United States dollar.

The Treasury Department, pursuant to your request, will be glad to examine the Ecuadoran exchange situation with a view to considering the possibility of assisting Ecuador in stabilizing the foreign exchange value of its currency.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

**The Honorable Sumner Welles,
Under Secretary of State.**

*file is in
Dr. White's office*

By Messenger // ¹⁵ *aw*

**FBI:ash
4/29/41**

File to Mr. Thompson

copy me

DEPARTMENT OF STATE
Washington

April 23, 1941

My dear Mr. Secretary:

Reference is made to conversations between officers of the Department and of the Treasury regarding the request of the Government of Ecuador for technical and financial assistance in a program of economic cooperation including the construction of water works in Quito and Guayaquil, a broad plan of agricultural development, and the establishment of a fund to assist in stabilizing the relationship between the Ecuadoran sucre and the United States dollar. A copy of the Ecuadoran proposal has been made available to officers of the Treasury Department.

Discussions are in process with the Export-Import Bank with respect to the water works matter, and the Ecuadoran plan for agricultural development has been submitted to the Export-Import Bank and the Department of Agriculture for study.

The Department would be grateful if the Treasury would undertake to consider the possibility of establishing a stabilization fund in Ecuador or in some other way assisting that country in the management of its foreign exchange relationships.

Sincerely yours,

For the Secretary of State:

(sgd) Sumner Welles,
Under Secretary

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
RA 865.51/1089

May 2, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses two copies of telegram no. 615 dated April 30, 1941 from the American Embassy at Rome, regarding the economic policy of Italy.

Enclosure:

No. 615, April 30,
from Rome. (2)

C O P Y

RS

PLAIN

Rose

Dated April 30, 1941

Rec'd 11:10 a.m.

Secretary of State,
Washington.

615, Thirtieth.

In Monday's discussion of the Budget estimates before the Senate Minister of Foreign Trade and Exchange Riccardi according to press reports again referred to the "New Economic Order" certain "milestones" of which he said were determined in conferences which he held last October with German Minister of Economy Funk.

Without going into detail he envisaged continuance of the closest cooperation between Italy and Germany in commerce, a common tariff policy, a common price policy extension of the clearing system to all European countries within the respective zones of influence of Italy and Germany. The Axis Powers would lend their collaboration to the other European countries for developing productions having complementary character; and provided that the small countries adapted their economies and finances to the predominating common needs and did not promote branches of economy having purely casual advantage these countries would have opportunity to attain greater economic potentiality.

Suggesting an intention not to delay consolidation of territorial gains he expressed the opinion that the "Area of the Lira" which has already been expanded to include Albania should be extended as opportunity presented itself to all territories "reserved to (Italian) influence. Such "monetary solution" could be accompanied or followed by a solution of important tariff problems.

The Minister declared that Italy's holdings of Valuta had increased threefold in 1940 and as of January 1, 1941 were sufficient to meet for a "very long time" payments requiring Valuta.

Referring to the blocking of credits by the United States he said that the threat of applying this system to Italy and Germany was more to be feared by the Americans than by Italians and their Allies as large counterbalancing items were not lacking which could be taken as guarantee.

In another reference to the United States he envisaged a troublesome export problem for the latter in coming years "since Europe which is following with keen attention the American attitude regarding the present conflict will regulate its future commercial policy so as to favor particularly the revival of trade currents with friendly countries." He considered that after the War all extra European countries would try to resume trade with Europe offering raw materials and foodstuffs for manufactured goods; then it will be for the Axis to choose from the most worthy and to impose its own conditions of buying and selling on the others.

ALC

PHILLIPS

PARAPHRASE

A telegram (no. 55) of May 2, 1941 from Consul Reed at Hanoi reads substantially as follows:

The principal points in the economic agreement between Japan and Indochina having been agreed upon some days ago, it is likely that within a few days the agreement will be signed, according to the Governor General of Indochina. Agreement is for the most part along the lines reported heretofore, although the question of mining concessions which will be taken care of in a separate agreement is being deferred until later. According to information received from another person, three agreements will be signed--a treaty of commerce and navigation, a customs and commercial agreement, and a protocol establishing certain special rights in Indochina for Japanese. Although these treaties will have a duration of five years, the quotas of imports and exports --rubber, rice, et cetera--will be established each year.

copy:eh
5-10-41

C
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YDEPARTMENT OF STATE
WASHINGTONIn reply refer to
EA 840.51 Frozen Credits/1690-1/2

May 2, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith copies of telegram no. 1663 from Berlin, dated April 30, 1941 concerning criticism appearing in the publication of the German Foreign Office of American policy relating to the freezing of foreign funds.

Enclosure:

Telegram no. 1663 from Berlin,
April 30, 1941.

C
O
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Y

KH

GRAY

Berlin

Dated April 30, 1941

Rec'd 3:03 p.m.

Secretary of State,
Washington.

1663, April 30, 3 p.m.

The Foreign Office DDPK last night criticized American policy relating to the freezing of foreign funds which it states is dictated by purely political considerations as illustrated by the freezing and unfreezing in the case of Yugoslavia. The release concludes with the following statement.

"But this means nothing more or less than that all foreign countries whether friends or foes can no longer risk investing money in a country like the United States or entrusting property values to it since the principle of good faith was thus systematically undermined and abolished there. President Roosevelt may imagine that as a result of the present war he can secure for his country a large part of the English inheritance. By deliberately setting aside the concepts of international law he has thoroughly destroyed the ambitions of his country to succeed London also as the world banker. As a typical factor of insincerity Roosevelt's America is no longer suited to act as a trustee of property".

MORRIS

WVC

COPY:mg:5/3/41

MAY 9 1941

My dear Mr. Secretary:

Reference is made to your letter of November 30, 1940 (NA 800,51 V 89 Finland/209), enclosing a copy of a note dated November 25, 1940 from the Finnish Minister, in which he proposes that negotiations be entered into for the reconsideration of Finland's indebtedness to the United States under the agreements of May 1, 1923 and May 23, 1932, and asks in what way such negotiations could be taken up.

There is enclosed for your information a copy of a letter dated April 26, 1941 from Senator Vandenberg, relative to the amounts payable to the United States by the Republic of Finland, and a copy of my reply of this date. I understand that a draft of my reply to Senator Vandenberg was informally cleared with the State Department and that you offered no objection to it.

You will note I have expressed the view, in reply to Senator Vandenberg's inquiry, that there should be deferred for the time being any effort to authorize a reconsideration of the status of the entire relief indebtedness of Finland to the United States, and that the present time does not seem appropriate for reconsidering the obligations of ~~that~~ or any

- 2 -

other Government under their 1938 agreements with the United States. It appears that a similar position could be taken in replying to the Finnish Minister's note of November 12, 1940.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of State.

Enclosures:

Copy of ltr. from Vandenberg dated 4/26/41
Copy of reply dated 5/2/41

Copy

to Mr. Thompson

File to Mr. Heffelfinger

By Messenger 11¹⁵

5-3-41

Copy done

MAY 2 1941

My dear Senator

Receipt is acknowledged of your letter of April 26, 1941, relative to the accounts payable to the United States by the Republic of Finland on account of Finland's indebtedness for relief supplies furnished on credit by the United States in 1923 and 1928.

The Finnish Government has made complete payments to the United States of all accounts due under the debt funding agreement made with that Government on May 1, 1923 and the moratorium agreement of May 23, 1932, except certain payments postponed under authority of acts of Congress. The situation which confronted Finland last year justified the enactment by Congress of the Joint Resolution approved June 15, 1940, to authorize the postponement of payment of accounts payable to the United States by Finland during the period from January 1 to December 31, 1940. World conditions since that time have continued to deteriorate and have exerted unfavorable influences upon Finland. I agree with you that if Finland's situation one year ago warranted the action then taken by the Congress, the difficulties now confronting Finland doubly recommend our helpful attitude towards that debtor.

The Treasury would offer no objection to the enactment of further legislation by the Congress extending the moratorium on Finnish debt payments for an additional period and would recommend the enactment of appropriate legislation for this purpose.

- 2 -

In view of present world conditions Congress might wish to consider legislation authorizing the postponement of payments due from Finland for 2 years, that is, 1941 and 1942. It seems to me that there should be deferred for the time being any effort to authorize a reconsideration of the status of the entire relief indebtedness of Finland to the United States. The present time does not seem appropriate for reconsidering the obligations of this or any other government under their debt agreements with the United States. Reconsideration of such indebtedness growing out of the World War could be undertaken with more effectiveness when world conditions become more stable.

An additional moratorium to Finland could be accomplished by legislation similar to that embodied in Public Resolution No. 64, 76th Congress, approved June 15, 1940, with minor changes. However, I should like to point out that the terms of that resolution afforded Finland only limited assistance and at an interest cost of 3 per cent, including interest on interest. It also required that the amounts postponed under the resolution be repaid within 10 years immediately following the period of postponement. If the Congress should desire to afford a more liberal measure of assistance to Finland in connection with any additional moratorium on debt payments of that Government, than was provided for under the Joint Resolution approved June 15, 1940, this Department would be very pleased. One of the methods by which more liberal assistance could be accomplished would be a provision requiring only the repayment of the amounts postponed, without additional interest

- 3 -

beyond the dates when such amounts first became due under existing agreements, and also a provision for the repayment of such postponed amounts in semiannual installments, over a period of 20 years, beginning January 1, 1947.

I shall be glad to cooperate with you in this matter and to give my support to legislation for the purpose of further postponing amounts payable to the United States by the Republic of Finland on account of its relief indebtedness which was originally incurred in 1919-1920.

I am sending a copy of your letter of April 26 and a copy of this letter to the Secretary of State for his information.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable A. H. Vandenberg,

United States Senate.

(Livesey of State Dept. collaborated on this. It was approved by him, Dr. Feis, and Secy. Hull and also cleared by Mr. Bailey of Budget. D.W.B. 5/1)

By Messenger // ¹⁵ am

Copy
to Mr. Thompson

copy *amc*

VTH:mib
5-1-47

File to Mr. Heffelfinger

C
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P
Y

UNITED STATES SENATE
Committee on Foreign Relations

April 26, 1941.

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

My dear Mr. Secretary:

One year ago at this time you were very helpful to me in connection with a Senate Resolution (subsequently passed) which extended a temporary moratorium to the Republic of Finland so that it might maintain its unbroken credit status without confronting the almost impossible task of making current war debt payments.

Finland took advantage of this moratorium last December. The privilege expires ahead of the next payment date on June 15th. I am again soliciting your judgment - and I hope your cooperation - in developing an extension of this moratorium. If Finland's situation one year ago warranted the action we took (and Congress unanimously said it did) then the difficulties which Finland confronts in 1941 doubly recommend our helpful attitudes toward this exemplary debtor.

At the time Congress acted last June, I suggested on the Floor of the Senate that I hoped the Finnish debt might be refunded under new arrangements which would be less burdensome and more nearly reflect the easier terms which we granted to other World War debtors subsequent to the original Finnish agreement. There are, of course, additional reasons now why the Finnish debt should be realistically reassessed and the contract rewritten with this brave little Nation which - despite all disasters - is now the only one among all of our World War debtors with an unbroken credit rating.

I should greatly welcome your official judgment on two questions. First: Should the Finnish moratorium be extended for an additional period of time in the same terms as last year; or should the terms be changed - in a new Act of Congress - and if so, how? Second: Would it be appropriate and wise in the ~~present~~ legislation for Congress to direct a reconsideration and refunding of the Finnish debt?

- 2 -

I shall greatly appreciate it if I may have the benefit of your judgment on this subject as soon as possible. Last year we did not complete the necessary legislation until twenty-four hours before the June 30th payment was due. I think we owe it to Finland as well as to ourselves to settle this year's question in more timely fashion.

Thank in advance for the courtesy of a reply at your earliest convenience.

With warm personal regards and best wishes,

Sincerely and faithfully,

(Signed) A. K. VANHIMEN

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 2, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Reference is made to a memorandum addressed to me today by Miss Chauncey, stating that Mrs. Klotz asked her to see that I be informed that the Secretary would like to see Mr. Goold, from Casablanca, sometime next week.

Yesterday evening I got in touch with several offices in the Department of State, but was informed that Mr. Goold was not presently in Washington. This morning I mentioned this at the Staff meeting. The Secretary said that he had not had any word directly from Mr. Goold but had been informed that he, the Secretary, might find it interesting to talk with our Consul General who has just returned from Morocco.

After the meeting, I called Mr. Erhardt, in charge of Foreign Service Personnel in the Department of State. He said Mr. Goold might be back in Washington shortly and that he would give him the message that he should get in touch with me for an interview with Secretary Morgenthau.

It should be held in mind that Mr. Goold is being transferred from Casablanca to Manchester, after having experienced some difficulty in getting along with the French. Mr. Erhardt advised discretion in our conversations with Mr. Goold in view of this circumstance.



FOR THE PRESS

IMMEDIATE RELEASE

MAY 2, 1941

May 1, 1941

My dear Mr. Chairman:

Secretary Morgenthau has recommended that three and one half billion of additional taxes should be levied during the coming year to defray in part the extraordinary defense expenditures.

This total represents the minimum of our revenue requirements. I hope that you and the other members of your Committee will act favorably on his goal.

You will recall that in my Budget Message this year, I suggested a financial policy aimed at collecting progressive taxes out of a higher level of national income. I urged that additional tax measures should be based on the principle of ability to pay. This still is my view.

I am confident that your Committee will recommend legislation specifically aimed at making the Federal revenue system evasion-proof and so devised that every individual and every corporation will bear its fair share of the tax burden. The income tax can not fix the tax liability of individuals and corporations with equity as long as the tax base is defined to exclude substantial and significant elements of income.

I hope your Committee, with the help of the Treasury, will formulate a tax bill which will convince the country that a national defense program intended to protect our democracy is not going to make the rich richer and the poor poorer.

I am sure that you and I are agreed that defense is a national task to which every American must contribute in accordance with his talents and treasure and that the people of the United States are gladly willing to make whatever sacrifices may be necessary to strengthen the common defense.

Very sincerely yours,

FRANKLIN D. ROOSEVELT

Honorable W. L. Doughton,
Chairman, Ways and Means Committee,
House of Representatives,
Washington, D. C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 2, 1941

TO Secretary Morgenthau
FROM Herbert Merillat

TAXING AND SPENDING: PRESS COMMENT

Although distracted by critical events abroad, the press has found time to express its mingled dismay and resignation upon learning the details of the Treasury's tax program.

The chief complaint, already heard from Eastern city papers last week, is that the Treasury is proposing drastically higher taxes on the present lower taxable brackets without broadening the tax base. That criticism, plus a protestation of willingness to bear any "fair" tax burden in the interests of national defense, plus a demand for reduction in non-defense spending, make up the average editorial on the Treasury's program.

There is no doubt that the proposals came as a shock to most people affected. Many editorial writers console themselves with the thought that the Treasury recommendations are not yet law and may be greatly modified by Congress.

Broadening the Base

The case for a broader income tax base, as developed in editorials, follows three lines:

- 2 -

1. only if many more taxpayers become tax-conscious, through direct levies on their incomes, will they be made aware of their responsibilities in the defense program and become concerned over governmental expenditures;
2. fair distribution of the income tax burden requires that persons below present exemption levels should not be completely tax-free while taxpayers in the lowest present taxable brackets must pay greatly increased taxes;
3. the failure to tax low incomes more heavily means no curtailment in spending by wage earners and therefore inflation will not be checked.

With regard to the second point -- fair distribution of the tax burden -- only two papers, the New York Post and New York Sun, have given an analysis of taxes paid by various income groups to show that the lowest incomes actually pay heavily in hidden taxes. As to the third point, it is interesting to note that Business Week commends the Treasury program as "economically appropriate and opportune" to meet the threat of inflation.

Some of the bitterest Administration critics, notably the Chicago Tribune, without offering any suggestions to improve the Treasury program, harp ceaselessly on the theme that we must now pay a high price for New Deal follies and the American standard of living will be dragged lower and lower.

The Stam Proposals

Mr. Stam's proposals have met with no more favor than the Treasury's. There was a tendency in news reports to play up the lighter rates on lower incomes proposed by him and many editorial writers speak of that feature hopefully. However, the Stam plan, like the Treasury's, has been criticized for failure to recommend broadening of the tax base, and the proposal to raise an additional sum of 200 million beyond the Treasury estimate by the excess profits tax has aroused many who were disposed to applaud the smaller levies on lower incomes.

Your objection to heavy excises on various foodstuffs has been given prominent notice and so far no paper has spoken openly in favor of such taxes.

Sales Taxes

No widespread demand for a general sales tax (either a retail sales tax or manufacturers' excise) is apparent in the press. Those papers which mention the subject are about evenly divided pro and con and the mixture of opinion appears in all parts of the country. There seems to be a common impression among advocates of a general retail sales tax that a tax of 2 per cent on sales of all commodities except foods and medicines would solve the nation's fiscal problems nicely. Ease of collection is regarded as one of the tax's great merits. Wider publicity of the revenue-raising

limitations of such a tax, and of its administrative drawbacks, might check a great deal of this talk.

Non-defense Spending

There has been continued praise in the press for your call for reduction in non-defense spending, particularly for your willingness to specify items which might be cut. Although received with skepticism as well as praise, the statement before the Ways and Means Committee has aroused hopes, not too bright, that the President and Congress will follow up with a concrete program to reduce Federal expenditures.

The demands in the press for such reduction have grown steadily in recent weeks, especially since announcement of the Treasury's tax program. Editorials profess to regard government economy as a necessary quid pro quo for increased taxes.

A curiously primitive conception of government is being developed in these editorials. The government, it seems, is a sort of super-person with desires to be satisfied and tastes to be indulged. If "Government" requires taxpayers to sacrifice, it too should sacrifice; if taxpayers must forego some of their luxuries, so "Government" should forego some luxuries. There is a general failure to point out that elimination of governmental activities means curtailment of services to the public, not "sacrifices" on the part of the government.

- 5 -

Accordingly, it is not surprising to find a few conservative writers suggesting that the S. E. C.'s enforcement of the holding company "death sentence" is one of the luxuries with which the government could well dispense.

So far, the only complaints concerning your proposals for non-defense economies have come from the Philadelphia Record, which pleads for maintenance of the C. C. C. and N. Y. A. on their present scale, and from a few mid-Western papers which protest that farmers are being made to bear the burden of national defense.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 2, 1941

TO Secretary Morgenthau
FROM Alan Barth

AMERICAN MORALE

Mood

Press and radio reveal disturbing symptoms of a degenerating national morale. They continue, editorially, to combat defeatism. But they are manifestly suffering from fear -- fear that apathy, confusion and timidity will so inhibit American action as to make it belated and inadequate. The sense of purpose and direction which animated them not long ago has dwindled.

The isolationist thesis that the Axis is invincible, or already victorious, has made scant headway. Only a small minority appears to doubt that American strength, fully, promptly and effectively exerted, could fail to turn the tide against aggression. The fear is not of Nazi military prowess, but of American inertia.

Criticism

For the first time since enactment of the Lend-Lease law a considerable body of editorial opinion is sharply critical of the President in his conduct of foreign affairs. It is noteworthy that this criticism comes in large part from newspapers

- 2 -

which supported the Lend-Lease law and which are eager for more vigorous aid to Britain. The complaints voiced most frequently fall into three categories:

1. A great many newspapers express agreement with a recent observation by the President that the American public is not sufficiently aware of the national danger. They are prone, however, to blame this condition on the President himself. It is commonly asserted that Mr. Roosevelt has failed to impress upon the people a baldly realistic picture of what must be done to prevent a Hitler victory. This alleged failure is often ascribed to a mistaken lack of confidence in the people's capacity to understand and readiness to respond. Numerous commentators urge the President to mould and lead public opinion, rather than to follow it.

2. Considerable resentment has been expressed over what the editorial writers term the President's "jocose" or "evasive" responses to press conference queries on items of foreign policy. They cite such remarks as his horse and cow analogy concerning patrols and convoys, his dismissal of the convoy debaters as not knowing "a hill of beans" about the subject and his observation that he doesn't live at Delphi.

3. There has been rather unfavorable press reaction to the President's verbal castigation of ex-Colonel Lindbergh. Papers which themselves dealt harshly with the aviator apparently felt

constrained to defend his right to express an unpopular point of view. It is argued that presidential indulgence in personalities diminishes national unity. Rather curiously, some southern papers objected to the President's application of the term "copperhead" to Lindbergh on the ground that it was offensive to the South.

In general, the editorial criticism of President Roosevelt may be said to indicate tension and impatience, rather than hostility. It appears to stem from the sense of uncertainty in which the commentators plainly feel that they are enveloped.

Confusion

The speeches made by Secretaries Hull and Knox were widely applauded. Their assertions that the United States must see to it that the weapons forged here are delivered into British hands were generally interpreted as pointing to more vigorous implementation of the Lend-Lease policy and specifically to convoys. But the approval was tempered by complaints that the Secretaries skirted this controversial term, failing to define the means of delivery.

The term "convoy" has come, for reasons which are somewhat obscure, to be a symbol in the editorial, and no doubt also in the public, mind. Without much regard for the tactical considerations which may affect its feasibility, convoying is now regarded more and more widely as an essential to all-out aid for Britain. And, conversely, there is a tendency to consider any step other than

- 4 -

convoying as a half-measure.

Announcement of the extension of Atlantic patrols has been greeted, therefore, by the more vigorous aid-to-Britain advocates as "half-convoying," as a makeshift or a euphemistic substitute for all-out assistance. There has been general approval of the patrols; but there does not appear to be any great faith in them as the means of winning the Battle of the Atlantic. Until the nature of this battle and the elements of naval strategy involved are explained to the public, this view of convoys as the unique solution seems likely to persist.

Increasingly, the public and the press are accepting the thesis that the winning of the Battle of the Atlantic is indispensable to American security. With the growth of this conviction, the overwhelming demand is for action. It is inaction that is feared most of all. The more dramatic the action, the more likely it will be to regenerate morale and recreate the national sense of purpose and direction.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 2, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£145,000
Purchased from commercial concerns	£ 12,000

Open market sterling was quoted at 4.03-1/4. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£1,000
Purchased from commercial concerns	-0-

In New York, closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	12-1/8% discount
Swiss franc	.2321
Swedish krona	.2385
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2355
Brasilian milreis (free)	.0505
Mexican peso	.2066
Cuban peso	3-15/16% discount

In Shanghai, the yuan in terms of our currency was again quoted at 5-5/32¢. Sterling, however, fell 1-3/4¢ to 3.86-1/2¢.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

The price fixed in London for both spot and forward silver was unchanged at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 34-3/4¢.

We made two purchases of silver totaling 275,000 ounces under the Silver Purchase Act, both of which were bought for forward delivery. All of this silver represented new production of which 200,000 ounces came from Peru and 75,000 ounces from various foreign countries.

The Treasury issued licenses under both the Gold Reserve Act and Executive Order No. 8389, as amended, permitting the Federal Reserve Bank of New York to effect the following transfer of gold in its vaults:

\$712,000 from B.I.S. account No. 6 to the account of the Central Bank of El Salvador.

Gold in B.I.S. account No. 6 (amounting to \$1,121,340) was pledged to the B.I.S. by the Central Bank of El Salvador last December and January as collateral for B.I.S. dollar loans aggregating \$862,000 to the Salvadorean Bank. We have been advised that the Salvadorean Bank has repaid \$662,000 of these dollar loans, and the above transfer of \$712,000 in gold represents a release from the collateral account.

J. M. S.

CONFIDENTIAL

BRITISH EMBASSY,
WASHINGTON, D. C.

Personal and Secret

May 2nd, 1941.

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a copy
of the latest report received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

Telegram received from London
dated April 30th, 1941.

Naval. At 1.37 p.m. April 29th Commander-in-Chief Mediterranean reported that probably at least 40,000 men evacuated from Greece.

Coastal convoy attacked by E-Boats night of 28th/29th; one British ship of 1,500 tons sunk. E-Boats engaged by two destroyer motor launches and motor gunboats; two E-Boats damaged and two repeatedly hit by gunboats.

62 rounds fired into Dover April 29th without damage.

Night of 27th/28th British merchant vessel claims to have shot down an enemy aircraft off East Scotland and on the 28th mine sweeper shot down German bomber off East England.

Reference telegram of April 29th, second paragraph. Three ships mentioned were tankers totalling 18,400 tons, one has sunk, other on fire and unsalvageable, the third was British vessel "Port Hardy" 8,900 tons on passage from New Zealand. Survivors have been picked up in the North Western approaches from British City of Nagpur 10,150 tons from Glasgow to Fredericktown and from British Beacon Grange 10,100 tons from Tyne to Buenos Aires both independently routed.

Royal Air Force. 29th. During daylight attacks on enemy shipping 2,000 ton and 1,000 ton vessel hit; two of our aircraft missing.

Night of 29th/30th 71 bombers sent to Mannheim and 31 to Rotterdam. Majority of aircraft detailed

for/

-2-

for Mannheim dropped bombs in target area. One bomber missing. Five offensive fighter patrols sent over Northern France; one ME 110 destroyed.

German aircraft. Night of 28th/29th. Plymouth anti-aircraft guns destroyed three enemy bombers, 42 persons killed and 13 wounded at Naval training establishment considerable damage caused to the dockyard.

Night of 29th/30th. About 156 aircraft attacked Plymouth where attack lasted about four hours; damage in centre of the city thought very severe and casualties heavy; 36 others operated over Cardiff and further 36 engaged against shipping and bombing over various localities. Night fighters and anti-aircraft defences each destroyed one enemy aircraft.

CONFIDENTIAL

MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, May 2, 1941

TENTATIVE LESSONS BULLETIN
No. 99
G-2/2657-235

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction, see Letter TAG 350.05 (9-19-40) M-B-M.

BRITISH NOTES ON UMPIRINGSOURCE

The notes in this bulletin were compiled and published by the British War Office in September, 1940.

