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SECRETARY OF THE TREASURY

AIDE TO SECTREAS

COMMANDANT CG

TEXT

P R I O R I T Y

FOR MRS KLOTZ PLEASE INVITE GENERAL MARSHALL FOR LUNCH FOR
FRIDAY 1230 OR FOR MONDAY INFORM GROUP THAT ALL SUGGESTIONS
ON SPEECH ADOPTED AND I HAVE LEFT OUT ALL REFERENCE
TO COMPULSORY SAVINGS PLEASE THANK THEM FOR THEIR SPLENDID
ASSISTANCE X I BROADCAST AT SIX TONIGHT AND GRAVES AND HIS
WAR BOND EXECUTIVES PLEASE TO LISTEN X HOPE YOU WILL
ALSO X FEELING OK TRIP VERY WORTH WHILE BEST REGARDS.

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2:05 *fm*

TOD: 1435 AUG 20 1942/SX
OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

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SECRETARY OF THE TREASURY.

AIDE TO SEC TREAS

COMMANDANT CG

Ast. Comdt.	Law
Auxiliary Eng.	Marine Engineering
CG Reserve	Maritime Service
Civil Engineer	Material
Coastal Personnel	Medical
Commandant	Merchant Ship
Communications	Upkeep
Const. & Repair	Portuguese Board
Finance	Personnel
Group Training	Procurement
Inspector	Public Relations
Intelligence	Radio Engineering

TEXT

PRIORITY

**FOR CHARLES SCHWARZ OFFICE OF SEC OF THE TREAS X
WIRING ABOUT NOON TEXT OF SECRETARYS ~~XXXX~~ ROANOKE SPEECH 1400
WORDS FOR YOU TO RELEASE IN USUAL WAY SCHEDULED TIME IS
SIX OCLOCK SIGNED KUHN**

10:29 am

TOD 1429 20 AUG 1942 NM

4

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

LB

07014

August 20, 1942

Reading copy of the address of Secretary Morgenthau at the ceremonies designating Roanoke, Virginia, as the first "Treasury Flag City" in the War Savings Bond Campaign, delivered at Roanoke and broadcast from 6:00 to 6:15 pm.

Just before coming to Roanoke for this great demonstration it was my privilege in the past five days to inspect army camps in the West and South at the invitation of General Marshall. By way of preface I can assure you that your boys are being well housed, well fed and well prepared for the fighting that lies ahead of them. No praise of mine can be too high for the job the Army has done and is doing in equipping and training the manpower of America for war.

One impression above all that I bring away with me is of the magnificent spirit of these men. We civilians used to think, in our superior way, that we needed to send morale officers among our troops. Today it would do all of us good to have some of these soldiers come among us as morale officers for a time. Believe me, they know what this war is all about. They know the effort and sacrifice that it will take to win.

They are ready for it, with a cheerful courage that is an inspiration to all who see it.

You in Roanoke have done your full share in equipping, maintaining and training this Army of ours. You have not only furnished your share of men, but your War Bonds have helped to pay for the weapons that the Army will use in battle. And in the buying of War Bonds your city has set a record and an example for other cities to follow. Roanoke is the first city in the United States in which every company can claim that at least 90 per cent of its employees are buying War Bonds regularly out of current earnings through a payroll savings plan. Every company or labor union that can show such a record is entitled to fly the blue minute-man flag, and these two hundred ^{and eleven} minute-man flags which I see before me today are the symbols of a great achievement.

I am especially glad that this has been accomplished in the home city of Congressman Woodrum and that he is here with us today. I have looked upon Congressman Woodrum as a friend ever since my old days at the Farm Credit Administration, back in early 1933, when I first came before his committee for an appropriation. In the years since then he has always been a friend of the Treasury; he has been a friend of sound finance who has helped to create a sound public understanding of our financial problems. It must make him especially proud to see his own city buying "A share in America" regularly, week after week, for he believes, as I believe, that if millions of Americans own government securities they will take a more active and helpful interest in the way their money is being spent, not only now but in the years to come.

To those who may be listening on the radio, I should like to say that there is no special reason of geography, economics or human nature that makes Roanoke any different from a hundred other cities of its size. Roanoke is, in fact, just an average American community. It has no particular concentration of war industry in its area. Its incomes have not been doubled and tripled by war work. The only explanation of its War Bond record is that its employers and workers have seen their duty in these wartime days and have done it. My hope now is that all communities of the United States will follow this lead, one after another, and will report every firm enrolled in payroll savings with the employees setting aside an average of at least 10 per cent of their earnings every payday to help finance the war.

War expenditures have already reached unprecedented heights and will continue to mount as our own participation on the fighting front increases in extent and intensity.

minutes

To pay the bills that will come in ever increasing volume we shall have to draw upon every available source of funds. Congress will in the final analysis determine how much we must pay in taxes. The balance we shall have to borrow not only from banks and other institutions but from individuals, men, women, and children, rich and poor, in every state and county of the nation.

You have heard many times that this is a total war. That means simply that no one can escape his own personal responsibility to make his maximum contribution to the total effort. This war is not fought by armies and navies alone. It is fought with economic weapons too. It is fought on the farms and in the factories, in the mines and on the merchant ships and railroads, but it is fought too, in the homes where men and women curtail their normal expenditures to save money and materials vitally necessary to supply our fighting men.

Every time you buy a War Bond you, too, are fighting on this economic front. You are not only helping to pay for the War, you are not only helping to protect the value of your dollar, but you are helping to protect your own personal future as well.

We simply do not have an unlimited store of the materials needed for War Production and Supply. Every time you buy something that is not absolutely necessary, you are actually competing with our armed forces for materials without which we cannot win the war. Remember, on the other hand, that every time you forego unnecessary and unpatriotic spending, you help to win the war, not only on the economic front but on the fighting front too.

At a time like this, it is not enough to buy War Bonds with whatever we may have left over from our normal budgets. We must cut these budgets drastically to conserve the materials needed for the war and to place our savings at the disposal of our Government to pay for these materials.

Millions of us still place the buying of War Bonds last in our family budget for the month. Yet we have passed the time when we can afford to put the war last in our thoughts or in our daily lives. It is time for us to put the buying of War Bonds first on the family budget. The millions of people who are now on payroll savings plans are doing precisely that. In this way they are making the purchase of War Bonds a first charge upon their income. It is urgent that all of us do likewise.

We on the home front have got to fight much harder from now on. We have got to discipline ourselves to do without things we would like to have but do not actually need, and to put our earnings into War Bonds instead. It is high time for all of us to cut deeply into our accustomed ways of living so that we can help our country in this war for survival and for freedom.

UTES

About thirty million men and women work for regular pay in this country. More than 18 million of them are setting aside a part of their pay every payday for the buying of War Bonds, and I give them full credit for their patriotism, the effort, and in many cases the real sacrifice which this regular investment involves. But they are setting aside an average of only six per cent of their pay. Why not ten per cent? And how about the millions of workers who are not taking part in payroll savings plans at all?

It should no longer be necessary for the Treasury to come to every American, hat in hand, to ask for subscriptions to War Bonds, and at 2.9 per cent interest. By this time every American should be coming forward, willingly and gladly, to lend a part of his earnings to his country. After all, we have been at war for more than eight months.

Thousands of our men have been in action; millions more are in training for the battles that are to come. I have seen them this week, marching along dusty roads in the heat of summer, toughening themselves and mastering their weapons, learning to kill and to avoid being killed. Take my word for it; they know that this is a tough war. It is up to us to prove that we know it too. From now on it is up to every one of us to prove that we are worthy of our fighting men by buying War Bonds -- ^{until} until it hurts!

10 Per Cent in War Bonds

This month *CITY NAME*
quota is \$ 000,000
to "build" 00 tanks



QUOTA TO DATE - 5 DAYS AHEAD



General Outdoor Advertising Co

ALL OVER TOWN



General Outdoor Advertising Co.

10 Per Cent in War Bonds

This month *CITY NAME*
quota is \$ 000,000
to "build" 00 tanks



QUOTA TO DATE - 5 DAYS AHEAD

General Outdoor Advertising Co.

720 HOLLIDAY STREET, S. E.

ROANOKE, VA.

August 20, 1942

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

Dear Mr. Morgenthau:

On the occasion of your visit to Roanoke we are today presenting you with the attached portfolio showing the names of the local business firms who have sponsored outdoor advertising posters. The campaign will continue for several months.

These large displays are daily reminding our people of their country's call for 10% of their earnings to be invested in War Bonds. We are proud to have played a part in the success of the local campaign which has resulted in our city being honored with your presence.

Sincerely yours,

GENERAL OUTDOOR ADV. CO., INC.

A. A. Blucher

LIST OF LOCATIONS



Roanoke, Va.

Franklin Road and Brandon Road

Norfolk Ave & Tayloe, S. E.

Brandon Road near Martins Lane

1621 South Jefferson Street

U. S. Hy #11 North & Clover Street

131 West Salem Avenue

Grandin Road near Kensington Ave

Henry Street and Luck Avenue

South Wall 1647 9th Street

25 West Church Avenue

N.W. Corner Campbell Ave and 4th St.

U.S. Hy #460 near Bonsack

U.S. Hy #220 South of C/L

335 West Salem Avenue

General Outdoor Advertising Co.

ROANOKE FIRMS SPONSORING
WAR SAVINGS BOND POSTERS

J. F. Barbour & Sons
Blue Ridge Stone Corporation
Caldwell-Sites Company
Columbia Building & Loan Assoc.
Crystal Spring Laundry & Dry Cleaners
Dr. Pepper Bottling Co.
Dobson & Company
Double Envelope Corporation
First Federal Savings & Loan Assoc.
Garst Bros. Dairy
General Finance & Small Loan Corp.
Henebry & Son, Jewelers
Marsteller Corporation
Mick-or-Mack Stores Co., Inc.
Oak Hall, M. Rosenberg & Sons
Pierce Butler Radiator Corp.
Peoples Perpetual Loan & Bldg. Assoc.
Roanoke City Mills
Roanoke Gas Company
Roanoke Hardware Co.
Roanoke Iron & Bridge Works
Roanoke Kiwanis Club
Roanoke Scrap Iron & Metal Co.
Roanoke Furniture Dealers Ass'n.
Giles Bros.
Cawley & Scott, Inc.
Phelps & Armstead, Inc.
Reid & Cutshall
Grand Piano Co.
J. C. Parrish Furniture Co. Inc.
Witten-Martin Furniture Co.
Wickham Furniture Co.
Morgan-Eubank Furniture Co.
Waynick Furniture Co., Inc.
Wright Furniture Co.
Roanoke Railway & Electric Company
South Roanoke Lumber Company
Sunnyside Awning & Tent Co.

SPROANOKE VIRGINIA



C. B. MALCOLM
SURVEYOR GENERAL
ROANOKE, VIRGINIA
- MAPS -
COMMERCIAL BLUE PRINTING

*Recd 19
Pat 8/22*

TREASURY DEPARTMENT

WASHINGTON

Room 22
August 20, 1942

Secretary Henry Morgenthau
Treasury Department

My dear Mr. Morgenthau:

I have discussed the possibilities of my doing some educational publicity for the Treasury at some length with Mr. Gaston, Mr. Kuhn, and Mr. Blough. As a result of these conferences I am inclined to think that the most useful thing that I could do would be writing (and possibly some speaking) on such tax matters as you or your assistants believe to need more general public understanding. I could make my own contacts with women's organizations if this seemed desirable, but beyond that it would probably be better for others to find the channels for reaching the public.

As I told you when talking with you, I cannot very well give more than half time to the work, since three of the five economists in our department at Vassar have already been released for government service. If you believe that such a part-time arrangement for work of this nature would be useful to you, I shall be very glad to undertake it.

Sincerely yours,

Mabel Newcomer
Mabel Newcomer





BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

MA
OFFICE OF THE CHAIRMAN

August 20, 1942

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

Dear Henry:

Since I am leaving at the end of the week and expect to be away when the September financing is being discussed and may be away at the time of the preliminary discussions of the October financing, I am submitting tentative suggestions covering the September and October financing as I see the situation at the present time.

The following program for September would raise 2.5 to 3.0 billion dollars of funds:

1. The offering on September 1 of the modified form of tax notes in line with the general ideas suggested by Haas except for the rates, which should be higher, would raise 0.5 to 1.0 billion dollars in September in excess of the usual sales of tax notes if the sale of the modified notes is vigorously promoted by the Victory Fund Committees. In order to sell this amount it would be necessary for the rates on the notes to approximate market yields for the earlier periods. A suggested schedule of rates is compared in the following table with current market yields:

(Per cent per annum)

Period held	Modified tax notes		Approximate current market
	Rate per annum	Yield during period held	
1/2 year	.60	.60	.62
1 year	1.08	.84	.86
1 1/2 years	1.20	.96	.95
2 years	1.32	1.05	1.04
2 1/2 years	1.32	1.10	1.14
3 years	1.32	1.14	1.23

2. Continuation of the weekly bill offering at 350 million dollars would raise about 300 million dollars of funds in September. An ideal time to increase the weekly offering to 400 million dollars would be for the issue dated September 9, since this is the date when the amount

Honorable Henry Morgenthau, Jr. -2-

of maturing bills increases from 250 to 300 million dollars. An additional 200 million dollars would be raised by this means in September bringing the total amount of funds from bills during the month to 500 million dollars.

3. The two small issues that mature in September and October should be redeemed in cash on their maturity dates. These issues include 342 million dollars of September Treasury notes and 320 million dollars of October Reconstruction Finance Corporation notes.

4. The remaining needs in September could be met by offering an issue of 1.5 billion dollars of 2 to 3 year notes carrying a coupon rate of $1\frac{1}{4}$ per cent. If sales of the modified tax notes should exceed the maximum of 1.0 billion dollars, the amount of this offering could be reduced. If they should not reach the minimum, it might be preferable to offer two note issues.

The following program for October would raise 4.5 to 5.0 billion dollars of funds:

1. The modified tax notes might raise an additional 500 million dollars in October.

2. Continuation of the weekly bill offering at 400 million dollars would provide 300 million in October. The weekly offering could be increased to 450 million dollars for the issue dated October 21, which is the date when the amount of the maturity increases from 300 to 350 million dollars. An additional 100 million dollars would be raised by this means or a total of 400 million in bills in October.

3. An open-end offering of 2 per cent bonds around the middle of October accompanied by a vigorous campaign on the part of the Victory Fund Committees might raise 2.5 billion dollars. This would be the fourth offering this year of 2 per cent bonds. It would establish the offering of 2 per cent bonds on a quarterly basis and would accustom the market to 7 - 9 year 2 per cent bonds with the call and maturity dates moved forward by three months each time. I think that it would be a mistake to offer 2 per cent bonds before October.

Honorable Henry Morgenthau, Jr.

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4. It is estimated that an offering around the middle of October of 2 1/2 per cent bonds, which would not be available for commercial banks, would raise 1.5 billion dollars if the bonds were issued in coupon form. Coupon obligations would attract some funds that are not obtained by registered bonds, and sales could be further stimulated by the Victory Fund Committees. The existing registered 1962-67s should be made available for conversion into coupon bonds with banks prohibited from purchasing them. The maturity of the coupon issue need not be extended by more than a few months beyond that of the registered issue. An issue of perhaps December 1962-67 would not seriously affect the market for the 1967-72s. The two offerings of registered 2 1/2s have resulted in very little selling in the 1967-72s and in only small declines in quotations.

There seems to be some strong support for a large open-end market offering in October of 2 1/4 per cent bonds available to all investors including banks. I think that this would be a mistake. An offering of 2 1/4 per cent bonds would result in a substantial amount of selling of 2 per cent bonds by banks, would increase the cost to the Treasury, would add another type of issue, and would bring in no additional funds that are not reached by the 2 and 2 1/2 per cent bonds. I think that it is important to distinguish between banking and non-banking funds. This has been clearly done up to the present by prohibiting banks from taking the 2 1/2s, but to raise the rate from 2 per cent and to lengthen the maturity would seem to me to be contrary to the original conception. I think that it would be undesirable to offer for bank investment securities having as long a maturity as would be placed on 2 1/4 per cent bonds. Banks invest out of funds that are obtained from the Federal Reserve System either by reductions in reserve requirements or by open-market purchases. I believe that it is unnecessary to pay on bank investments rates in excess of 2 per cent. Banks generally will make adequate earnings at this rate. The only exception might be the smaller banks with a large proportion of savings deposits. These banks could be provided for in some special manner and should be paid 2 1/2 rather than 2 1/4 per cent. Otherwise there would be discrimination against commercial banks and in favor of mutual savings banks and other savings institutions, which at present are allowed to subscribe to 2 1/2 per cent bonds.