CONTENTS

1. GENERAL
2. PARTICULAR FORMS OF UMPIRING

CONFIDENTIAL

CONFIDENTIALBRITISH NOTES ON UMPIRING1. GENERALa. Functions

A good umpire should combine the functions of an actor, a sports commentator, a war correspondent, and a thought reader. His job is:

(1) To create an atmosphere of war by describing sights, sounds, and smells which are present in battle but lacking in an exercise.

(2) To influence the action of the local commander by describing the effects of enemy fire in terms of casualties.

(3) To keep the next senior umpire fully informed of the results of engagements and the intentions of commanders in order that the battle may be controlled in a realistic and warlike manner.

The job demands imagination, energy, tact, foresight, quick thinking, and a sound appreciation of military values. A good umpire must, therefore, be a good soldier.

b. Energy

No umpire can ever do his job if he waits to be given information. He must get around, ask for the information he wants, and insist on getting it. He must anticipate points of contact, and he must be able to appreciate when he should be back at unit or formation headquarters to obtain the essentials of a new plan. He must remain in close touch with umpires of the opposing side, put them into the picture, and learn what is happening on "the other side of the hill."

c. Secrecy

In their anxiety to be on the spot as soon as an action begins, umpires should take care to avoid giving away the plans of one side by collecting in large numbers in the area concerned just before an operation. This precaution is particularly important at night, when the lights of umpires' cars may entirely destroy surprise.

d. "Picture-Painting"

An umpire affects the course of operations by "picture-painting," but he must be careful not to give commanders information that they would not get in war. Successful "picture-painting" to junior commanders should result in passing back of information to higher form-

CONFIDENTIAL

CONFIDENTIAL

ations, as it is passed back in war. The picture of what is happening on the front of a forward company should never have to be painted for a battalion commander except on exercises in which troops are not represented.

Before an umpire can paint an accurate picture of fire effect, he must either visit the troops producing the fire or obtain details from the umpires with such troops, whether they be infantry, machine gun, or artillery units. In order to be able to paint the picture in time, the umpire must use imagination and intelligent anticipation. An umpire who is continually looking ahead and trying to see what is likely to happen will be able to make use of lulls in fighting to discuss probable situations in advance with umpires on his flanks and on the enemy side.

When painting verbal pictures of fire effect, an umpire should not describe the number of enemy weapons which are firing, but rather the type of noise they are making and the number of casualties they are causing. Actual positions of enemy weapons should not be given, but the general direction or area from which fire is coming can be indicated. It is up to the commander concerned to take what action he thinks fit. If the action seems wrong to the umpire, he can paint the picture more graphically, but he must never dictate to the commander what should be done.

e. Carelessness

An umpire can never be too severe about careless acts or mistakes which would cause unnecessary casualties in war. This injunction applies particularly to careless exposure to fire and to air attack. Bad examples of exposure to fire are frequently given by commanders of all grades; care with regard to air attacks must be taken not only for troops in or moving into action, but also for troops in reserve and in the administrative services. Habits acquired in exercises will be repeated in battle: it is the umpire's responsibility to see that false lessons are not learned.

f. The Administrative Side

An umpire must always bear in mind the administrative aspect of the battle. In exercises, ammunition expenditure is frequently disregarded, and the effect of enemy action upon the rearward services is rarely taken into account. In war, administrative difficulties may cripple offensive action, and this lesson can only be brought home in exercises by good umpiring.

g. The Umpire Staff

The umpire staff forms part of a team - director, control, and

CONFIDENTIAL

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umpires - whose sole object it is to ensure that the exercise develops in accordance with the general plan and under conditions as near as possible to those of actual war.

It is never the function of umpires to criticize commanders. They should deal with facts and allow these facts to speak for themselves. Suggestions and suggested criticisms will always be of value, but they should be made to the director through the chief umpire.

To enable them to compile reports for their chief umpire, all umpires should keep detailed records of events throughout the exercise. Reports will include not only the umpires' decisions with reasons, but all items such as time of receipt of orders by formations, action taken, time of start of moves, etc.

2. PARTICULAR FORMS OF UMPIRING

a. Umpiring Attack

The more hastily staged the attack, the less elaborate will be the fire support and the more easily will umpires be able to obtain and to pass on to opposing umpires the details of such support. Considerable time will be required, however, for preparation of a full dress attack covered by a barrage of artillery and machine guns and supported by "I" tanks, and it will probably be possible to hold a conference of umpires of opposing sides to assess respective values of supporting fire and defensive dispositions.

But whatever the form of attack, it is essential that the fullest information be procured by umpires of the attacking side on dispositions and fire support of the defense, and by umpires of the defending side on the plan and fire support of the attack. Umpires of both sides must arrange to meet prior to the attack so that such information can be mutually exchanged in time for appropriate fire pictures to be painted when the attack is launched. This conference must include not only infantry umpires, but also umpires from all supporting arms.

b. Umpiring Defense

When umpiring a force on the defensive, assistant umpires must visit as many localities and weapon sites as possible, so that they can assess accurately what effective fire can be brought to bear from selected positions. Only through such action can true lessons on the value of reconnaissance, siting of weapons, and coordination of the fire plan be emphasized.

While it is frequently stated in manuals that there is only one degree of resistance in defense, sufficient credit is seldom given

CONFIDENTIAL

CONFIDENTIAL

in exercises to the sub-unit, which, by careful siting and firm determination, would in war be able to hold out effectively. As a result, the value of stubborn defense is rarely demonstrated to defending units, and attacking units do not learn to appreciate the problem provided by the unreduced locality.

Good umpires can, however, recognize such situations, and bring out lessons which will be of value not only in training, but also to morale of the troops.

c. Umpiring Patrols

It should be a cardinal principle that every patrol be accompanied by an umpire, who must himself conform throughout to the action of the patrol by lying, crawling, etc., so as not to compromise it.

d. Umpiring Artillery

If satisfactory results are to be achieved with artillery units, two types of umpire are necessary. The first deals with the technical side of gunnery and checks calculations required to produce fire at the desired place. The second deals with the tactical aspect and with the shell end of artillery preparations. It is this latter artillery umpire who, having received the decision of technical artillery umpires, transmits to infantry umpires in the forward area the probable results of the proposed artillery plan, not only as set up, but as executed through artillery arrangements actually made.

This can only be done by the closest liaison between tactical artillery umpires and infantry umpires in the area in which the shells are likely to fall. Time, however, is usually short for the transmission of this information, and it is often preferable, given men, material, and mechanical transport, to arrange for the result of fire to be depicted through fireworks laid by special artillery parties.

A further duty imposed on the artillery umpire is that of painting a picture to artillery units of enemy counterbattery or harassing fire so that artillery commanders can assess the necessity for altering troop or battery positions.

e. Umpiring Armored Vehicles

(1) Armored Action Against Armored Action

In a case of armored action against armored action, it is clearly impossible to adjudicate on the spot or to control the action of individual armored vehicles. Thus the action must be allowed to proceed until the rally points of each side are reached. Then an assessment can

CONFIDENTIAL

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be made of the result of the action and of the casualties incurred by each side.

(2) Light Tanks Against Infantry in Defense

Where clashes are likely between light tank troops and antitank rifles, it is important that consideration should be given to obstacles which make tanks more vulnerable targets. At the same time, umpires on the defending side should ensure that the siting of antitank weapons is such that they are not likely to be neutralized by the fire of light tank troops.

(3) Tanks Against A Prepared Defensive Position

The umpiring of an action in which tanks are employed to support infantry and are supported by both artillery and machine guns, is undoubtedly the most difficult form of umpiring operation. If the umpiring is to be successful, there must be accurate information on the probable action of tank units and the probable fall of the bullets and shells of machine guns and artillery. All these factors must be taken into consideration, as must the natural blindness of the tank. This last factor is so important that if, for reasons of safety, it is necessary for tank commanders to move with turrets open, due allowance should be made for reduction in the efficiency of the tanks when closed down and in their ability to pick up targets which are well concealed.

Where an attack supported by tanks is envisaged, the maximum number of umpires should be drafted to the area. Their tasks will be:

- (a) To calculate the degree of surprise achieved;
- (b) To watch tactical siting and handling of antitank weapons, including antitank mines;
- (c) To watch the use made of ground and smoke by attacking tanks;
- (d) To appreciate the support afforded by covering fire of artillery and machine guns and the mutual support of tanks and infantry to overcome the defensive opposition.

Time for arranging such an umpire organization should normally be available, since an attack on a large scale will take considerable time to stage. Two points in the umpiring of such an attack are important, as affecting the training of the army as a whole. First, due credit should be given to those sub-units which are sited and concealed in tankproof localities and have not been dealt with adequately

CONFIDENTIAL

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by supporting fire, either by neutralization or smoke. Second, as a result of umpire appreciation, arrangements must be made so that estimated tank casualties stop in the place in which they are adjudged to have been crippled or stopped.

Only in this way can the defending force appreciate the success or failure of its preparations. To allow all tanks to pass through the position and thereafter to assess casualties teaches few lessons and does little except give defending troops a wrong impression of the efficiency of the weapons with which they are armed. Such action can only impair their morale; troops will rarely hear what casualties have later been imposed by the umpires. On the other hand, for the detachment of a well sited antitank weapon to see the casualties they have caused halted before them will provide an excellent incentive.

f. Rules for Umpiring The Effects of Gas

Attention is drawn to the necessity of putting out of action at once troops who fail to wear respirators in an area of effective concentration of non-persistent gas, and also to the delay which should elapse before troops are made casualties as a result of exposure to blister gas. This delayed action introduces into umpiring a complication which must be overcome by suitable arrangements.

g. Special Points With Regard to Umpiring With Aircraft

In view of recent experiences in Norway, France, and Belgium, it should hardly be necessary to emphasize the importance of remembering in all training the danger from aircraft, but the umpiring of bombing and machine gun attacks presents special difficulties on account of the speed at which attacks develop, the uncertainty of the point of attack, and the difficulty of maintaining constant control of aircraft and of judging accurately the effect of fire from ground troops.

In order for umpires to assess correctly the probable effect of attacks and paint a realistic picture of the results of such attacks, they must understand the forms that attacks are likely to take and the effectiveness of the various methods of attack on whatever target has been offered.

Troops should always be told when their casualties are slight on account of correct action being taken and when attacking aircraft suffer losses as the result of offensive anti-aircraft action by the troops. This will help to maintain interest and to reward good training.

h. Some Do's and Don't's for Umpires

- (1) Don't take sides. You are there to assess the value of

CONFIDENTIAL

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fire impartially.

(2) Don't compromise secrecy by word or deed.

(3) Look ahead and try to foresee the result of future actions, so that when the action occurs you can give an immediate decision.

(4) Don't give information that would not be available in war, but fill in the gaps of what would in war be seen, felt, heard, or smelt.

(5) Remember that others may not readily follow your line of thought as you paint pictures; make allowances and go on painting the picture more and more vividly. Then, if no notice is taken, cause casualties.

(6) Don't look at fields of fire from your vehicle or horse, but rather from the weapons.

(7) Don't be bluffed.

(8) Don't allow argument, but give reasons; be tactful and avoid giving offense.

(9) Be firm and absolutely impartial, and do anything you can to maintain interest.

(10) Don't forget your report to your senior umpire. He is anxiously waiting for it to complete his picture of the battle front.

(11) When rendering reports, give reasons for failure or delay. Don't criticize, but let facts speak for themselves. Make a note of the time and place of any incidents.

(12) Don't give away impending developments by injudicious exposure or by large assemblies of umpires in the area likely to be affected.

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RESTRICTED

G-2/2657-220; No. 381 M.I.D., W.D. 12:00 M., May 2, 1941.

SITUATION REPORTI. Western Theater.

Air: German. Last night a short, sharp attack was made on Liverpool.

British. Considerable daylight activity over Holland on the 1st. Limited activity last night.

II. Greek Theater.

Local mopping up operations continue in Greece. The Germans report the capture of an additional 8,200 British soldiers.

III. Mediterranean and African Theaters.

Ground: North Africa. Heavy fighting continues at Tobruk with the final issue still in doubt. Considerable patrol activity is reported in the Sollum sector.

Air: Axis. Sharp air fighting over the Libyan-Egyptian border. Fairly heavy bombardment of Tobruk.

British. Raids on Derna and Bengazi.

IV. Iraq.

Fighting has broken out around Basra between Iraqi and British forces.

RESTRICTED

SECRET - 207

By authority A. C. of S., G-2

Date MAY 7 1941 (BPM)

Initials

Paraphrase of Code Cablegram
Received at the War Department
at 11:24, May 2, 1941

Cairo, filed 22:19, April 30, 1941.

1. German pilots, as observed in operations in the Desert and in Greece, try to strike planes on the ground rather than in the air, tending to avoid the latter type of combat.

2. The British estimate that their evacuations from Greece will be completed on April 30. Fighter plane losses were 100 per cent, in bombers 60 per cent were lost or destroyed. It is also estimated that 95 per cent of the Air Force ground equipment was lost or abandoned. Pilots are returning without parachutes.

3. Elements of the British Army are in Sidi Barrani and Sofafi, with advance parties well west of Buqbuq.

4. The Axis objective in the Desert now appears to be limited to the passes on the Escarpment at Halfaya and Sollum as well as the excellent air bases at Capuzzo and Sollum.

5. The generator correction mentioned in your Cable No. 3 has worked out very well, as indicated by operation training with a number of P-40's. There are now 26 P-40's in this vicinity, and delivery of 15 per week is expected. Within 10 days one squadron of P-40's is expected to be in operation.

6. With further reference to my cable of April 20 concerning the German ship which was authorized by the Turkish Council at Verna to proceed through the Bosphorus on April 15, this ship was

SECRET

SECRET

208

filled with mines for Salonika. Since then two other German ships have passed through the Bosphorus.

FELLERS

Distribution

Secretary of War
State Department
Secretary of Treasury
Under Secretary of War
Chief of Staff
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
Air Corps
Assistant Chief of Staff, G-3

-3-

-2-

SECRET

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 3, 1941

TO Secretary Morgenthau
 FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Stopford called on me by appointment at 11:15 today. He had just returned from spending several days visiting bankers and other friends in New York. He was quite unhappy over the press report of a statement given out by the British Minister of Economic Warfare, Mr. Hugh Dalton, on May 1. Stopford insisted that there had been no suggestion from the British officials on this side that any such statement should be issued, and it came as a surprise to the Embassy here. He told me confidentially that both Secretary Hull and Under Secretary Welles had spoken to the Ambassador about this statement, and evidently were displeased with it. Mr. Stopford asked if I knew just what Secretary Hull said at his press conference yesterday. I told Mr. Stopford that I knew nothing about the matter until I read the report on the news ticker following Secretary Hull's conference yesterday noon, but had today received the radio bulletin issued by the Department of State yesterday evening which included a summary of Mr. Hull's statement. I read this to Mr. Stopford.

The question then came up as to whether the recently arrived official of the Ministry of Economic Warfare, Professor Noel Hall, whose status is that of Minister in the British Embassy here, should arrange to see Secretary Morgenthau in the near future. I told Stopford that Mr. Morgenthau had indicated his readiness to receive Professor Hall at any time. I reminded Mr. Stopford, however, that Mr. Hull's statement had rather sharply made the point that any British requests for our action in the field of economic warfare should be officially presented, and the accepted channel for such representations is the Department of State. Mr. Stopford immediately agreed that this had been made amply clear, and assured me that Minister Hall would not make any official request through the Treasury that should be filed with the State Department. Since, however, Mr. Stopford had been so constantly in touch with us on various matters, it would seem reasonable that his new chief should come in and pay his respects to Secretary Morgenthau. I agreed entirely with this. Mr. Stopford thought, nevertheless, that it might be desirable to postpone this visit a little longer, unless Secretary Morgenthau himself might desire some explanation from Mr. Hall of the Dalton interview incident.

In our conversation, I referred to Stopford's visit of some days ago, as reported in my memorandum of April 15, wherein the question arose as to closer cooperation between Stopford and the Treasury, with the possible inclusion of pooling of information with the F. B. I. I told Mr. Stopford that I had consulted my colleagues in the Treasury, particularly Messrs. Bell, Gaston and Pehle, and that we had come to the conclusion that it would not be advisable to attempt through the Treasury to effect any direct interchange of F. B. I. and British Intelligence information as supplied by Mr. Stopford. It was felt that the material which Mr. Stopford supplies us with so generously is primarily for the benefit of Foreign Funds Control. Mr. Pehle makes such further distribution from that division as may seem appropriate to him. Through a smoothly working system Mr. Pehle and I each receive copies of whatever Mr. Stopford

- 2 -

submits. When I feel there is anything that should be brought to the attention of the Secretary or officers not on Mr. Pehle's distribution list, I attend thereto. I assured Mr. Stopford that we are entirely happy to have him continue his contacts as heretofore with Mr. Pehle and myself, and also look directly to Assistant Secretary Gaston for contact on shipping and other matters which fall within Mr. Gaston's field.

With respect to the question raised by Mr. Stopford of our giving further cooperation through controlling exports and imports of American bank notes, as well as the import of foreign currency, I summarized to him in confidence a letter which had today been received wherein the Federal Reserve Bank of New York gave an indication as to recent movements of United States currency between this country and foreign countries. These figures indicated that the currency movements are not very important, except with a few countries in this hemisphere, particularly Cuba. I do not believe there is imperative need for any action on our part just now with respect to the currency import and export question.

A handwritten signature in dark ink, appearing to be the initials 'AMP' or similar, written in a cursive style.

4256

MEMORANDUM

May 3, 1941

To: PRICE ADMINISTRATION COMMITTEE
From: David Ginsburg, Secretary

1. Hereto annexed is summary of the minutes of the last meeting.

2. I am also enclosing copies of the six price schedules, together with amendments thereof, which have so far been issued.

* The supply of price schedule #6 is temporarily exhausted. Copies will be sent as soon as available. Also, price schedule #1 will be issued in revised form in a few days. It will be sent to you when available.

CONFIDENTIALSUMMARY OF STENOGRAPHIC TRANSCRIPT OF MEETING OF
PRICE ADMINISTRATION COMMITTEEApril 29, 1941
12 m.

Chairman: Mr. Henderson

Present: Secretary Wickard, Messrs. March, Ryder, Ezekiel,
Nelson, Clayton, Lubin, Pike, Shaughnessy, Hamm,
Ginsburg1. Coal freezing order

Mr. Henderson reported that some of the railroads which handle coal and some of the large brokers have increased the price, particularly in New England, about 25 cents a ton. Although the coal order will be lifted as soon as substantial production is resumed, he indicated that, working cooperatively with the Bituminous Coal Division, the price situation could probably be controlled.

2. Informal understandings on copper prices

Mr. Henderson reported that suggestions have been made to individual copper producers to sell at a maximum of 12 1/2 cents per pound. He stressed the desirability of avoiding rigidity at this time since a differential has always been customary in the trade.

(Upon Mr. Henderson's departure, Mr. Hamm assumed the chair.)

3. Iron and steel

Mr. Hamm reported that there has been substantial compliance with the steel order. Phoenix Iron has complained that the order works hardship on them since their costs are higher and they had been selling at a premium before the order was issued. If it is found that they actually were selling at higher prices throughout most of the first quarter and that these prices were justified on the basis of higher costs, permission will be granted to them to sell at higher ceiling prices.

U. S. Steel has pointed out two handicaps: (1) the order makes it impossible for them to sell steel for shipbuilding on the West Coast at a basing point in the Central States plus transportation and (2) some extras, which were frozen as of March 31, have risen in cost since then because of increases other than in labor cost. Mr. Hamm indicated that revisions would probably be made to ameliorate both conditions if it can be demonstrated that such revisions are warranted.

4. Agricultural prices

Mr. Ginsburg read a letter which Mr. Henderson proposed to send to Representative Cannon clarifying the position of OPACS on farm prices (copy attached). The letter pointed out that thus far no steps have been taken to establish ceiling prices on farm commodities but that steps have been taken to forestall increases in farm costs. Future policy of OPACS is to be directed toward the largest measure of stability for both agricultural and nonagricultural prices.

No dissent was expressed concerning sending the letter and releasing it to the press, though Mr. Nelson suggested that the sentence "we have taken steps to see that the increased costs are not passed on to customers" be modified to read "unless warranted."

5. Agricultural machinery

Mr. Lubin raised the problem faced by the manufacturers of agricultural machinery who find themselves unable to procure the aluminum and nickel necessary for tractors because of their low priority rating. Mr. Hamm pointed out that the whole matter of allocation of materials among various industries is virgin territory but that a start had been made. He announced that Mr. Joseph Weiner has been appointed Assistant Administrator in Charge of Civilian Allocation.

The meeting adjourned at 12:45 p.m. to meet Tuesday,
May 6.

OFFICE FOR EMERGENCY MANAGEMENT

Office of Price Administration and Civilian Supply

Not for release before
1 PM, Thursday
May 1, 1941

PM 345

The following letter was sent yesterday to Congressman Clarence Cannon of Missouri by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply.

The letter states the position of OPACS on farm prices. It has been reviewed by the Price Administration Committee created in the Executive Order setting up OPACS, and is a reply to statements made before the House by Congressman Cannon on April 21.

April 30, 1941

Honorable Clarence Cannon
House of Representatives
Washington, D. C.

Dear Mr. Cannon:

Your address before the House of Representatives on Monday last makes me believe that a brief clarification of the policy of this office with respect to agricultural prices would be helpful. Because of your deep interest in this question, I particularly want you to know that I have not singled out farm prices for special action. I will continue to support administration policies which are directed toward the improvement of farm income. There has been some misunderstanding on this whole issue which, I believe, would have been avoided had the position of my office been clearly on the record.

Some of the misunderstanding is associated with the measures announced on April 3 to increase the supplies of pork, dairy and poultry products. First of all, I should like to state my own position on these measures.

During the past year domestic demand for meat, dairy and poultry products has been increasing rapidly. Very recently the British Government has asked for substantial supplies of these same products. On anything so vital as our food supply we can afford no gamble with an underestimate of our needs. Any weakness in our domestic defense or any default in our aid to other countries resulting from an inadequate food supply would be inexcusable.

For these reasons I joined with the Secretary of Agriculture in steps to increase immediately the price of hogs to make increased production remunerative. For the same reasons, I concurred in the proposal to give farmers a long-term guarantee of prices of pork products, dairy products and poultry products. The purpose of these steps was to insure that the increased production would not be marketed at distress prices — in other words, the Government rather than the individual

farmer is underwriting the risk of the expansion of output. Our policy here parallels that which has been followed by the Government in minimizing the risk of industrial plant expansion for defense purposes.

This is not a price-fixing measure. No representations were made to this office by the War Department, individual Army officers, or by employers. The guaranteed prices are minimum prices and no maximum prices have been agreed upon. Should there be a speculative advance in these or any other prices which unreasonably anticipates heavy domestic or British buying, then action will be taken. We will take it with the speculator rather than the farmer in mind.

With this clarification, I am sure that you will understand that we did not single out farm producers for discriminatory treatment. To date we have taken no steps to establish ceiling prices on farm commodities. On the other hand, we have acted to forestall increases in farm costs. You draw attention to recent wage advances in certain sectors of the steel and farm machinery industry. The leading units in both of these industries have been enjoying relatively high profits and in both of these cases we have taken steps to see that, unless clearly necessary in particular instances to avoid inequality, the increased costs are not passed on to customers. I am attaching a letter which I addressed last Monday to all leading manufacturers of farm equipment.

Turning to the future, I am sure that you will accept my assurance that our policy will continue to be as fair as we can make it. The President has charged me with the responsibility of using all lawful measures to maintain equitable and workable price relationships during the defense emergency and with preventing the type of price inflation which occurred during the last war. If we are to be successful, we can play no favorites — the policy must be applied across the whole board. Unjustifiable price increases and profiteering must be checked wherever they occur. But I will recognize what the Congress and the present administration have always recognized and have written into law — namely, that the prices of many farm products in past years have been too low to provide the farmer with a decent living wage for his labor. I have been a strong supporter of the objectives of the farm programs and I will continue to be. The same policy will be followed with respect to desirable and necessary improvements in farm income that we must apply to the correction of sub-standard returns to other groups.

Generally speaking, the policy I propose to pursue will be directed toward the largest possible measure of stability for both agricultural and nonagricultural prices. I believe such a policy to be of prime importance to agriculture itself. It has always been my feeling that the long years of farm disparity following the last war were partly the result of inflationary advances in farm prices and farm costs during the war period. The farmers' prices fell after the war was over, while his costs, his debt load and his interest charges remained high and

- 3 -

inflexible. He was left in the vice. To avoid a recurrence of this disaster is one of my jobs. It is my earnest desire that I will have and merit the wholehearted support of farm people in doing it.

In view of the importance of the question here discussed to farm people everywhere, I should like to release this letter to the press. Also, might I ask your good offices in seeing that it has the same circulation as your own statement. If either now or at any time in the future you wish information of any kind on policies of this office, please call on me immediately.

Very truly yours,

Leon Henderson
Administrator

Att.

April 21, 1941

Gentlemen:

As you know this office has recently taken steps to maintain steel prices at the levels which prevailed during the first quarter of this year. In announcing the Steel Price Schedule, I drew attention to the wide range of finished products into which steel enters as a raw material and the importance of maintaining stable prices in these finished products.

One of the products which I had especially in mind was farm machinery and equipment. The prices of these products are an important factor in the cost of farm production. As such they are related to the prices of our entire domestic supplies of food and fiber. Should labor supplies become scarce in certain agricultural areas as a result of the defense program farm machinery will become even more important in the farm economy.

Recently wage increases have been announced in certain parts of the industry. Moreover, I am aware that certain other cost elements have advanced. But with assured prices of the major raw material and a favorable demand in the industry generally, I feel justified in requesting that there be no increase in farm machinery prices at this time. I also request that there be no alteration in your cash discounts, trade discounts, volume discounts, carry allowances, methods of quoting prices, credit practices or other trade or price policies which would have the effect of increasing net manufacturer's prices of individual items. Where prices of equipment have not yet been quoted for this year, I request that you adhere to the price schedules which were last in effect. I am asking your voluntary cooperation in the hope, which I am sure we both share, that other steps may be avoided in this industry.