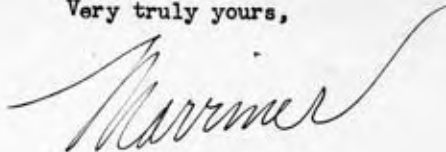
In connection with the program to increase the amount of the weekly bill offering and to obtain a wider distribution of bills arrangements should be made for either the Treasury or the Federal Reserve Banks

Honorable Henry Morgenthau, Jr.

-4-

to accept in full bill tenders at a rate of $\frac{3}{8}$ of 1 per cent up to perhaps \$100,000 on each individual subscription. This provision would be attractive to many of the smaller banks who are unfamiliar with the bidding method and who have had their bids rejected in part or in full.

Very truly yours,

A handwritten signature in cursive script, appearing to read "M. S. Eccles". The signature is fluid and extends to the right.

M. S. Eccles,
Chairman.

COPY

24

Major J. K. French, Jr., Operations Division, War Department General Staff, called this date at 11 a.m., changed classification of letter from "Confidential" to "SECRET", and added statement from the Secretary of War that no publicity be given to the proposed transfer.

nmc

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

25

SECRET
By Authority of the
Secretary
8/21/42 J.K.F.

WAR DEPARTMENT

Washington

Aug. 20, 1942

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

I have considered the problem of protecting the gold held by the Federal Reserve Bank of New York in the New York area and have come to the conclusion that unless there is some cogent reason for leaving it in that area it should be removed to a depository located in the inland part of the country. This is not based on any immediate fear of invasion but as a matter of general policy.

It appears wise to afford all possible protection to such a valuable prize as long as there exists any possibility of seizure by raids or loss due to aerial bombardment.

The matter of protecting Post Office assets has already been discussed with representatives of the Post Office Department and they have been directed to contact Defense Commanders and effect plans for the necessary action should our territory be subjected to invasion or raids.

I appreciate your bringing this matter to my attention and your offer to be of any possible assistance.

Sincerely yours,

s/ HENRY L. STIMSON

Secretary of War

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE AUG 20 1942

TO Secretary Morgenthau
FROM Randolph Paul

After the Netherlands Foreign Minister, Mr. Van Kleffens, had lunch with you last week, you told me that he had indicated that German mail was going in a diplomatic pouch on an American plane from Lisbon to Natal and that we ought to look into the matter.

We checked with the Dutch Embassy to see if there were any further details that they had on the matter. The Dutch Ambassador returned our call and said that he had told Van Kleffens to tell you that Dutch securities traded in in Holland were falling into the hands of the Nazis or of pro-Nazi Dutch and that these securities were being taken from Europe down to Latin America, particularly Argentina, and there disposed of. The Ambassador was concerned about this because it meant that regardless of a German military defeat, the ownership of Dutch corporations and other Dutch interests would have fallen into undesirable hands.

The Dutch Ambassador cabled its Minister in Argentina to find out if any Dutch-owned securities were being traded in in Argentina. The Dutch Minister in

- 2 -

Argentina replied that under Argentine law transactions in any such securities would have to clear through the Central Bank and there was nothing to indicate that such transactions were handed on. Dr. Loudon accordingly said he did not think there was very much we could do about the matter at this time.

Through our own sources of information we ascertained that there is an American plane of an unlisted air line which goes from Lisbon to Bathurst in East Africa, then to Monrovia, Liberia, and then to the east coast of Brazil; that the plane carries mail which is censored en route at San Juan, Puerto Rico, and the censorship examines everything except the diplomatic pouches which it does not examine because of the request of the State Department. It would also appear that the pouches of neutral governments could clear through the United States without examination and that the pouches of enemy governments conceivably might be carried by carrier through United States territory without examination.

We are asking the State Department to call a meeting of representatives of State, Treasury, and Censorship to canvass what steps can be taken to prevent the use of the diplomatic pouch to avoid our wartime control.

What happened?
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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE AUG 20 1942

29

TO : Secretary Morgenthau
FROM : Randolph Paul

On Wednesday, June 10, 1942 a representative of the Foreign Funds Control and a representative of the Office of the General Counsel went to Honolulu, to work out a "scorched earth" program with respect to United States currency and all securities physically situated in the Territory of Hawaii. It was designed to afford protection to this property in the event of an invasion of the Islands, and was the result of study based upon experiences in Europe and in the Philippines. The program complemented a plan for the voluntary destruction of excess currency and United States obligations commenced in March.

Regulations were issued which required the exchange, on or before August 15, 1942, of all regular series of United States currency for United States currency, Hawaiian Series. This currency, specially prepared for the territory, bears the word "Hawaii" on each end of the face of the note, and the overprint "Hawaii" in large letters on the reverse of the note. After August 15 the use or holding of regular series United States currency is prohibited.

The second feature of the Hawaiian "scorched earth" program was the issuance of regulations requiring the perforation of securities physically located in the Territory with the official symbol "H". This makes possible the ready identification of the securities should they fall into enemy hands, and facilitates the invalidation of the certificates in that eventuality.

As an additional precaution substantially all securities physically located in Hawaii were required to be deposited in custody accounts either with a bank or trust company or with the Territorial

Treasurer. Records of these securities are maintained in current form on the Mainland. These securities may be freely bought, sold or dealt in, provided they remain at all times in a custody account.

By requiring that securities be kept in custody accounts, their location is centralized, and it is possible quickly to destroy them in case of invasion. The maintenance of current records on the Mainland facilitates reissuance in the event of destruction. In addition to protecting the owners of these securities, the requirement of custody for destruction eliminates any possibility of the enemy realizing value from them.

The last feature of the program was the issuance of regulations requiring the inspection of all safe deposit boxes in the Territory on or before October 1, to insure that no currency or securities are contained in them in violation of the regulations. Thereafter, whenever access is granted to any safe deposit box, the renter must be satisfied that no currency or securities are placed in it in violation of the regulations.

The regulations received the wholehearted support and approval of the military and naval authorities charged with the defense of the Hawaiian Islands. Considerable opposition was encountered from the banks and the other interests in the Islands, particularly with respect to the requirement of safe-keeping of local Hawaiian issues and the inspection of safe deposit boxes. However, once the ultimate decision was made, these groups agreed fully to cooperate in its administration.

The reaction of the public to date has been one of understanding compliance, and the comments in the press have been favorable. Of necessity, the program will occasion some inconvenience to banks and brokers in the Territory. Nevertheless, it seemed to be accepted as an additional step in the defense of Hawaii.

For your interest, there is attached a note of the new Hawaiian series.

REP.

TREASURY DEPARTMENT

31

INTER OFFICE COMMUNICATION

DATE August 20, 1942

TO Secretary Morgenthau
FROM Mr. Hoflich

Subject: Shipment of Planes to British Forces

1. In the week ending August 11, 1942, 171 planes of all types, including 144 combat planes, were sent from the United States to British forces. This is the largest weekly total for seven weeks, and is substantially above the weekly average of 117 planes during the first six months of 1942.

2. The shipment of 90 pursuit planes and bombers to the Middle East constitutes by far the largest number ever sent to that area in one week, representing substantial air reinforcements for the British in Egypt.

3. The week's shipment of 51 planes to the British Isles is not large enough to presage early action in Western Europe. It must be remembered, however, that this figure does not include shipments of American planes to American troops.

4. Of the 20 fighters sent to the British Isles, ten are North American Mustangs, which have been mentioned in recent despatches from London as being superior to the best German fighter planes.

Table A - Shipments by Area

	Week Ending <u>Aug. 11, 1942</u>	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	8	542	1,703
Heavy bombers	9	139	243
Naval patrol bombers	6	20	122
Pursuit	20	876	1,187
Army Cooperation	8	107	138
Trainers	0	0	24
Total to the United Kingdom	51	1,684	3,417
<u>To the Middle East</u>			
Light and medium bombers	40	457	787
Heavy bombers	0	0	5
Naval patrol bombers	0	6	6
Pursuit	50	414	1,262
Army Cooperation	0	30	30
Trainers	0	8	150
Total to the Middle East	90	915	2,240
<u>To the Canadian Forces</u>			
Light and medium bombers	2	59	227
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	19	577	1,818
Total to Canadian Forces	21	690	2,149
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	145	245
Naval patrol bombers	0	0	27
Pursuit	0	200	363
Trainers	0	0	105
Total to Pacific Forces	0	345	740
<u>To the British Indian Forces</u>			
Light and medium bombers	9	53	53
Pursuit	0	40	40
Total to Indian Forces	9	93	93
<u>Totals</u>			
Light and medium bombers	59	1,256	3,015
Heavy bombers	9	140	249
Naval patrol bombers	6	49	186
Pursuit	70	1,560	2,924
Army Cooperation	8	137	168
Trainers	19	585	2,097
Grand Total	171	3,727	8,639

Table B - Shipments by Types

	Week Ending Aug. 11, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
Bell Airacobra	0	315	469
Boeing B-17	1	42	62
Boston III	0	16	40
Brewster Buffalo	0	0	168
Cessna Crane I-A (AT-17)	0	97	97
T-50	0	86	700
Consolidated Catalina	6	49	186
Liberator	8	98	187
Curtiss Kittyhawk	50	645	1,027
Tomahawk	0	0	544
Douglas Boston I, II, III	0	0	492
Fairchild 24 R-9	8	100	122
PT 26 Cornell	18	51	51
Glenn Martin B-26 A (Marauder)	9	32	32
Baltimore	4	276	344
Maryland	0	0	150
Grumman Martlet II	10	57	98
Lockheed A-29 A (AC-151)	0	1	1
Hudson	14	477	1,447
Lightning	0	3	3
Ventura I	0	12	12
Ventura Bomber	20	277	277
North American B-25	3	109	109
Harvard II	1	54	951
Mustang	10	535	615
Northrop Vengeance	9	21	21
Pitcairn Autogiro	0	0	5
Stearman PT-37	0	297	298
Wought-Sikorsky Chesapeake	0	0	50
OS2U	0	27	27
Wultee-Stinson O-49	0	10	14
Wultee-Vengeance	0	40	40
Grand Total - All Types	171	3,727	8,639

Table C - Plane Shipments to the British by Weeks

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy Bombers</u>	<u>Naval patrol bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
Weekly average of shipments in 1941	35	2	3	27	1	29	97
Weekly average of shipments in first 6 months of 1942	36	4	1	55	3	18	117
July 7, 1942	77	17	0	17	0	30	141
July 14, 1942	42	11	3	24	0	1	81
July 21, 1942	66	8	3	0	2	4	83
July 28, 1942	39	0	2	0	6	46	93
August 4, 1942	32	0	4	27	38	8	109
August 11, 1942	59	9	6	70	8	19	171
Total shipments since January 1, 1941 to date *	3,015	249	186	2,924	168	2,097	8,639

* Total includes planes shipped in 1942 prior to March 17 which are not included in the weekly totals up to that date.

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BAS

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

La Paz

Dated August 20, 1942

Rec'd 11:45 p.m.

Secretary of State,

Washington.

706, August 20, noon

My 682, August 17, 5 p.m.

Might not use of plastics for subsidiary coinage solve the problems involved by (one) giving Bolivia currency which would stay in circulation; and, (two) from our point of view by preventing waste of nickel and its smuggling into Argentina? If the Treasury feels that such a substitution might be made suggest that it be discussed with Cuenca.

Please inform me.

BOAL

NPL

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 285

Information received up to 7 A.M., 20th August, 1942.

1. COMBINED OPERATIONS

The operations at DIEPPE on 19th consisted of a reconnaissance in force. It achieved tactical surprise, gained information of importance and took a few prisoners. Landings were made on six beaches and heavy opposition was encountered. On the right flank troops quickly achieved their objective which included the destruction of a six gun battery and its ammunition dump and withdrew. In the centre the fighting was particularly severe. Tanks were landed and were held up for some time on the beach but some eventually penetrated into the town. On the left flank landing party carried the beach after an initial repulse. The withdrawal was carried out under considerable difficulties and heavy artillery fire. It was necessary for our tanks to be blown up and personnel only to be cleared from the beaches. Casualties must be expected to be high. Of the naval forces taking part in the operations one of H.M. Destroyers was badly damaged by aircraft and was subsequently sunk. Three of H.M. Destroyers were damaged. Throughout day continuous fighter cover usually of six squadrons was maintained over the target area. Machine gun posts were silenced and a heavy gun position apparently put out of action. Enemy re-action started slowly but later intense air fighting developed on a large scale. Subject to modification our casualties were 98 fighters, 30 pilots safe, 3 Bostons and 12 Army Co-operation Command aircraft. Enemy losses were 93 aircraft destroyed, 39 probably destroyed and 140 damaged.

2. NAVAL

Between 15th and 18th August 19 ships were reported attacked by submarine. Two Dutch ships sunk (one on 5th August) one U.S. ship shelled and a U.S. schooner sunk in West Atlantic. In West Indies a Dutch, a U.S., a Latvian and 3 British ships (one of which is proceeding) in a convoy off CUBA and a British schooner off TURKS ISLAND, one U.S. ship in GULF OF MEXICO, a Brazilian passenger ship off Braziliah Coast, a Norwegian in homebound convoy in AZORES area, four ships British, U.S., Norwegian (on 27th July) and Dutch in FREETOWN area, also an Egyptian schooner in the MEDITERRANEAN. One of the British ships previously reported sunk in the West Atlantic has arrived at HALIFAX undamaged. One British and one Allied reported overdue now presumed lost through enemy action.

- 2 -

3. MILITARY

RUSSIA. The Russians report that their forces have evacuated KRASNODAR on the KUBAN River.

4. AIR OPERATIONS

WESTERN FRONT. 18th/19th. About 150 tons of H.E. and 60 tons of incendiaries were dropped in the FLENSBURG area. Scattered fires were observed through heavy ground haze and one crew reports fires in the sheds of the submarine yards.

19th. A Lancaster and a Sunderland claim hits on a tanker off the Spanish coast, three Lancasters on anti-shipping patrols in the BAY OF BISCAY and a Mosquito despatched to KIEL are missing.

About fifty enemy aircraft flew over Coastal Districts of Southern Countries. Two destroyed, one damaged by fighters. Bombing casualties slight.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTAL No. 291

Following is supplementary resume of operational events covering period 13th - 20th August, 1942.

1. COMBINED OPERATIONS

The object of the DIEPPE operation was destruction of Harbour facilities, local defences, power stations, aerodrome installations near the town and destruction or removal of all craft in the port. Force Commanders agreed that inter-service cooperation was of a very high standard. The crossing was successful except for a chance encounter by part of the Flotilla with enemy patrol vessels. Our craft dispersed and in the ensuing engagement one patrol vessel was sunk and another damaged, the Flotilla then reformed. Mine-sweeping was successful and Destroyers carried out preliminary bombardment but found the coastal artillery still effective. Simultaneously with the Naval bombardment an air attack on coastal batteries and beaches took place, one heavy gun position seemed put out of action. Landings were made on six beaches. One flank attack by 265 men was very successful, a 6-inch gun battery was completely put out of action, 160 Germans killed, 4 prisoners taken. The other flank attack, reduced to half its scale by the chance encounter, succeeded in interfering with a coastal battery but they did not destroy it. These two attacks enabled our ships to be off DIEPPE for the whole 9 hours. Of the 4 landings in the centre the first was successful and the Canadians fought their way inland, the second was also successful but the Canadians were held up by fierce opposition. Opposition was also fierce at two other landings but 18 tanks were put ashore. Great difficulty was experienced in the demolition of the sea-wall to enable the tanks to get through, some of them, however, were able to operate most of the day round the CASINO grounds but strong tank obstructions prevented them breaking into the town. A radio allocation station was destroyed. From 10 A.M. onwards it became clear that the operation would not succeed and the decision was taken not to land the remainder of the tanks. Embarkation began at 1106 A.M. By 1215 P.M. the situation on the beaches was grave and orders were given to blow up the tanks which had met with considerable artillery fire. By 2 P.M. the last ship of the Force was 3 miles clear on the return journey. 50 German prisoners were brought back. About one third of the 6,100 troops employed are missing, naval casualties are 100 missing, about 40 American troops took part. Out of a total of 167 landing craft employed 42 are missing. Air support to the operation was supplied by about 56 Fighter Squadrons involving a total of 2366 sorties, 6 Army Cooperation Squadrons, 3 Bomber Command Squadrons and 24 U.S. Fortresses.

2. NAVAL

MEDITERRANEAN. Successes by our submarines against Axis merchant shipping reported during the week amount to 6 ships sunk, 2 hit, 1 ship sunk after air attack and 4 smaller craft sunk.

SUBMARINE WARFARE. Attacks continued on convoys both in Atlantic and West Indies area. During the week ending 9th August 18 ships were sunk by U-boat. Provisional figures for the week ending 16th August give 18 ships sunk by U-boat. 7 attacks on U-boats were made by surface craft during the period 13th to 20th August, three were promising. Out of 23 attacks by aircraft 10 were promising.

GERMANY. 10 destroyers of a new class similar to our "HUNT" class and mounting 4-inch guns are under construction in an eastern Baltic port, three of them or more are expected to be ready by the end of the year, at present the German Fleet is estimated to include 17 Destroyers and 27 Torpedo boats.

TRADE. Imports into the United Kingdom in convoy for the week ending 15th August were 574,000 tons, including 79,000 tons of oil.

3. MILITARY

EGYPT. Units of the 164th German Infantry Division formerly in the CRETE and SALONIKA area have been identified in the front line in EGYPT and it is probable that the greatest part of this division has been transported to AFRICA. It is possible that further reinforcements are en route.

4. AIR OPERATIONS

WESTERN FRONT. DIEPPE. The combined operation in the Channel led to the most intense air fighting experienced since the Battle of Britain. Our losses were almost all fighters and more than half were sustained in low level attacks upon ground defences, a high proportion being destroyed by ground fire. Of the 93 enemy aircraft known to have been destroyed, 50 were fighters, all except 2 of which were F.W. 190's. The remaining 43 enemy aircraft were bombers of which 29 were Dornier 217's.

Bomber command made 3 medium scale raids on DUSSELDORF, OSNABRUCK and FLENSBURG respectively. Extreme darkness and thick haze was met on each occasion, but considerable damage at OSNABRUCK was confirmed afterwards by photographs. Aircraft of Coastal and Bomber commands carried out 256 anti-submarine patrols during the week. Lancasters hit an "ALTMARK" Type tanker off PORTUGAL, the same vessel later received another direct hit from a Sunderland.

MALTA. On 13th and 14th Spitfires and Beaufighters provided protection for the incoming convoy and thereafter continuous Spitfire patrol was maintained during the unloading. No attempt to bomb MALTA was made during this period.

RUSSIA. The chief area of activity is still Southern Russia, particularly the STALINGRAD locality where air attacks have been made on Russian reinforcements and on road and rail communications. In the Caucasus area German air reconnaissance is believed to have been widely spread covering especially the STALINGRAD - ASTRAKHAN area and even extending to Trans-Caucasus.

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

ROUEN. Photographs taken after the daylight high level attack by U.S. Fortresses show the main marshalling yards, two transshipment sheds and two factories, probably repair shops, severely damaged, many wagons are seen to be derailed.

OSNABRUCK. Photographs taken 18th show following damage from previous night - very heavy damage in the town near the Kanal Hafen. Main goods station severely damaged by two direct hits. Large warehouses, extending the whole length of the goods yards, almost entirely demolished. One barracks destroyed and Artillery Barracks damaged.

MAINZ. The weight of the two attacks fell upon the centre of the city. Large areas of destruction by fire spread across the whole town. War and industrial damage includes - 2 Barracks, large Brewery, several sheds at railway workshops, warehouses and wagon sheds completely destroyed, 2 Barracks, Ordnance Depot, Chemical works, Sawmill, Cement works and Jam factory damaged. Several important public buildings gutted by fire or damaged.

SAARBRUKEN. Information which has become available since the raid of 29th/30th July leaves no doubt that it must rank among the most successful A.A.F. attacks.

6. OPERATIONAL AIRCRAFT BATTLE CASUALTIES

METROPOLITAN AREA

<u>British</u>	<u>In the Air</u>
Bombers	27
Fighters	108
Coastal	7
Army Co-operation	12
Total	154

35 pilots are safe.

- 3 -

<u>Enemy</u>	<u>Destroyed</u>	<u>Probably Destroyed</u>	<u>Damaged</u>
Bombers	50	11	65
Fighters	53	33	89
Miscellaneous	<u>1</u>	<u>1</u>	<u>Nil</u>
Total	104	45	154

MIDDLE EAST (including MALTA)

<u>British</u>	<u>In the Air</u>
Bombers	13
Fighters	17
Others	<u>3</u>
Total	33

Two crews and 6 pilots are safe.

<u>Enemy</u>	<u>Destroyed</u>	<u>Probably Destroyed</u>	<u>Damaged</u>
Bombers	12	2	9
Fighters	11	1	13
Miscellaneous	<u>2</u>	<u>Nil</u>	<u>Nil</u>
Total	25	3	22

Note: No account is taken of enemy aircraft destroyed on the ground in any theatre or of British naval aircraft casualties.

7. HOME SECURITY

Estimated civilian casualties for week ending 6 A.M., 19th -
Killed 79, seriously wounded 90.

41

NUMBER 45

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OFFICE OF STRATEGIC SERVICES

THE WAR THIS WEEK

August 13-20, 1942

Printed for the Board of Analysts

Copy No. 6

The Sailing of the Incarnations

AUGUST 13-20, 1942

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Office of Strategic Services

THE WAR THIS WEEK

In Europe the week has passed in German preparations for attack in two critical areas. Virtual masters of the Don bend, the Nazis are organizing a twin pincer thrust on Stalingrad, while in the North Caucasus their drives on Groznyi and the Black Sea have perceptibly slowed. At the same time, the Germans are sending reinforcements to Rommel on a notable scale, and observers continue to predict that he will soon strike toward the Delta.

In the Levant, Anglo-French relations have reached a crisis, and De Gaulle insists that he will stand his ground even though an open conflict results. In France, it is reported that Nazi support of Doriot has relaxed for the time being, but Laval's position remains a difficult one at best.

In the Far East, American Marines have now established a firm foothold in the Tulagi area, from which the Japanese position in Melanesia might be seriously threatened.

Reports from India suggest that current violence is largely the work of irresponsible groups and that preparations for the serious non-violence campaign are still under way. Meantime compromise elements are at work, and the Moslem League may be seeking a settlement with the Congress (although the League has threatened to cease cooperating with the British if the latter should sacrifice the Moslems to the Congress). Congress Party leaders, it is reported, are confident of victory, but British authorities are resorting to measures of notable severity in an effort to bring the movement under early control.

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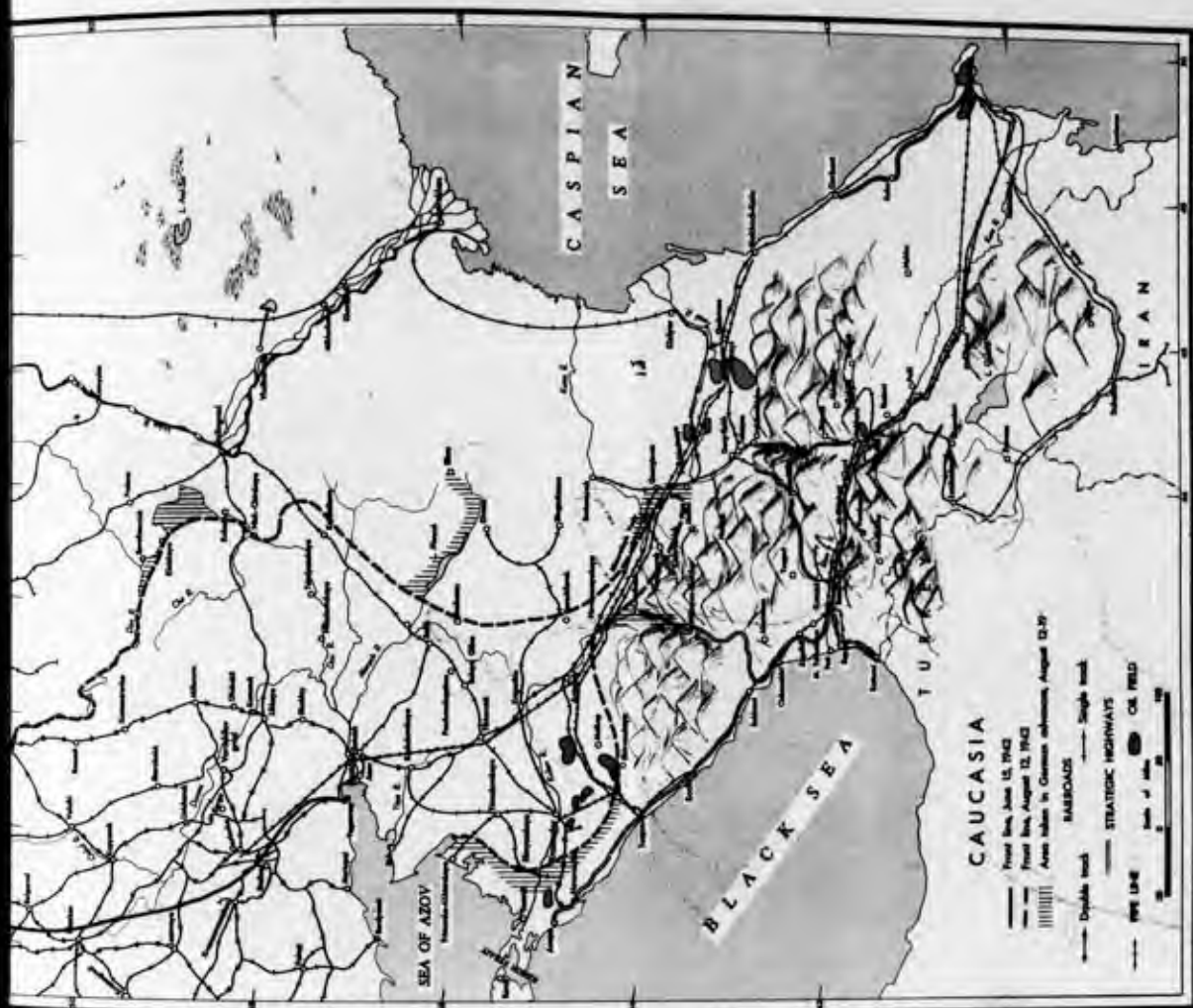
From China come reliable reports of rapid deterioration in that country's military supply situation and of the significant role which the United States Army Air Force is now playing there.

The rapid sinking of five Brazilian ships by Axis submarines has produced very sharp repercussions in Brazil, with promise of immediate and vigorous reprisals but no threat of war.

Zero Hour Before Stalingrad

Along practically the whole length of the Don bend, the German Sixth Army has now reached the river, and is engaged in mopping up operations preparatory to an attack on Stalingrad. Southwest of the city the Fourth Panzer Army has again failed to progress much beyond Kotelnikovo, although it has sent out a detachment to Elista, a third of the way across the steppes toward Astrakhan. Military observers now suggest that the current check between the Don and the Sal rivers may be an intentional pause while the German army to the north establishes a bridgehead in the Don bend. Current Nazi activity indicates that Kleckaya may be the site of this attempted bridgehead. In this area, the Soviet air force is attempting to destroy the advanced air fields now being established by the invaders for their assault on Stalingrad.

To the south, the German advance toward the Black Sea ports of the North Caucasus has slowed perceptibly. The invaders blame their decreased rate of speed on the coastal mountain barrier, on torrid weather, and on the vigorous resistance they have been meeting from Red Army and Navy units. Despite these obstacles, however, the German Seventeenth Army has reached the lower Kuban River and is now within a few miles of Temruk, Anapa, Novorossiisk, and Tuapee. The Russian Black Sea fleet has already shifted its main base to Batumi. And constant bombing by the



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German Air Force has continued to impede the Soviet evacuation by sea of the North Caucasus littoral.

The Advance on Groznyi

Meantime the German First Panzer Army, driving along the main Caucasus railroad, has taken Georgievsk and Mineralnye Vody, and reached Prokhladnaya on its way toward the Groznyi oil fields (see Appendix I). A task force sent off by the main army has advanced in the foothills of the Caucasus as far as Mikoyan-Shakhar, the northern terminus of the Sukhumi military highway. Another such force may now branch off toward Nalchik, Darg-Kokh (the northern terminus of the Ossetian highway), and the metal refining center of Ordzhonikidze (at the end of the Georgian highway). But the main body of the First Panzer Army will probably choose to follow the northern branch of the Caucasus railroad after it splits at Prokhladnaya.

This northern branch is shorter than the southern one and traverses easy, rolling terrain, as opposed to the high elevations encountered on the southern branch. Furthermore, such a railroad would afford an excellent route for the German mechanized forces to outflank and by-pass Groznyi. Already the capture of Mineralnye Vody has given the invaders an excellent airfield from which to bomb Groznyi, Makhach-Kala, and the whole Caspian shore immediately north of the Caucasus. Advices from London now suggest, however, that the Russians have removed the greater part of their petroleum stores from the Groznyi area—after having previously carried out the complete destruction of all important installations at Maikop.

Churchill Meets Stalin

Around Voronezh, Volkhov, and points north, Russian diversionary attacks have again failed to gain any appreciable

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ground. Some observers have been attributing this lack of offensive strength to a Soviet desire to keep the bulk of the Russian forces around Moscow in reserve for the defense of the city or for a large-scale attack timed to coincide with the establishment of a second front in the west. Prime Minister Churchill's visit to the Soviet Union has served to revive such speculation.

The Russian press, while hailing Churchill's presence in Moscow with only mild enthusiasm, has expressed its confidence that a second front is in the offing. *Izvestiya* has stated that Hitler "already has laid bare other vulnerable parts of his front in Europe to obtain success on the Soviet-German front." In the Axis camp, the *Deutsche Allgemeine Zeitung* has pointed out that presumptions of a second front "still lack results to back them up," and the *Völkischer Beobachter* has commented on the Prime Minister's visit under the heading, "Defeat Follows the Tracks of Churchill."

Quiet on the Egyptian Front

In the desert the lull has continued, with ground action again limited to patrols. Observers still believe that Rommel will strike at the Delta as soon as he has received sufficient reinforcements and accumulated sufficient supplies; and they feel that that time may not be far distant.

The enemy is now known to have received recently one Italian and one German division, mentioned last week, and to have en route another Italian and another German division. Additional 88-mm. anti-tank guns have also arrived in Egypt. Despite continued Allied air and submarine attacks on enemy shipping and lighters, considerable tonnage is known to be reaching North Africa, where supplies are moved to the forward area by lighters and motor transport. Rommel has lately been making an effort to conceal his front line activities, but reconnaissance has disclosed that certain

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positions were not manned, while the tempo of activity in the central and southern sectors was reported to have increased.

The British, in turn, have continued to receive reinforcements. Prime Minister Churchill has himself reviewed the situation in Cairo and at the battle front. In London the War Office has announced that General Sir Harold R. L. G. Alexander has succeeded General Auchinleck, with other changes in the top command of the Middle Eastern forces.

Allied air forces have continued their heavy attacks, operating with success this week against enemy shipping. In addition to raids on coastal shipping and larger merchantmen, our planes are believed to have damaged severely three Italian cruisers in an attack on Navarino, in southern Greece.

Anglo-French Crisis in the Levant

Anglo-French relations in Syria appear to have reached an acute stage, with De Gaulle and Churchill directly involved, according to reports from the Near East. The issue which precipitated the crisis was the matter of elections in the fall, according to the plan agreed on last May. In general the British, represented by Spears and Casey and apparently supported by Churchill, feel that the elections should be carried through, fearing the effect of postponement on the whole Middle East.

The French, led by De Gaulle himself, apparently see a larger issue. Not only are they opposed to the elections at this time—which certain authoritative observers feel might well turn out unfavorably for the United Nations and for the French in particular—but they are accusing the British of trying to elbow the French out of their dominant position in the Mandate. De Gaulle insists that any change of status in the territory can only be brought about by a properly constituted French Government after the war. It may be

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assumed that De Gaulle's prestige would decline considerably if he were held "responsible" for the loss of this part of the Empire.

De Gaulle appears to be adamant. He charges the British with failing to respect their 1941 agreements, and announces that he intends to remain in the Levant until the situation is cleared up. He feels that Spears must be recalled and British policy radically altered if relations are to continue. De Gaulle has said that he is determined to see the matter through even if it should lead to an open conflict.

American observers are divided on the issue of elections, but fear De Gaulle may ignore the consequences in his impatience for a prompt settlement of Franco-British differences.

New Fighting French Call to Action

From Moscow it is learned that M. Roger Garreau, the Fighting French delegate to the Soviet Union, participated in the recently held conferences of the United Nations representatives in the Russian capitol.

Of significance is the fact that upon the conclusion of the meetings, M. Garreau in a broadcast to France called emphatically upon the French people to engage in mass assassination of French collaborationists, to undertake political strikes against the Nazis and Vichy, and to boycott the occupying forces and their French helpers. In this connection it is to be noted that, up to the present, the policy of the De Gaullist radio has been to ask that anti-Nazi Frenchmen should be cautious in their activities against the invader and collaborationists until the day of a concerted onslaught from within and without.

Turkey's Neutrality

The Turkish Government has announced the appointment of Numan Bey as Foreign Minister, succeeding the present

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Prime Minister, who has held both portfolios until now. Numan Bey is considered particularly well disposed toward our country.