If carrying out this request imposes undue hardships on your company in some particular, I will entertain a plea for its modification, and at any time I will be glad to meet with representatives of your industry to discuss questions raised by this request.

Yours very truly,

Leon Henderson
Administrator

(COPY)

THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE
FEDERAL RESERVE BUILDING
WASHINGTON, D. C.

February 17, 1941

Dear Sir:

Enclosed you will please find Price Schedule No. 1, issued by the Price Stabilization Division.

Prices in the secondhand machine tool trade have risen until they have become out of line, especially as compared with prices for new machine tools. That condition is definitely harmful to the defense program. This Division cannot allow it to continue further. Most if not all of the persons trading in secondhand machine tools agree with that conclusion. The Price Stabilization Division has accordingly issued Price Schedule No. 1.

Price Schedule No. 1 sets out in Appendix A maximum prices for "secondhand machine tools" which, within the meaning of the Price Schedule include lathes, boring mills, milling machines, drill presses, and any other machines for the cutting, abrading, shaping, forming and joining of metal. The prices are maximum prices, or "ceiling prices," and set forth the most to be charged. They are not fixed prices or minimum prices. Sales may and should be made below the "ceiling."

The price limitations are stated in terms of percentages of the current list prices of equivalent new machines. The percentages vary with the age of the secondhand machine tools. In most cases the secondhand dealer will know both these factors. But to take care of other cases, I am writing to ask the machine tool builders to furnish this information to secondhand dealers in response to inquiries which refer to specific secondhand machine tools and give full descriptions and serial numbers.

The prices set forth have been carefully established on the basis of information obtained through the active and wholehearted cooperation of the trade and through independent investigation

- 2 -

by Government experts. These are not only reasonable but liberal. It is the purpose of this Division to prevent the kind of price situation which leads to a weakening of the defense effort through disastrous inflation, undue burdens upon the Government, economic dislocation, price spiraling and profiteering. It is accordingly fair to state that if there are those who selfishly turn the exigencies of the defense program to their own profit, and wilfully disregard the limitations contained in Appendix A, the Division will use to the utmost the sanctions mentioned in paragraph six of the Schedule.

Price Schedule No. 1 also calls for the filing of certain reports. These include reports on secondhand machine tools in stock, and reports on such tools sold by the dealer either as principal or agent, and on tools bought by the dealer as agent for a purchaser. Reports on tools in stock are to be filed weekly. These may be in the form of circulars or stock sheets. Such reports will be returned as rapidly as later ones are received. This procedure is similar to one which has already been instituted by the Tools Section of the Division of Production, Office of Production Management, and with which you are probably already familiar. One or two additional items of information are requested, however, as you will note from examining Appendix B, attached. As the Tools Section is writing you, reports under this Schedule will take the place of reports which were previously being made to that Section.

Reports on transactions are to be filed monthly beginning in April, 1941. The form for such reports is indicated in an attached schedule. Printed forms are in preparation, however, and will shortly be available on request.

The prices and the reports are easy to understand. If you have any difficulty, or if you have some special question you would like to have considered, or if you feel that some hardship in the application of the Price Schedule indicates that the Price Stabilization Division should approve a change, whether that change is for a single sale or of a general nature, please feel free to write to Leon Henderson, Advisory Commission to the Council of National Defense, Price Stabilization Division, Washington, D. C.

Sincerely yours,

Leon Henderson
Leon Henderson
Commissioner

UNITED STATES OF AMERICA
Price Stabilization DIVISION of the
ADVISORY COMMISSION TO THE
COUNCIL OF NATIONAL DEFENSE

PRICE SCHEDULE NO. 1

Second-Hand Machine Tools



UNITED STATES OF AMERICA
Price Stabilization DIVISION of the
ADVISORY COMMISSION TO THE
COUNCIL OF NATIONAL DEFENSE

PRICE SCHEDULE NO. 1

Second-Hand Machine Tools

WHEREAS the Price Stabilization Division of the Advisory Commission to the Council of National Defense is charged with functions related to the maintenance of price stability and the prevention of undue price rises and price dislocations; and

WHEREAS in the second-hand machine tool trade, prices have risen in such fashion and to such extent since May 1940 as compared with other basic commodities, and in particular as compared with new machine tools, as to result in price instability and dislocations injurious to the national defense; and

WHEREAS such price increases are not justified but represent, on the part of a few, the result of speculative activity, and withholding of sales and offers to sell in the prospect of further unwarranted price increases, amounting to profiteering and hoarding; and

WHEREAS the absence of any maximum price standards makes it difficult and in some cases impossible for the trade voluntarily to cooperate with the Government in maintaining price stability and in preventing excessive and speculative price increases; and

WHEREAS the establishment of such standards by the Government is necessary to facilitate such cooperation, and to prevent the kind of price policy which leads to a weakening of the defense effort through disastrous inflation, undue burdens upon the Government, economic dislocations, price spiraling, and profiteering, and the establishment of such standards is otherwise necessary in the public interest and in the interest of national defense; and

WHEREAS on the basis of information secured by independent investigation by this Division and by the Office of Production Manage-

event and information furnished through the cooperation of the trade, I find that the maximum prices set forth in Appendix A, attached hereto, constitute reasonable limitations on prices for second-hand machine tools,

Now, THEREFORE, in order to facilitate cooperation with the Government in maintaining price stability and in preventing excessive and speculative price increases injurious to the defense program and to the public interest and welfare, It Is DIRECTED THAT:

1. On and after March 1, 1941, prices for second-hand machine tools, exclusive of extras, shall not exceed the prices set forth in Appendix A, attached to this Schedule. No person shall charge or demand for such tools prices higher than those set forth in Appendix A; and no dealer, as agent for a purchaser, shall buy or offer to buy such tools at higher prices. Lower prices may, however, be charged, demanded, paid, or offered. The price limitations set forth in Appendix A shall not be evaded by additional or extra charges for repair or reconditioning, commissions, or otherwise.

2. Each dealer in second-hand machine tools shall file with the Price Stabilization Division reports on second-hand machine tools in his stock and reports on second-hand machine tools sold by or through him or purchased through him as agent.

(a) Reports on second-hand machine tools in stock must include for each tool all the information set forth in Appendix B. Such reports may, however, be in the form of circulars or stock sheets. Such reports shall be dated and signed by the dealer. The first such report shall be filed during the week of February 24, 1941, giving information as of February 21, 1941. Thereafter, a report shall be filed each week giving information as of Friday of the previous week. Reports previously filed will be returned on receipt of the latest report.

(b) Reports on second-hand machine tools sold by or through the dealer or purchased by him as agent must include the information and be in the form set forth in Appendix C. Printed forms for such reports are being prepared and will shortly be available on request to the Division. These reports shall be filed in duplicate, dated, and signed by the dealer. Such reports shall be filed on or before the 10th day of each month (beginning April 10, 1941) for transactions during the month previous to the report.

(c) Reports described in (a) and (b) above may omit any second-hand machine tools offered for sale, or sold, for less than \$500.

(d) Subject to the provisions of paragraph 6 below, all information filed or received pursuant to this Price Schedule No. 1 shall be treated as confidential, except that it may be transmitted to any other agency or department of the Government.

3. When used in this Schedule:

(a) The term "person" includes an individual, corporation, association, partnership, or other business entity;

(b) The term "dealer" means a person in the business of buying and selling second-hand machine tools as a principal or in the business of buying or of selling such tools as an agent or broker;

(c) The term "machine tool" includes all machines for the cutting, abrading, shaping, forming, and joining of metals;

(d) The term "second-hand" refers to machine tools which have previously been used or purchased for use;

(e) The term "stock," referring to second-hand machine tools, includes tools which are owned by the dealer in question, or on which he has obtained an option, or for which he has secured a selling agency.

4. Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Price Stabilization Division for approval of any modification thereof.

5. In order to facilitate the application of this Schedule, Supplements further stating its scope will be issued from time to time as may be necessary or appropriate.

6. In the event of refusal or failure to abide by the price limitations or other provisions contained in this Schedule, this Division will make every effort to assure (a) that the Congress and the public are fully informed of the instances of such profiteering or noncooperation; and (b) that the powers of the Government are fully exerted in order to protect the public interest in the maintenance of fair prices. Persons who have evidence of the demand or receipt of prices above the limitations set forth, or of speculation, manipulation of prices, or hoarding, are urged to communicate with the Price Stabilization Division, giving as complete description of the particular machine-tools as may be practicable.

7. This Schedule shall become effective immediately, except that paragraph (1) shall become effective March 1, 1941.

Issued this 17th day of February, 1941.

LEON HENDERSON,
Commissioner.

Published in the Federal Register, February 18, 1941, Volume 6, Number 33, page 1031.

APPENDIX A

Maximum prices for second-hand machine tools

[Exclusive of extras]

Classification by—		Maximum price in terms of percentage of current list price of equivalent new machine tool
Date of manufacture	Condition	
1. Jan. 1, 1936, and after.....	(a) Rebuilt and guaranteed.....	95
	(b) Others.....	70
2. Jan. 1, 1930, to Dec. 31, 1935.	(a) Rebuilt and guaranteed.....	90
	(b) Others.....	70
3. Jan. 1, 1920, to Dec. 31, 1929.	(a) Rebuilt and guaranteed.....	80
	(b) Others.....	60
4. Before Jan. 1, 1920.....	(a) Rebuilt and guaranteed.....	70
	(b) Others.....	50

NOTES

1. The date of manufacture can be determined from the serial number stamped on the machine by the manufacturer.

2. As used above, the classification "Rebuilt and Guaranteed" applies only to machines which have been rebuilt and tested and which carry a guaranty of satisfactory performance for a period of not less than 30 days.

APPENDIX B

Information to be contained in report of second-hand machine tools in dealer's stock

Name of dealer.....

Address.....

1. Report for (date).....
2. Type of machine tool.....
3. Make.....
4. Size.....
5. Manufacturer's serial number.....
6. Year of manufacture.....
7. Condition in which machine tool is offered for sale (i. e., whether rebuilt and guaranteed or not).....
8. Price at which machine tool (exclusive of extras) is being offered.....
9. List price at which equivalent new machine is offered by manufacturer.....

The above information may be furnished in a special report or in the form of circulars or stock sheets. Such reports shall be dated and signed by the dealer. They shall be filed each week, beginning the week of February 24, 1941, giving information as of Friday of the previous week. Reports shall be filed with the Price Stabilization Division, Advisory Commission to the Council of National Defense, Washington, D. C.

Failure to object to an offering price as disclosed by a report does not constitute approval of the price

APPENDIX C

Monthly report of second-hand machines sold by or through dealer or purchased by him as agent

Name of dealer.....
 Address.....

Date of sale	Type	Make	Size	Manufacturer's serial No.	Date of manufacture	Price received by seller (exclusive of extras)	List price at which equivalent new machine is offered by manufacturer, for reference	Remarks

.....
 (Date of report)

.....
 (Signature of dealer)

This report is to be filed in the above form, in duplicate, on or before the 10th day of each month (beginning April 10, 1941) covering transactions during the previous month. Printed forms may be obtained on request to the Price Stabilization Division, Advisory Commission to the Council of National Defense, Washington, D. C., with which these reports are to be filed.

Press Release

Striking directly at profiteering in second-hand machine tools, Leon Henderson, head of the Division of Price Stabilization, National Defense Advisory Commission, today issued the first of a series of price schedules.

Mr. Henderson explained that his action initiates a program which will be extended where necessary to assert the full force of the Federal Government, including the power of commandeering and requisitioning, to protect the public interests against those seeking to profit exorbitantly on defense requirements. It will also serve, he said, to expose their activities to the Congress and to the public in general.

Mr. Henderson emphasized that the prices set forth in the directive are "ceiling" or maximum prices; that they are not only reasonable but liberal, and that sales may and should be made below the ceiling.

"The underlying purposes of this schedule," Mr. Henderson said, "is to establish fair price standards which will enable the great bulk of industry to cooperate with the Government in maintaining price stability, and to single out those who wish to grow fat on the defense program."

Cases have been brought to the attention of the Price Stabilization Division where machine tools are being priced at twice the original cost when purchased thirty or more years ago. In many instances the price asked for second-hand tools exceeds current prices for new ones, thus threatening the entire machine tool price structure, stimulating disastrous inflation, placing undue burdens upon Government and consequently weakening the defense efforts too.

"People indulging in these practices," Mr. Henderson said, "are of the stripe described by President Roosevelt as individuals who would clip the American eagle's wings to feather their own nests. We propose to maintain the eagle's full power of flight and clip the profiteer where it hurts him most".

The price schedules will become effective on March 1, 1941.

Letter to Second-Hand Machine Tool Dealers

THE ADVISORY COMMISSION TO THE
COUNCIL OF NATIONAL DEFENSE,
FEDERAL RESERVE BUILDING,
Washington, D. C., February 17, 1941.

DEAR SIR: Enclosed you will please find Price Schedule No. 1, issued by the Price Stabilization Division.

Prices in the second-hand machine tool trade have risen until they have become out of line, especially as compared with prices for new machine tools. That condition is definitely harmful to the defense program. This Division cannot allow it to continue further. Most if not all of the persons trading in second-hand machine tools agree with that conclusion. The Price Stabilization Division has accordingly issued Price Schedule No. 1.

Price Schedule No. 1 sets out in Appendix A maximum prices for "second-hand machine tools" which, within the meaning of the Price Schedule include lathes, boring mills, milling machines, drill presses, and any other machines for the cutting, abrading, shaping, forming and joining of metal. The prices are maximum prices, or "ceiling prices," and set forth the most to be charged. They are not fixed prices or minimum prices. Sales may and should be made below the "ceiling."

The price limitations are stated in terms of percentages of the current list prices of equivalent new machines. The percentages vary with the age of the second-hand machine tools. In most cases the second-hand dealer will know both these factors. But to take care of other cases, I am writing to ask the machine tool builders to furnish this information to second-hand dealers in response to inquiries which refer to specific second-hand machine tools and give full descriptions and serial numbers.

The prices set forth have been carefully established on the basis of information obtained through the active and wholehearted cooperation of the trade and through independent investigation by Government experts. These are not only reasonable but liberal. It is the purpose of this Division to prevent the kind of price situation which leads to a weakening of the defense effort through disastrous inflation, undue burdens upon the Government, economic dislocation, price spiraling and profiteering. It is accordingly fair to state that if there are those who selfishly turn the exigencies of the defense program to their own profit, and wilfully disregard the limitations contained in Appendix A, the Division will use to the utmost the sanctions mentioned in paragraph six of the Schedule.

Price Schedule No. 1 also calls for the filing of certain reports. These include reports on second-hand machine tools in stock, and reports on such tools sold by the dealer either as principal or agent, and on tools bought by the dealer as agent for a purchaser. Reports on tools in stock are to be filed weekly. These may be in the form of circulars or stock sheets. Such reports will be returned as rapidly as later ones are received. This procedure is similar to one which has already been instituted by the Tools Section of the Division of Production, Office of Production Management, and with which you are probably already familiar. One or two additional items of information are requested, however, as you will note from examining Appendix B, attached. As the Tools Section is writing you, reports under this Schedule will take the place of reports which were previously being made to that Section.

Reports on transactions are to be filed monthly beginning in April 1941. The form for such reports is indicated in an attached schedule. Printed forms are in preparation, however, and will shortly be available on request.

The prices and the reports are easy to understand. If you have any difficulty, or if you have some special question you would like to have considered, or if you feel that some hardship in the application of the Price Schedule indicates that the Price Stabilization Division should approve a change, whether that change is for a single sale or of a general nature, please feel free to write to Leon Henderson, Advisory Commission to the Council of National Defense, Price Stabilization Division, Washington, D. C.

Sincerely yours,

LEON HENDERSON,
Commissioner.

Letter to Second-Hand Machine Tool Dealers

OFFICE OF PRODUCTION MANAGEMENT,
SOCIAL SECURITY BUILDING,
Washington, D. C., February 17, 1941.

DEAR SIR: To avoid any misunderstanding and duplication on your part, we wish to advise that the enclosed request of the Price Stabilization Division for information on your stock will answer our request of February 5th for similar information.

The enclosed letter asks for additional information such as serial numbers and prices to which we ask you to give your particular attention.

Yours very truly,

MASON BRITTON,
Tools Section.

Letter to New Machine Tool Builders

THE ADVISORY COMMISSION TO THE
COUNCIL OF NATIONAL DEFENSE,
FEDERAL RESERVE BUILDING,
Washington, D. C., February 17, 1941.

DEAR SIR: Enclosed you will find copies of a letter and Schedule which are being sent today to members of the second-hand machine tool trade. These have been worked out after lengthy consultation with members of the trade and with the Tools Section of the Division of Production, Office of Production Management.

Please note the fourth paragraph of the letter. I hope that the inquiries which you will, as a consequence, receive from second-hand dealers will not prove too burdensome. It will be greatly appreciated if you can cooperate to the extent of furnishing information in response to such inquiries, which as you will see is necessary for the application of the price limitations set forth in the Schedule.

In view of the fact that the price of second-hand machine tools is now tied to the list price of new machine tools, you will readily understand the importance of maintaining price stability in the new machine tool market. Accordingly, I should appreciate it if you would inform me of any proposed increases in your list prices.

Sincerely yours,

LEON HENDERSON,
Commissioner.

ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE
PRICE STABILIZATION DIVISION
2000 Massachusetts Ave., N.W.
Washington, D. C.

March 14, 1941

Dear Sir:

1. The Price Stabilization Division has today amended its Price Schedule #1 (Second-Hand Machine Tools). WEEKLY AND MONTHLY REPORTS HERETOFORE REQUIRED OF DEALERS IN SECOND-HAND MACHINE TOOLS HAVE BEEN CANCELLED. HENCEFORTH, DEALERS WILL FILE INVENTORY AS OF MARCH 15, 1941, ADDITIONS AND SALES OR OTHER DISPOSITIONS, AS THEY TAKE PLACE. COPIES OF THE FORM TO BE USED--SECOND-HAND MACHINE TOOL REPORT--ARE ENCLOSED.

2. The Price Stabilization Division is appreciative of the cooperation of the dealers in second-hand machine tools. Many of them have been going to great effort to send in their stock books promptly. Considering the difficulties which always have to be overcome when such reports are first filed, the response and compliance has been gratifying. On the basis of the reports received, this Division is amending its requirements in order to simplify and obtain uniformity of reports.

3. Henceforth, the dealer will file one report (in duplicate) for each machine tool in stock on March 15, 1941, or added after that date, and will file another report (again in duplicate) whenever that machine tool is sold or otherwise disposed of. The reports must be filed within ten days after March 15, 1941, as to all machine tools in inventory on that date; and within one week after date of addition or date of sale or other disposition, as to all transactions taking place after March 15, 1941.

4. Each machine tool must be given its own separate inventory number. The dealer can use the inventory number already on his books. A record should be kept of the inventory number reported to this Division.

5. In reporting the March 15, 1941 inventory, or additions made after that date, the report is to be filed in duplicate with answers to all questions numbered 1 to 12 and signed by the officer making the report.

In reporting Sales or Other Dispositions, questions numbered 1 to 17 are to be answered. If carbons of the first report are on hand (with questions 1 to 12 already answered), the dealer can just fill in questions 13 to 17.

6. One copy of each report is being routed to the Tools Section of the Office of Production Management. That Office desires that the dealer attach a photograph to one copy of the inventory report (or, if the machine tool is added after March 15, 1941, then the first report of the addition),

to assist it in placing the machine tool where needed for the national defense program.

7. Dealers may print a facsimile of the report form on the reverse side of their stock sheets, Provided, That the stock sheets must be 8½" x 11".

8. INSTRUCTIONS have been printed on the reverse side of the form. They should be read carefully.

9. All floor-type machine tools must be reported. Reports are no longer to be limited to machine tools selling for more than \$500.

10. Note the definition of "rebuilt and guaranteed," in Item 3 of the Instructions on the report form.

11. Cone Drive. Note Item 2 of the Instructions. Where the second-hand machine tool has a cone drive, and the tool is now manufactured with geared-head drive, determine the ceiling price by deducting 20 percent from the list price of the new machine tool and then applying the appropriate percentage stated in the price schedule.

Example. New geared-head machine tool has a price of \$2500. For the price of a new machine tool equivalent to the cone drive second-hand machine tool, deduct 20 percent from \$2500, thus arriving at \$2000. If the machine tool is in class 4, the ceiling price if (a) rebuilt and guaranteed is \$1400 (70 percent of \$2000); and if (b) other condition is \$1000 (50 percent of \$2000).

12. Where machine tool is held in joint ownership, the inventory report shall be filed by the dealer in possession (or, if none of the owners has possession, by the dealer holding the receipt for the tool or to whom it has been invoiced). When sale is made, the dealer who invoices the machine tool must report the sale and refer to the inventory number that has been assigned to the machine tool on the first report.

13. Maintain complete records on all second-hand machine tools bought, sold or otherwise handled or dealt in by you, and preserve such records so that they may be readily available for inspection by representatives of this Division.

14. We are herewith sending you some copies of the report forms. To advise us with respect to number of forms needed, please fill out the attached sheet, and send it in at once.

Sincerely yours,

Leon Henderson
Leon Henderson
Commissioner

3406 ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE
PRICE STABILIZATION DIVISION
2000 Massachusetts Ave., N.W.
Washington, D. C.

Estimated Number Floor-Type Second-Hand Machine Tools on Hand March 15

Estimated Number of Report Forms wanted _____

Name: _____

Address: _____

Check one: Dealer _____ Manufacturer _____ Other (specify) _____

ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE
PRICE STABILIZATION DIVISION
2000 Massachusetts Ave., N.W.
Washington, D. C.

April 9, 1941

Gentlemen:

This is to inform you that the Price Stabilization Division has today issued two amendments to Price Schedule No. 1 (Second-Hand Machine Tools):

1. Henceforth, every report of sale or other disposition of a second-hand machine tool shall state the name and address of the purchaser. This information need be noted under item 17, Remarks, on only one of the two sales reports to be filed within one week after the transaction. Requests for copies of invoices may be made by this Division at any time. On the basis of experience with Price Schedule No. 1, it is the opinion of this Division that knowledge of the name and address of the purchaser will aid in the administration of the Schedule.

2. Study of reports made by second-hand machine tool dealers reveals the necessity for some clarification of the handling of extras. On Form PSD 100:1 item 11, Offering price refers to the offering price of the basic second-hand machine tool exclusive of all extras. Under item 12, should be listed each extra and its offering price. Extras may be defined as supplementary equipment furnished by the manufacturer at an added cost. Second-hand extras are subject to the same maximum price percentage that is applicable to the basic second-hand machine tool to which the extras are added.

This Division is appreciative of the cooperation given it by the vast majority of second-hand machine tool dealers. Very soon, you will receive your printed copy of Price Schedule No. 1, as amended. Please feel free to call upon us whenever we may be of assistance.

Very truly yours,

Leon Henderson
Commissioner

NATIONAL DEFENSE ADVISORY COMMISSION

For release in AM papers
Monday March 24, 1941

PM 186

A Price Schedule setting ceiling prices for aluminum scrap and secondary aluminum, pegged to current prices for virgin aluminum, was issued today by Leon Henderson, Director of the Price Stabilization Division, National Defense Advisory Commission.

High price levels attained by aluminum scrap and secondary aluminum during the past month made this action necessary, Mr. Henderson explained.

"This price schedule will be fully enforced", he said. "The powers of the Government to place compulsory orders, to condemn or requisition properties, to issue priorities and to use other powers to carry out the defense program will be exerted to the utmost against any person whom we find to be disregarding these selling prices".

Prices of aluminum scrap and secondary aluminum have recently been subjected to serious inflationary pressures, Mr. Henderson asserted, both because of the failure of the sources of virgin aluminum to meet current demand—especially the demand of fabricators making items for civilian needs—and because of the recent issuance of a priorities order restricting the use of virgin aluminum to defense purposes.

Under normal conditions, he continued, prices for secondary aluminum do not exceed prices for virgin aluminum. Recently, however, the Price Stabilization Division has received reports of sales of aluminum scrap reaching prices as high as 32 cents a pound—almost double the price of the virgin metal.

- 2 -

"Such prices are not required to draw out aluminum scrap", Mr. Henderson said. "They are merely the results of a speculative demand which has built up inflationary prices. There are supplies of scrap, and these supplies will be tapped at reasonable prices, once it is understood that the Government will not tolerate prices above a fair maximum".

The new Price Schedule establishes two ceiling prices for aluminum scrap. The lower ceiling applies to the first sale of aluminum scrap from the maker to any other person. The higher ceiling applies to any sale of aluminum scrap thereafter by any dealer or other person to any smelter, foundryman, fabricator, or other dealer. The two ceilings are fixed f.o.b. the point of shipment and will allow the dealer a margin of $1\frac{1}{2}$ cents per pound on clippings, borings and turnings, and 1 cent per pound on other types of aluminum scrap.

The maximum prices for secondary aluminum ingot are applicable to any sale or purchase of secondary aluminum ingot by any person. Like the scrap schedules, these prices are made f.o.b. the point of shipment. They leave a spread of 3 to 4 cents per pound for the processors' costs and profits.

"These ceiling prices", Mr. Henderson stated, "will give ample allowance for reasonable profit to both dealers and smelters. However, recent demand for secondary aluminum indicates that there may be some effort on the part of manufacturers and fabricators to purchase scrap direct from dealers, thus circumventing the smelter. To forestall this movement, the Schedule requires dealers to report any sales which they make to any person other than a smelter."

The new Schedule will become immediately effective in a market of already inflated prices. Consequently, a method is provided by which smelters and dealers who have acquired inventories at prices above the new maximum prices to meet previously arranged firm commitments for sales above ceiling prices may secure an exception from the Price Schedules in order to carry out these firm commitments on the original terms. However, it should be noted that this exception will not be permitted beyond the amount of inventories already acquired either by the smelter or his dealer to carry out the commitment. With this one exception the maximum prices set forth in the new Schedule become immediately and absolutely effective regardless of any preexisting contracts.

This Schedule is the second to be issued by the Price Stabilization Division. The first Schedule, issued February 17, established ceiling prices for second-hand machine tools, relating the ceiling prices to the prices of equivalent new machine tools. "To date", Mr. Henderson stated, "reports seem to show 100 percent compliance".

Mr. Henderson added that schedules are imminent in iron and steel scrap as well as zinc scrap, and that apparently unwarranted price increases in various other industries have been reported during the past few days.

"Should these movements continue, price ceilings will have to be established in these industries", he said. "We hope that this action will not be necessary, but if it is, we are ready to enforce reasonable price limits".

(Copy of Price Schedule No. 2 attached).

PRICE STABILIZATION DIVISION
OF THE
ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE

PRICE SCHEDULE NO. 2

Aluminum Scrap and Secondary Aluminum Ingot

WHEREAS, the Price Stabilization Division of the Advisory Commission to the Council of National Defense is charged with functions related to the maintenance of price stability and the prevention of undue price rises and price dislocations; and

WHEREAS, producers of virgin aluminum have been directed by the Office of Production Management, Division of Priorities, to give priority to defense orders thus diminishing the supply of virgin aluminum available to satisfy civilian needs and thereby necessitating increasing resort to aluminum scrap and secondary aluminum ingot; and

WHEREAS, the increased demand for aluminum scrap and secondary aluminum ingot has exerted inflationary pressure upon the prices thereof, and has in some cases already caused, and threatens to a greater extent to cause, speculative activity, and the withholding of aluminum scrap and secondary aluminum ingot from the market; and

WHEREAS, prices of aluminum scrap and secondary aluminum ingot, while normally less than prices of virgin aluminum, have risen to exceed the prices of virgin aluminum, so as to result in price instability and dislocations injurious to the national defense; and

WHEREAS, in light of the aforesaid factors the absence of any maximum price standards for aluminum scrap and secondary aluminum ingot makes it difficult and in some cases impossible for the trade voluntarily to cooperate with the Government in maintaining price stability and in preventing excessive and speculative price increases; and

WHEREAS, the establishment of such standards by the Government is necessary to facilitate such cooperation, and to prevent the kind of private price policy which leads to a weakening of the defense effort through disastrous inflation, undue burdens upon the Government, economic dislocations, price spiraling, and profiteering, and the establishment of such standards is otherwise necessary in the public interest and in the interest of national defense; and

WHEREAS, on the basis of information secured by independent investigation by this Division and by the Office of Production Management and information furnished through the cooperation of the trade, I find that the maximum prices set forth in Appendices A and B, attached hereto, constitute reasonable limitations on prices for aluminum scrap and secondary aluminum ingot,

NOW, THEREFORE, IN ORDER TO FACILITATE COOPERATION WITH THE GOVERNMENT IN MAINTAINING PRICE STABILITY AND IN PREVENTING EXCESSIVE AND SPECULATIVE PRICE INCREASES INJURIOUS TO THE DEFENSE PROGRAM AND TO THE PUBLIC INTEREST AND WELFARE, IT IS DIRECTED That,

1. Maximum prices on sales of aluminum scrap by the maker of the scrap. On and after March 28, 1941, regardless of the terms of any commitment theretofore entered into, no maker of aluminum scrap shall sell, offer to sell, deliver, or transfer at a price, aluminum scrap made by him at prices higher than the prices set forth in Column I of Appendix A, attached to this Schedule, and no person shall buy, or offer to buy, aluminum scrap from the maker of such aluminum scrap at higher prices; except that any maker of aluminum scrap may be permitted to sell, or offer to sell, or deliver, or transfer at a price, aluminum scrap directly to a smelter, and a smelter to purchase or receive such scrap, at prices higher than the prices set forth in Column I of Appendix A, but not to exceed

the prices set forth in Column II of Appendix A, if it appears upon application made to the Price Stabilization Division of the Advisory Commission to the Council of National Defense, Washington, D. C., that such maker of aluminum scrap had prior to March 24, 1941, customarily, in the course of his business, sold and delivered aluminum scrap made by him directly to such smelter. Lower prices than those set forth in Column I of Appendix A may, however, be charged, demanded, paid, or offered.

2. Maximum prices on sales of aluminum scrap by dealers. On and after March 27, 1941, regardless of the terms of any commitment theretofore entered into, any person who is not the maker of the aluminum scrap sold, offered for sale, delivered, or transferred at a price, shall not sell, offer to sell, deliver, or transfer at a price, aluminum scrap at prices higher than the prices set forth in Column II of Appendix A, attached to this Schedule, and no person shall buy, or offer to buy, aluminum scrap from any person who is not the maker of such aluminum scrap at higher prices; except that any person not the maker of the aluminum scrap who had purchased aluminum scrap prior to March 24, 1941, to meet a previously made firm commitment of sale or delivery of such scrap to another person may, upon application to the Price Stabilization Division, be permitted to sell, or deliver, such scrap in accordance with the terms of such firm commitment.

3. Maximum prices on sales of secondary aluminum ingot. On and after March 25, 1941, prices for secondary aluminum ingot shall not exceed the prices set forth in Appendix B, attached to this Schedule, and the maximum price limitations for secondary aluminum ingot set forth in Appendix B shall not, on and after March 25, 1941, be exceeded by any person in any purchase, sale, or other transfer at a price, of secondary aluminum ingot whether or not

PM 186

- (a) made pursuant to a contract of sale or purchase, or other firm commitment, entered into prior to such date; or
- (b) made in the disposition of inventories of aluminum scrap or secondary aluminum ingot held on March 24, 1941;

except that to avoid loss to any person who had acquired such inventory in order to meet firm commitments made prior to March 24, 1941, for the sale of secondary aluminum ingot, the Price Stabilization Division will, in appropriate cases to be determined on applications made under paragraph 4 hereof, permit the sale and delivery of such secondary aluminum ingot in accordance with the terms of such firm commitments. Lower prices than the prices set forth in Appendix B may be charged, demanded, paid, or offered.

4. Application for sale of secondary aluminum ingot at prices higher than prices in Appendix B. Any person desiring permission to sell or deliver secondary aluminum ingot at prices higher than the prices set forth in Appendix B may apply therefor in writing, upon forms available upon request made to the Price Stabilization Division of the Advisory Commission to the Council of National Defense, Washington, D. C. However, no such permission shall be granted for the sale or delivery of quantities of secondary aluminum ingot in excess of the lesser of the following two amounts:

- (a) total undelivered firm commitments, made prior to March 24, 1941, for sale of secondary aluminum ingot at prices higher than those set forth in Appendix B;
- or

(b) total inventories of aluminum scrap and secondary aluminum ingot which were acquired at prices higher than the price limitations contained in this Schedule and which were held on March 24, 1941, by the applicant and, in case any dealer or other person had acquired any such inventory to meet a previously made firm commitment with the applicant for sale or delivery of aluminum scrap to the applicant, by such dealer or other person.

5. Evasion. The price limitations set forth in this Schedule shall not be evaded whether by direct or indirect methods in connection with a purchase, sale, or transfer at a price, of aluminum scrap or secondary aluminum ingot, or of any other materials, or by way of any service or other charge or discount, premium or other privilege, or by typing-agreement or other trade understanding, or otherwise.

6. Identification and record keeping requirements. Every dealer in, and every maker, smelter, processor, or consumer of, and every other person purchasing or selling aluminum scrap or secondary aluminum ingot shall, until such time as further information is deemed necessary or appropriate hereunder, keep for inspection by the Price Stabilization Division, and preserve for a period not less than one year, complete and accurate records of:

(a) all purchases and sales of aluminum scrap and secondary aluminum ingot, recording therein the person from or to whom each such purchase or sale was made, the date thereof, the price paid or received, and the quantity in pounds and quality by grades of aluminum scrap or secondary aluminum ingot, or both, involved; and

- (b) as of the close of each month the amount in pounds of aluminum scrap and secondary aluminum ingot (i) on hand and (ii) on order.

7. Reports of dealer's sales of aluminum scrap to persons not smelters. Except as herein provided, any person who sells aluminum scrap to any user or further processor of aluminum scrap other than a smelter producing secondary aluminum ingot for sale, shall file a report with the Price Stabilization Division of the Advisory Commission to the Council of National Defense, Washington, D. C., not later than the tenth day of the month following the month in which such sale is made, stating with respect to any and each such sale:

- (a) The name and address of the person to whom the sale was made,
- (b) the number of pounds and the grade of aluminum scrap sold, and
- (c) the price at which sold.

8. Enforcement. In the event of refusal or failure to abide by the price limitations, record requirements, and other provisions contained in this Schedule, or in the event of any evasion or attempt to evade the price limitations or other provisions contained in this Schedule, this Division will make every effort to assure (a) that the Congress and the public are fully informed of any failure to abide by the provisions of this Schedule; and (b) that the powers of the Government are fully exerted in order to protect the public interest and the interests of those persons who conform with this Schedule in the

-7-

Maintenance of the ceiling prices herein set forth. Persons who have evidence of the demand or receipt of prices above the limitations set forth, or of any evasion of or effort to evade such requirements, or of speculation, or manipulation of prices of aluminum scrap or secondary aluminum ingot, or of the hoarding or accumulating of unnecessary inventories thereof, are urged to communicate with the Price Stabilization Division.

9. Supplemental schedules and reporting requirements. In order to insure compliance with this Schedule supplements further stating its scope and, if necessary, requiring further reports to the Government, will be issued from time to time when found appropriate.

10. Modification of the Price Schedule. Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Price Stabilization Division for approval of any modification thereof or exception therefrom.

11. Definitions. When used in this Schedule:

(a) the term "person" includes an individual, corporation, association, partnership, or other business entity;

(b) the term "maker of aluminum scrap" means any

(i) manufacturer, fabricator, or other industrial user of aluminum who as an incident to his manufacturing process, fabricating, or other industrial use, produces aluminum scrap; and

(ii) automobile cemetery operator, wrecker, or other person who, in his business or as an incident to his business, collects and

-8-

sorts aluminum scrap.

Aluminum scrap shall be deemed to be "made" when first sold, or offered for sale, or delivered, as aluminum scrap by a maker of aluminum scrap.

(c) the term "aluminum scrap" means the kinds and grades of aluminum scrap referred to in Appendix A;

(d) the term "secondary aluminum ingot" means the kinds and grades of secondary aluminum ingot referred to in Appendix B.

12. This Schedule shall become effective immediately, except as otherwise specifically provided herein.

Issued this 24th day of March, 1941.

LEON HENDERSON,
Commissioner.

- 9 -

APPENDIX A

Maximum Prices for Aluminum Scrap
(f.o.b. point of shipment)

<u>Grade of Aluminum Scrap</u>	<u>Maximum Price</u> (per pound)	
	<u>Column I</u> <u>Sale by Maker</u>	<u>Column II</u> <u>Sale by Dealer</u>
Pure Clips and Cable	13¢	14½¢
Segregated Alloy Sheet Clips	12¢	13½¢
Old Sheet and Utensils	12¢	13½¢
Mixed Sheet Clips	11¢	12½¢
Cast Scrap and Forged Scrap, old and new	11¢	12¢
Borings and Turnings other than No. 12	10¢	11½¢
No. 12 type Borings and Turnings	9½¢	11¢
Pistons free of struts	11½¢	12½¢
Pistons with struts	9½¢	10½¢

APPENDIX B

Maximum Prices for Secondary Aluminum Ingot
(f.o.b. point of shipment)

<u>Grade of Secondary Aluminum Ingot</u>	<u>Maximum Price</u> (per pound)
98 Percent Pure Aluminum Ingot	17¢
Silicon Alloys	17¢
Deoxidizing Aluminum: Notch bar, granulated ingot or shot (2¢ extra allowed for special shapes)	16½¢
Piston Alloys	16½¢
No. 12 Aluminum	16¢

NATIONAL DEFENSE ADVISORY COMMISSION

For release in AM papers
Monday, March 31, 1941.

PM 219

Maximum prices for zinc scrap materials and secondary slab zinc, pegged to the prices of primary slab zinc, were established today in the third Price Schedule issued by Leon Henderson, Director of the Price Stabilization Division, National Defense Advisory Commission.

The two earlier Schedules fixed maximum prices for second-hand machine tools, aluminum scrap and secondary aluminum ingot.

Under normal conditions, Mr. Henderson said, prices for secondary slab zinc are below prices for primary slab zinc. For some time, however, in spite of the fact that the prices of primary slab zinc have remained stable, prices of secondary slab zinc, and of zinc scrap materials have risen to exceed and in some cases even to double the prices of primary slab zinc - levels which are fantastic in relation to the primary price.

"Such prices are not required to and do not draw out supplies of zinc scrap materials," Mr. Henderson said. "On the contrary, they tempt owners of zinc scrap materials to 'hold it for the rise' and build up a speculative demand, resulting in inflationary prices. There are supplies of scrap, and these supplies will be tapped at reasonable prices, once it is understood that the Government will not tolerate prices above a fair maximum."

Price Schedule No. 3 establishes maximum prices at which zinc scrap materials and secondary slab zinc may be sold by any person to any other person

"These ceiling prices," Mr. Henderson stated, "should give ample allowance for reasonable profit to the industry.

"We do not believe it necessary in this industry to fix margins for dealers in zinc scrap materials. Since a ceiling has been put on the prices at which dealers and any other persons may sell zinc scrap materials, dealers will naturally pay less than the ceiling prices for the scrap materials they buy.

- 3 -

Dealer margins will thus be fixed in accordance with customary business practice."

The maximum prices established for zinc scrap materials are delivered prices or f.o.b. prices depending upon the kind and grade of zinc scrap material involved. They are, Mr. Henderson pointed out, the maximum prices per pound to be paid for zinc scrap materials, after free iron and other foreign materials are removed.

Maximum prices for secondary slab zinc in carload lots have been established on an f.o.b. East St. Louis basis, Mr. Henderson explained. Thus, for example, if secondary slab zinc of Prime Western grade is sold and delivered in carload lots to a buyer in New York, the maximum price that may be charged, regardless of where the seller is located, is 7.25¢ plus freight from East St. Louis to the buyer's customary rail receiving point in New York.

"This is the practice in the industry", Mr. Henderson declared. "Both primary and secondary slab zinc prices are quoted on this basis. This does not mean, however, that our action should be taken as indicating approval of the basing point system in the industry. Nor should this statement be taken as indicating disapproval. The purpose of Price Schedule No. 3 is to bring the prices of secondary zinc into line with the prices of primary zinc. For this purpose we took the practice of the industry as we found it."

Maximum prices for secondary slab zinc sold and shipped or carried away in less than carload lots are slightly higher than the prices for sales or shipments in carload lots. For example, the maximum price for secondary slab zinc sold to and trucked away by a buyer in New York, in less than carload lots, is 7.25¢ plus a flat premium of 3/4 cents, plus carload freight from East St. Louis to the seller's plant or warehouse, wherever it may be located. This maximum price is f.o.b. the seller's plant or warehouse and the buyer will pay for trucking the zinc away.

"We have been informed", Mr. Henderson explained, "that unless a premium is

allowed for sales and shipments of secondary slab zinc in less than carload lots, sellers of secondary slab zinc, because of the extra expense involved in small lot business, would not sell secondary slab zinc in less than carload lots. This of course would seriously affect small consumers of secondary slab zinc who do not need and cannot afford to buy in carload lots. To protect the small consumer a premium has been allowed on sales and shipments in less than carload lots, sufficient in our opinion to encourage sellers of secondary slab zinc to continue to sell to small consumers. The issuance of this Price Schedule should not give anyone an excuse to discontinue sales to small consumers."

The new Schedule, Mr. Henderson emphasized, will become effective immediately, regardless of any preexisting contracts. To avoid hardship, however, deliveries of secondary slab zinc may continue to be made up to and including Thursday, April 3, at prices higher than the established maximum prices but only if such deliveries are made under a firm commitment entered into prior to March 31, 1941, and are made to avoid loss in the disposition of zinc scrap materials acquired prior to March 31, 1941, or secondary slab zinc acquired in order to meet such commitment, at prices higher than the established maximum prices.

The Schedule requires complete and accurate records of every purchase and sale of zinc scrap materials and secondary slab zinc to be kept. Furthermore, to keep the Price Stabilization Division informed as to the movement of zinc scrap materials into the hands of persons other than distillers and remelters, any galvanizer, brass mill or foundry which purchases 4,000 pounds or more of zinc scrap materials in any single week is required to report such purchase to the Price Stabilization Division. Thereafter such galvanizer, brass mill or foundry is required to make weekly reports of every purchase of zinc scrap materials, regardless of the amount involved.

"Price Schedule No. 3, as well as the two other Price Schedules we have issued, will be fully enforced", Mr. Henderson said. "The powers of the Government to compel the delivery to the Government of materials at the established maximum prices, to condemn or requisition properties, to issue priorities and to use other powers to carry out the defense program will be exerted to the utmost against any person whom we find to be disregarding these ceiling prices."

Prices of zinc scrap materials and secondary slab zinc have been subjected to inflationary pressures, Mr. Henderson explained, because there is an insufficient supply of zinc to satisfy both defense and civilian demand and because effective steps have been taken by producers of primary slab zinc, at the request of the OPM Priorities Division, to facilitate the flow of primary zinc into defense channels.

Mr. Henderson declared that maximum price schedules are imminent for iron and steel scrap and that the Price Stabilization Division has been working on measures to stabilize the copper and brass markets. These measures will be discussed at a meeting with Price Stabilization Division officials on Wednesday, April 3. Unwarranted price increases in various other industries have been reported during the past few days.

"Should these movements continue, price ceilings will have to be established in these industries," he said. "We hope that this action will not be necessary, but if it is, we are ready to enforce reasonable price limits."

PRICE STABILIZATION DIVISION
of the
ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE

PRICE SCHEDULE NO. 3

Zinc Scrap Materials and Secondary Slab Zinc

WHEREAS, the Price Stabilization Division of the Advisory Commission to the Council of National Defense is charged with functions related to the maintenance of price stability and the prevention of undue price rises and price dislocations; and

WHEREAS, there now is and has been for several months an insufficient supply of zinc, primary and secondary, to satisfy the total defense and civilian demand; and

WHEREAS, the producers of primary slab zinc, at the request of the Office of Production Management, Division of Priorities, have voluntarily taken effective steps to facilitate the flow of primary slab zinc into defense channels, thus diminishing the supply of primary slab zinc available to satisfy civilian needs and increasing the demand for zinc scrap materials and secondary slab zinc; and

WHEREAS, the increased demand for zinc scrap materials and secondary slab zinc has exerted inflationary pressure upon the prices thereof, and has in some cases already caused, and threatens to a greater extent to cause, speculative activity, and the withholding of zinc scrap materials and secondary slab zinc from the market; and

WHEREAS, prices of zinc scrap materials and secondary slab zinc, while normally less than prices of primary slab zinc, have risen to exceed the prices of primary slab zinc so as to endanger the stability of the primary

slab zinc market and the market for products of zinc and result in price instability and dislocations injurious to the national defense; and

WHEREAS, in light of the aforesaid factors the absence of any maximum price standards for zinc scrap materials and secondary slab zinc makes it difficult and in some cases impossible for individuals in the trade voluntarily to cooperate with the Government in maintaining price stability and in preventing excessive and speculative price increases; and

WHEREAS, the establishment of such standards by the Government is necessary to facilitate such cooperation, and to prevent the kind of private price policy which leads to a weakening of the defense effort through disastrous inflation, undue burdens upon the Government, economic dislocations, price spiraling, and profiteering, and the establishment of such standards is otherwise necessary in the public interest and in the interest of national defense; and

WHEREAS, on the basis of information secured by independent investigation by this Division and by the Office of Production Management and information furnished through the cooperation of the trade, I find that the maximum prices set forth in Appendices A and B, attached hereto, constitute reasonable limitations on prices for zinc scrap materials and secondary slab zinc,

NOW, THEREFORE, IN ORDER TO FACILITATE COOPERATION WITH THE GOVERNMENT IN MAINTAINING PRICE STABILITY AND IN PREVENTING EXCESSIVE AND SPECULATIVE PRICE INCREASES INJURIOUS TO THE DEFENSE PROGRAM AND TO THE PUBLIC INTEREST AND WELFARE, IT IS DIRECTED That,

1. Maximum prices on sales of zinc scrap materials. On and after March 31, 1941, regardless of the terms of any contract of sale or purchase,

or other commitment, entered into prior to such date, no person shall sell, offer to sell, deliver or transfer at a price, zinc scrap materials to any distiller, remelter, foundry, brass mill, galvanizer, dealer, or any other person, at prices higher than the maximum prices set forth in Appendix A, attached to this Schedule, and no person shall buy, or offer to buy, or accept delivery of, zinc scrap materials from any person at higher prices. Lower prices than those set forth in Appendix A may, however, be charged, demanded, paid, or offered.

2. Maximum prices on sales of secondary slab zinc. On and after March 31, 1941, regardless of the terms of any contract of sale or purchase, or other commitment, entered into prior to such date, no distiller, remelter, dealer or other person, shall sell, offer to sell, deliver, or transfer at a price, secondary slab zinc at prices higher than the prices set forth in Appendix B, attached to this Schedule, and no person shall buy, or offer to buy, or accept delivery of, secondary slab zinc at higher prices, except that, up to and including April 3, 1941, deliveries of secondary slab zinc may continue to be made and accepted in accordance with the terms of any contract of sale or purchase, or other firm commitment, entered into prior to March 31, 1941, if such deliveries are made or accepted in order to enable the seller to avoid loss in the disposition of zinc scrap materials, acquired by the seller prior to March 31, 1941, or secondary slab zinc acquired by the seller, at prices higher than the prices set forth in Appendices A and B, after the making of, and in order to carry out, such contract of sale or purchase, or other firm commitment. Lower prices than the prices set forth in Appendix B, may, however, be charged, demanded, paid, or offered.

3. Evasion. The price limitations set forth in this Schedule shall not be evaded whether by direct or indirect methods in connection with a purchase, sale, or transfer at a price, of zinc scrap materials, whether or not commingled with any foreign materials, or of secondary slab zinc, or in connection with a purchase, sale, or transfer at a price of any other materials, or by way of any service, transportation, or other charge, or discount, premium, or other privilege, or by tying-agreement or other trade understanding, or otherwise.

4. Record-keeping requirements. Every person purchasing or selling zinc scrap materials or secondary slab zinc shall, until such time as further information is deemed necessary or appropriate hereunder, keep for inspection by the Price Stabilization Division, and preserve for a period not less than one year, complete and accurate records of:

(a) every purchase and sale of zinc scrap materials, showing the name and address of the person from or to whom each such purchase or sale was made, the date thereof, the price paid or received, and the quality by grades, and quantity in pounds or tons, purchased or sold; and

(b) every purchase and sale of secondary slab zinc, showing the name and address of the person from or to whom each such purchase or sale was made, the date thereof, the price paid or received, and the quality by grades, and quantity in pounds or tons, purchased or sold, and whether the quantity so sold or purchased was shipped, delivered, carried away, or received, in carload or less than carload lots; and

(c) the amount in pounds or tons of zinc scrap materials and, separately, the amount in pounds or tons of secondary slab zinc (1) on hand,

and (ii) on order, as of the close of each month.

5. Reports of Purchases of Zinc Scrap Materials By Galvanizers,

Brass Mills and Foundries. Every galvanizer, brass mill, and foundry, which, on or after March 31, 1941, purchases 4,000 pounds or more of zinc scrap materials in any single week, in addition to keeping records as required above, shall file with the Price Stabilization Division, Advisory Commission to the Council of National Defense, Washington, D. C., a report of such purchase, and, having once filed such a report shall, thereafter, continue to file weekly reports of purchases of zinc scrap materials, regardless of the quantity purchased, showing with respect to any and each such purchase:

- (a) the name and address of the person from whom made,
- (b) the date thereof,
- (c) the price paid, and
- (d) the quality by grades, and quantity in pounds or tons, purchased.

6. Enforcement. In the event of refusal or failure to abide by the price limitations, record and report requirements, and other provisions contained in this Schedule, or in the event of any evasion or attempt to evade the price limitations or other provisions contained in this Schedule, this Division will make every effort to assure (a) that the Congress and the public are fully informed of any failure to abide by the provisions of this Schedule; and (b) that the powers of the Government are fully exerted in order to protect the public interest and the interests of those persons who conform with this Schedule in the maintenance of the ceiling prices herein set forth. Persons who have evidence of the demand or receipt of

prices above the limitations set forth, or of any evasion of or effort to evade such requirements, or of speculation, or manipulation of prices of zinc scrap materials or secondary slab zinc, or of the hoarding or accumulating of unnecessary inventories thereof, are urged to communicate with the Price Stabilization Division.

7. Supplemental schedule and reporting requirements. In order to insure compliance with this Schedule supplements further stating its scope and, if necessary, requiring further reports to the Government, will be issued from time to time when found appropriate.

8. Modification of the Price Schedule. Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Price Stabilization Division for approval of any modification thereof or exception therefrom.

9. Definitions. When used in this Schedule:

(a) the term "person" includes an individual, partnership, association, corporation or other business entity;

(b) the term "zinc scrap materials" means the kinds and grades of zinc scrap materials referred to in Appendix A;

(c) the term "secondary slab zinc" means the kinds and grades of secondary slab zinc referred to in Appendix B.

10. This Schedule shall become effective immediately.

Issued this 31 day of March, 1941.

LEON HENDERSON,
Commissioner

APPENDIX A

Maximum Prices for Zinc Scrap Materials*

<u>Grade of Zinc Scrap Material</u>	<u>Maximum Price</u> (per pound)
New Zinc Clippings and Trimmings .	6.75 cents, delivered buyer's plant
Engravers' and Lithographers' Plates	6.75 cents, delivered buyer's plant
Old Zinc Scrap	5.10 cents, delivered buyer's plant
Unswayed Zinc Dross	5.10 cents, f.o.b. point of shipment
Die Cast Slab	4.95 cents, f.o.b. point of shipment
New Die Cast Scrap	4.60 cents, f.o.b. point of shipment
Radiator Grilles, old and new	4.60 cents, f.o.b. point of shipment
Old Die Cast Scrap	4.25 cents, f.o.b. point of shipment

*The maximum prices herein established are the maximum prices to be paid for the zinc scrap materials herein enumerated after the free iron and other foreign materials are removed.