The Germans may now be encouraging Turkish neutrality, according to a report from Bern which suggests that the Axis' primary interest in Turkey at the moment is in keeping the Dardanelles closed to the Russian Black Sea fleet. The Turks, the report continues, are increasing their mine and shore defenses in that area.

Mediterranean Convoy Action

In the face of concentrated submarine and air attacks, the Royal Navy succeeded in delivering several merchant ships to Malta in a recent heavily escorted convoy action. The escort of battleships and aircraft carriers, led by the battleship *Nelson*, screened the convoy from Italian heavy units to a point west of the Straits of Sicily. British cruisers and destroyers then took the convoy the rest of the way. As it approached Malta, it secured the protection of RAF planes based on that island.

In addition to the merchantmen lost from the convoy, the British sustained the following losses in warships: the aircraft carrier *Eagle*, the light cruiser *Manchester*, the anti-aircraft cruiser *Cairo*, and the destroyer *Foresight*.

Large credit for the successful arrival of the badly needed supplies is given to naval aircraft and to the intense activity of planes based on Malta. More than 66 enemy aircraft were shot down in the action, and two enemy U-boats and two E-boats were sunk, according to the British communiqué. British submarines also scored hits on two Italian cruisers, one of which has been seen at Messina with 60 feet of its bow missing.

Light units of the British naval forces based in the eastern Mediterranean bombarded Rhodes on August 13, in a sur-

SECRET

prise attack that was coordinated with RAF bombing of the airdrome there.

Laval's Position in France

With the Nazis exerting pressure on Doriot to quiet him for the present, Laval's position continues to be correspondingly improved according to a new and confirmatory report. The Germans are still prepared, however, to use Doriot as a weapon against Laval, if the latter should prove "uncooperative." The German General Staff is also reported to be fully ready to occupy France in its entirety, should the military situation demand it.

Laval's speech at Compiègne, regarding the worker-prisoner exchange, is reported to have elicited sarcastic comment from Frenchmen, who realize that Germany has no intention of releasing the great mass of French prisoners, generally numbered at 1,200,000. Moreover, the much-heralded trainload of returning Frenchmen was reported by one official to have consisted of only 300 men, mostly in bad health. Only by some sort of disguised conscription or mobilization can the German demands for 150,000 skilled workers be satisfied in any important measure.

About 1,000 Moroccans are scheduled to embark shortly for work on German fortifications in Occupied France. The Germans are also reported to have appealed to Italy to send workers to the Todt organization in France. According to this report, however, Rome declined to send either laborers or troops to France, asserting that both were needed elsewhere.

French Naval Crews at Alexandria

The American proposals of early July apparently sowed confusion among the officers and men of the French warships at Alexandria, according to a well-placed Fighting French

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observer. The crews are now reported to be much less ardently pro-Vichy, although nonetheless extremely disappointed by our advance endorsement of possible British action with regard to the French ships. It is claimed that they no longer get orders from Darlan and that they dislike receiving orders from Laval. A renewal of our offer that the ships proceed to Martinique might produce desirable results, this observer suggests, especially if broadcast in French from Cairo.

Laval apparently is also having difficulties with the army. A report from Vichy states that he recently accused it of being in a rebellious condition and even threatened to disband it, if its attitude did not change.

Reports of German Penetration of Morocco

Germany is reported to be preparing to undertake strong measures to strengthen her position in Morocco. Numbers of German agents have recently arrived in North Africa disguised as commercial travelers. According to a reliable source at Vichy, their purpose is to supervise French economic activities.

The Marines Hold Their Ground in Melanesia

The Marines "are now well established" in their shore positions on islands in the Tulagi-Guadalcanal area of the Solomons, according to a naval communiqué, but no details of the fighting are available. American cruisers and destroyers, protecting the landings on August 7-8, were successful in overcoming the attacks of land-based aircraft and again, on the night of August 8-9, in driving off a Japanese force of cruisers and destroyers which attempted to reach vessels from which troops were being landed. Neither battle-ships nor aircraft carriers have as yet been mentioned as

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participating in the operations, although a Japanese aircraft carrier was sighted on August 6 at Rabaul.

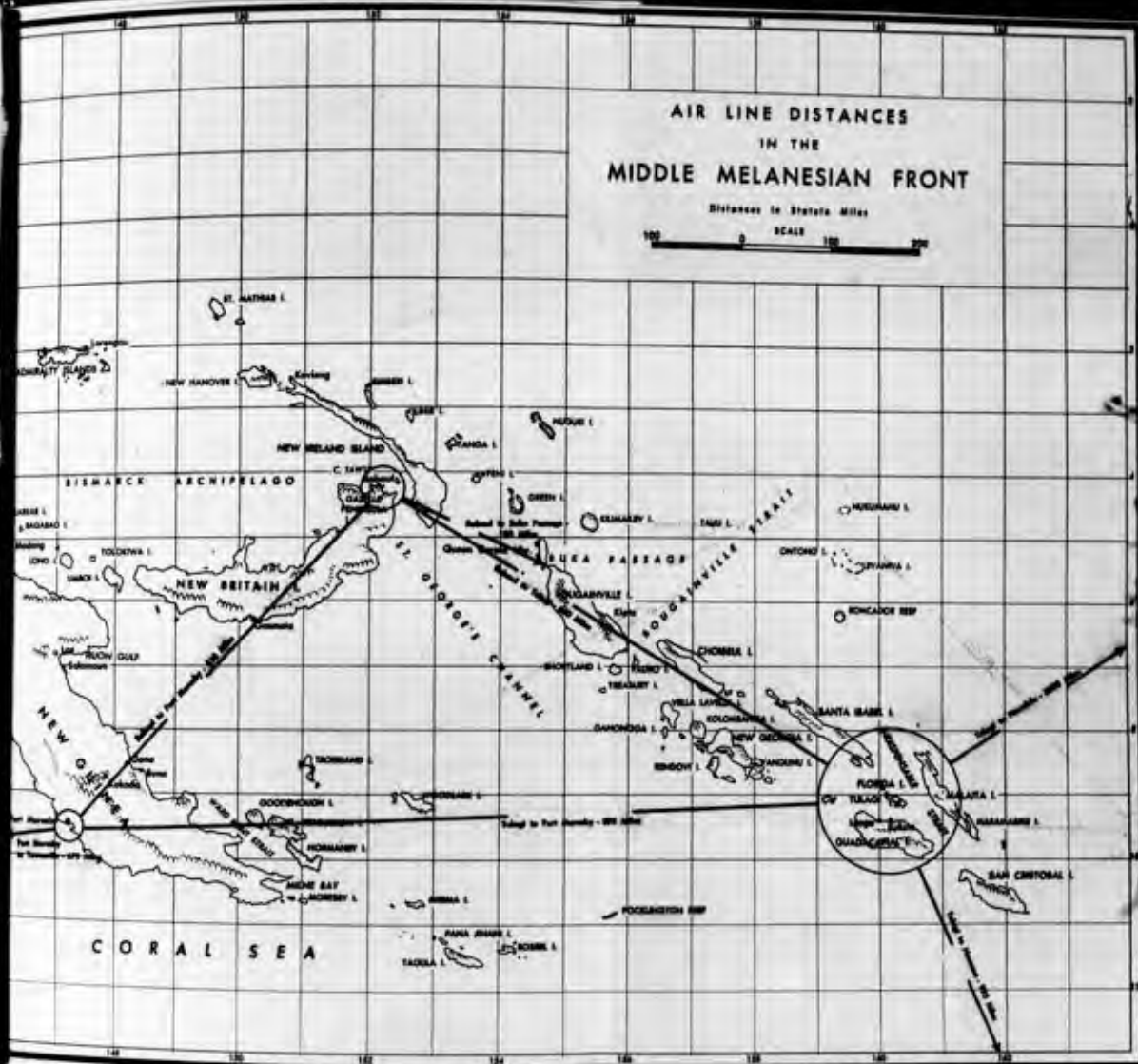
The Marines are believed to be in control of all important points on Florida, Gavutu, and Makambo Islands, as well as on Tulagi (see accompanying map). On Guadalcanal, they have occupied the north central coast and the low-lying area to the south, while the Japanese have fallen back to the mountainous interior, where they are being supplied by air. At least one usable airfield recently constructed by the Japanese on Guadalcanal has been in our control for several days.

While Army bombers continue the attack on Japanese shipping and bases in the New Britain-New Ireland area, there has been no substantial decrease in enemy shipping activities. The possibility that considerable air reinforcements soon may be dispatched to this area also contributes to the belief that the Japanese will not remain long on the defensive (some 100-150 aircraft are reported to have been withdrawn from the Burma theater to the Netherlands East Indies, where they are preparing for departure, destination unknown). Tokyo radio, admitting "isolated" American landings in the Solomons, announces that a counteroffensive "will not be long in coming."

Japanese Intentions in Middle Melanesia

The freshly won Allied bases in the Solomons, reinforced by our base at Port Moresby, obviously endanger the Japanese position in the Bismarck Archipelago and may impel the Japanese either to undertake an early counteroffensive in the Solomons or to seek to eliminate the threat at Port Moresby. The latter offers undoubted advantages both as an advanced base for fighter plane protection and for bombing operations as well. Port Moresby is some 675 miles nearer to Japanese-held Rabaul than the Australian mainland at Townsville.

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The Japanese are by no means forgetting this objective, and in fact have steadily reinforced their units at Kokoda, where Allied patrols recently have been forced to withdraw some miles southward.

The Japanese may be influenced in their decision primarily by their estimate of the strength of the American offensive in the Solomons. A further threat to their air base on Buka Island—not more than 195 air miles distant from Rabaul and believed to be their last important base in the Solomons—would immediately place in jeopardy all Japanese holdings in the Bismarck Archipelago, from Gasmata to Kavieng.

Geography and Strategy in Melanesia

The strategy of the Middle Melanesian area is dominated by the need for adequate harbors and for areas suitable for airfields. In general, this region has surprisingly few first-class harbors, and only a handful with reasonably developed port facilities. Flats suitable for airfields are scarce, for the terrain is rugged and level ground is usually swampy. The coasts and lagoons offer greater scope for the use of seaplanes, but for major operations these, too, must be based where supply ships can service them.

The pattern of Japanese conquest in Middle Melanesia followed closely the distribution of harbors and air facilities. Their first striking points in late January were the outer Melanesian harbors at Kavieng, Kieta, and Rabaul, and the airfield at Buka Passage. Next came Gasmata, and in early March the ports and airfields of the North New Guinea mainland. A move west to Lorengau in the Admiralties secured their lines of communication on that flank. Then they struck eastward to occupy the main centers of the British Solomons, first Shortland (Faisi) in April, then Gizo and Tulagi in May.

Of these centers in the Solomons, Tulagi offers the best

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harbor facilities. There are several other good potential harbors, but they are located on large islands with hostile inhabitants, and hence have remained undeveloped and in some cases hardly charted. Before the war there were airfields on Buka and Bougainville, but there were none on any of the remainder of the islands with the possible exception of Guadalcanal. It is believed that on this island some work had begun on air fields, incident to an attempt to exploit recently discovered gold mines, but the Japanese invaders were the first to lay out adequate facilities.

The present month is climatically a favorable one for operations in the Solomons. It is just past mid-winter, and this is the dry season. The trade winds at this time blow from the southeast, and storms, which are peculiarly dangerous to ships in these coral seas, are infrequent. The heat is not unduly oppressive and the nights are fairly cool. The hot, wet season does not come until November, when the trade winds reverse their direction.

India: From Mob Action to Civil Disobedience

The early, disorganized phase of the present Congress campaign in India is apparently drawing to a close, while the actual civil disobedience movement is still in the organization stage, according to an American observer in New Delhi. The recent outbreaks have been largely the work of hoodlums and students, who have acted in sympathy with the Congress but not under the orders of its chiefs. These latter are meantime sending out instructions for a complete boycott of stores, utilities, government offices, etc., designed to paralyze the normal working of the Indian economy. Between the two phases of the movement, our observer surmises, a certain lull may be expected.

Yet the authorities have not been able to restore order with the thoroughness that censored press despatches sug-

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gest. Soon after the start of the movement, an official decree forbade the publication of information on the extent to which the mass outbreaks were disrupting industry and transport. These outbreaks, especially characteristic of Bombay, Madras, the United Provinces, the Central Provinces, and Bihar, soon spread from the cities to the country districts. The general pattern was as follows: mass demonstrations, followed by the burning of railroad stations, the looting of public buildings, the cutting of telephone and telegraph wires, and the stoning of buses and trains—to which troops and police responded with small-arms fire and *lathi* charges. Meantime workers went on strike and retail shops closed their doors.

The official repression, as reported by observers on the spot, has varied from city to city. In several places the police have seemed hesitant to wield their bamboo *lathis* with the enthusiasm they had shown in former campaigns. In Bombay, rigorous police action and a stern warning by the Governor of the drastic steps that would be taken against rioters have apparently restored order. But the General Motors plant and the majority of the textile mills (where employers and workers seem to agree in their enthusiasm for the Congress) have not yet resumed work.

In New Delhi a similarly vigorous repression has resulted in outward calm and the reopening of many shops. But observers warn that this latter development may simply represent an effort on the part of Congress sympathizers to lay in stocks of food before the real campaign begins. Meantime, two mass meetings commemorating the death of Gandhi's secretary in jail have served to maintain the pressure of popular emotion. In the United Provinces a special proclamation of the governor has made the crimes of theft, rape, and damage to official property or transportation services, punishable by death. Similarly a general army ordi-

nance directs that officers from the rank of captain up may issue orders to kill if necessary in the performance of their duty.

Party Attitudes

Bengal is a special case. Here the mass outbreaks came later than elsewhere, and the official repression has not been extreme. Observers point out that in Calcutta the disturbances have reflected dissatisfaction chiefly with police measures taken in other parts of the country. In an official protest, the Bengal branch of the Hindu Mahasabha has condemned the Government's policy of resorting to repression without first trying the possibilities of compromise. And the coalition Ministry of Fazlul Huq, Prime Minister of Bengal, which the Mahasabha supports, is reported to be ready to resign rather than collaborate in the policy of the Central Government.

Similarly, 14 nationalist newspapers in Calcutta have ceased publication in protest against the official restrictions on the printing of material considered encouraging to the present civil disobedience campaign. At Allahabad Nehru's *National Herald* has likewise stopped publication, while in New Delhi Devadas Gandhi, editor of the *Hindustan Times*, has been arrested. The Government has now forbidden the republication or cabling abroad of the Mahatma's letter to Chiang Kai-shek (*The War This Week*, June 18-25, pp. 19-20), printed first in the *National Herald* and then in the *Hindustan Times*.

Nor have the Indian members of the Central Government let pass unnoticed the many threats they have received for their support of the British in the present emergency. According to New Delhi reports, the Indian majority on the Viceroy's Council is about to present the following program: first, the Viceroy to adopt a policy of overruling the Council's

decisions only in extraordinary cases; second, native Indians to receive the portfolios of Finance and Home Affairs; third, the Indian Office in London to cease its supervision of Indian affairs. Outside the Government, moderates like Sapru and Rajagopalachariar are apparently seeking some sort of a compromise.

The Moslem Reaction

Meantime Mohammed Ali Jinnah, president of the Moslem League, has threatened to end his cooperation with the British, if the latter should sacrifice the Moslems in a settlement with the Congress. The League, of course, does not represent all Moslems in India, and several of the most influential Moslems of the country, including the Prime Ministers of Bengal, Sind, Assam, and the Punjab, act independently of Jinnah's orders. But there is no doubt that the League, if it so chose, could seriously jeopardize the future of a compromise between Britain and the Congress.

Press reports now suggest that Jinnah is seeking an interview with Gandhi and that the Working Committee of the League is discussing the possibilities of forming a national government for the duration of the war in cooperation with the Congress. Such a settlement, the reports state rather vaguely, would be dependent on an agreement by the Congress to permit the establishment of a separate Moslem state at the end of the war, if the majority of Moslems so desire. Rajagopalachariar has already made similar proposals on the occasion of his resignation from the Congress.

The Congress and the British

Congress leaders themselves are apparently confident of victory. With preparations already under way to set up their own administration alongside that of the British, they

seem sure that they can bring about the collapse of the British Raj in two months. The imperial soldiery, they maintain, is scarcely numerous enough to police every mile of telephone, telegraph, and railroad in India. And in the current campaign of political polemic they now claim to have proof that the Government of India actually drafted and published its reply to the Bombay resolution of the Congress before it had read the resolution in the fairly moderate form in which it was finally adopted. Likewise they maintain that the British soldiers and police have fired on crowds without prior warning—an assertion that New Delhi's Police Commissioner has apparently admitted to be true.