APPENDIX B

Maximum Prices for Secondary Slab Zinc

1. Sold, or Shipped, Delivered, or Carried Away, in Carload Lots*

<u>Grade of Secondary Slab Zinc**</u>	<u>Maximum Price</u> (per pound, delivered buyer's customary rail receiving point)
Prime Western or poorer grade	7.25 cents plus carload freight from E. St. Louis to buyer's customary rail receiving point
Brass Special	7.35 cents plus carload freight from E. St. Louis to buyer's customary rail receiving point
Intermediate	7.50 cents plus carload freight from E. St. Louis to buyer's customary rail receiving point

2. Sold and Shipped, Delivered, or Carried Away, in Less Than Carload Lots*

<u>Grade of Secondary Slab Zinc**</u>	<u>Maximum Price</u> (per pound, f.o.b. seller's plant or warehouse)
Prime Western or poorer grade	8 cents plus carload freight from E. St. Louis to seller's plant or warehouse
Brass Special	8.10 cents plus carload freight from E. St. Louis to seller's plant or warehouse
Intermediate	8.25 cents plus carload freight from E. St. Louis to seller's plant or warehouse

* The minimum quantity making up a carload lot for purposes of this Schedule will be the minimum quantity required to obtain railroad carload lot rates from the point of shipment to the point of destination.

** The grade of secondary slab zinc is to be determined in accordance with A.S.T.M. specifications for primary slab zinc.

OFFICE FOR EMERGENCY MANAGEMENT
PRICE STABILIZATION DIVISION

For Release in Wednesday AM papers
April 9, 1941

FM 250

In response to many inquiries, Leon Henderson, Director, Price Stabilization Division, Office for Emergency Management, today called attention to the fact that Price Schedule No. 3, which establishes maximum prices for zinc scrap materials and secondary slab zinc, permits persons complaining of hardship or inequity in the operation of the Schedule to apply to the Division for exception therefrom.

Mr. Henderson explained that Price Schedule No. 3 became absolutely effective on March 31, 1941, regardless of preexisting contracts. However, the Schedule permitted deliveries of secondary slab zinc to be made at prices higher than the established maximum prices up to and including April 3, 1941.

It appears, however, that some dealers in zinc scrap materials were caught on March 31, 1941, with stocks of materials, acquired at prices higher than the established maximum prices, and ready for shipment under a firm commitment, made prior to March 31, 1941, for the sale of such materials at such higher prices.

"To avoid loss in the disposition of such stocks of zinc scrap materials," Mr. Henderson stated, "we are prepared to permit such firm commitments to be carried out. The conditions under which permission will be granted should be carefully noted."

In the first place, the dealer must have a firm commitment, made prior to March 31, 1941, for the sale of zinc scrap materials at prices higher than the established maximum prices. Secondly, the dealer must have had on hand on March 31, 1941, or under firm purchase commitments made prior to March 31, 1941, quantities of zinc scrap materials sufficient to meet such commitments, and acquired at prices higher than the established maximum prices."

However, Mr. Henderson cautioned, firm purchase commitments for scrap will

be the basis for exception only if the scrap was already acquired by the seller by March 31, 1941, for delivery to the dealer.

"We have also been informed", Mr. Henderson continued, "that some distillers and remelters had on hand on March 31, 1941, quantities of zinc scrap materials which they acquired at prices higher than the established maximum prices to meet firm commitments, made prior to March 31, 1941, for the sale of secondary slab zinc at prices higher than the established maximum prices for secondary slab zinc. These distillers and remelters were unable to complete deliveries of the secondary slab zinc made from such zinc scrap materials before April 4, 1941.

"To avoid loss in the disposition of such inventories of zinc scrap materials we are ready to permit such commitments to be carried out. The same criteria for exception will be followed in the case of producers of secondary slab zinc as will be followed in the case of dealers in scrap materials."

Furthermore, Mr. Henderson stated, if a distiller or remelter secures permission to sell secondary slab zinc at prices higher than the established maximum prices, and its purchaser is a dealer, the dealer will, in turn, be permitted to deliver the zinc at higher prices to meet a firm commitment for the sale of the zinc, made prior to March 31, 1941. Dealers in secondary slab zinc may also apply for exception if on March 31, 1941, they held stocks of secondary slab zinc acquired at prices higher than the established maximum prices for delivery under a firm commitment, made prior to March 31, 1941, for the sale of secondary slab zinc at higher prices.

To aid dealers, distillers and remelters seeking this type of exception from Price Schedule No. 3, Mr. Henderson announced that forms on which application for such exception can be made have been prepared and are available for distribution upon request made to the Price Stabilization Division, Advisory Commission to the Council of National Defense, Washington, D. C. Though the use of these forms is not mandatory, their use will be helpful to the Division and will speed its determinations.

NATIONAL DEFENSE ADVISORY COMMISSION

For release in AM papers
Thursday, April 3, 1941

FM 226

A price schedule establishing ceiling prices for iron and steel scrap was issued today by Leon Henderson, Commissioner of Price Stabilization, National Defense Advisory Commission.

This action was made necessary, Mr. Henderson explained, by speculative activity which has put inflationary pressure on iron and steel scrap prices during the last few months.

"For more than six months, the Price Stabilization Division has been making a survey of the iron and steel scrap industry, and in the course of its study representatives of all branches of the industry have been consulted", Mr. Henderson said. "It has been apparent that many practices of the industry, particularly with respect to the maintenance of price differentials and with respect to distribution, are badly in need of change. This Schedule, however, does not attempt to correct or endorse existing practices.

"In January, I asked the industry to cooperate with the Government in its effort to prevent runaway prices. For the most part, the response to my request has been whole-hearted. Some persons in the industry, however, have been continuing their speculative practices at the expense of those who have cooperated. This Price Schedule is our answer to the speculators.

"Some of the large makers of scrap have been demanding from the dealer prices so high that it was impossible to get the scrap to the open hearth at a reasonable figure. The ceilings fixed in this schedule will discourage hoarding and thus aid in securing the needed supply of scrap. The ceilings

are established at a level which will insure a fair return to all persons in the industry, requiring the maker to stand a reduction from the prices which have prevailed".

The new Price Schedule establishes three schedules of maximum prices: the first, for iron and steel scrap other than scrap of railroad origin; the second, for iron and steel railroad scrap; the third, for iron and steel scrap for export.

For iron and steel scrap other than scrap of railroad origin, the ceiling---using No. 1 Heavy Melting as an example---is \$20 per gross ton, Pittsburgh, with differentials below that base fixed for each point of major consumption, and with corresponding arrangements made for the various other grades.

The maximum price for unprepared yard scrap is established at \$2.50 less than the prices fixed for each grade. The ceiling applies to any sale to the consumer.

For iron and steel railroad scrap, ceiling prices are established at which each of six specified grades may be sold to or purchased by a consumer. Formulas are set up by which prices of other grades of railroad scrap may be computed, based on a railroad's past experience.

Maximum export prices from Atlantic coast ports are the maximum prices established for the domestic consumer at the nearest consuming point, less transportation charges f.a.s. point of export and plus a charge of one dollar to cover various expenses incident to exporting.

Persons who acquired scrap before April 3, 1941, at prices higher than the maximum prices established by the Price Schedule, for carrying out contracts entered into before April 3, are given one week to complete their

contracts. On and after April 10, 1941, the Price Schedules will apply to all such transactions.

All persons in the iron and steel scrap industry are required to keep complete records of all transactions, and monthly inventories. Consumers of scrap are required to file monthly reports concerning purchases of scrap, the amount melted, and the relationship of the scrap purchased during the month to the ingot production for that month.

A commission not exceeding 3 percent of the maximum prices established is the limit allowable to agents or brokers. Thus the ceiling price remains available for transportation handling, and purchase from the maker and the dealers.

§ "The Price Schedule for iron and steel scrap will be rigorously enforced", Mr. Henderson said. "The powers of the Government to place compulsory orders, to condemn or requisition properties, to issue priorities and to use other powers available for carrying out the defense program will be exerted to the utmost against any person who may venture to disregard the maximum ceiling prices established by this Schedule."

This is the fourth Price Schedule to be issued by the Price Stabilization Division. Previous schedules have been issued for second-hand machine tools; for aluminum scrap and secondary aluminum ingot; and for zinc scrap materials and secondary slab zinc.

"Schedules for other industries will be issued when and as unwarranted price increases appear", Mr. Henderson said. "We are prepared to enforce reasonable price limits and to halt now any predatory designs on our defense program."

(Price Schedule No. 4 attached.)

PRICE STABILIZATION DIVISION
OF THE
ADVISORY COMMISSION TO THE COUNCIL OF
NATIONAL DEFENSE

Price Schedule No. 4

Iron and Steel Scrap

WHEREAS, the Price Stabilization Division of the Advisory Commission to the Council of National Defense is charged with functions related to the maintenance of price stability and the prevention of undue price rises and price dislocations; and

WHEREAS, the increased demand for iron and steel scrap has exerted inflationary pressure upon the prices thereof, and has already caused, and threatens still further to cause, speculative activity, and the withholding of iron and steel scrap from the market; and

WHEREAS, prices of iron and steel scrap have risen to a degree that has caused price instability and dislocations injurious to the national defense; and

WHEREAS, under the foregoing circumstances, the absence of any maximum price standards has militated against and in some cases rendered it impossible for the Government to obtain voluntary cooperation in maintaining price stability and in preventing excessive and speculative price increases; and

WHEREAS, it appears that the establishment of maximum price standards is necessary to facilitate cooperation with the Government and prevention of a price policy tending to weaken the defense effort through disastrous inflation, undue burdens upon the Government, economic dislocations, price spiralling, and profiteering, and the establishment of such standards is otherwise necessary in the public interest and in the interest of national defense; and

WHEREAS, on the basis of information secured by independent investigation by this Division and by the Office of Production Management and through cooperation of the trade, I find that the maximum prices as prescribed herein and set forth in Appendices A, B and C, annexed hereto, constitute reasonable limitations on prices for iron and steel scrap;

NOW, THEREFORE, IN ORDER TO FACILITATE COOPERATION WITH THE GOVERNMENT IN MAINTAINING PRICE STABILITY AND IN PREVENTING EXCESSIVE AND SPECULATIVE PRICE INCREASES INJURIOUS TO THE DEFENSE PROGRAM AND TO THE PUBLIC INTEREST AND WELFARE, IT IS DIRECTED That,

1. Maximum Prices on Sales of Iron and Steel Scrap Other Than Railroad Scrap. On and after April 3, 1941, regardless of the terms of any commitment theretofore entered into, no person shall sell, offer to sell, deliver, or transfer at a price, iron or steel scrap other than railroad scrap to a consumer of iron or steel scrap or to any other person, at prices higher than the prices set forth in Appendix A annexed hereto, and no consumer shall buy, offer to buy, or accept delivery of, iron and steel scrap other than railroad scrap at prices higher than the prices set forth in Appendix A, except as provided in paragraphs 6 and 7 hereof. Lower prices may, however, be charged, demanded, paid or offered.

2. Maximum Prices on Sales of Iron and Steel Railroad Scrap Originating from Railroads Operating at Consuming Points Covered in Appendix B.

(a) On and after April 3, 1941, except as provided in Paragraphs 6 and 7 hereof, regardless of the terms of any commitment theretofore entered into, the price for any sale, delivery, or transfer at a price, of iron and steel railroad scrap which originates from a railroad operating a line at a consuming point covered in Appendix B, attached hereto, is not to exceed the following:

(1) With respect to any grade listed in Appendix B, attached hereto, the highest maximum prices therein set forth for any point on the railroad's lines, and

(2) With respect to any other grade, the average price per gross ton obtained for such grade by the railroad maker thereof during the period commencing September 1, 1940, and ending January 31, 1941, or, in case no sale was made during the period, the price at which the grade was last sold by the railroad prior thereto, and, in either event, adjusted to allow for the average grade differentials of the railroad in a manner indicated in a sub-paragraph (b) below, and no railroad or other person shall on and after April 3, 1941, sell, offer to sell, deliver, or transfer at a price, to any consumer or other person and no person shall buy, offer to buy, or accept delivery of, any such grade of iron and steel railroad scrap at a price higher than the price herein prescribed. Lower prices may, however, be charged, demanded, paid or offered.

(b) For purposes of subparagraph (a)(2) above, the maximum price for any grade not listed in Appendix B shall be adjusted to allow for the average grade differentials of the railroad by:

First, computing the amount of the base grade differential for the railroad which shall be the difference between the average price per gross ton obtained by the railroad for NO. 1 Railroad Grade Heavy Melting Steel scrap during the period commencing September 1, 1940 and ending January 31, 1941 and the railroad's maximum price established for such grade under Subparagraph (a) above; and

Second, by applying this base grade differential to the price to be adjusted by either (i) subtracting the amount of such differential from such prices in case the railroad's average price of No. 1 Railroad Grade Heavy Melting Steel scrap exceeds the railroad's maximum price established for such grade under Subparagraph (b) above or (ii) adding the same in case the railroad's average price is less than such maximum.

-4-

3. Maximum Prices on Sales of Iron and Steel Railroad Scrap Originating from Railroads Not Operating at Consuming Points Covered in Appendix B.

On and after April 3, 1941, except as provided in Paragraphs 6 and 7 hereof, regardless of the terms of any commitment theretofore entered into, no railroad or other person shall sell, offer to sell, deliver, or transfer at a price, any grade of iron and steel railroad scrap which originates from a railroad not operating at consuming points listed in Appendix B at a price higher than the average price per gross ton obtained for such grade by the railroad maker thereof during the period commencing September 1, 1940 and ending January 31, 1941, or in case no sale was made during the period, the price at which the grade was last sold by the railroad prior thereto; and no consumer or other person shall buy, offer to buy, or accept delivery, of any such grade of scrap at a higher price. Lower prices may, however, be charged, demanded, paid or offered.

4. Maximum Prices on Sales of Iron and Steel Scrap for Export. On and after April 3, 1941, regardless of the terms of any commitment theretofore entered into, no person shall sell or offer to sell for export, or deliver for export, iron or steel scrap, to any person at prices higher than the prices set forth in Appendix C annexed hereto and no consumer or agent or other person shall buy or offer to buy for export, or accept delivery of for export, iron or steel scrap at prices higher than the prices set forth in Appendix C except as provided in paragraphs 6 and 7 hereof. Lower prices may, however, be charged, demanded, paid or offered.

5. Method of Securing Information Governing Maximum Prices on Sales of Iron and Steel Railroad Scrap.

On and after April 3, 1941, a sale of any grade of iron and steel railroad scrap for which no maximum price is published in Appendix B or C shall be made only after opportunity has been given any buyer of such scrap

to learn the maximum price applicable to such sale by addressing an inquiry to the Price Stabilization Division in Washington, D. C. In order to provide such opportunity, no sale of any such grade of iron or steel railroad scrap shall be made, except as provided under Paragraph 6 below, until after the railroad maker thereof or other person has filed with the Price Stabilization Division at Washington, D. C. the information required to determine, in accordance with Paragraphs 2, 3, or 4 above, the maximum price thereby established for such grade and until the Price Stabilization Division has thereupon released a maximum price therefor.

6. Extension of One Week for Uncompleted Contracts. In the event that any person has, prior to April 3, 1941, acquired possession of and ownership in iron or steel scrap at a price in excess of the maximum price established in this Price Schedule for the purpose of carrying out a contract for the sale of such scrap entered into prior to such date, such sale may be made and completed at the price contracted for, even though such price is in excess of the maximum price established herein, provided that deliveries are completed prior to April 10, 1941.

7. Commissions. In the event that a consumer of iron or steel scrap shall employ an agent or broker to purchase iron or steel scrap for its use and such agent or broker acquires such scrap at the maximum price applicable under this Schedule or at a lower price, such consumer may pay such agent or broker for such scrap a sum not exceeding the cost of such scrap to the agent or broker plus not more than 3% of the maximum price applicable under this Schedule. Such commission shall be payable only if (a) the agent or broker guarantees the quality and delivery of an agreed tonnage of the scrap; (b) the commission is shown as a separate charge in billing; (c) the scrap is invoiced at a price not higher than the maximum applicable herein; and (d) no dealer or broker splits or divides the commission allowed him by a consumer with any other dealer, broker, or consumer.

8. Shipment - Limitation on Use of Certain Kinds of Iron and Steel

Scrap

(a) The shipment of iron and steel scrap should, insofar as practicable, be routed through the channels customarily utilized by the maker, dealer, broker or consumer in order to minimize the necessity for cross-hauling and to prevent dislocation of the machinery of collection and preparation for consumption.

(b) Consumers, brokers and dealers should, to the greatest possible extent, refrain from the purchase, and steel mills (open hearths) from the use, of the kinds and grades of iron and steel railroad scrap not essential to their production; i.e. rerolling rails scrap should be diverted to rerolling mills and not out for melting purposes.

9. Evasion. The price limitations set forth in this Schedule shall not be evaded whether by direct or indirect methods in connection with a purchase or sale of iron or steel scrap, or of any other materials, or by way of any service or other charge, including transportation charges, or discount, premium or other privilege, or by any tying-agreement or trade understanding, or otherwise.

10. Record-keeping Requirements. Every dealer in, and every maker, smelter, processor, broker, or consumer of, and every other person purchasing or selling iron or steel scrap shall, until such time as further information is deemed necessary or appropriate hereunder, keep for inspection by the Price Stabilization Division and preserve for a period of not less than one year, complete and accurate records of:

(a) All purchases and sales of iron and steel scrap, recording therein the person from or to whom each such purchase or sale was made, the date thereof, the price paid or received, and the quantity in pounds and quality by grades in iron or steel scrap, or both, involved; and

(b) As of the close of each month the amount in pounds of iron and steel scrap, (i) on hand and (ii) on order.

11. Reports of Consumers' Inventories and Purchases of Iron and Steel Scrap. Every consumer of iron or steel scrap, on or before May 1, 1941, shall file a report with the Price Stabilization Division of the Advisory Commission to the Council of National Defense, Washington, D. C., setting forth its total inventories of iron and steel scrap on hand on April 1, 1941. In addition every consumer who purchases iron or steel scrap shall, on or before the tenth day of the month following the month in which one or more purchases are made, file a report with the Division stating (a) the number of pounds and the grade of the iron and steel scrap purchased, specifying whether such scrap was railroad scrap; (b) the price at which the purchase was made; (c) the amount of scrap melted during the previous month; and (d) the relationship of the scrap purchases during the previous month to the ingot production for that month.

12. Enforcement. In the event of refusal or failure to abide by the price limitations, record requirements, and other provisions contained in this Schedule, or in the event of any evasion or attempt to evade the price limitations or other provisions contained in this Schedule, this Division will make every effort to assure (a) that the Congress and the public are fully informed of any failure to abide by the provisions of this Schedule; and (b) that the powers of the Government are fully exerted in order to protect the public interest and the interests of those persons who conform with this Schedule in the maintenance of ceiling prices set forth herein. Persons who have evidence of the demand or receipt of prices above the limitations set forth, or of any evasion or effort to evade such requirements, or of speculation, or manipulation of prices of iron or steel scrap, or of the hoarding or accumulating of unnecessary inventories thereof, are urged to communicate with the Price Stabilization Division.

13. Supplemental Schedules and Reporting Requirements. In order to insure compliance with this Schedule supplements further stating its scope

and, if necessary, requiring further reports to the Government, will be issued from time to time when found appropriate.

14. Modification of the Price Schedule. Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Price Stabilization Division of the Advisory Commission to the Council of National Defense, Washington, D. C., for approval of any modification thereof or exception therefrom, and the Price Stabilization Division may, upon its own initiative, and as and when it deems appropriate, modify or enlarge this Price Schedule and the maximum prices established hereunder.

15. Definitions. When used in this Schedule:

(a) the term "person" includes an individual, corporation, association, partnership, or other business entity;

(b) the term "iron and steel scrap other than railroad scrap" means the kinds and grades of iron and steel scrap referred to in Appendix A;

(c) the term "iron and steel railroad scrap" means iron and steel scrap having a railroad ownership origin and includes the kinds and grades of iron and steel scrap referred to in, and determined under, Appendix B;

(d) the term "iron and steel scrap" means all kinds and grades of iron and steel scrap including iron and steel railroad scrap;

(e) the term "consumer" means a purchaser, for its own consumption, of iron or steel scrap, i.e. smelter, foundry, steel mill, etc.;

(f) the term "maker of iron and steel scrap" means any manufacturer, fabricator, wrecker, railroad, or other person who makes iron or steel scrap. Iron and steel scrap shall be deemed to be "made" when first sold, or offered for sale, or delivered, as iron or steel scrap.

16. This Schedule shall become effective immediately, except as otherwise specifically provided herein.

Issued this 3rd day of April, 1941.

LEON HENDERSON,
Commissioner.

MAXIMUM PRICES FOR IRON AND STEEL SCRAP OTHER THAN RAILROAD SCRAP

For Use In Steel works and Blast Furnaces

Per Gross Ton, Delivered To The Consuming Point

GRADES <u>a/</u> <u>b/</u>	DISTRICTS <u>c/</u>	Pittsburgh <u>1/</u>	Youngstown <u>2/</u>	Chicago <u>3/</u>	Eastern Pa. <u>4/</u>	Cleveland*	Buffalo*	Southern Ohio <u>5/</u>	St. Louis*	Detroit*	Duluth*	Birmingham <u>6/</u>	New England <u>7/</u>	Pacific Coast <u>8/</u>
No. 1 Heavy Melting base Steel	20.00	20.00	18.75	18.75	19.50	19.25	18.50	17.50	17.85	18.00	17.00	15.50	14.50	
No. 1 Hydraulic Compressed Black Sheet Scrap	20.00	20.00	18.75	18.75	19.50	19.25	18.50	17.50	17.85	18.00	17.00	15.50	14.50	
No. 2 Heavy Melting Steel	19.00	19.00	17.75	17.75	18.50	18.25	17.50	16.50	16.85	17.00	16.00	14.50	13.50	
Dealers' No. 1 bundles	19.00	19.00	17.75	17.75	18.50	18.25	17.50	16.50	16.85	17.00	16.00	14.50	13.50	
Dealers' No. 2 bundles	18.00	18.00	16.75	16.75	17.50	17.25	16.50	15.50	15.85	16.00	15.00	13.50	12.50	
Mixed borings and turnings	15.50	15.50	14.25	14.25	15.00	14.75	14.00	13.00	13.35	13.50	12.50	11.00	10.00	
Machine Shop Turnings	15.50	15.50	14.25	14.25	15.00	14.75	14.00	13.00	13.35	13.50	12.50	11.00	10.00	
Shovelling Turnings	16.50	16.50	15.25	15.25	16.00	15.75	15.00	14.00	14.35	14.50	13.50	12.00	11.00	
No. 1 Busheling	19.50	19.50	18.25	18.25	19.00	18.75	18.00	17.00	17.35	17.50	16.50	15.00	14.00	
No. 2 Busheling	15.50	15.50	14.25	14.25	15.00	14.75	14.00	13.00	13.35	13.50	12.50	11.00	10.00	
Cast Iron Borings	15.50	15.50	14.25	14.25	15.00	14.75	14.00	13.00	13.35	13.50	12.50	11.00	10.00	
Uncut structural & plate scrap	19.00	19.00	17.75	17.75	18.50	18.25	17.50	16.50	16.85	17.00	16.00	14.50	13.50	
Low Phos Billet & Bar Crops and Punchings	25.00	25.00	23.75	23.75	24.50	24.25	23.50	22.50	22.85	23.00	22.00	20.50	19.50	

No. 1 Cupola Cast	Maximum price to be not more than \$2 per gross tons under the price of No. 2 foundry pig iron delivered at the same point.
Heavy breakable cast	Maximum price to be not more than \$3.50 per gross ton under the price of No. 2 foundry pig iron delivered at the same point.
Stove plate	Maximum price to be not more than \$7.00 per gross ton under the price of No. 2 foundry pig iron delivered at the same point.

ALL UNPREPARED YARD SCRAP SHALL BE SOLD AT PRICES NOT EXCEEDING \$2.50 LESS THAN THE MAXIMUM PRICES SET OUT ABOVE

- a/ The grades specified are, except Dealers' No. 1 and No. 2 bundles and uncut structural and plate scrap, as named and defined in the simplified practice recommendations R-580-36 of the Department of Commerce which shall be the governing specifications for iron and steel scrap hereunder.
- b/ These grades represent the major classifications of iron and steel scrap. The maximum prices of subordinate grades within these major grade classifications shall not exceed the differentials established for the major grades.
- c/ Consumers located at any consuming district not listed herein shall be subject to the differential established for the nearest consuming district set out in this Schedule.

- 1/ In this district are all the consuming points in the Pittsburgh switching district and in Wheeling, W. Va.; Follensbee, W. Va.; Toronto, Steubenville and Martins Ferry, Ohio.
- 2/ In this district are all the consuming points in the Youngstown switching district and in Farrell and Sharon, Pa.; Lovellville, Warren, Canton and Massillon, Ohio.
- 3/ In this district are all the consuming points in the Chicago-switching district and in Kokomo, Ind.; Peoria and Sterling, Ill.
- 4/ In this district are all the consuming points in Eastern Pennsylvania and in Delaware and Maryland.
- 5/ In this district are all the consuming points in the switching districts of Portsmouth and Middletown, Ohio; Newport and Ashland, Ky.
- 6/ In this district are all consuming points in the Birmingham switching district. The prices set forth are for scrap delivered to a Birmingham, Ala. consuming point, excepting scrap for Birmingham consumption originating west of the Mississippi River. In the latter case the Birmingham, Ala., consumer may pay \$1.00 more than the prices indicated under "Birmingham".
- 7/ This district includes Worcester, Mass.; Bridgeport, Conn.; Phillipedale, R.I. and all other consuming points in New England.
- 8/ This district includes all consuming points in California, Oregon and Wash.
- * These districts include all consuming points within their respective switching districts.