Abroad, press and radio commentators have continued to suggest intervention by Russia, China, and the United States in the Indian imbroglio; Norman Thomas has actually stated that our country has informally tendered its good offices to both the British and the Congress. There has, however, been no sign of wavering on the part of the British. The English press in general has followed the lead of the *Times* in supporting the Government, while suggesting constructive action as well as repression. The *Manchester Guardian* has continued its campaign for a settlement, while the *Daily Mail* has called for the deportation of the Congress leaders. Finally the Labor Party and the Trades Union Congress have issued a joint statement in support of the Government's policy—adding, however, that “the Government should make it clear that on the abandonment of civil disobedience it would be ready to resume discussions toward implementing the principles of Indian self-government it has already proclaimed.”

Midway in the Southwest Monsoon

Japanese air forces in Burma are still thought to be too small for operations against India, and on the western

Yunnan front in China there have been recent reports that the Japanese were even withdrawing from their bases at Tengyueh and Lungling. The southwest monsoon, which has now run about half its course, continues to militate against large-scale air or ground operations.

The monsoon began toward the end of June—more than a week late. In the Bengal area, if there are no further aberrations, it will diminish in intensity by about the middle of October. Rains then become less frequent and the temperature falls, but the ground remains water-logged during all of October. Dry weather returns rather slowly in the course of the next two months.

Even in the wettest parts of India and Burma, however, the downpour of the monsoon is interspersed with intervals of good weather, when air operations at least are entirely feasible. The areas where rainfall is greatest are the Rangoon delta and that part of Assam which lies along the western slopes of the Arakan Range. The Japanese advance base for a large-scale attack on India doubtless would be at Rangoon, and any overland attack would need to cross the Arakan Range. While wet weather in these two areas might not offer insurmountable obstacles, there are as yet no signs the Japanese wish to overcome them on any notable scale.

The months of November and December might offer some climatological advantages for an attack in the Bengal area. During these months, local variations in heat and moisture give rise to tropical cyclones, which often originate in the neighborhood of the Andaman Islands and travel west or northwest over the Bay of Bengal. The cyclones have one significant local effect, in that they bring the heaviest rains of the year to India's east coast in the region of Madras, and to the island of Ceylon, where important British naval and air bases are located. Heavy weather here might offer some

handicaps to Allied naval and air operations against a Rangoon-based Japanese thrust at the Calcutta area, just at the season when the latter would be experiencing relatively good weather. Japanese shipping which hugged the shoreline from Rangoon to Calcutta would be less exposed to the threat of cyclones than Allied shipping, operating from bases directly in their course.

Chungking Tempers Press Reaction to the Indian Situation

The outburst of pro-Indian editorials with which the Chinese press initially expressed its decided views on the Indian crisis was evidently more nearly spontaneous than most such displays of Chinese unanimity of opinion. The official Chinese Information Board had originally given instructions that no editorials should be written on the subject of the arrests of Gandhi and other Indian leaders, but the newspapers raised such strong protests that the order was rescinded. Instead the press was then instructed to refrain from suggestions that the troubles in India could be racial in origin, and to adopt an attitude of "persuasion" rather than "denunciation." The press was, however, given permission to display sympathy for Gandhi and his followers, and was allowed to point out that India's desire for independence was in conformity with the Atlantic Charter, and to suggest that Britain's present methods would not solve a problem which could be solved by "other means."

Deterioration of the Chinese Military Position

The military supply position in China is deteriorating quite rapidly, according to a reliable and well informed military observer just returned from Chungking. While domestic production at one time supplied 80 percent of China's needs for small arms and ammunition, output has now been drastically reduced, a situation reflecting primarily the cessation

of imports of steel for barrels and copper for cartridges. The military forces are not yet short of equipment, but only because requirements are filled out of rapidly dwindling stocks. The situation already has affected military operations, however, and the Chinese are said to have fallen back in the battle in Kiangsi Province primarily in order to save matériel.

Despite the high competence of the individual Chinese soldier, our observer adds, the organization of the Chinese troops is very poor. The most notable deficiency is in the officer corps, where orders only rarely are carried out as given. When properly officered, Chinese troops have shown themselves to be able fighters. At Shanghai, for example, they made an excellent stand, and whatever errors were made were the consequences of poor decisions of the High Command, our observer believes. It cannot be expected, he concludes, that the Chinese will be able to accomplish anything very decisive in a military way by themselves.

American Army Air Force in China

Despite the deterioration in their own military position, the Chinese have been greatly heartened by the activities of the United States Army Air Force. The recent raids on Haiphong (Indochina) and the attacks on Canton, Nan-ch'ang (Kiangsi) and Yo-yang (northeastern Hunan) have done much to counteract the Chinese feeling that they were being neglected, according to a highly placed American observer at Chungking. He warns, however, that if lack of replacements and reinforcements should bring about a curtailment of these operations, very unfortunate effects would follow.

This observer believes that it is a mistake to maintain that American air support for China should be thought of simply as preparation for reconquest of Burma, or as a means for keeping China in the war. The first objective may be over-optimistic and the second, he declares, is only half the

truth. The American air force in China already has demonstrated that it can be of direct offensive value against the Japanese. It can destroy or at least contain Japanese planes which might otherwise be used in American theaters of operation; it can aid Chinese military operations against the Japanese; it can be of value in Melanesian operations by interfering with Japanese supply lines to the south; and in the long run it may aid in the recapturing of bases in China from which air attacks can be carried on against Japan proper.

Situation Eases in Northeast Asia

From evidence that has come to hand in recent days, some well-placed military observers conclude that Japan may have planned an offensive in the direction of Australia, rather than against Siberia, an offensive which our surprise attack on the Tulagi area has no doubt thrown out of gear, at least for the time being. Specific indications supporting this theory are a violent Japanese press campaign against Australia and increased Japanese air activity over Australia in recent weeks. These observers point out that Japanese strategists are apt to make preparations permitting a movement in one or more of several directions and not decide themselves where they will strike in force until the opportune time arrives. Such earlier plans with reference to Australia would not of course preclude an invasion of Siberia now or somewhat later.

Evidence concerning the Siberian area itself is somewhat conflicting. It is now definitely known that Yamashita, the most successful Japanese field general, took command in late July of the Japanese forces in Manchuria. Furthermore, according to the Chinese intelligence service, a Japanese division has left Yo-yang (where the Hankow-Canton railroad leaves the Yangtze River and veers south toward

Changsha) for an unascertainable destination, presumably Manchuria. That division was replaced in its exposed position by another division previously stationed in the same general area.

New Japanese Military Head for the Philippines

Lieutenant General Masaharu Homma of erroneous harakiri fame has left the Philippine command for Tokyo, according to a Japanese official broadcast of August 14, and yields his post to Lieutenant General Shizuichi (or Seichi) Tanaka. Tanaka served as assistant military attaché in London (1919-1922) and as military attaché in Mexico (1926-1928) and in Washington (1932-1934). He speaks both English and Spanish. Of recent years he has held various high positions in the military police, having served as Commander of the Military Gendarmerie Corps (1940-41), and before his appointment to the Philippines was in command of the eastern army administrative district of Japan.

The appointment of Tanaka apparently indicates a feeling on the part of the Japanese that the combat phase of Philippine occupation must now yield precedence to administrative problems involving the civilian population. With his fluency in Spanish and English and experience in police and army administration, Tanaka is well qualified to undertake this task.

Brazilian Ship Sinkings Cause Violent Reaction

Nazi sinking of five Brazilian ships—two with Brazilian soldiers on board—has produced a violent and immediate reaction in that country. President Vargas, appearing in public for the first time since his recent automobile accident, assured an angry crowd that his government would act energetically to avenge Brazilian citizens drowned in these attacks. Anti-Axis riots have been reported from various

parts of Brazil, ranging from Manaus to Porto Alegre. At Recife there was a violent demonstration against not only the Germans and Italians but also the Spanish representatives who, it was alleged, had passed on information regarding shipping to enemy agents. The people of Recife have demanded the removal of the Interventor because of his pro-Nazi sympathies. High army and navy officers were quoted as firm in the belief that a declaration of war was only a matter of days, but Foreign Minister Aranha told our chargé d'affaires that Brazil would undertake immediate reprisals but not declare war. Whatever Brazil does will not be done in a hurry.

The sinking of the Brazilian ships which precipitated the present crisis started with the *Baependy* late in the evening of August 14. On this ship there were two batteries of 75-mm. guns and some 300 soldiers and civilians. Another ship, the *Italte*, arrived safely in Recife with one battery. During the next two days four other ships were lost in the same general region—off the coast of Bafa and Sergipe. These were the *Annibal Benevolo*, the *Araraquara*, the *Itagibe*, and the *Arara*. The ships were proceeding separately, not under convoy. Between January 1 and August 18 the Germans sank 16 Brazilian ships.

Cuban Cabinet Changes

The new Cuban cabinet, announced by President Batista on August 16, is not sufficiently different in membership from the cabinet which resigned on August 5 to satisfy the demands of the democratic, pro-war groups for a "streamlined" war government, according to reports. The five new members are little known in Cuban political life. Indications are that President Batista has not yet solved the problems which precipitated the recent cabinet crisis, and that a further cabinet shake-up may follow.

APPENDIX I

GERMAN CONQUEST OF NORTH CAUCASIAN OIL

While German forces have already taken Maikop, and the capture of Grozny—300 miles to the east—is probably imminent, the main Caucasian oil fields at Baku lie in a less exposed position. These fields are south of the Caucasus, which form a mountain bulwark some 70 miles in depth and are easily traversable in this area only at the western shore line of the Caspian Sea. If we assume that the Germans could be held at their present position on the north and central fronts and, in the south, at the line of the Volga and on the northern slope of the Caucasus, the Russians would still have some access to the oil at Baku. The overall oil supply position of Germany would then be materially eased, although it would not be entirely relieved (with the possible exception of lubricants). To this extent the immediate German acquisition of "Caucasian oil" is perhaps less sweeping in its implications than newspaper despatches imply.

TABLE I.—Russia's oil industry in 1940

[Thousand metric tons] metric ton = approx. 2,204.6 lbs.

	%	Crude Oil Production	Refining Capacity	
			Crude	Cracking
Baku.....	70	22,900	18,933	2,727
Groznyl.....	2	2,466	7,000	2,887
Maikop.....	2	2,950	3,701
Total Caucasus.....	74	28,316	29,634	5,614
Total Ural-Volga.....	14	3,435	2,514	2,488
Total Inland ¹	12	701	615
Total Asia (minus Sakhalin).....	2	690	491	140
Sakhalin.....	1	450	210	175
Grand total.....	100	32,891	33,550	8,932

¹ Including Batum.

² At Moscow, Gorki and Yaroslavl.

³ Including 768,000 tons cracking capacity in the Ukraine, lost in 1941.

Total Russian Oil Resources

Russia's oil resources in 1940 are presented in the accompanying table. About 70 percent of the total was produced in the Baku oil fields, another 15 percent from the fields at Maikop and Grozny. For 1942 the production at Maikop has been estimated at the rate of 1.4 million tons; at Grozny, 2.7 million tons; and at Baku, 24 million tons. Production at Baku has increased, while that at Maikop has declined by a half, due probably to the transfer of workers and equipment to safer areas. The output of the Ural-Volga, Sakhalin, and Asiatic regions is

estimated to have risen since 1940 from about 4.6 million tons to 7.5 million tons, an increase which is nevertheless considerably less than the planned figure of 12.5 million tons. No definite information on increases in refining capacity in these areas is available, although it is assumed in this study that capacity has been expanded to keep pace with the output of crude.

Russian Requirements

Russian military requirements cannot be estimated with complete accuracy, but in 1941, at the time of the heaviest fighting, military experts placed probable military expenditure of oil at more than 400,000 tons a month.

In the meantime the number of Russian tanks and planes needing oil has perhaps been reduced by half or even more. Balanced against this is the fact that rail facilities of the Russian army this summer are much poorer than in any chief theatre of action in 1941, hence the supply services are far more dependent on truck transportation. In evaluating future military requirements, however, the extent and intensity of combat may be even more important than the factors mentioned above. Available data are entirely inadequate for an authoritative estimate of these requirements, and it must be understood that our present estimate, therefore, is somewhat arbitrary. If we assume, however, that fighting will be mainly confined to defensive operations, military demand has been tentatively estimated at about half the 1941 maximum rate, or 2 to 2.5 million tons a year.

An estimate of essential industrial and civilian Russian demand after the loss of the north Caucasian and southern Volga area can only be as tentative as

TABLE II.—Russia's mineral oil requirements in 1940¹

	Area I		Area II		Area III		Total Sum
	Thousand Tons	Percent of Total	Thousand Tons	Percent of Total	Thousand Tons	Percent of Total	
	Lost in Farthest German Advance During 1941		Between 1941 line and line Astrakhan- Stalingrad-Saratov- Gorki and Archangel (Volga Line)		East of Volga Line		Area I & Area II & Area III
Agriculture.....	1,880	28	2,020	30	2,800	42	6,700
Mining and manufactur- ing.....	1,380	25	2,360	43	1,700	32	5,500
Commercial vehicles.....	380	25	640	43	480	32	1,500
Railroads.....	760	28	810	30	1,180	42	2,700
Shipping.....	160	20	260	33	380	47	800
Other industry.....	320	25	560	43	420	32	1,300
Home lighting and heat- ing.....	1,080	40	890	33	730	27	2,700
Military stocks, and ex- ports ²	100	-----	4,430	-----	70	-----	4,600
Total.....	6,060	24	11,970	46	7,770	30	25,800

¹ Based on the U. S. S. study on *The Effect of Territorial Losses on Russia's Petroleum Position*.

² Allocated arbitrarily.

that on future military requirements. A consumption pattern of various strategic areas in 1940 is given in Table II.

Free Russia would, according to our assumptions, comprise Area III and a large part of Area II. The 1940 civilian requirements of this area would amount to 11 million tons (this figure excludes the 4.5 million tons which in 1940 were used for military stocks or exports, and also an estimated 3-4 million tons consumed locally in the Transcaucasus and the areas lost in the present fighting). The transfer of many industries from the west to the east, the necessary intensification of agricultural production, the larger transport requirements by rail and road, and the increase in population by at least 20 million refugees must obviously have led to a very considerably increased civilian oil demand in unoccupied Russia. It is not likely that the restriction of nonessential uses or the employment of other fuels will completely compensate for this increased civilian demand. Thus, if all the indicated needs are to be met, the military and vital civilian demand of unoccupied Russia (exclusive of Caucasia) probably will amount to 13-14 million tons a year.

The Problem of Transportation

To fill these needs (if the north Caucasian area is lost), the Russians will face above all a problem of transportation. While Baku, if it is held, can still be bombed, the large excess of production and refining capacity there makes it likely that, with a reasonable degree of protection from air attack, a substantial output can still be maintained. Shipping on the Caspian also would be subject to attack, but here again the loss of some tankers probably would create no bottleneck (it was estimated that 17.6 million tons of oil were shipped in 1939 in Caspian tankers from Baku). The bottlenecks would develop at other Caspian ports and on Russian rail lines that would need to be used in place of present facilities.

The Volga is the chief artery for oil shipments from Baku to the north. Should the German advance on Stalingrad close this route, the Russians could still carry oil in tankers to two Caspian ports connected by rail with the rest of Russia—Krasnovodak and Chapaev (Guriev). The line from Krasnovodak runs to Tashkent, and from there to Orenberg (Chkalov), a total distance of 3,700 kilometers. From Guriev, the railroad runs north to Orsk, 1,300 kilometers (the Orsk-Kandagach section of this railway was scheduled for completion in 1941, and a reliable source states that the section actually has been completed).

If the Germans block the Volga, these rail lines would be needed for the transport of other goods besides oil—principally American and British supplies coming up from the Persian Gulf and manganese from the Chiaturi mines. Hence, if the present planned flow of Anglo-American supplies, together with manganese shipments, were to be carried by rail, sufficient capacity would remain to carry only 3.5 million tons of oil a year. Since the fields in the Tashkent area produce about 500,000 tons of oil, which would partially occupy the Tashkent-Orenburg lines, the quantity of Baku oil which might be hauled from Guriev and Krasnovodak would be reduced to approximately 3 million tons. If the flow of manganese were reduced, that of oil could be raised proportionately. This assumes, however, that no other commodities are hauled over this line (cotton from Russian Central Asia via Tashkent and Orenburg usually forms a part of the traffic, but might instead be moved over the Turk-Sib Railway).

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About 6,500 ordinary freight cars, 15,000 tank cars, and 1,000-1,200 locomotives would be needed. If tank cars have been successfully withdrawn northward to the Volga from the Baku-Batum and Baku-Rostov lines, all these will be available. Port facilities at Guriev and Krasnovodak, however, would not now be equal to this traffic, and would need to be enlarged. Moreover, the Caspian near Guriev is frozen from January to March, although it could be kept open by ice-breakers. It is here assumed that this would be possible, or that stocks could be built up at Guriev; otherwise the amount of Baku oil which could be hauled north would again be reduced by half a million tons, to a total of 25 million per annum.

In addition to the rail lines, a 12-inch pipe line serving the Emba fields (near Guriev) runs from Guriev to Orsk. Our calculations do not take into account the possibility of sending additional quantities of Baku crude oil through this pipe line, since the increase in output of the Emba fields probably will occupy present capacity. Additional pumping stations, however, might increase its intake.

The Russian Deficit

From Baku's total capacity of 24 million tons per year, a supply program of 3 million tons a year is thus not unreasonable. Together with the estimated production of 7.5 million tons in other areas of free Russia, total supplies would run between 10 and 11 million tons. If we set full requirements at our previous estimate of 13-14 million tons, the deficit would amount to between 3 and 4 million tons annually. The Russians must either import this quantity, withdraw it from stocks, or cut down on essential consumption. It is extremely doubtful whether available overseas transport facilities could carry increased quantities of imports. The size of stocks in free Russia is not known, although it is reported that during May oil shipments up the Volga were 20 percent higher than during the corresponding month last year. (A British source recently has estimated that stocks in unoccupied European Russia amount to at least 10 million tons.)

It is entirely possible that with the help of American equipment and technicians, oil production outside the Caucasus might be raised to a point where the prospective deficit of essential requirements could be met before stocks are exhausted. If the deficit were met, however, it would be due in the last analysis to the precipitate decline in consumption which our estimates postulate. Compared with the 1940 level, the consumption of 13-14 million tons of oil represents a decline of approximately 50 percent. Such a decline in requirements indicates how greatly weakened is Russia's fighting potential. Even if we assume that the lines will hold on the Volga and northward from Voronezh on the present front, Russia's oil position would indeed be serious and difficult. If our estimate are correct, however, the loss of the oil of the northern Caucasus and the great reduction in the shipments of oil from Transcaucasia (Baku) need not be decisive in her war effort.

What Germany Gets

Assuming that the Russians are able to apply effective "scorched-earth" tactics to the oil wells, refineries, storage, and transportation facilities of the northern Caucasus, Germany might obtain a flow of production from this area

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10-12 months after the conquest of Maikop, of about 5 million tons of oil a year. Production during the first 10 months should amount to about 2 million tons. All of this probably will be used locally and in other areas of occupied Russia, if the reconstruction of refinery plants keeps pace with the rate of recovery at the wells.

As soon as a rate of 5 million tons a year is achieved, production might be divided as follows: 2.5 million tons, or about one-third of 1940 agricultural and industrial consumption, for urgent civilian requirements in occupied Russia (heretofore largely left unsatisfied); and 1.5 million tons for military use in occupied areas and on the fighting front, now supplied from German sources. Supplies available to Axis Europe will be increased by this 1.5 million tons, which will no longer need to be sent to the Russian theater of war, and by 1 million tons which will probably be shipped to Rumanian refineries. A relatively large percentage of the quantities which could be made available to Germany might consist in lubricating oil since potential output at Caucasian refineries would vastly exceed local demands.

The north Caucasian oil will thus relieve the Axis lubricating oil position and will also allow Germany to exploit the economic resources of occupied areas in Russia much more effectively than heretofore. It will help to solve the difficult transportation problem from Rumanian oil fields and German oil plants to the Russian battle lines. The gains, therefore, will be of great value to Germany's military operations in Russia and to her program of exploitation. Her over-all oil supply position, though somewhat eased, will remain tight. Without the possession of Baku and assured transportation connections from Baku, this position cannot be expected to change materially.

APPENDIX II

THE TWO-TON BOMB

The brief comment in *The War This Week* (No. 42, July 23-30, pp. 6-7) on the increased use by the R. A. F. of 4,000-pound bombs has brought to the attention of the editors certain differences of opinion as to their efficacy. The following, drawn from the views of responsible military authorities, represents an attempt to define the issues in question.

1. Anatomy of the Bomb.

The only type of 4,000-pound bomb now manufactured in Britain has a 75 percent explosive charge and a 25 percent mild steel casing. This percentage of explosive to total bomb weight is greater than in most other American and European bombs. It is generally referred to as a "high capacity" bomb. A case constructed of mild steel and limited to approximately 25 percent of the total bomb weight does not have strength enough to withstand the force of impact when dropped against solid objects. Thus this type bomb must be fused to detonate at the instant of contact in order to secure high order detonation before

the case has a chance to rupture. The purpose of such a bomb is to secure wide destruction of surface objects as a result of the great lateral blast, or shock wave, produced.

The performance figures given earlier in *The War This Week* were calculated figures to show what might be expected of a two-ton bomb in power and penetration, and were presumed to apply to the more conventional American 50-50 relation between weight of explosive and casing. These figures do not, therefore, apply to the 4,000-pound bomb used by the R. A. F., which has a greater explosive charge and very limited penetrability.

2. Criterion of Bomb Performance.

The utility of a bomb of given weight and construction can be judged only with respect to its effectiveness against the proposed target objective. The bombing of a naval vessel obviously requires a different weapon than the destruction of railway facilities. The most suitable bomb for an objective must have the maximum explosive charge compatible with the necessary casing and time fusing to obtain the desired penetration before detonation. It is a maxim of bombing technique that large bombs should not be used against specific targets or general areas which can be damaged more effectively by an equivalent total weight of smaller bombs.

3. Area Bombing.

Penetration before explosion is of great importance against some objectives, most notably naval vessels and certain types of industrial targets. In area bombing, where little reliance is placed on a given bomb squarely hitting a specific target, British policy had tended towards dropping a maximum weight of explosive charge in great concentration, without regard to penetrability.

The nature of the British 4,000-pound bomb makes it particularly suitable for "blitz" bombing of urban districts. Large areas of residential buildings can be destroyed by its blast effect. Instantaneous fusing is accepted as correct for destruction of objectives of this nature. The greater weight of explosive charge results in a more intensive shock wave covering a wider area than that of one general purpose 2,000-pound bomb, or of two such bombs, if dropped at the same point. The weight of explosives in the 4,000-pound bomb is approximately three times as great as that of one general purpose bomb of 2,000-pound size. There is no point, however, in dropping two 2,000-pound bombs at the same point. They should be separated by at least the diameter of the effective destruction area of each. In general, it may be stated that the 4,000-pound bomb produces a more damaging effect but over a smaller total area than several smaller bombs involving the same total weight of explosive if dropped in the area but separated one from another so as not to overlap areas of destruction.

The British use of heavy bombs is connected with their policy of employing both high explosives and incendiaries in area raids. European experience appears to be that fire is probably the most effective agent for the destruction of residential buildings, and even of some industrial objectives. A typical sequence of R. A. F. attack is as follows: (1) Incendiaries are dropped to light the target area; (2) high explosives, including an increasing proportion of two-ton bombs, follow; (3) incendiary bombs are sown in the areas damaged by the explosives. In this

process, the destructive blast effect of the two-ton bomb aids in spreading the fires. It damages roofs so that incendiaries can penetrate to inflammatory material, and causes draughts by breaking in windows and blowing in doors over wide areas. The destruction of buildings wrought by the heavy bombs, and the breaking of water mains, also complicates the task of the fire fighters.

There is some conflict of view with respect to the effectiveness of 4,000-pound bombs against public utilities in urban areas. A 5-10-foot penetration is usually required to destroy such objectives. In the German raids on England, water mains, gas mains, and electric utilities were damaged, at times extensively, in almost all raids. This occurred despite the fact that no 4,000-pound and few 2,000-pound bombs were dropped. It is possible that a larger number of smaller bombs, which can cover a wider area, may be more effective for this task than two-ton missiles.

The two-ton bomb is, furthermore, not as clearly useful against certain types of industrial objectives as it is against residential buildings within the general target area. When the factories are of modern construction, and have specially reinforced roofs, penetration may be required to achieve maximum damage. On the other hand, it is argued that the greater blast of the two-ton high explosive damages machinery which often remains substantially unharmed by lighter weight bombs.

4. Precision Bombing vs. Area Bombing

Precision bombing is based on the theory that the carrying capacity of aircraft should be employed to bear the maximum number of bombs, each capable of achieving the desired destruction. Maximum effectiveness in bombing demands hits on the object to be destroyed. The chances of securing hits on a given target are vastly better if two bombs or more are dropped in a properly spaced train (British "stick") than if an equivalent weight is concentrated in one bomb. Advocates of precision bombing, as opposed to area bombing, therefore, do not generally favor the use of the two-ton bomb, since they claim that almost all industrial targets would be destroyed by suitably placed bombs of lesser unit weight. The issue, however, turns less on the capabilities and performance of the two-ton bomb, as opposed to an equal weight of other types, than on major questions of bombing tactics and technique.

APPENDIX III

R. A. F. NIGHT BOMBER OPERATIONS

An earlier report on R. A. F. night bomber operations against Western European objectives covered the period from March 1 to June 6 (*The War This Week*, June 18-25, pp. 12-14). A further statistical analysis of these operations, extending the period covered to include June and July and introducing certain refinements of technique, has now been completed by the Economics Division of the Office of Strategic Services.

The first report analyzed the night raids taken as a whole. In the present study, the data were arranged to group together raids on which flight distances covered and cloud conditions over the target area were roughly similar. This procedure tends to eliminate the influence of flight distance and weather on the relationships between the number of planes dispatched and the two variables of plane casualties and planes reaching the primary area of attack. In addition, it affords some tentative conclusions on the effects of distance and weather on both casualties and ability to locate the primary target.

The general applicability of conclusions is seriously limited, however, by the small number of observations in many of the categories employed, as well as by uncertainty as to the exact meaning of such terms as "primary target" or "casualties". Also, again because of the scarcity of data, no allowance can be made for variations in the intensity of enemy opposition, including both anti-aircraft fire and fighter planes, or for variations in the training and skill of the navigators.

1. The number of plane casualties suffered during night bomber operations varied widely in relation to the size of the raid during the period studied. When fewer than 100 planes are dispatched, the small amount of evidence available showed an increase in casualties as the size of the raid increased. On raids of more than 100 and fewer than about 350 bombers, for which there were the most observations, the number of casualties did not vary with the size of the raid in any consistent manner. On raids of more than 350 planes, the few observations available again showed a tendency toward proportionality between casualties and the number of planes dispatched.

2. The loss rate for raids against areas in Germany (300-600 miles from London) was 4 percent for June and July—approximately the same as in the former study. There is some evidence that the casualty rate increases as the flight distance increases. The loss rate for raids on France (100-300 miles), although based on only a few cases, was less than the rate for raids on Germany.

3. No correlation was revealed between the size of the raid and the ability to locate the primary target of attack. The percentage of planes reaching the primary target appears to vary independently of the number of planes dispatched but is influenced by differences in the distance flown. The average was around 90 percent for distances under 300 miles, and nearer 75 percent for 300 to 600 miles.

4. There is some evidence to warrant the tentative conclusion that as cloud conditions become worse, the casualty rate decreases. This may be explained by the fact that dense cloud protects bombers from anti-aircraft fire in flight and also over the target if they bomb from above the clouds. The data on the number of planes locating the primary target show no influence of weather conditions upon the degree of success achieved. This may be because ability to find a target depends primarily on the training and skill of the navigator. It may also reflect the fact that in some instances "locating" the primary target apparently meant navigating by instruments to the estimated position rather than direct observation of the target.

5. The additional two months of data on R. A. F. night bomber activities revealed certain changes in the strategy of attack and in the intensity of operations as compared with the preceding three months. The ratio of total tonnage of high explosives to incendiary bombs stood at about 2:1 during the March 1-June 1

period. Since the latter date, the trend has been slightly toward a more intensive use of incendiary bombs in the raids on German industrial areas. As a result, the proportion of high explosives to incendiaries was 7:4 for June and July.

There has been a pronounced increase in the use of 4,000-pound "block busters" in the R. A. F. bomber attacks. A sample of raids for the first ten days of each month indicates that the proportion of the weight of these bombs to the total weight of high explosives employed rose from less than 20 percent in March to about 40 percent in July. In the 635-plane raid against Düsseldorf on July 31, the proportion was close to 60 percent.

6. If we leave out of consideration the raids of more than 1,000 planes, which took place against Cologne on May 30, Essen on June 1, and Bremen on June 25, and which are special cases, there has been a marked increase in the scale of operations. The average number of planes dispatched on nights when bomber operations were undertaken was 256 for June and July, as compared with 164 for March, April, and May. In June, the R. A. F. operated on a comparatively low scale after the raid on Essen, building up gradually to the mass attack on Bremen at the end of the month. The next large-scale raids took place on July 26 and July 31, when 425 and 635 planes respectively were dispatched. This may be indicative of a new level of activity, considerably higher than the previous peak of 350 for raids short of 1,000 planes.

7. The average number of nights of major activity per month (when more than 50 planes were dispatched) is 12 for the entire period. In the past two months, there have been fewer nights in which less than 50 planes were dispatched, indicating again a step-up in scale.

There has also been a pronounced decrease in the number of attacks against shipping and dock facilities along the French coast. All of the raids of 50 planes or more during the latest two months of operations were against objectives within Germany itself. The monthly average of raids against German territory was 10 during March, April, and May.

APPENDIX IV

THE STABILITY OF THE VARGAS REGIME IN BRAZIL

The key to the continued close cooperation of Brazil with the United States is President Vargas himself, according to a highly placed source recently returned from Brazil. The latter describes Vargas as recovering satisfactorily from his recent accident. The loyalty of his cabinet cannot be doubted, especially now that certain questionable elements have been removed. General Dutra is considered a relatively weak person, who can be depended on to carry out the President's orders in every particular. General Goes Monteiro is more uncertain, but he is completely loyal to the President. It is improbable that the General would "sell-out" to the Nazis.

No force in Brazil at present threatens the stability of the Vargas regime. President Vargas enjoys great personal prestige among Brazilians of all classes,

SECRET

and no other political leader of similar stature exists either in the country or in exile. There is no liberal movement and no coherent liberal groups which are politically important. The Integralists, who have close connections with Berlin, are the only possible threat to Brazilian stability; their strength is uncertain but probably not great, and it will decrease if and when there is a decided victory scored by the United Nations.

If President Vargas should die or be incapacitated, a very serious situation might be anticipated in Brazil. Since no successor seems to be available, the resulting scramble for positions of power would undoubtedly precipitate internal disorder. The Axis would most certainly take advantage of this state of affairs.

The German Minorities

The German minorities in south Brazil are 100 percent pro-Nazi, according to the same source. They are, however, closely watched by the Brazilian police. The latter are thought to be entirely adequate for this work. The German colonies are separated by relatively empty country across which communication is very difficult, so that no close-knit anti-Brazilian organization could readily come into existence. It is not believed possible that any large supplies of arms and ammunition could be hidden where the colonists could make use of them. Communications with Germans across the border in Argentina are not easily maintained in the face of the close watch kept by the Brazilians.

Argentine-Brazilian Relations

A very explosive situation exists along the Rio Grande do Sul-Argentine border. An incident there might lead to war. The Brazilians are aware of the danger of such an incident and are doing their best to guard against it. Neither Argentines nor Brazilians are really anxious for a fight. Nevertheless, Axis agents are doing their best to stir up trouble. This situation will bear close watching.

The recent Brazilian loan to Paraguay represents an attempt on the part of the Brazilians to wean the Paraguayans away from their close attachment to Argentina. It is not anticipated, however, that much can be accomplished along these lines.

August 21, 1942
9:30 a.m.

GROUP

Present: Mr. Gaston
Mr. Buffington
Mr. Schwarz
Mr. Kuhn
Mr. Thompson
Mr. Paul
Mr. Blough
Mr. Graves
Mr. Gamble
Mrs. Klotz

H.M.JR: They did a very good job on the meeting last night, and this man that they sent down to lead this thing was simply grand.

MR. GRAVES: Zanzig.

H.M.JR: A perfectly cold audience, coming in out of the rain, and this fellow goes up to the microphone and in fifteen seconds he had them singing. I told them afterwards that I had been waiting one year to have somebody do what he did.

MR. GASTON: Chorus leader, sing leader?

H.M.JR: Secretary of the National Playground Association. What was his name?

MR. GRAVES: Zanzig.

H.M.JR: He did a beautiful job.

MR. GRAVES: He is on our staff now, I understand, part time.

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H.M.JR: He heated up the audience, and he was just what I hoped to have, and I don't know - how much time did I have left over on the air?

MR. SCHWARZ: The music was about three minutes.

H.M.JR: Did they sing the whole of the America--

MR. GRAVES: That was not broadcast. We got only studio music. They cut that off at the end of your talk.

H.M.JR: You couldn't hear the people singing?

MR. GRAVES: No, we got studio music for the balance of the time.