MAXIMUM PRICES FOR IRON AND STEEL SCRAP ORIGINATING FROM RAILROADS
Per Gross Ton, Delivered to the Consuming Point

<u>GRADES a/</u>	<u>DISTRICTS b/</u>	<u>Pittsburgh 1/</u>	<u>Youngstown 2/</u>	<u>Chicago 3/</u>	<u>Eastern Pa. 4/</u>	<u>Cleveland*</u>	<u>Buffalo*</u>	<u>Southern Ohio 5/</u>	<u>St. Louis*</u>	<u>Detroit*</u>	<u>Duluth*</u>	<u>Birmingham 6/</u>	<u>New England 7/</u>	<u>Pacific Coast 8/</u>
No. 1 Railroad Grade Heavy Melting Steel		21.00	21.00	19.75	19.75	20.50	20.25	19.50	18.50	18.85	19.00	18.00	16.50	15.50
Scrap Rails Re-rolling		22.00	22.00	20.75	20.75	21.50	21.25	20.50	19.50	19.85	20.00	19.00	17.50	16.50
Quality Rails		23.50	23.50	22.25	22.25	23.00	22.75	22.00	21.00	21.35	21.50	20.50	19.00	18.00
Scrap Rails Three Feet and Under		24.00	24.00	22.75	22.75	23.50	23.25	22.50	21.50	21.85	22.00	21.00	19.50	18.50
Scrap Rails Two Feet and Under		24.50	24.50	23.25	23.25	24.00	23.75	23.00	22.00	22.35	22.50	21.50	20.00	19.00
Scrap Rails Eighteen Inches and Under		25.00	25.00	23.75	23.75	24.50	24.25	23.50	22.50	22.85	23.00	22.00	20.50	19.50

a/ The grade differentials set out in Appendix A are not applicable to iron or steel railroad scrap.

b/ Where a consumer is located in a consuming district not named above the maximum price applicable to such consumer shall be the price listed for the nearest consuming district set out above. Where the railroad maker operates in 2 or more consuming districts, the maximum applicable to the sale of railroad scrap on the line shall be the highest maximum for any consuming point on the line.

- 1/ In this district are all the consuming points in the Pittsburgh switching district and in Wheeling, W. Va.; Pollansbee, W. Va.; Toronto, Steubenville and Martins Ferry, Ohio.
 - 2/ In this district are all the consuming points in the Youngstown switching district and in Ferrell and Sharon, Pa.; Lovellville, Warren, Canton and Massillon, Ohio.
 - 3/ In this district are all the consuming points in the Chicago switching district and in Kokomo, Ind.; Peoria and Sterling, Ill.
 - 4/ In this district are all the consuming points in Eastern Pennsylvania and in Delaware and Maryland.
 - 5/ In this district are all the consuming points in the switching districts of Portsmouth and Middletown, Ohio; Newport and Ashland, Ky.
 - 6/ In this district are all consuming points in the Birmingham switching district. The prices set forth are for scrap delivered to a Birmingham, Ala. consuming point, excepting scrap for Birmingham consumption originating west of the Mississippi River. In the latter case the Birmingham, Ala., consumer may pay \$1.00 more than the prices indicated under "Birmingham".
 - 7/ This district includes Worcester, Mass.; Bridgeport, Conn.; Phillipsdale, R.I. and all other consuming points in New England.
 - 8/ This district includes all consuming points on and near the Pacific Coast.
- * These districts include all consuming points within their respective switching districts.

APPENDIX C

MAXIMUM PRICES FOR IRON AND STEEL SCRAP FOR EXPORT FROM THE UNITED STATES
Per Gross Ton, F.A.S. Point of Export

The maximum export prices applicable to iron and steel scrap, including scrap of railroad origin, f.a.s. at all ports located on the Atlantic Coast shall be the maximum prices for the grades of scrap as shown (1) under Appendix A and (2) under Appendix B for the nearest domestic consuming district, less the transportation charges to the f.a.s. point of export, plus a uniform charge of \$1.00 per gross ton.

At all United States ports located on the Gulf of Mexico, the maximum price for No. 1 heavy melting steel shall be \$15.00 per gross ton f.a.s., point of export plus \$1.00 per gross ton. For all other quality classifications the differentials for grade as outlined in Appendix A and as set forth and determined under Appendix B shall be applied to \$15.00 as a base and \$1.00 added to obtain the maximum prices.

OFFICE FOR EMERGENCY MANAGEMENT

269

Price Stabilization Division

For release in AM papers Thursday
April 10, 1941

PM 255

An amendment to Price Schedule Number 4, establishing maximum prices for iron and steel scrap, was announced today by Leon Henderson, Commissioner of Price Stabilization, Office for Emergency Management.

The amendment extends from April 10 to May 10 the time in which deliveries may be made on certain contracts entered into prior to April 3, when the Schedule was issued.

"This amendment was drawn up to avoid inflicting hardships on dealers who did not have sufficient time to complete transactions begun before the ceiling prices were set", Mr. Henderson said. "It in no wise changes the maximum prices fixed in the schedule. The Price Stabilization Division will expect full compliance with the schedule as amended from all persons in the trade, and is prepared to move for rigorous enforcement in any and all cases of non-compliance".

Paragraph 6 of the Schedule provided that any person who had bought and taken possession of scrap before April 3, at prices above the ceiling, and who had before April 3 contracted to sell that scrap at a price above the ceiling would have until April 10 to complete deliveries under that contract.

The amendment extends that date to May 10, and provides two exceptions to the rule that the dealer must have taken physical possession of the scrap before April 3. The exceptions are:

1--If the scrap originated from a demolition operation begun but not finished before April 3: or

2--If the scrap was bought before April 3 and accumulated at a point of shipment, but not delivered because of the lack of transportation facilities.

The amendment also provides that if, in either of these contingencies, the dealer cannot get possession of the scrap in time to complete his contract by May 10, he may apply for a further extension of time, enclosing affidavits to support his plea.

PRICE STABILIZATION DIVISION
of the
ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE

PM 255

AMENDMENT TO PRICE SCHEDULE NO. 4

Iron and Steel Scrap

WHEREAS, on April 2, 1941, the Price Stabilization Division of the Advisory Commission to the Council of National Defense, issued and published in the Federal Register (Fed. Reg., Vol. 6, pp. 1767-1770) Price Schedule No. 4, effective April 3, 1941, establishing maximum prices for iron and steel scrap; and

WHEREAS, it is provided in Paragraph 6 of such Schedule that any person who, prior to April 3, 1941, acquired possession of and ownership in iron or steel scrap at a price in excess of the maximum prices established in the Schedule, for the purpose of carrying out a contract entered into prior to such date, will be permitted until April 10, 1941 to complete his deliveries under such contract; and

WHEREAS, it now appears that, to avoid inequities or hardships with respect to certain persons in the iron and steel scrap industry, the operation of Paragraph 6 should be extended;

NOW, THEREFORE, IT IS DIRECTED That,

Paragraph 6 of Price Schedule No. 4 be, and hereby is, stricken out and the following paragraph inserted in its stead:

"6. Extension to May 10, 1941 for Uncompleted Contracts.

(a) In the event that any person has, prior to April 3, 1941, acquired possession of and ownership in iron or steel scrap at a price in excess of the maximum price established in this Price Schedule for the

purpose of carrying out a contract for the sale of such scrap entered into prior to such date, such sale may be made and completed at the price contracted for, even though such price is in excess of the maximum price established herein, provided that deliveries are completed on or before May 10, 1941.

"(b) Any person, who prior to April 3, 1941, entered into a contract at prices higher than the maximum prices established under this Price Schedule for the sale of iron or steel scrap:

"(1) originating from a demolition operation commenced prior to April 3, 1941; or

"(2) acquired prior to April 3, 1941, and accumulated at a point of shipment, for export or otherwise, and impossible, due to lack of transportation facilities, to deliver to the purchaser of such scrap,

may make and complete such sale at the price contracted for provided that deliveries of such scrap are completed on or before May 10, 1941, or on a later date fixed by the Price Stabilization Division upon application, supported by affidavits establishing a reasonable ground for extension beyond May 10, 1941."

This amended Schedule shall become effective April 10, 1941.

Issued this 9th day of April, 1941.

LEON HENDERSON,
Commissioner

NATIONAL DEFENSE ADVISORY COMMISSION

For immediate release
April 2, 1941

PM 228

Moving swiftly to prevent runaway or excessive prices due to the bituminous coal strike, Price Commissioner Leon Henderson of the National Defense Advisory Commission today issued a price schedule freezing bituminous coal prices at or below the March 28, 1941, prices. The ceiling prices apply to producers, distributors, retailers and all other sellers of bituminous coal.

In the event of a substantial resumption of production of bituminous coal, these ceiling prices will be revoked as soon as practicable.

The move was made after consultation and in cooperation with the Bituminous Coal Division of the Department of the Interior, and the ceiling prices were issued by the Price Stabilization Division with the approval of Miss Harriet Elliott, Director of the Consumer Protection Division of the Advisory Commission.

Mr. Henderson explained that he had acted expeditiously to make sure that coal prices do not get out of hand and to prevent repetition of the unfortunate experience of the World War, when bituminous coal prices soared to fantastic heights. He added that he was keeping a vigilant eye on prices for other fuels, including anthracite coal, and would take appropriate steps to prevent excessive prices for such fuels.

"Stabilizing bituminous coal prices is doubly important", Mr. Henderson said, "because bituminous coal has a dual character and is a basic industrial commodity, as well as a commodity entering into the cost of living of the average consumer. Because the price of coal enters into the cost of practically every other commodity and because it affects the cost of living, run-away coal prices might touch off a spark leading to other price increases and having spiraling and inflationary results".

- 2 -

The price schedule provides that no producer, distributor, retailer or other person shall sell, deliver or offer coal at prices exceeding those received by the seller on similar sales or deliveries made March 28, 1941. If no similar sale was made March 28, the seller is limited to the price received by him on the latest date prior to March 28, 1941.

Mr. Henderson said that he is asking retail coal distributors to use their best judgment in allocating their limited supplies so as to prevent hardships to consumers. Through Frank Bane, Director of the Division of State and Local Cooperation of the National Defense Advisory Commission, the aid of state and local defense councils has also been enlisted. The following telegram was sent today by Mr. Bane to all state and local defense councils:

"In view of bituminous coal strike and in order to prevent runaway prices, Leon Henderson of the National Defense Commission has today issued price schedule freezing prices for bituminous coal, at or below prices charged March 28. These ceiling prices will be revoked when production is substantially resumed. Ceiling prices apply to producers, distributors, retailers and all other sellers. We should appreciate your cooperation in helping to publicize and enforce this price ceiling and to prevent any taking of advantage of the possible emergency. We suggest that you contact all coal distributors and retailers in your region and assist them in allocating their stocks in the interest of national defense and community needs".

Any seller suffering hardships or inequities in the operation of the Schedule may present his case to the Price Stabilization Division by petition for modification, Mr. Henderson said. He added, however, that since the coal to be sold in the weeks to come has been produced or acquired prior to the stoppage of production, there is an absence of any increased cost and any price rise would therefore represent an attempt to take undue advantage of the emergency and to take large profits on existing stocks of coal.

- 3 -

The Price Schedule provides that in the event of any failure to observe the ceiling prices, the Price Stabilization Division will "make every effort to assure (a) that Congress, the various Federal, State and local agencies and committees, including defense organizations, and the public are fully informed of the instances of such profiteering or noncooperation; and (b) that the powers of the Government are fully exerted in order to protect the public interest in the maintenance of fair prices".

Persons who have evidence of violations of the ceiling prices, or of speculation or hoarding, are urged to communicate with the Price Stabilization Division.

(Price Schedule No. 5 is Attached)

PRICE STABILIZATION DIVISION
OF THE
ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE

Price Schedule No. 5

Bituminous Coal

WHEREAS, the Price Stabilization Division of the Advisory Commission to the Council of National Defense is charged with functions related to the maintenance of price stability and the prevention of undue price rises and price dislocations; and

WHEREAS, the Nation's production of bituminous coal has in large part ceased as a result of a failure of the mine operators and employees to negotiate a wage agreement, and unless production is promptly resumed, there will be a shortage in the supply of bituminous coal available to meet the demand therefor; and

WHEREAS, on account of such shortage and fears of shortage a serious and perhaps excessive and disastrous rise in the prices of bituminous coal is clearly threatened, which price rise will have an injurious effect upon the Nation's economy, because of the importance of bituminous coal as the prime source of energy for industry and as the prime source of heat for domestic consumers; and

WHEREAS, it is difficult and perhaps impossible to maintain price stability and prevent excessive and unwarranted price increases in the absence of specific maximum standards set with the utmost expedition and at all levels of sale; and

WHEREAS, the prompt establishment of such standards is necessary to prevent the kind of price policy which leads to a weakening of the defense effort through disastrous inflation, undue burdens upon the Government, economic dislocations, price spiraling, and profiteering, and the establishment of such standards is otherwise necessary in the public interest and in the interest of national defense; and

WHEREAS, on the basis of information made available through the cooperation of the Bituminous Coal Division of the Department of the Interior, and on the basis of other information secured by the Price Stabilization Division, I find that the maximum prices set forth below in this Price Schedule constitute reasonable limitations, in the present emergency, for bituminous coal,

NOW, THEREFORE, in order to facilitate cooperation with the Government in maintaining price stability and in preventing excessive and speculative price increases injurious to the defense program and to the public interest and welfare, IT IS DIRECTED THAT:

1. Ceiling Price. On or after April 3, 1941, no person selling bituminous coal, whether producer, distributor, retailer or any other seller, shall sell or deliver bituminous coal, or offer to sell or deliver bituminous coal, at a price exceeding the ceiling price. The ceiling price shall be the price received by such seller for a similar sale or delivery made on March 28, 1941. A similar sale or delivery shall refer only to a sale or delivery involving the same size and quality of coal, the same intended use, the same or nearby delivery and transportation points, and the same method of transportation: Provided, That nothing herein shall prevent the seller from continuing to receive such price differentials on the basis of quantity sold or delivered as have customarily been received by such seller. In the event that no similar sale or delivery was made by such seller on March 28, 1941, the ceiling price shall be the price received by such seller for the latest similar sale or delivery made prior to March 28, 1941. In the event that no similar sale or delivery was previously made by such seller, the ceiling price shall be determined by appropriate adjustment of the applicable prices on most similar sales.

A lower price than the ceiling price may be charged, demanded, or offered: Provided, That nothing herein shall be construed to authorize the receiving of a price lower than that prescribed pursuant to the Bituminous Coal Act of 1937. The price limitations set forth in this Schedule shall not be evaded whether by direct or indirect methods, or by charges for service or other charges not previously made by the seller of the coal.

2. Modification. This Price Schedule is issued upon the basis of presently existing conditions. In the event of a substantial resumption of production of bituminous coal, this Price Schedule will be revoked as soon as practicable; and in the event of any other substantial change in conditions, this Price Schedule will be adjusted, or revoked, as may be appropriate. Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Price Stabilization Division for approval of any modification thereof.

3. Supplements. In order to facilitate the application of this Schedule, Supplements further stating its scope will be issued from time to time as may be necessary or appropriate.

4. Enforcement. In the event of refusal or failure to abide by the price limitations contained in this Schedule, this Division will make every effort to assure (a) that Congress, the various Federal, State and local agencies and committees, including defense organizations, and the public are fully informed of the instances of such profiteering or noncooperation; and (b) that the powers of the Government are fully exerted in order to protect the public interest in the maintenance of fair prices. Persons who have evidence of the demand or receipt of prices above the limitations set forth, or of speculation, manipulation of prices, or hoarding, are urged to communicate with the Price Stabilization Division.

Issued this 2nd day of April, 1941.

Leon Henderson
Commissioner

OFFICE FOR EMERGENCY MANAGEMENT
PRICE STABILIZATION DIVISION

For release Saturday PM,
April 5, 1941

PM 237

The coal price schedule issued April 3, freezing coal prices at or below the prices charged March 28, does not prevent a producer from asking higher prices when selling or offering for sale coal to be mined after the mines resume operation and to be delivered after revocation of the schedule, Price Commissioner Leon Henderson of the National Defense Advisory Commission announced today.

The statement was made by Mr. Henderson in a telegram replying to an inquiry from John A. Luse, executive secretary of the Bituminous Coal Producers Board No. 7, Washington, D. C. Mr. Luse asked whether a producer, in quoting prices now on deliveries to be made after the strike ends, may provide for increases to cover increased wage costs.

In reply Mr. Henderson said that the price schedule "contains no prohibition with respect to sales or offers of sale relating to coal to be mined after mines resume operation and to be delivered after price schedule is revoked".

He explained that the "schedule will be revoked as soon as practicable after substantial resumption of production".

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OFFICE FOR EMERGENCY MANAGEMENT

Office of Price Administration and Civilian Supply

For release in PM papers, Wednesday,
April 16, 1941

PM 282

Modification of the bituminous coal price schedule to avert hardship for mines where work has been resumed under retroactive wage agreements during strike settlement negotiations was announced today by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply.

This modification took the form of a supplement which permits bituminous coal sellers operating under such conditions to sign collateral agreements with purchasers.

Under such agreements, an operator is permitted to obtain, for coal mined after the price schedule is revoked and there has been substantial resumption of production, an agreed sum equal to the maximum price set up in the schedule plus the increase in costs necessitated by the retroactive wage agreement.

"Because of the depressed nature of the bituminous coal industry", Mr. Henderson said, "the actual prices on March 28, 1941, which constitute the maximum prices contained in Price Schedule No. 5, approximate the minimum prices fixed by the Bituminous Coal Division. The industry is practically unique in that these prices, generally speaking, do no more than to return to producers their average costs. In the event, therefore, that a wage increase is made retroactive, hardship and inequity to producers and other sellers might result unless this relief is granted.

"Consumer protection will not be diminished by the supplement, since the March 28 price ceiling is maintained for all coal above ground. Collateral agreements are not permitted unless the coal is newly mined under a retroactive wage agreement. Moreover, future compensation is limited to actual increases in cost at the normal rate of production."

Office of Price Administration and Civilian Supply

For Release AM papers
Thursday, April 17, 1941

PM 279

A price schedule freezing steel prices at the levels which prevailed during the first quarter of 1941 was issued today by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply. This action was precipitated, Mr. Henderson explained, by recent wage increases in the industry.

Mr. Henderson pointed out that a steel price increase at this time might touch off a general increase in the cost of living and start the country off on the road to price inflation.

A thorough study of prices and costs in the steel industry will immediately be made by the Office of Price Administration and Civilian Supply, he said. Adjustments in the schedule will be made, he added, if these studies indicate that they are necessary.

"I have every confidence", Mr. Henderson said, "that the steel industry, which has so patriotically co-operated in the defense program, will continue to co-operate in the task of maintaining these ceiling prices.

"Steel is an element of cost in practically every item of the defense program. It is also an element of cost, direct or indirect, in virtually every item of civilian consumption. The market place looks to the price of steel as sheep look to the bell-wether.

"A rise in steel prices would inevitably be followed by rises in prices of every other basic commodity. These increases would in turn be reflected in rising prices of manufactured goods. Presently the ultimate consumer would find that he must pay more for what he buys, and so the foundation would have been laid for a dangerous upward spiral of prices in general -- which would mean, briefly, boosting the cost of living.

"There has not been time for accurate measurement either of production or distribution factors in the steel industry.

Despite the fact that published base prices have remained unchanged, concessions have disappeared, extra charges have been increased, and in some cases premiums have been obtained. In addition certain contracts have escalator clauses which enable producers to add certain additional costs to contract prices. The net effect of the defense program and the cost and price relationships in the industry thus cannot immediately be determined. Under such circumstances a general price increase cannot reasonably be justified at present.

"The action taken today to freeze steel prices at levels prevailing during the first quarter of 1941 should not be interpreted as fixing summarily a steel price ceiling for the duration of the emergency, or for any set period. Rather, it is an effort designed to be as helpful to the industry and its customers, of which the Federal Government is the largest, as to the economy in general. Today's action establishes, if you like, a cooling-off period during which the effect of the defense program upon the industry and its cost factors may be rationally appraised.

"Estimates and guesses are not enough when the nation's welfare may be at stake. This action also forecloses arbitrary or precipitate action on the part of any member or group of members of the industry looking toward price boosting, and eliminates premiums for advanced delivery which a few companies have already begun to exact.

"We are immediately taking steps to resolve the prevailing uncertainties as to cost factors, production requirements and distribution, both as to defense and civilian needs. Meanwhile, prices should not be advanced.

"If facts are developed which show that an increase might be warranted, the necessary adjustments can be made.

"It cannot be too strongly emphasized that any steel price increase now can put us on the road to a series of economic maladjustments having their climax in a disastrous inflationary movement".

In fixing ceiling prices, Mr. Henderson explained, the Office of Price Administration and Civilian Supply made use of the steel industry's existing basing point, price leadership and extras system. Thus the first-quarter price for a given type of steep product is simply the sum of three things -- the basing point base price, extras, (both as defined in the Price Schedule) and transportation charges. For products on which there are no base prices, the ceiling price is to be the price as of March 31, 1941.

The Schedule provides that price ceilings may not be evaded by additional charges for prompt delivery, or by other direct or indirect methods. Contracts entered into before issuance of the Price Schedule, containing "escalator clauses" which might send prices above the ceiling, may be carried out unchanged.

The Schedule requires manufacturers to retain copies of all invoices, dated January 1, 1941, or later, relating to sales to warehousemen, jobbers, brokers and all other persons purchasing for resale. The order further states that reports on such sales will be required by supplements to the schedule.

"If the information gained through this procedure and from other sources reveals that middlemen in the industry are profiting inordinately at the expense of consumers of iron and steel products, further action will be taken to remedy the abuse", Mr. Henderson asserted.

The Price Schedule, Mr. Henderson said, was issued after it had been submitted to and considered by the Price Administration Committee.

(Copy of Price Schedule No. 6 Attached).

From "The Economist" May 3, 1941

THE BUSINESS WORLD

The Battle of the Yuan

The currency battle in China, the fight between the yuan of the National Government and the various currencies of the invader and his puppet authorities yields nothing in fierceness or importance to the other aspects of the struggle in that country. Two agreements signed on Saturday of last week between the Chinese Government and the Treasuries of the United States and Great Britain respectively should ensure that, for a time at least, that battle will be waged by the Chinese with greater equality of resources than they can at present command in the military field. The two monetary agreements place at the disposal of the newly constituted Chinese Stabilisation Board credits amounting to £5,000,000 and \$50,000,000. These are being provided directly by the British and United States Treasuries and will be used, in the words of the official statements issued in Washington, where the agreements were signed, "in order to check undue fluctuations in the exchange value of the Chinese yuan."

The external help to Chinese currency began with the establishment of the Chinese Exchange Stabilisation Fund in March, 1939. The British contribution to the initial resources of that fund amounted to £5,000,000 and was made by two British banks operating in the Far East, the Hong Kong and Shanghai Bank and the Chartered Bank, whose interests in this operation were fully safeguarded by a British Treasury guarantee. Last December it was announced that the British Government had agreed in principle to extend the sterling credits to the Chinese Government by a further £10,000,000. Of this total, £5,000,000 was made available for financing Chinese purchases within the sterling area. This was a merchandise credit, and its proceeds were never placed at the disposal of the Chinese Stabilisation Fund. The balance of £5,000,000 was promised in the form of a Stabilisation Fund credit as soon as the necessary technical details for operating it had been worked out. It is this £5,000,000 which has now been credited, not to the Exchange Stabilisation Fund, but to the Stabilisation Board which is to take its place.

The establishment of the Stabilisation Board is a token of the concerted approach now being made by the Chinese, American and British authorities to the problem of monetary stability in China. The Stabilisation Fund was established to operate the fund fed by exchange contributions from Chinese and British sources. The Management Committee operating it consisted of three representatives of the Chinese Government, Mr. C. Rogers, of the Bank of England, and the managers of the two British banks which provided the initial contribution to the fund. Though the Committee must at all times have worked in close collaboration with the authorities operating the substantial United States dollar credits placed from time to time at the disposal of the Chinese Government, it remained essentially a Sino-British organisation. The Stabilisation Board, on the contrary, will crystallise the tripartite agreement emerging out of the parallel monetary agreements signed at the end of last week. It will have three Chinese representatives, one nominee of the United States Treasury, and one member appointed on the recommendation of the British

- 2 -

Treasury. Mr. Rogers will hold this last position. The Board will co-ordinate the highly complicated task of Chinese exchange control with an effectiveness and unity of objective which was not possible under the former arrangements. It should, however, be realized that the exchange resources of the fund cannot be pooled and used as one homogeneous masse de manoeuvre. Even in a free market such as Shanghai, sterling remains a controlled currency and, unless the sterling that is being placed at the disposal of the Chinese Stabilisation Fund is given the attributes of ready convertibility into gold or United States dollars at the official rate, it will not mix readily with the United States dollars which will form the other part of the Fund's resources. Thus the dollar and sterling sides of the Fund will be operated separately—but under the control of one and the same authority.

The difficulties that must be faced in attempting the task of exchange stabilisation in China are formidable. In the first place, the efforts of those who are endeavouring to give the yuan some semblance of stability must be seriously hampered by the fundamental fact that far from the whole of the proceeds of Chinese export trade now reach the agents of the Government. The Treaty ports are in Japanese hands, but the leaks through their control, though they have been, and still are, considerable, are gradually being stopped. In the second place, the difficulties which the yuan is encountering in its struggle for survival are increased by the fact that not only the enemy, but his fifth column are within the gates. Wherever the Japanese army pushes in, the military yen follows it. In the territories under Japanese control and governed by puppet authorities, local currencies have sprung up. The most important of these is that issued by the Central Reserve Bank which was established in Nanking last January and has since opened a Shanghai office. The difficulties of propping up a basically weak currency (as the yuan is, because of the Japanese control of the main outlets for Chinese exports) are increased many times when competing currencies are circulating side by side with it in its domestic market. The Japanese and their puppet Governments can to some extent force their currency into circulation, and in exchange obtain notes or credits expressed in terms of National Government yuans. If they offer these yuans on the open market, and if the Stabilisation Board, in performing its function of "checking undue fluctuations in the exchange value of the yuan," sells sterling and United States dollars against them, the exchange resources provided to support the yuan will, to this extent, merely have found their way into the coffers of the enemy.

Can this be avoided? In theory, it could be, provided an effective scheme of exchange control could be devised in China. If, for example, China could be brought within the scope of the British Special Account agreements as regards transactions with the sterling area, and if a similar technique could be applied to China's transactions with the dollar area, all would be well. But effective exchange control, which is difficult enough to operate under the most favourable conditions provided by the United Kingdom with its sea frontiers, would create a nightmare of difficulties in a country such as China, where it would have to be operated without the help of a highly developed banking system and where it would have its every move countered by the invader and his agents. In other words, the fact must be accepted that Shanghai, the centre on which the operations of the Chinese exchange control will have to be largely focused, will remain a free market. And this means a risk that some of the funds may be diverted to channels which neither Great Britain nor the United States wishes to feed.

- 3 -

That risk cannot be altogether averted, however cautious and cunning the operations of the Stabilisation Board may be. It must be accepted in the case of upholding Chinese confidence in the yuan. Under existing conditions the best way of averting this danger of diverting sterling and dollars into unwanted hands is so to underpin local confidence in the National Government's yuan that the efforts of the Japanese and their puppet Governments to oust it from circulation and to obtain considerable holdings of it meet with as little success as possible. It should be pointed out that hitherto the measure of success met by the new currencies in supplanting the yuan has been surprisingly small. The military yen enjoys a forced circulation which does little more than outlast the initial transaction in which it was thrust on an unfortunate and unwilling Chinese merchant or peasant. The circulation of the Central Reserve Bank remains very modest. Its notes, which began by circulating at par with the yuan, now command an exchange premium over the National Government's currency, but this is an artificial corollary of the attempts which have been made to link its exchange value to that of the Japanese yen. Provided the exchange value of the yuan can be held at about 3-1/4d. this premium need cause no concern. In fact it will tend to favour the yuan as the basis of such export transactions as can still be financed in the free market.

The resistance of the yuan to the heavy odds against which it has had to contend has been unexpectedly tenacious and successful. Its exchange value, since the establishment of the Stabilisation Fund, has admittedly fallen in terms of sterling from 9d. to 3-1/4d. But its hold on the loyalty and confidence of the Chinese population—even in the occupied parts of China—has not been shaken by this. The exchange stability of the yuan must, however, be held at around the present level if that confidence is not to be ultimately undermined. If Great Britain and the United States can purchase this stability and all it implies for continued Chinese resistance to Japan, at the cost of the new credits, they will have made an excellent bargain.

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In a telegram dated May 3, 10 a.m., the American Minister at Ottawa stated that in a conversation the previous evening, Mr. Graham Tower informed him that the Canadian Foreign Exchange Control Board was trying to persuade the Brazilian Government to accept payment in sterling rather than American dollars for the large amount of Brazilian cotton which Canada is now buying (See the report from the Legation dated April 17). The sum involved would be sufficiently great to affect directly Canada's dollar exchange position and as Brazil is short on sterling no objection is being offered by the British Government. Mr. Tower added that no attempt would be made artificially to divert from the United States to Brazil future purchases of cotton and pointed out that the currency of payment would in no way affect the competitive position between the cotton of Brazil and American cotton.

EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN
AS SHOWN BY DEPARTURE PERMITS GRANTED

Week ended May 3, 1941

	JAPAN	RUSSIA	SPAIN	GREAT BRITAIN
PETROLEUM PRODUCTS				
Fuel and Gas Oil (including Diesel Oil)	54,200 Bbls.	--	--	186,501 Bbls.
Crude -				
Blended or California High Octane Crude*	--	--	--	--
All Other Crude	324 Bbls.	--	--	--
Gasoline -				
Gasoline A**	--	--	--	--
Gasoline B*	--	--	--	201,951 Bbls.
All Other Gasoline	--	--	--	--
Lubricating Oil -				
Aviation Lubricating Oil***	2,292 Bbls.	--	--	55,866 Bbls.
All Other Lubricating Oil	68,533 Bbls.	--	2,032 Bbls.	355 Bbls.
Tetraethyl Lead***	--	--	--	--
"Boosters", such as Iso-Octane, Iso-Hexane, or Iso-Pentane	--	--	--	--
SCRAP IRON AND SCRAP STEEL				
Number 1 Heavy Melting Scrap	--	--	--	11,640 Tons
All Other Scrap	--	--	--	5,903 Tons

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

May 5, 1941.

Source: Office of Merchant Ship Control, Treasury Department.

* Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.

** Aviation Gasoline.

As defined in the President's regulations of July 26, 1940.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 3, 1941.

TO Secretary Morgenthau

FROM Mr. Cochran

For Miss Chauncey

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£39,000
Purchased from commercial concerns	£ 7,000

Open market sterling was quoted at 4.03-1/4. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£14,000
Purchased from commercial concerns	£ 2,000

In New York, closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	12-1/8% discount
Swiss franc	.2321
Swedish krona	.2385
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2355
Brazilian milreis (free)	.0505
Mexican peso	.2066
Cuban peso	3-3/4% discount

In Shanghai, the yuan was unchanged at 5-5/32¢. Sterling was also unchanged at 3.86-1/2.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 3, 1941

TO Mr. Thompson

FROM Mr. Hagg

In further response to your request of December 26, 1939, there is submitted herewith for the Division of Research and Statistics a memorandum listing, with brief descriptions, the studies or projects completed or under way, and the names of persons working on each, for the month of March 1941.

DIVISION OF RESEARCH AND STATISTICS

Report of Studies or Projects Completed or Under
Way, and the Names of Persons Working on Each,
for the month of March 1941

For convenience of reference, the studies listed are grouped under general subject heads.

The names shown for persons working on each project include only those who participated fairly directly, as explained in the introductory note to the corresponding report submitted on December 25, 1939. No attempt has been made to cover also persons whose responsibility in each particular case was mainly in planning, supervising, or consulting.

Financial Analysis

I. Projects or studies completed

1. A review of current developments in the high-grade securities markets was prepared, and a memorandum was transmitted to the Secretary on March 11. - Mr. Haas, Mr. Turner, Mr. Barnett
2. A memorandum was prepared containing recommendations with respect to the March financing, and a comparison of two pricing techniques, and was transmitted to the Secretary on March 17. - Mr. Haas, Mr. Murphy, Mr. Turner, Mr. Conrad, Mr. Tickton, Mr. Lindow, Mr. Foy, Mr. Sandelin
3. A table was prepared, and was completed on March 16, of estimated yield bases and probable prices on a proposed fully taxable 2½ percent Treasury bond, with seven different maturities, assuming various rates of tax in connection with each maturity, based on closing prices on March 15. - Mr. Conrad
4. A table was prepared, and was completed on March 17, of estimated yield bases of partially tax-exempt Treasury bonds, based on closing prices on March 15. - Mr. Turner
5. A table was prepared, and was completed on March 17, showing for six high-grade corporate bond issues prices and yields on six specified dates. - Mr. Conrad, Mr. Brown

- 2 -

6. A table was prepared, and was completed on March 17, showing the tax assumptions implied in the pricing by Mr. Hadley and Mr. Piser of the Treasury bond proposed for the March financing. - Mr. Turner
7. Yield rates on United States securities, direct and guaranteed, on the basis of over-the-counter closing quotations were calculated daily. These were summarized each day in a table showing for each issue the closing price and yield that day, the change in price and yield from the preceding day, and the price range since date on which first traded and also for the year 1941 to date. A chart for each issue was kept up to date showing recent daily price and yield figures, together with comparative monthly data since 1934, since date of issue, or since date first traded. Similar calculations are made daily on the basis of New York Stock Exchange closing quotations on direct and guaranteed bonds of the United States, for use in preparation of the publication "Market Prices and Yields of Outstanding Bonds, Notes, and Bills of the United States", described under Publications in this report. - Mr. Moody, Miss McCoy, Mr. Kroll
8. At the request of the Secretary, arrangements have been made to secure periodically from the British Empire purchasing missions certain information regarding purchases in the United States by the British Empire. - Mr. Haas, Mr. Lindow, Mr. Wagner, Mr. March

- (a) Weekly statements are received covering the itemized purchases by British Empire Governments through the various missions, the itemized purchases made by these Governments with the knowledge of the missions but not through their facilities, and inquiries made through the missions for future purchases. Similar statements are received showing, by itemized contracts, deliveries made with respect to orders placed by the United Kingdom through the missions. The details with respect to orders and deliveries are classified by some twenty-five commodity groups designed especially for the purpose.

These data are reviewed and edited in the Division each week and a report is then prepared summarizing in dollar volume the information on orders and deliveries, by commodity groups. This report

- 3 -

consists of eight statements; the first three summarize orders placed by the individual governments of the British Empire for the current week and the totals to date; the next three statements summarize total orders of the British Empire on a historical basis; the last two statements present data on deliveries with respect to orders placed by the United Kingdom through the British missions. These weekly commodity statements were prepared, and were transmitted on March 7, 13, 14, 21, and 28, according to instructions by the Secretary.

- (b) The Division also receives each week the data required to prepare statements giving the details concerning the physical volume of airplane and airplane engine orders in the United States by the British Empire. The material for these statements is contained in a group of work sheets prepared by the British Purchasing Commission, but it is necessary for the Division to consolidate and coordinate the information contained in the Commission's statements. The finished tables show, by company and by type of plane or engine, the following information: (1) summary of orders, deliveries, and exports; (2) history of orders; (3) history of deliveries; (4) history of exports; (5) scheduled deliveries of unfilled orders; (6) options: scheduled deliveries; (7) spare parts: orders, deliveries, unfilled orders, and options; and (8) secondhand units: orders, deliveries, and scheduled deliveries of unfilled orders. These aircraft reports were prepared, and were transmitted on March 7, 13, 14, 21, and 28, according to instructions by the Secretary.
- (c) A series of six tables has been developed at the request of the Secretary to show each week the disposition of airframes and engines inspected in the United States by the British Empire, and the status of airframes and engines on hand in the United States. One table develops by company and by model the number of units on hand. A second table analyzes the status of these units, and a third table presents the physical location of the units awaiting export. Separate tables are required for airframes and for engines. The airframe and engine tables were prepared, and were transmitted on March 6, 11, 17, 24, and 31, according to instructions by the Secretary.

- 4 -

- (d) Reports are prepared each week showing commitments by the British Empire Governments for capital expenditures in the United States and for extraordinary charges designed to expedite deliveries. The data for these statements are provided by the British Purchasing Commission but the tables actually are prepared in the Division. Tables showing capital commitments were prepared, and were transmitted on March 7, 13, 14, 21, and 28, according to instructions by the Secretary.
- (e) A group of nine analytical tables on British Empire orders of iron and steel is prepared monthly. Six of these cover commercial iron and steel, excluding ferro-alloys and drop forgings, and are classified by product. One table covers ferro-alloys and silicon metals, and also is classified by product. The next two tables cover drop forgings and are classified by manufacturer. Statements showing British Empire orders of iron and steel as of March 1, 1941, were prepared, and were transmitted on March 31, according to instructions by the Secretary.
- (f) Arrangements have been made to receive information on a physical volume basis for the orders, deliveries, and dates of scheduled deliveries on unfilled orders, and proposed delivery schedules on options, with respect to several other important commodities. For each of these commodities the following tables are being prepared: (a) current delivery status of orders; (b) history of orders; (c) history of deliveries; (d) scheduled deliveries of unfilled orders; and (e) delivery schedules of options (if any). The data in these tables are broken down by particular products, particular models in each case, and particular manufacturers. Statements covering submachine guns, revolvers and rifles were prepared, and were transmitted to Mr. Young on March 4 and 28, and statements covering ordnance were prepared and were also transmitted to Mr. Young on March 12. In addition, work is progressing on the preparation of tables on each of the following commodities: (1) explosives and propellants; (2) chemicals; (3) shells and bombs; (4) small arms ammunition; (5) small arms (fully automatic); (6) tanks and tank equipment; (7) non-ferrous metals; (8) motor vehicles; (9) small boats and ships; and (10) marine engines.

- 5 -

- (g) Certain financial information is prepared from time to time concerning the orders placed in the United States by the British Empire. A monthly report shows the value of orders placed, the value of payments made, and the value of unpaid commitments, together with the forecast of future payments on these commitments. This table was prepared as of March 1, and was transmitted to Mr. Young on March 17.

Another table, showing a comparison of balances due by the British purchasing missions and estimated forecast of payments, as of January 16, February 28, and March 8, 1941, was prepared, and was transmitted to Mr. Young on March 10.

- (h) Arrangements have been made with the Citadel Merchandising Company, Ltd., a Canadian Government corporation, to receive regular reports showing orders placed for machine tools in the United States, and deliveries made on these orders. From this information the Division will be able to prepare reports summarizing Citadel orders, deliveries, and unfilled orders, classified by companies. The first report on Citadel activities was prepared by the Division to show Citadel machine tool orders in the United States as of December 31, 1940, classified by companies. This report was transmitted to Mr. Young on March 12.
- (i) In recent months all prospective orders in the United States by the United Kingdom have been required to be cleared by the Secretary of the Treasury before they could be placed. Under the Lease-Lend Act, the United Kingdom will no longer be placing its own orders, so the requirement of Treasury clearance is no longer effective. Under the previous system the Division had certain responsibilities. Each application for Treasury clearance was audited by the Division immediately upon receipt by the Treasury Department. A table was prepared daily showing the dollar value of clearances for the current week. A weekly table was prepared also showing the dollar value of clearances, classified by commodity groups. These weekly tables were prepared, and were transmitted on March 6, 13, and 17, according to instructions by the Secretary.

- 6 -

9. At the request of the Secretary, arrangements have been made to secure periodically certain information regarding purchases in the United States by the Netherlands Purchasing Commission, and by Lindeteves, Inc. - Mr. Haas, Mr. Lindow, Mr. Wagner, Mr. March

Weekly statements are received covering the itemized purchases by the Netherlands Purchasing Commission in the United States, and the volume of deliveries made thereon. Similar statements are received concerning the activities of Lindeteves, Inc., a large private commercial organization operating in the Dutch East Indies. The details with respect to orders and deliveries for these purchasing agencies are classified by the same twenty-five commodity groups used for reporting orders placed in the United States by the British Empire.

These data are reviewed and edited in the Division each week. Reports are then prepared for each of these agencies summarizing the information on orders and deliveries, classified by commodity groups. These reports consist of three statements: the first shows the history of orders placed; the second shows the history of deliveries made on these orders; and the third shows the current delivery status of orders. These weekly commodity statements covering orders of the Netherlands Purchasing Commission were prepared, and were transmitted on March 7 and 28, in accordance with instructions by the Secretary. Similar statements for Lindeteves, Inc., were prepared, and were transmitted on March 6, 11, 25, and 29, also according to instructions by the Secretary.

10. At the request of the Secretary on May 23, arrangements were made for securing weekly until September 11, and after that fortnightly, from more than forty airplane and airplane engine manufacturers data on deliveries, new orders, unfilled orders, and estimated deliveries by months on the unfilled orders. Analytical tables are prepared every other week showing this information by type of plane or engine and by class of purchaser. Reports for the fortnights ended March 1 and 15, were transmitted on March 5 and 19, respectively, according to instructions by the Secretary. - Mr. Haas, Mr. Tickton, Mr. D. J. Leahy
11. At the request of Under Secretary Bell, various memoranda and charts were prepared for use in the Friday discussion group, considering matters of general interest in connection with defense financing. - Mr. Haas, Mr. Daggit, Mr. Villard

- 7 -

The material presented during the month included the following:

- (a) An analysis was made of recent movements of basic commodity prices, domestic and imported, illustrated by two wall charts. The first chart showed the weekly and daily movements of an index of 11 imported commodities and of 17 domestic commodities from January 1940 through February 1941, on the basis that August 1939=100. The chart also showed the percentage changes for 28 individual commodities, 17 domestic commodities, and 11 imported commodities, from the August 1940 low to February 26, and to March 5, 1941.

The second chart showed the monthly movements of the NICB cost-of-living index compared with the BLS index of 863 commodities from 1935 through January 1941. On the same chart were shown the weekly movements of the BLS index of 863 commodities and the BLS index of 28 basic commodities from August 1939 to March 1941. Both of these comparisons were on the basis that 1926=100. (Charts presented at the meeting on March 7.) - Mr. Daggit, Mrs. May

- (b) An analysis was made of recent price movements illustrated by the two wall charts described above under item (a) brought up to date. The first showed for 28 individual commodities, 17 domestic commodities and 11 imported commodities, the percentage price changes from the August 1940 low to March 5 and March 19. The two components of the second chart were brought up through February, and mid-March 1941, respectively. (Charts presented at the meeting on March 21.) - Mr. Daggit, Mrs. May

- (c) In connection with an introductory discussion of problems involved in financing the deficit arising from the defense program, some of the conditions to be met and possible methods of financing the deficit were outlined. A chart and a table were presented. The chart showed a comparison of the national income and the net cash outgo of the Federal Government 1917-19 and 1931-40, with estimates for 1941 and 1942. The table gave for each year of the same period, the amounts of national income payments, net cash outgo, and the net cash outgo in percent of national income payments. (Presented at the meeting on March 21.) - Mr. Villard

- 8 -

12. In response to a request by the Secretary on January 21, that measures be taken to obtain information to assist in carrying through the defense program, arrangements are being made to obtain the necessary detailed statistics on the holdings of each issue of the public debt and of guaranteed securities by the various classes of holders. - Mr. Haas, Mr. Tickton, Mr. Reagh, Mr. Murphy, Mr. Brown

At the request of Under Secretary Bell on March 1, assistance was given the Director of Press Relations in the preparation of a press release announcing the project for obtaining detailed statistics of these holdings by banks and insurance companies.

A form letter was prepared for signature of the Secretary, and was mailed on March 29 to 6,500 bankers and 1,000 insurance companies, requesting statements of their holdings of Government and Government guaranteed securities.

A detailed mechanical procedure was completed for the regular tabulation of the statistics when received, the first report to cover security holdings as of March 31.
13. Five proposals of the RFC that the Secretary of the Treasury request that corporation to purchase the preferred stock of banks were examined. - Mr. Murphy, Mr. Turner, Mr. Barnett
14. In connection with the several proposed types of United States appreciation and income savings bonds, additional schedules were prepared showing redemption values, yield rates during the period to be held, and yield rates during the remaining period to maturity at various interest rates. Calculations in respect to the three types finally adopted were completed on March 18. - Mr. Reagh, Mr. Brown, Mr. Kroll
15. A memorandum was prepared on March 28, on the decisions made at the meeting which was held in the Secretary's office on March 5, with respect to the proposed new series of United States savings bonds. - Mr. Murphy
16. At the request of Mr. Broughton on March 10, a review was made of tables showing redemption values by denominations and investment yields of the proposed three new series of United States savings bonds, and was transmitted to him in a memorandum on March 14. - Mr. Murphy, Mr. Brown

- 9 -

17. At the request of Mr. Broughton on March 14, a review was made of suggested changes in the tables of redemption values and investment yields of the proposed three new series of United States savings bonds, and was transmitted to him in a memorandum on March 19. - Mr. Reagh, Mr. Brown
18. At the request of Under Secretary Bell on March 19, a memorandum was prepared on the suggested revision of terms of the proposed new series F of United States savings bonds designed primarily for large investors, and was transmitted to him on that date. - Mr. Murphy, Mr. Brown
19. At the request of Mr. Broughton on March 19, a review was made of the tables of redemption values in the proofs of the text of the proposed United States Defense savings bonds, series E, and was transmitted to him in a memorandum on March 20. - Mr. Murphy, Mr. Brown
20. At the request of Mr. Broughton on March 20, a review was made of the denominational tables of redemption values for the proposed United States savings bonds, series F and series G, and was transmitted to Mr. Broughton in a memorandum on March 20. - Mr. Reagh
21. At the request of the Director of Press Relations on March 20, a table was prepared of the redemption values of the three new series of United States savings bonds, and was transmitted to him on that date. - Mr. Murphy, Mr. Brown
22. At the request of Mr. Broughton on March 21, a review was made of the revised tables of redemption values and investment yields of the three new series of United States savings bonds for inclusion in the offering circulars, and was transmitted to him in a memorandum on March 22. - Mr. Murphy, Mr. Brown
23. At the request of Under Secretary Bell on March 28, a memorandum was prepared, and was transmitted to him on that date on the probable cost of a proposed provision which would permit United States savings bonds, series G, to be redeemed at the original purchase price on the death of the purchaser. - Mr. Reagh, Mr. Brown, Mr. Kroll
24. At the request of Mr. Broughton on March 26, a review was made of a draft of Department Circular No. 653, governing the offering of United States Defense savings bonds, series E, and was transmitted to him in a memorandum on March 28. - Mr. Brown, Mr. Reagh, Mr. Murphy

- 10 -

25. At the request of Mr. Broughton on March 28, a review was made of a table comparing redemption values and computed yields on the various series of United States savings bonds, A-D, and E, F, and G, and was transmitted to him in a memorandum on March 31. - Mr. Brown, Mr. Murphy
26. At the request of Mr. Foley, a memorandum was prepared, and was transmitted to him on March 6, on a proposal by Representative Gifford to make United States Government securities receivable for Federal taxes. - Mr. Murphy, Mr. Turner
27. In response to a request by the Secretary to the Chairman of the SEC, a memorandum was prepared and transmitted to the Secretary on March 17, forwarding a memorandum from Mr. Ganson Purcell, Director of the Trading and Exchange Division of the SEC, on security issues which might become effective and publicly offered during the week of March 17. - Mr. Haas
28. In response to a request by the Legal Division on March 17, a memorandum was prepared on March 22 in further regard to the proposed compromise of the indebtedness to the Federal Government of the Erie Forge & Steel Co. On the basis of this memorandum, a letter to the Secretary of the Navy was prepared for signature of the Secretary, and was transmitted to the Legal Division on March 24. - Mr. Conrad
29. At the request of Assistant Secretary Gaston on March 12, a review was made of an article on inflation by Dr. Goldenweiser, and was transmitted in a memorandum to Assistant Secretary Gaston on March 20. - Mr. Haas, Mr. Murphy
30. At the request of Mr. Heffelfinger on February 3, a review was made of a proposed reply, prepared by the Bureau of Accounts, to a letter from Senator Pat Harrison dated January 9, requesting the Department's views on S. 56, a bill to amend the Social Security Act with respect to grants to States for old-age assistance, and was forwarded in a memorandum to Mr. Heffelfinger on March 6. - Mr. Murphy, Mr. Reagh

- 11 -

31. At the request of Mr. Heffelfinger on February 3, a review was made of a proposed reply, prepared by the Bureau of Accounts, to a letter from Senator Pat Harrison dated January 9, requesting the Department's views on S. 147, a bill to amend the Social Security Act to standardize the amount to be contributed by the United States for old-age assistance, and was forwarded in a memorandum to Mr. Heffelfinger on March 6. - Mr. Murphy, Mr. Reagh
32. At the request of Mr. Heffelfinger on February 3, a review was made of a proposed reply, prepared by the Bureau of Accounts, to a letter from Senator Pat Harrison dated January 9, requesting the Department's views on S. 161, a bill to amend the Social Security Act to provide for a larger Federal payment to the States for old-age assistance, and was forwarded in a memorandum to Mr. Heffelfinger on March 6. - Mr. Murphy, Mr. Reagh
33. At the request of the Bureau of Accounts on March 3, there was reviewed a proposed reply to a letter from Senator Pat Harrison dated February 11, requesting the Department's views on S. 809, a bill to amend the Social Security Act as amended, to provide for the payment to States of an average of \$15. per month per capita for certain recipients of old-age assistance under the several State plans. A memorandum was prepared, and was forwarded to Mr. Heffelfinger on March 10; a revised letter received March 19 was initialled and transmitted to Mr. Heffelfinger on March 26. - Mr. Reagh, Mr. Murphy
34. In response to a request by the Bureau of the Budget in a letter received March 21, a review was made by the Bureau of Accounts of a report on H.R. 1423, a bill to provide for loans to Federal Land Banks for refinancing certain farm loan bonds by the Federal Farm Mortgage Corporation, and changing the method of financing interest rates on land bank mortgages. The review, submitted by the Legal Division on March 28, was approved and transmitted to the Legal Division. - Mr. Murphy

- 12 -

II. Projects or studies under way

1. A study is being made of the relative interest costs of short- and long-term borrowing. - Mr. Barnett
2. For use in project 1, listed directly above, during March yield rates were computed as of the first business day of each year from 1919 through 1933, for Government securities selling above par on those dates. - Mr. Brown, Mr. Kroll
3. A study is being made of the available sources of funds for Treasury financing. - Mr. Villard
4. A memorandum is being prepared on a negotiable "tap" security. - Mr. Tickton, Mrs. Wolkind
5. Review of war-financing measures in belligerent countries in the present war. - Mr. Matlock
6. A memorandum is being prepared on the relationship between public debt operations and bank reserves. - Mr. Turner
7. A study is being made of the probable excess reserves in 1941-42. - Mr. Turner, Mr. Barnett
8. At the request of Under Secretary Bell on October 14, a memorandum is being prepared on a memorandum submitted by Mr. John Evans, President of the First National Bank of Denver, Colorado, in reference to United States Government bonds now owned by the Federal Reserve System and its member banks, and suggestions concerning a refunding and change in form which would appear to be in interest of the Treasury Department, the Federal Reserve System, the member banks, the Federal Deposit Insurance Corporation, and the public generally whose money is deposited in member banks. - Mr. Murphy
9. In response to a request by Under Secretary Bell on January 27, comments are being prepared on a memorandum by Mr. George Eddy to Mr. White, in regard to a plan of Mr. N. E. Peterson, entitled, "A Means of Financing the Defense Program". - Mr. Turner
10. At the request of Under Secretary Bell on February 5, an analysis is being made of his plan for investing savings banks' and insurance companies' funds in special 2 percent Treasury certificates. - Mr. Tickton

- 13 -

11. At the request of Under Secretary Bell on February 11, a memorandum is being prepared to the Secretary regarding a letter from Mrs. Sylvia F. Porter, New York Post, dated January 22, suggesting a plan for the distribution of United States Government securities. - Mr. Haas, Mr. Murphy, Mr. Turner
12. At the request of the Secretary on February 8, a reply is being prepared to a letter from the Acting Secretary of Commerce dated February 4, requesting certain data on outstanding securities of Federal agencies and the amount of governmental securities held by governmental agencies and Federal Reserve Banks for the period 1929-40. - Mr. Conrad
13. A memorandum is being prepared recommending legislation terminating miscellaneous types of tax exemption analagous to the exemption of interest on Federal securities, but unaffected by the Public Debt Act of 1941. - Mr. Matlock
14. At the request of Under Secretary Bell replies are being prepared to certain questions asked by the Wagner Committee preparatory to its investigation of banking and monetary conditions pursuant to Senate Resolution 125. - Mr. Haas, Mr. Murphy, Mr. Turner
15. At the request of Mr. Theodore R. Goldsmith, an analysis is being made of a study of savings bond mortality by Miss Hilda Hoffman, Bowery Savings Bank. - Mr. Turner
16. At the request of Under Secretary Bell on March 7, a speech is being prepared for his delivery before the National Association of Mutual Savings Banks on May 7. - Mr. Villard
17. In response to a request by Under Secretary of War Patterson on March 17, certain information relative to profits in the construction industry is being prepared. Partial data were transmitted to the Under Secretary of War in a letter for signature of Under Secretary Bell, which was prepared on March 27. - Mr. Murphy, Mr. Conrad
18. Request for a report was received from the Office of the General Counsel on March 3 in connection with a letter from Senator Wagner dated February 26, requesting the Department's views on S. 952, a bill to increase the reserve requirements of member banks of the Federal Reserve System, and for other purposes. This project is being held in abeyance at the request of Under Secretary Bell.