H.M.JR: I hoped you did. He had them singing immediately. He had a whole choir on the right-hand side of the platform, but he didn't need them.

MR. SCHWARZ: The applause sounded like they had been stirred up.

MR. KUHN: They had no piano, no band, or anything. He simply took that audience and gave them the pitch and lead them in songs that they really did not know well and got them singing lustily. It was quite good.

H.M.JR: Mr. Gaston?

MR. GASTON: Here is the Ham Fish report and file. I don't know if you will have time to read much of it, but there are a couple of pages of summary. The substance is that we can collect in tax-evasion cases.

H.M.JR: Would you mind - I think you had better stay behind. I think you and Paul had better stay behind.

MR. PAUL: I have to go up on the Hill at ten o'clock.

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H.M.JR: Ten o'clock - well, Herbert can finish talking, and I will take you next.

MR. GASTON: We have held a couple of meetings on the financial and economic situation. We haven't gotten very far, but we have opened the subject up. I think we should go on with those meetings, if you agree.

H.M.JR: You have seen Rosenman once, haven't you?

MR. PAUL: Once, yes, but he asked me to develop a formula, if possible, for higher salaries corresponding to the WLB formula for wages, and yesterday - I guess it is going over this morning - I dictated a little memorandum. I got a formula through Friedman in Roy Blough's office, and, just as a suggestion, I am sending that over this morning.

H.M.JR: You sent him that and something else?

MR. PAUL: No. The only other thing I gave him the other day was a draft of something to say on taxes in the President's message.

H.M.JR: Before you leave to go on the Hill, would you see that I get copies of both of those? I mean, just request somebody before you leave - I don't actually have to have the copies now.

MR. PAUL: Yes. There is only one point in the tax message which I think should be called particularly to your attention, and that is the whole subject of collection at the source, but that is rather complicated. I don't think we will have time to go into it this morning - I mean, right at this meeting.

H.M.JR: Whatever you sent to Rosenman, tell somebody to actually give it to Mrs. Klotz.

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MR. PAUL: All right, right away.

H.M.JR: And then as long as you are going up on the Hill, I think you had better come down and have lunch with me.

MR. PAUL: That will be fine. I would like to get plenty of opportunity to talk with you because the executive hearings begin Monday. There have been a number of developments this week that I want to put before you.

H.M.JR: Do you want Roy?

MR. PAUL: Yes.

H.M.JR: Do you want Tarleau?

MR. PAUL: Yes, I think so.

H.M.JR: Is that what you want?

MR. PAUL: Yes.

H.M.JR: All right.

(Mr. Gamble entered the conference.)

MR. PAUL: Herb Gaston has been in this week on a lot of these things.

H.M.JR: All right. Mrs. Klotz, that is four. Are you all fish eaters?

MR. PAUL: Certainly are.

MRS. KLOTZ: Four and your father.

H.M.JR: Four and myself are five.

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MR. PAUL: You saw in the paper, I presume, this morning, the developments in the Widener Collection matter.

H.M.JR: I saw the President moved on that.

MR. PAUL: Yes. I think that since I am going to have lunch with you - the other things are all details.

H.M.JR: I think you will all be pleased to know I just talked to Mrs. Bell, and Dan is coming out of the hospital this morning. He is going to stop in to see me. They haven't found anything seriously wrong with him - nothing. I don't know whether you all know that or not.

MR. THOMPSON: I hadn't heard.

MR. GASTON: She told me yesterday that they thought that was an abscess.

H.M.JR: Nothing malignant.

MR. GASTON: Nothing sinister at all.

H.M.JR: He is going to come in, get his hair cut, say hello, and then he is going to go home. I would say it was the very best kind of report you could get of what might have been--

MR. THOMPSON: Do you think it was the same thing he had before?

H.M.JR: Yes, but no worse. It hasn't spread; it is no larger - I mean, they have compared the X-ray

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now with what it was before. There is no spreading and nothing malignant.

MR. THOMPSON: Fine.

H.M.JR: You pick your time to leave.

MR. PAUL: I don't have to go for about five minutes - maybe I had better, because I want to get those memos.

H.M.JR: Is there any lawyer working with you on this Fish matter?

MR. GASTON: It is not in the legal end at this stage, no.

H.M.JR: It is not?

MR. GASTON: No.

H.M.JR: On the investigating front?

MR. GASTON: Yes. I wrote a note to you - perhaps you have not seen it - that I had a talk with the Attorney General on the matter, in view of the fact that you had mentioned it to him, and I told him just what the status of it was.

H.M.JR: Did you speak to him?

MR. GASTON: To Biddle himself. I went over there and saw him.

H.M.JR: Had he done anything?

MR. GASTON: No, and there didn't appear to be anything to do.

H.M.JR: Let's just wait.

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MR. PAUL: I have just written a memo to you on the first prosecution for violation of the freezing control order. I think I will just leave that with you. (Memorandum dated August 21, entitled "Re: Werner Von Clemm" handed to the Secretary)

H.M.JR: That what?

MR. PAUL: The first violation of the freezing controls.

H.M.JR: What is that?

MR. PAUL: The Von Clemm case. It has been in the press.

H.M.JR: Was it successful?

MR. PAUL: Yes.

MR. GASTON: I think you knew about that at the start.

MR. PAUL: Dutch diamonds were coming into this country - they were taking them from Holland.

H.M.JR: I am familiar with it.

MR. PAUL: He may be sentenced to two years and fined ten thousand dollars.

H.M.JR: Good. Are you all right, Randolph?

MR. PAUL: Yes.

H.M.JR: I see by the papers that the tap issue went over a billion.

MR. BUFFINGTON: A billion two hundred and thirty-four.

I am having a meeting of the Executive Managers here at ten o'clock. Would it be possible for you to

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see them for five minutes?

H.M.JR: I don't know. I will tell you, all you fellows, I don't mind your asking, but certainly from now until Monday I have got to catch up and I have got to see - I don't think I am going to have any meetings. I mean, I told--

MR. GAMBLE: Eleven-thirty meeting.

H.M.JR: Certainly from now until Monday I will have to do the things that I want to do.

MR. BUFFINGTON: During the time of this offering the Securities and Exchange Commission issued a proposed ruling, which I discussed with Dan and Randolph Paul. The timing of it was very bad. It seriously interfered with the work of the securities industry. Sometime when you have time I would like to tell you a little about it.

H.M.JR: I will leave these managers in your able hands.

MR. BUFFINGTON: I have a letter from John Fleek, president of the Investment Bankers Association, on that meeting. The thought occurred to me that the 19th of October might possibly interfere with the October financing. They only wanted me to say to you that if it could be another date a little earlier, if possible to get it ahead of the financing, which would give these boys an incentive to go out and work, they would be glad to adjust it to suit your convenience.

H.M.JR: Too far in advance. I didn't say definitely.

(Mr. Paul left the conference.)

MR. BUFFINGTON: I understood that was qualified.

H.M.JR: That is too far ahead. They had better leave it the way it is.

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Anything else?

MR. BUFFINGTON: That is all I have.

H.M.JR: Gamble?

MR. GAMBLE: Here is the telegram regarding the Zanuck matter that I thought you might want to see. (Telegram dated August 11, 1942, addressed to the Secretary, from Mr. Spyros Skouras, handed to the Secretary.)

H.M.JR: Don't leave it on my desk because it will get snowed under.

MR. GAMBLE: It explains the question we were discussing.

H.M.JR: Does it? Let me read it now. (Telegram read by the Secretary.) Well, that is all right.

MR. GAMBLE: Yes.

H.M.JR: Then the thing for you to do is --

MR. GAMBLE: Just follow through and make the request.

H.M.JR: Yes, go through the Office of the Secretary of War.

MR. GAMBLE: Yes.

H.M.JR: It isn't the way you said. It doesn't need my sending him a telegram?

MR. GAMBLE: No. They just suggested that you personally do it.

H.M.JR: What you asked me last night was to send Zanuck a telegram personally asking him to do that. That is what I was bucking.

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MR. GAMBLE: You misunderstood. We didn't make it clear to you.

H.M.JR: That is what you said, would I please send a telegram personally to Zanuck asking them to do it.

MR. GAMBLE: They asked if we would ask the War Department to send a telegram.

H.M.JR: That isn't what you said last night.

MR. GAMBLE: Then we didn't understand each other.

H.M.JR: This is something different?

MR. GAMBLE: Yes. It is perfectly proper.

The only other matter is to remind you of this meeting at eleven-thirty.

H.M.JR: Mrs. Klotz, you see that I go down at eleven-thirty.

MRS. KLOTZ: Yes.

H.M.JR: Ferdie?

MR. KUHN: Nothing. I will have some letters for you a little later this morning.

H.M.JR: Wife find you all right?

MR. KUHN: Yes, sir.

H.M.JR: No complaints?

MR. KUHN: No.

H.M.JR: Have you got on the same suit you have been traveling in?

MR. KUHN: No, a different one. I had the same suit on for a week. (Laughter)

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H.M.JR: Chick?

MR. SCHWARZ: We showed Ferdie the story that Cecil Dickson has today, trying to put the blame for the tax mess on us.

H.M.JR: I have not seen it yet.

MR. SCHWARZ: Did you see, while you were away, the Herald Tribune series with Ros Magill and others?

H.M.JR: No.

MR. SCHWARZ: You would like to see it.

H.M.JR: On the radio there was quite a lot about this Executive Order that Judge Rosenman is working on. Could you get those together for me?

MR. SCHWARZ: News stories about it?

H.M.JR: Anything that has to do with this Executive Order.

MR. KUHN: You saw the Washington Post?

H.M.JR: As of Sunday - Saturday morning?

MR. SCHWARZ: The New York Times also had it.

MR. GASTON: The first break was a story in Time, the Time that came out Wednesday or Thursday of last week.

MR. SCHWARZ: Thursday of last week.

MR. GASTON: They said that Rosenman was working on an economic high command, and that started the papers here to digging for a story.

H.M.JR: He seems to have good connections with Time.

MR. GASTON: Yes, it is a neat scoop of Time's.

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H.M.JR: Well, anything on this, let's say, since Monday, and anything on Hamilton Fish, as far as the Treasury goes.

MR. SCHWARZ: That is all.

H.M.JR: Cecil Dickson puts what blame on the Treasury?

MR. SCHWARZ: He is trying to say that we waited too long.

H.M.JR: For what?

MR. GASTON: He quotes an anonymous member of Congress saying that if the Treasury had come in in January with a well-conceived program of taxation it would have been passed immediately, but they didn't come in until March and the program contained many reform features, that it was not a straight revenue bill, and that caused - it was not a real program and that caused the long delay.

MR. KUHN: It was attributed to a Democratic Senator, wasn't it?

MR. GASTON: A Democratic Senator.

H.M.JR: You don't know how unimportant those things are when you are a thousand miles from Washington. They don't even print them.

MR. SCHWARZ: That is right.

H.M.JR: I never listened to the radio up until last night the whole time I was gone. I got along beautifully. (Laughter)

Anything else, Chick?

MR. SCHWARZ: No.

H.M.JR: Blough?

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MR. BLOUGH: No.

H.M.JR: Harold? Going along about eighty-nine or ninety percent?

MR. GRAVES: That is right. I think we will probably just go over seven hundred million this month.

H.M.JR: What would that be on the quota, ninety?

MR. GRAVES: Our quota is eight hundred and fifty. Again I think we will fall short of our quota by about a hundred million.

H.M.JR: It is too bad.

MR. GRAVES: Well, I am not discouraged about it, especially. I think that we are apt to improve that, and while I--

H.M.JR: It makes it so much harder for me on the front to keep this thing on the volunteer basis, always falling below the quota. It makes it very, very difficult.

MR. GRAVES: That is true.

H.M.JR: I mean, they keep saying, "You lower your quota and you don't even make that." Why are the E bond sales falling off so? Will you sell as many E bonds in August as you did in July?

MR. GRAVES: No. Our E bond sales in July were five hundred and eight million and I think in August they will be, probably, about four hundred and sixty. I think the explanation for that is partly, at any rate, the fact that July is always an investment month, and we got a certain amount of investment buying in E bonds in July which we are not getting in August.

H.M.JR: We will see what happens. Nothing else?

MR. GRAVES: Nothing else.

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H.M.JR: Feeling all right?

MR. GRAVES: Fine, thank you.

MR. THOMPSON: I wonder if Commander Stephens has told you about Murray leaving?

H.M.JR: Yes. I have asked him to see me.

MR. THOMPSON: He got a sudden call. I am arranging for replacement. We have a man any time you want him.

Crane and Company, manufacturing the special lot of bank note paper, got the impression that they were not to make it with the silk fiber resembling the fiber that we have in our own currency paper in our own mill; but they have corrected that, and this is confirming their correction. (Letter addressed to Crane and Company, and attached file, handed to the Secretary.)

H.M.JR: Why should they have silk fiber?

MR. THOMPSON: I don't know much about the story of it, but I understand this special lot was being made of paper as much like our own currency paper as possible. I didn't know the background of it.

H.M.JR: I will take care of this. OK.

August 21, 1942

Dear Judge Rosenman:

Enclosed is a suggestion with respect to the problem you and I discussed the other day. It may help you to work out some formula for higher bracket salary increase limitations.

I am at your service if you wish to discuss this plan in further detail.

Sincerely,

(Signed) Randolph Paul

Hon. Samuel I Rosenman,
The White House.

Enclosure

REP:mdm

Use of a cost of living index number in
determining the reasonableness of high salaries

The W.L.B. formula for wages is based on the change in cost of living from January 1941. The index of the Bureau of Labor Statistics from which this cost is computed is based on data for wage earners and lower salaried clerical workers. It is, therefore, not applicable to higher salaried persons or corporate executives. From existing data, it would be possible for the Bureau of Labor Statistics to construct a cost of living index number based on data for persons with higher incomes, for example, for all persons with an income above \$4,000. Such an index would be much more nearly appropriate as a guide to the reasonableness of high salaries than the existing cost of living index number for wage earners and lower salaried clerical workers.

Treasury Department, Division of Tax Research

August 20, 1942

MFr

THE WALL STREET JOURNAL
AUG 2 1942

Rosenman May Propose Board of High Officials To Fight Inflation

WASHINGTON (AP)—Authoritative sources agreed yesterday that after Judge Samuel I. Rosenman finished his check-up on keeping down the cost of living, he would recommend to President Roosevelt the creation of a "super" board to handle the job.

These sources said that Judge Rosenman is finding so many different opinions among the various Government agencies that he feels that the Administration attack on inflation should be unified by putting all the important officials connected with the problem on the same committee.

If created, however, the committee probably would be headed by some neutral outsider, possibly from outside Government ranks. The other members would include such officials as Price Administrator Leon Henderson, Treasury Secretary Henry Morgenthau, Jr., Agriculture Secretary Claude R. Wickard, War Labor Board Chairman William H. Davis, and probably several others including Secretary of Commerce Jesse Jones, Budget Director Harold Smith, and W.P.B. Chairman Donald M. Nelson.

Judge Rosenman, who was directed by the President several weeks ago to make a survey of the inflation problems, has not completed his work.

On the one point of a "super" board, nearly all the proposals agree, although the suggestions for membership differ.

Creation of such a board, however, would be only a preliminary to settling the basic problems of keeping down the cost of living.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE AUG 21 1942

TO Secretary Morgenthau

FROM Randolph Paul

Re: Werner Von Clemm

We have just won the first criminal prosecution for violation of the freezing control order.

Werner Von Clemm is a naturalized German citizen who came here in the 20's. He was in the business of selling imported merchandise. As the result of Treasury investigation, we discovered that, together with associates in Germany, he was trying to bring into this country in 1940 and 1941 diamonds which the Germans took from the Dutch and Belgians. The diamonds imported were to be treated as German diamonds so that we would not stop the importations and would not freeze funds paid in this country for the diamonds.

We worked with the office of the U. S. Attorney for the Southern District of New York in developing the facts and prosecution of the case. Von Clemm may be sentenced for two years and he and his company may be fined \$10,000. These are the greatest penalties permitted under the statutes violated.

The case has received a considerable amount of publicity, particularly in the New York press, and should have beneficial results in our enforcement of Foreign Funds Control and prevention of violations.

August 21, 1942
9:54 a.m.

Milo
Perkins:

How are you?

HMAJr:

I'm fine. Ah - Milo, something's come up in regard to that paper

P:

Yeah.

HMAJr:

I don't know - I don't want to discuss it on the phone, on the other hand, I don't want to hold it up.

P:

Sure.

HMAJr:

You couldn't drop down here any time between now and eleven?

P:

Ah - I'll - would it be all right if I got there about ten-thirty?

HMAJr:

It would be perfect. It wouldn't take more than three minutes.

P:

I'll be there at ten-thirty.

HMAJr:

Righto.