- 14 -

Revenue Estimates

I. Projects or studies completed

1. The regular monthly statement was prepared for the Bureau of Accounts, showing the latest revised estimates of receipts, by months and by principal sources of revenue, for the period March 1941-June 1942, and was transmitted on March 3. - Mr. Delcher
2. The regular monthly summary comparison of estimated receipts and actual receipts in February 1941 on the daily Treasury statement basis, was prepared. - Mr. Delcher
3. The regular monthly detailed comparison of estimated and actual receipts in February 1941, and for the period July 1940-February 1941, based on the collections classification, was prepared. - Mr. Delcher
4. At the request of the Division of Tax Research on February 12, a review was made and was incorporated in a memorandum to Mr. Blough on March 4 of table outlines submitted by Mr. Atkeson, Bureau of Internal Revenue, for an advance tabulation from form 1121 for 1940, relating to the excess profits tax returns. - Mr. Leahy
5. At the request of the Division of Tax Research on February 28, a review was made of the revised sections relating to the estate tax returns and gift tax returns to be published in Statistics of Income for 1938, Part 1, and was incorporated in a memorandum to Mr. Blough on March 10. - Mr. T. L. Smith
6. In response to an oral request on March 11 from Senator Byrd's office, for information regarding the estimated yield from title II of the Revenue Act of 1940, and the number of new individual taxpayers resulting from the lowering of the exemptions in the Revenue Act of 1940, references to published information were supplied to Mr. Bell in the Senator's office by telephone on March 11. - Mr. O'Donnell
7. In connection with the probable revision of the revenue laws in 1941, a number of revenue estimates, listed below, were prepared for use of the Division of Tax Research. - Mr. O'Donnell, Mr. Leahy, Mr. Butters, Mr. Smith, Mr. Bronfenbrenner

- 15 -

- (a) The latest estimates of the increased yield attributable to the Second Revenue Act of 1940 from the excess profits tax and the corporation normal tax, on the basis of calendar year 1940 income levels, and on the basis of forecast income levels for the calendar year 1941, were transmitted in a memorandum to Mr. Blough on March 14.
- (b) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum on March 15, of the revenue effects, at forecast income levels for the calendar year 1941, of the adoption of four proposed surtax schedules with exemption unchanged and with exemption lowered to \$1,000 for married persons and heads of families, and to \$500 for other individuals with and without the Defense tax.
- (c) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on March 20, of the increased revenue which would result, at forecast business levels for the calendar year 1941, from the adoption of the proposal to increase the present rate of the capital stock tax to \$1.50 per thousand, including the Defense tax.
- (d) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum of March 26, of the revenue effects, at the business levels forecast for the calendar year 1941, with and without the Defense tax of (1) amending section 117(c) providing alternative taxes on capital gains and losses, by substituting 50 percent for 30 percent, and (2) increasing the normal individual income tax an additional 1 percent.
- (e) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum of March 26, of the revenue effects, at the business levels forecast for the fiscal year 1942, of the following proposed increases in taxes:
- (1) Distilled spirits: Increase rate \$2 per gallon
 - (2) Fermented malt liquors: Increase rate \$2 per barrel
 - (3) Wines, cordials and liqueurs, etc.: Increase rates $33\frac{1}{3}$ percent
 - (4) Cigarettes: Increase rate 75 cents per 1,000

- 16 -

- (5) Manufacture of cigars, tobacco and snuff:
Double the rates
 - (6) Automobile taxes: - Items covered in
sections 3403(b) and 3403(c): Double
the rates
 - (7) Gasoline tax: Increase the rate 1/2 cent
per gallon
- (f) An estimate was made of the revenue effect of in-
creasing the normal tax on all corporations (a) 1
percent and (b) 6 percent, and was transmitted in
a memorandum to Mr. Blough.
8. Projects for revising and improving methods of estimating
revenues from the following taxes: - Mr. Daggit,
Mrs. May, Mr. R. R. Smith
- (a) Automobile trucks
 - (b) Tires and inner tubes

II. Projects or studies under way

1. At the request of the Division of Tax Research on July 12,
an estimate is being made of the additional revenue which
would be derived if mutual insurance companies other than
life insurance companies taxable under Section 207 of the
Internal Revenue Code were made taxable in the same
manner as stock insurance companies other than life in-
surance companies taxable under Section 204, and at the
same time the exemption under Section 101(11) were re-
stricted to local mutual companies of the assessment type. -
Mr. Leahey
2. A complete revision of the budget estimates of the revenue
is in process for the fiscal years 1941 and 1942. -
Mr. O'Donnell, Mr. Daggit, Mr. Leahey, Mrs. May,
Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith,
Mr. Deleher
3. At the request of the Division of Tax Research, in con-
nection with the probable revision of the revenue laws
in 1941, a revised estimate is being made of the revenue
yield from a manufacturers sales tax to take account of

- 17 -

changes in business levels since the date of the estimate of July 25, 1940, and giving, in addition, estimates for the rates of 5, 6, 7, 8, 9 and 10 percent. - Mr. T. L. Smith

4. Projects for revising and improving methods of estimating revenues from the following taxes: - Mr. Daggit, Mrs. May, Mr. R. H. Smith, Mrs. Spiegel, Mr. Colclough
- (a) Telephone and telegraph, radio and cable facilities, leased wires, etc.
 - (b) Bituminous coal
 - (c) Distilled spirits, domestic
 - (d) Fermented malt liquors
 - (e) Transportation of oil by pipeline

Economic Conditions Related to Fiscal
and Revenue Matters

I. Projects or studies completed

1. Memoranda on the business and price situation were prepared, and were transmitted to the Secretary on March 3, 10, and 18. - Mr. Haas, Mr. Daggit, Mrs. May, Mr. Chevraux, Mr. Smith

These memoranda contained in addition to analysis of the current situation the following special study:

A study of the economic status of individual factory workers, comparing earnings with cost of living, quarterly from 1936 to date. (Chart in memorandum of March 3. Also described below under Economic Conditions, I, as item 11.) - Mr. Daggit, Mrs. May

2. Memoranda on employment under the Work Projects Administration were prepared, and were transmitted on March 3, 10, and 19. - Miss Hagedorn
3. In accordance with arrangements previously made, an estimate of employment in the airplane industry by geographic areas for February was prepared. - Mr. Tickton

- 18 -

4. At the request of the Secretary, a table is prepared each week summarizing exports of petroleum products, scrap iron, and scrap steel, from the United States to Japan, the U.S.S.R., Spain, and Great Britain, as indicated by departure permits reported daily by the Office of Merchant Ship Control. The tables were prepared for the weeks ending March 1, 8, 15, 22, and 29. On March 3, 10, 17, 24, and 31, the original and 13 photostats were transmitted to Assistant Secretary Gaston. In addition, each week two photostats were transmitted to Mr. Young, one of which was for Mr. Purvis. - Mr. Tickton, Mr. D. J. Leahy.
5. Compilations were made of daily quotations on selected commodities and daily and weekly figures on selected business indexes, foreign and domestic security transactions, security prices, exchange rates, as well as other data for the Secretary's chart book. - Mr. Chevraux
6. Comments were prepared on the commodity situation as of March 5 and 19, for information in connection with the Friday meetings of March 7 and 21. - Mr. Daggit, Mrs. May
7. At the request of the Secretary on March 10, an analysis was made of the continuous increase in prices of imported commodities as compared with the relatively horizontal trend of domestic commodity prices during the period January 31 to March 7, and was incorporated in a letter, with chart, prepared for signature of the Secretary, for transmittal to the President. - Mr. Daggit
8. New studies have been completed to incorporate revisions in the FRB and other published series, and to improve our methods of forecasting the following basic business series: BLS index of factory payrolls; Standard Statistics Index of 420 stock prices; Department of Commerce series on bank debits outside New York City; and New York Times series on volume of stock transfers. - Mr. Daggit, Mrs. May, Miss Spiegel, Mr. Colclough, Mr. Smith
9. Forecasts were made of the following basic business series for the calendar year 1941, and for the fiscal years 1941 and 1942, and in the case of the unrevised form of certain revised series, additional forecasts were made for the calendar year 1940: FRB index of industrial production, new and old bases; BLS index of wholesale prices; BLS index of factory payrolls, 1939 and 1941 revisions; our index of the value of industrial

- 19 -

production; Standard Statistics index of 420 stock prices; Department of Commerce series on salaries and wages, 1939 and 1940 revisions; Federal Reserve series on bank debits outside New York City; and New York Times series on volume of stock transfers. - Mr. Daggit, Mrs. May, Mr. Smith, Mr. Colclough, Miss Hagedorn, Miss Spiegel

10. For use in making certain revenue estimates, new studies were made to estimate the unrevised forms of the following revised series: FRB index of industrial production, adjusted; Department of Commerce series on salaries and wages; and the BLS index of factory payrolls. - Mr. Daggit, Mrs. May, Miss Spiegel, Mr. Colclough, Mr. Smith
11. A study was made of the economic status of individual factory workers. The BLS index of average weekly earnings of factory workers, 1935-39=100, was compared with the BLS cost-of-living index, 1935-39=100. A chart showing quarterly figures from 1936 to date was used in connection with the business memorandum of March 3. - Mr. Daggit, Mrs. May
12. At the request of the Secretary on March 10, a critical analysis was made of the report by Mr. Gano Dunn on the adequacy of the steel capacity in the United States, and was transmitted to the Secretary in a memorandum on March 15. - Mr. Haas, Mr. Daggit, Mr. Lindow
13. A memorandum was prepared on March 5, on Mr. Philip Murray's proposals for increasing steel production. - Mr. Daggit
14. A memorandum was prepared, and was transmitted to the Secretary on March 3, with respect to a telephone conversation Mr. Haas held with Mr. Hamm of Mr. Leon Henderson's office concerning what was being done in regard to price increases of imported commodities. - Mr. Haas
15. A memorandum was prepared, and was transmitted to the Secretary on March 4, forwarding a memorandum from Mr. Hamm on "Increased Authority for the Control of Prices: An Office of Price Administration". - Mr. Haas

II. Projects or studies under way

1. An attempt is being made to improve our information on the volume of unfilled orders by working out a composite index of unfilled orders based on data from individual industries. - Mr. Daggit
2. A project is under way concerning forces determining trends of basic commodity prices, which involves a study of (1) the forces determining general commodity prices and (2) the forces determining the prices of individual commodities.

With respect to (1), general commodity prices, an analysis is in process of disparities between demand and production as a basic price factor which, under excessive war demand, might lead to inflation. For use in this analysis two indexes of demand are being constructed: An index of export demand which expresses the exports of manufactured goods in physical volume, and the index of consumer buying in terms of physical volume, which is part of the project on measures of consumer buying listed as item 3 below.

With respect to (2), prices of individual commodities, shipments of a given commodity, or deliveries to consumers, are taken as a measure of demand, to be compared with production. Ten basic commodities have been selected tentatively for study, and this work is in process. - Mr. Daggit, Mrs. May, Mr. Smith, Miss Hagedorn

3. A project on measures of consumer buying is under way, with the object of developing three indices: (a) and (b) two indices to measure the buying power of consumers in terms of physical volume of purchases; and (c) an index to measure changes in total consumer expenditures, in dollar volume. These indices will supplement our present "index of sales", which is designed to measure the "off-take" of manufactured goods into various consumption channels.
 - (a) Studies on a monthly basis have been completed on individual components of the physical volume index of consumer buying power, entitled "Index of consumer demand for a selected group of consumer goods". This index is corrected for the effect of price changes from 1935 to date. During the month a number of adjustments were made to incorporate revisions in basic published series.

- (b) Further progress has been made on the second physical volume index of consumer buying power, entitled "Index of potential consumer purchasing power". This index is corrected both for the effect of price changes and for the effect of changes in the national income.
- (c) With respect to the "Index of consumer expenditures in dollar value", further progress has been made in developing individual series, in determining their suitability for inclusion and the necessary adjustments. These series have been classified in two broad groups: durable goods and non-durable goods. The purpose of the index is to cover as large as possible a proportion of the purchases of ultimate consumers. - Mr. Daggit, Mrs. May, Mr. Colclough, Mr. Smith
4. A better index of inventories of finished goods is needed as an indication of business maladjustments, with a breakdown as between inventories of finished goods held by manufacturers and those held by others. An attempt to develop such an index is under way. - Mr. Daggit
 5. A study of the volume of installment buying and consumer credit has nearly been completed. This study is designed eventually to provide a monthly index of the volume of buying on deferred payments, which at times is an important business factor. Newly-published data from the Department of Commerce and the National Bureau of Economic Research have been assembled. A preliminary study is under way to determine how they may be used in a combined index. - Mrs. May
 6. A project in process is designed to develop an index of industrial production that will indicate week by week the approximate level of the FRB index. It will include a larger number of weekly series than are included in any current business indices, with weightings and seasonal adjustments approximating those in the FRB index. - Mr. Daggit, Mr. Smith
 7. Progress was made on a study of the relationship between the New York Times revised index of business activity and the new FRB index of industrial production in an attempt to forecast the weekly level of the FRB index from the New York Times index. - Mr. Daggit, Mrs. May, Mr. Colclough
 8. At the request of Under Secretary Bell on January 29, a memorandum for the Secretary is being prepared, illustrated by five charts, on the possibility of a freight car shortage

- 22 -

in October 1941, when car loadings are at their seasonal peak, and containing a forecast of freight car loadings for October, a forecast of the number of freight cars that may be required, and outlining steps which would alleviate or prevent such a shortage. - Mr. Daggit, Mr. Chevreux

Actuarial Problems

I. Projects or studies completed

1. In response to a request by Mr. George B. Buck on March 25, a review was made of the report of the Board of Actuaries of the Civil Service Retirement and Disability Fund on H. R. 3487, a bill to amend the Civil Service Retirement and Disability Act, to provide for uniform retirement age; deferred annuities to those separated after five years service; and an employee contribution rate of 5 percent. - Mr. Reagh
2. At the request on December 19 of Mr. John P. Kiley of the Chicago Division Technical Staff of the Bureau of Internal Revenue, further assistance is being given in preparation of material for use in an income tax case involving the payment of the proceeds of life insurance policies in installments. On March 31 Mr. Reagh appeared as a witness in this case. - Mr. Reagh, Mr. Brown
3. At the request of the State Department on February 21, comments were prepared on an amendment proposed by Representative Bloom to extend widows' benefits under the Foreign Service Retirement Law to the widows of officers who died before July 1, 1939, and were incorporated in a letter to the State Department on March 6. - Mr. Reagh
4. In response to a request contained in a letter from Mr. W. R. Williamson, Social Security Board, on March 12, a review was made of a memorandum on "The matching provision under the Civil Service Retirement Act", and was incorporated in a letter to Mr. Williamson mailed on March 19. - Mr. Reagh
5. At the request of Mr. Heffelfinger on March 16, a review was made of a reply prepared by the Bureau of Accounts to a letter from Senator Elbert D. Thomas, dated January 27, requesting a report by the Department on S. 489, a bill to aid in the establishment and administration of State health insurance plans. - Mr. Reagh, Mr. Murphy

- 23 -

6. At the request of Mr. Heffelfinger on March 26, a review was made of a reply prepared by the Bureau of Accounts to a letter from Senator Pat Harrison, dated March 21, requesting a report by the Department on S. 1149, a bill to amend the Social Security Act, with respect to State aid for the blind. - Mr. Reagh, Mr. Murphy

II. Projects or studies under way

1. The Board of Actuaries of the Civil Service Retirement and Disability Fund is laying out detailed plans for tabulating and processing data for use in preparing the regular five-year valuation of the Civil Service Retirement Fund for the purpose of determining the liabilities of the Government under the Civil Service Retirement law. Under the law, such a valuation must be prepared as of July 1, 1940. - Mr. Reagh, Mr. Brown
2. The Foreign Service Retirement law, as approved April 24, 1939, Section 26(m), provides that the "Treasury Department shall prepare the estimates of the annual appropriations required to be made to the Foreign Service Retirement and Disability Fund and shall make actuarial valuations at intervals of five years, or oftener if deemed necessary by the Secretary of the Treasury". An outline of the data required for making an actuarial valuation has been submitted to the State Department. A preliminary estimate of the appropriation required for the fiscal year 1942 has been prepared, and has been submitted to the State Department. - Mr. Reagh, Mr. Brown
3. At the request of the Bureau of the Budget on February 3, assistance will be given in the revision of a draft of a bill designed to correct several objections to Public No. 847, 76th Congress, "An act to provide for the retirement of certain members of the Metropolitan Police Department of the District of Columbia, the United States Park Police Force, the White House Police Force, and the members of the Fire Department of the District of Columbia". - Mr. Reagh
4. A request was received from Mr. Robert H. Hinckley, Assistant Secretary of Commerce, on March 22, that assistance be given in the drafting of proposed legislation for the retirement of inspectors and other similar technical personnel of the Civil Aeronautics Administration. - Mr. Reagh

5. In response to a request contained in a letter from Mr. W. R. Williamson, Social Security Board, which was received on March 10, a review is being made of a memorandum on "The Interest Rate of the Trust Fund". - Mr. Reagh
6. About three years ago a committee was organized for the purpose of studying ways and means to extend retirement benefits to all Government employees regardless of Civil Service status. The working committee, the subcommittee on Retirement, has again become active and is attempting to draft legislation which would coordinate the provisions of the Social Security Act with the Civil Service Retirement Act.

In this connection, an outline transmitted to the Subcommittee by Mr. D. C. Bronson, of the Social Security Board, of a proposed plan for enlarged benefits for Federal employees, was reviewed in a letter to Mr. Bronson on March 22. - Mr. Reagh, Mr. Brown

Other Projects or Studies

1. Publications

- (a) For the March issue of the Treasury Bulletin data were prepared on average yields of long-term Treasury bonds and high-grade corporate bonds. - Miss Eyre

All the material submitted for the March issue was reviewed and edited. Substantial revision was made in the tables on the general fund, on the securities held in Treasury trust funds and by certain United States Government agencies, and in the summary tables of statistics of capital movements between the United States and foreign countries.

Additional revisions are being considered for future issues. - Mr. Lindow, Miss Eyre

- (b) For the publication Market Prices and Yields of Outstanding Bonds, Notes, and Bills of the United States, computations were made and copy was prepared for the issue covering the month of February. This publication shows by securities the rates of interest, maturities, interest payment dates, and amounts outstanding; and for each

- 25 -

day of the month, together with a monthly average, closing market quotations (accrued interest to be added), and yields. - Mr. Moody, Miss McCoy

- (c) Progress has been made on the preparation of a cumulative subject index of Treasury publications since the establishment of the Department, covering (1) Annual Reports of the Secretary, (2) other publications issued by the Department, including annual reports of the bureaus and offices in the Department, and (3) material prepared in the Treasury Department which was published in Congressional documents, hearings before Committees of Congress, or the Congressional Record. - Miss Westerman
- (d) Copy for the extract on the Treasury Department from the Congressional Directory of January 1941 was completed and forwarded to Mr. C. S. Bell for transmittal to the Government Printing Office. - Miss Westerman

2. Correspondence

Replies were prepared to letters received on subjects relating to the work of the Division, and letters drafted elsewhere and submitted to the Division for that purpose were reviewed. - Miss Michener, Miss Ziegler, and other members of the staff in appropriate fields of work.

During March 538 letters were received in the Division and 529 were handled as required.

3. Charts

Charts are prepared and continually brought up to date for use in memoranda and in chart books on special subjects, and corresponding photographic, photostatic, and multilith work is carried on. This is done in the Graphic Section under the supervision of Mr. Banyas. A statistical report on the work of the Graphic Section for the month of March is attached.

Work completed in the Graphic Section, Division of
Research and Statistics, during March 1941

Type of work	For Division of R & S	For Others	Total
<u>Graphic:</u>			
<u>New charts:</u>			
Total charts completed	38	7	45
Bond book charts completed	2	-	2
<u>Charts brought up to date:</u>			
3 bond chart books brought up to date	26 (times)	-	26 (t)
All other charts brought up to date	696	31	727
<u>Miscellaneous:</u>			
Total jobs	14	18	32
<u>Photographic:</u>			
<u>Photographs:</u>			
Total jobs	90	38	128
Number of-			
Negatives	187	31	218
Contact prints	575	197	772
Enlargements	104	56	160
<u>Photostats:</u>			
Total jobs	177	39	216
Number of-			
Lettersize copies	1,590	1,346	2,936
All other copies	10,990	346	11,336
<u>Multilith:</u>			
Total jobs	10	-	10
Number of-			
Zinc plates	91	-	91
<u>Miscellaneous:</u>			
Total jobs	12	16	28

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Statistical Report on Work Completed by the
Graphic Section, Division of Research and Statistics, by months,
beginning January 1941.

Type of work	Jan.	Feb.	March	April	May	June	Total
A. Graphic:							
New charts completed	50	57	45				
Charts brought up to date	734	740	727				
Bond book charts completed	-	60	2				
3 bond books brought up to date	26 (times)	22 (t)	26 (t)				
Miscellaneous jobs	35	36	32				
B. Photographic:							
<u>Photographs:</u>							
Total jobs	105	121	128				
Number of-							
Negatives	153	232	218				
Contact prints	224	247	772				
Enlargements	209	608	160				
<u>Photostats:</u>							
Total jobs	167	164	216				
Number of-							
Lettersize copies	746	1,588	2,936				
All other copies	10,828	10,948	11,336				
<u>Multilith:</u>							
Total jobs	8	15	10				
Number of-							
Zinc plates	100	91	91				
<u>Miscellaneous:</u>							
Total jobs	16	31	28				

SECRET

By authority A. C. of S., G-2

Date 6 May '41 (JF) InitialsParaphrase of Code Radiogram
Received at the War Department
at 8:01, May 4, 1941.

Amara, filed May 3, 1941.

A well-informed British subject states that he has nearly abandoned any hope that the Turks will eventually take part in hostilities. He bases this pessimistic view on recent occurrences in Iraq, North Africa, and Eastern Mediterranean area. The fact that the Germans have captured the Greek islands off the Turkish coast implies that Turkey will be partly encircled, and it keeps the British out of some of the principal ports. In fact, it leaves them nothing except Alexandria and Mersin and perhaps also Antalya. All of these have relatively small facilities for shipping. It is denied by the Turkish General Staff that the Germans have taken Mytilene.

A Turk of high standing says the British have lost prestige considerably. This is due to defeat in North Africa; to British failure to keep the Germans out of the Greek Islands near Turkey; and to British failure to take action against the German ships which passed through the Dardanelles. British are regarded as stingy with help though lavish with promises. The effort of Turkey is to keep from getting herself sliced up and divided between Germany and Russia.

From a French official, newly arrived from Beirut, I learn that in Syria there are only 25,000 troops (white and colonial) and that the store of munitions there is limited. There is reason to believe that Von Kuntig has organized German propaganda on a considerable scale and that this is having its effect on the Syrians' minds.

ELMS

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G-2/2657-220; No. 382 M.I.D., W.D. 12:00 M., May 3, 1941.

SITUATION REPORTI. Western Theater.

Air: German. Normal night operations over England. The principal concentration of about 200 planes attacked the Liverpool area.

British. Normal offensive activity last night involving an estimated 100 bombers. Hamburg was the principal focus of attack.

II. Mediterranean and African Theaters.

Ground: North Africa. No marked change in the situation.

East Africa. British troops have occupied Ualdia, about 50 miles north of Dessye on the road to Mt. Alaji, one of the few last remaining Italian strongholds.

Air: No important activity reported.

III. Iraq.

Fighting continues around Habbaniya airdrome near Baghdad (not Basra as erroneously reported on the 2d). There is an unconfirmed report that German aerial reinforcements are on their way to Iraq.

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319

Purchase of Code Cables
Received at the War Department
at 15:31, May 4, 1941.

Dublin, filed 17:00, May 4, 1941.

The military forces of the Ireland (Eire) number approximately 35,000 fairly-well trained regulars and 100,000 poorly trained local defense forces. All are badly equipped but they expect to resist whoever invades them first. Military authorities are united in support of the neutrality policy of the Irish Free State. There is, however, enough anti-British sentiment in the Army to make possible a 5th Column in the event of a German invasion.

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