P:

Thanks.

HMAJr:

Thank you.

August 21, 1942
10:14 a.m.

HMJr: Hello.

Operator: Judge Rosenman is with the President now.

HMJr: Well, leave word that when he comes out, I'd like to talk to him.

Operator: All right.

12:01 p.m.

HMJr: Hello.

Operator: Now Judge Rosenman's away from his desk.

HMJr: He is? Do they know where he is?

Operator: They said they think they can locate him for a couple of minutes, but he's not at his desk right now.

HMJr: Well, who's on the other end?

Operator: The White House operator.

HMJr: Well, let me talk to her.

Operator: Here's the White House.

HMJr: Hello.

White House

Operator: Yes, Mr. Secretary.

HMJr: Where's the Judge?

W.H.

Operator: The Judge is in a conference with the Secretary of Agriculture. And his secretary said just the moment he came out, she would tell him.

HMJr: Oh, well, that isn't what I got. I see.

W.H.

Operator: I just got that information from his secretary.

HMJr: Oh, he's in with the Secretary of Agriculture.

- 2 -

W.H.
Operator: Yes. The Secretary of Agriculture is over here,
I understand, with him.

HMJr: Oh, well, you can just leave word I called back.

W.H.
Operator: Yes, sir.

HMJr: Thank you.

W.H.
Operator: You're welcome.

*Discussed at
Lunch with
Henry today
8/21/42*

August 21, 1942

MEMORANDUM FOR THE SECRETARY:

Subject: Commissioner Helvering's position on collection at source.

On Wednesday, August 19, the Commissioner of Internal Revenue recommended to a subcommittee of the Senate Finance Committee that collection at source not be included in the Revenue Bill of 1942. In the light of this recommendation, we should like to summarize the history of our relations with the Bureau on collection at source.

1. Conferences with the Bureau on the administration of collection at source began in November of last year. Since that time, numerous conferences have been held with representatives of the Bureau and every step in the development of the final plan has been worked out jointly with them.

2. As early as December 15, 1941, the Bureau representatives submitted a detailed plan for the administration of collection at source. This plan was the basis for further work, and its major outlines are retained in the present plan.

3. At the same time the Bureau representatives submitted an estimate that it would cost approximately \$10 million to administer collection at source. Since then the cost estimates have repeatedly been revised upwards until they now are \$25 to \$30 million.

4. While the Bureau representatives consistently expressed the feeling that collection at source was undesirable and would raise serious administrative problems, they repeatedly stated that collection at source could be administered. The difficulty on which they laid greatest stress was that their priority classification for personnel was then Class 5.

- 2 -

5. In his statement before the House Ways and Means Committee on May 22, 1942, Commissioner Helvering stated: "I have no doubt that a withholding tax could be satisfactorily administered in normal times Since these are not normal times, if withholding is to be a part of our tax plan, the work cannot be done unless the Bureau is given a priority status respecting personnel, equipment, and space subordinate alone to the military forces." The Commissioner at that time expressed no doubt that collection at source was entirely feasible if such priority status could be obtained.

6. Immediately thereafter, the Treasury Department consulted with the Budget Bureau about personnel status and with the War Production Board about machines.

7. In response to the representations of the Treasury Department, the Budget Bureau raised the Bureau of Internal Revenue's priority classification from Class 5 to Class 2, stating explicitly that this was done in order to facilitate the administration of collection at source.

8. The War Production Board has indicated informally that the Bureau's machine needs could be met and would be given priority. The Secretary recently sent a letter to Mr. Nelson asking for formal assurance that machines needed to administer collection at source would be made available.

9. On Monday, August 17, a conference was held with Commissioner Helvering in Mr. Gaston's office to discuss Senator Clark's request that the Commissioner testify before the Senate subcommittee.

10. At this conference, Mr. Helvering expressed the opinion that the introduction of collection at source was not justified in view of the burden it would place on business and industry. At the same time, he gave all of us the distinct impression that he would make no policy recommendation to the subcommittee, that he would limit his remarks to a description of the work that would be

- 3 -

involved in the administration of collection at source, and that this information should be considered by the Committee. Mr. Gaston, Mr. Paul, and Mr. Blough agreed that such information was relevant to the subcommittee's decision and should be presented to them.

11. Mr. Helvering went much farther than this in his testimony before the subcommittee on Wednesday, August 19. He concluded his testimony by stating:

"The problems with which the Bureau of Internal Revenue is now confronted are so serious, the additional problems which would be imposed upon the Bureau by the enactment of the withholding plan would be so numerous, and the effect of the plan upon a number of financial and industrial institutions which are devoting their best energies to war work would apparently be so unfavorable, it is my mature opinion that the plan to withhold a portion of the income tax at the source should be foregone for the present."

12. The Treasury officials did not see this statement until it was presented to the subcommittee. They had no intimation whatsoever in advance that such a policy statement would be made by the Commissioner.

13. Mr. Helvering's statement endangers seriously the enactment of the collection at source plan recommended by the Treasury. In our view this plan is one of the most important, if not the most important, item in the Revenue Bill.

14. Mr. Helvering's statement has even broader and more serious implications. It raises the basic issue whether tax policy is to be determined by the Secretary of the Treasury or the Commissioner of Internal Revenue. The Commissioner has openly asked that a recommendation made by the Secretary not be enacted. He has done so without informing us in advance of his intention, and after leading us to believe that he would make no such policy statement.

REP.

August 21, 1942
4:26 p.m.

HMJr: Hello.

Mrs. Anna
Rosenberg: Hello. How are you?

HMJr: Fine. Why am I so honored?

R: (Laughs) You mean, why are you so annoyed?

HMJr: Not yet.

R: Did I bother you?

HMJr: Not yet.

R: I have a very, very strange request I'm calling
you about. I was with the Boss last night....

HMJr: Yes.

R:and he was talking about - and this is very
off-record....

HMJr: Surely.

R:about the International Students Service
conference....

HMJr: Yes.

R:and the fact that twenty-five or thirty of
them will be quartered there....

HMJr: Yes.

R:dormitory on the third floor and so on.

HMJr: Yes.

R: He's not happy about it. He said he'll probably
have to leave, but even while he does, he'll be
there one or two days, and he just doesn't like
the idea.

HMJr: Yes.

R: And I'm - I'm afraid I agreed with him, that it's
not the best idea.

- 2 -

HMJr: Yes.

R: And I then said to him - he said, "Well, nobody can do anything about it," and I said, "Well, I don't know whether Mr. Morgenthau will stand for it - from a matter of protection...."

HMJr: Yes.

R:what the Secret Service will think of you having two Russian, and two Dutch, and two God-knows-who in there."

HMJr: Yeah.

R: And he said, "That's an idea," he said, "I didn't know - I didn't think of that." I said, "Do they know it?" He said, "I don't think they do yet." So I said, "Well, I think they ought to know it." He said, "Will you talk to Henry?" I said, "Can I say you told me to?" and he said, "Yes." He said, "The two of you can keep quiet, so you can talk to him."

HMJr: Well, I hope you don't mind my being a little facetious.

R: No.

HMJr: After Cabinet, I was in Grace Tully's office....

R: Yes.

HMJr:and the housekeeper called up, and she said, "We've got fifteen lobsters; four of them have died; what shall I do with the rest?"

R: Oh, no! (Laughs)

HMJr: She says that's the kind of problems she has to deal with.

R: Oh, my God!

HMJr: So....

R: That's really terrible.

HMJr: So this is almost as bad.

R: Well, he was fairly upset about this, and I could see it.

HMJr: Yeah, well....

R: I can agree with him. I think he's upset because I think that it will not make any too good an impression....

HMJr: Yeah.

R:even if he isn't there....

HMJr: Well....

R:and it's supposed to be a dormitory set on the third floor, and the rest, the second-floor rooms occupy.

HMJr: When are they coming?

R: I think from the first to the sixth.

HMJr: Of what?

R: Of September.

HMJr: I see. Well, I'll sleep on it.

R: Yeah, I....

HMJr: That's - it's a hard one.

R: I haven't - I haven't said anything to you except for him, I mean, it's...

HMJr: I understand.

R:all right, but....

HMJr: I'll....

R: I love her and I hate to do this, but I - I think he's right that it's just too bad.

HMJr: Well, this is awfully close to her heart, you know. I mean, if these students....

- 4 -

R: Well, I mean - if - if you feel they can do it with safety, then all right.

HMJr: Yeah. Well, let me sleep on it anyway.

R: Yeah, and if you feel that it can't be done, then don't let's do anything to hurt her. She's hurt enough now.

HMJr: Right.

R: Tell me, how is Mrs. Morgenthau?

HMJr: Fine. She's very busy here with Miss Elliott and with Miss Herrick.

R: The only thing I ever found was in Man Power, in McNutt's organization, and I knew you didn't want that.

HMJr: No. Well....

R: And he'd mentioned it two or three times, you know.

HMJr: What's that?

R: He's mentioned it two or three times.

HMJr: Who?

R: McNutt.

HMJr: Has mentioned what?

R: When we were talking about women.

HMJr: Oh, yes.

R: He's mentioned her two or three times, and I've always discouraged it.

HMJr: Well, she's very happy here with Miss Elliott.

R: She is? Good.

HMJr: And she's - she's doing a grand job.

R: She always is.

- 5 -

HMJr: She's doing a grand job.
R: Will you remember me to her?
HMJr: I'll do that.
R: Thanks so much.
HMJr: Thank you.
R: Goodbye.

August 21, 1942.
4:40 p.m.

HMJr: Hello.

Operator: All right. He'll be right on.

HMJr: Hello.

Judge Sam
Rosenman: Hello.

HMJr: God, I used to think Harold Smith was hard to
get....

R: How are you, Henry?

HMJr:and Lew Douglas.

R: Why didn't you come in with the War Labor Board?

HMJr: Yeah.

R: Listen, you think the Treasury's opposed to this
thing....

HMJr: Yeah.

R:you should talk (laughs) - you should talk
to Labor.

HMJr: Yeah?

R: The only fellow for it, is me.

HMJr: I see. Well, you're making good progress.

R: Well. (Laughs) I've convinced myself.

HMJr: I see the President at his press conference said
he had talked to you and forty other people about
it.

R: (Laughs)

HMJr: What a build-up he gives you!

R: (Laughs) What I - what I wish is that the news-
papers would start interviewing those other
thirty-nine and leave me alone.

HMJr: I see.

R: If they can find them.

HMJr: Do you want a good press relations man?

R: Yes. (Laughs) I - now look - I got - I want to talk with you. I got your friend Anna Rosenberg coming in in two minutes. How late are you over there?

HMJr: Oh, I'll be here a little while.

R: Well, suppose I ring you as soon as she's through and I'll come over.

HMJr: That would be wonderful.

R: What?

HMJr: What would you like? A little ice cream or apple pie, or what would you like?

R: Well, ice cream wouldn't be bad, but don't - don't bother. (Laughs)

HMJr: What kind of ice cream do you like?

R: No, forget about it. I - it will ruin my dinner.

HMJr: What - what kind do you eat?

R: No, it'll ruin - no fooling, it would spoil my dinner.

HMJr: Well, anyway, as soon as Anna leaves....

R: Yeah?

HMJr:I'll - if it isn't too late - you mean about a half an hour?

R: Yeah.

HMJr: Shush her out.

R: All right and then I'll give you a ring.

HMJr: Will you do that?

R: Yes.

HMJr: I'd like to see you very much.

R: Okay. Goodbye.

August 21, 1942
5:34 p.m.

HMJr: Hello, Judgie.

Judge Sam
Rosenman: Henry?

HMJr: Yeah.

R: Anna has gone, but I'm in with the Boss. Hell
is breaking loose on the Coast, you know the
Al. - aluminum people in one of the Alcoa plants
in Los Angeles....

HMJr: Yeah.

R:went out on strike this morning.

HMJr: No, I didn't know.

R: And we may be taking a move or doing something
with them today.

HMJr: Yeah.

R: I'm in here now and I - I may get loose, but I
don't know when.

HMJr: Well, do you want to - I was seeing him tomorrow
at ten and I'd like to have a talk with you before
I see him, that's the only thing.

R: All right, now....

HMJr: What?

R: You going - you going to still be around there?

HMJr: No, I'll - I'll leave shortly. Ah - are you busy
after supper or what do you want to....

R: Yes, I am after supper.

HMJr: Oh.

R: How about - could you get down town earlier and
have breakfast with me?

HMJr: Well, I - I have breakfast at seven at home.

- 2 -

R: Oh, good God, what time?

HMJr: Seven.

R: Could you - let me ask you this....

HMJr: Well, what time did you....

R: Well, I'd have breakfast with you. I could have it at - say - gosh ~~at~~ eight o'clock?

HMJr: You mean you want to come up to the house?

R: Oh, no, I'd have it down town. You can come down to the hotel, or I could have it at - at - near....

HMJr: Why don't you - why rush yourself? I mean, why not do the normal and come over to the Treasury at nine?

R: Well, that would be - for breakfast, you mean?

HMJr: Well, I could give you....

R: Oh, you mean after breakfast?

HMJr: After breakfast.

R: The trouble with that is, I'd have to get in, you know, at nine-thirty, and that....

HMJr: Well, what time would you have your breakfast normally?

R: About eight-thirty.

HMJr: I could give it to you here at the Treasury.

R: Well, won't you have breakfast too?

HMJr: I'll - I'll drink another cup of coffee with you.

R: All right. Let's make it at eight - eight-fifteen.

HMJr: Eight-fifteen?

R: Yeah.

HMJr: At the Treasury.

- 3 -

R: Yeah.

HMJr: I - I'll have breakfast here for you.

R: Well, all I want is some orange juice and a cup of coffee. That's all I want.

HMJr: Orange juice and a cup of coffee....

R: And a piece of bread or....

HMJr: At the Treasury - a piece of toast. Eight-fifteen at the Treasury.

R: Right.

HMJr: It's a date.

R: Okay.

HMJr: Eight-fifteen?

R: Right.

HMJr: Thank you.

R: All right.

Diary
76

THE WHITE HOUSE
WASHINGTON

August 21, 1942.

Dear Danny:

I am sorry to hear that you have not been well and I hope you will take care of yourself and do as the doctors tell you. Take a little leaf out of my book and get off every now and then, even if it is only for a few days, as it helps a great deal to have a rest at the proper time.

The "sweet young thing" told me not long ago that I had never written you when you resigned as Acting Director of the Budget. I do not know how this happened, but I certainly want to take this occasion to tell you how very deeply grateful I am to you for your loyalty and for your long and faithful service in the government.

You have done a magnificent job as Under Secretary of the Treasury and this note takes to you my deep appreciation and best wishes.

And as Director of the Budget you went

through those difficult days, when you know how to put human lives ahead

Honorable Daniel W. Bell,
The Under Secretary of the Treasury of Dollars
Washington, D. C.

As ever yours

Franklin Roosevelt

August 21, 1942.

Dear Mrs. Allen:

This is just to tell you how much I appreciate all the kindness and hospitality which you and General Allen extended to me during my stay with you.

It was a real pleasure to me to have spent a night in your friendly home. I only wish that I could have stayed a little longer and seen more of the magnificent work that is being done at Benning.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mrs. L. C. Allen,
Fort Benning, Georgia.

FK:cgk:eg

Copy NMC.

August 21, 1942.

Dear Mrs. Harmon:

This is just to tell you how much I appreciate all the kindness and hospitality which you and General Harmon extended to me during my stay at Randolph Field.

It was a real pleasure to me to have spent a night in your friendly home. I only wish that I could have stayed a little longer and seen more of the magnificent work the Army Air Corps is doing at Randolph Field.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mrs. Ernest N. Harmon,
Randolph Field, Texas.

FK:cgk:eg

Copy NMC.

August 21, 1942.

Dear Mrs. Rodgers:

This is just to tell you how much I appreciate all the kindness and hospitality which you and General Rodgers extended to me during my stay in Fort Riley.

It was a real pleasure to me to have spent a night in your friendly home. I only wish that I could have stayed a little longer and seen more of such a fine Army post.

Sincerely,

(Signed) Henry Morgenthau, Jr.

P. S. Somehow I forgot to leave anything for your maid. Enclosed find two dollars, which I would appreciate your giving her from me.

Mrs. Robert C. Rodgers,
Fort Riley, Kansas.

FK:cgk:eg

Sent Registered Mail 8/25/42
Return receipt requested.

Copy NMC.

State Department
OFFICIAL BUSINESS

JUNCTION CITY
AUG 28
2 10PM
1942
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Return to *Henry ...*
Street and Number,
or Post Office Box, *...*

REGISTERED ARTICLE
167764

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WASHINGTON

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Form 3806 (Rev. Jan. 21, 1935)

(POSTMARK OF)
81

Registered Article No. **162764**

at the Post Office indicated in the Postmark
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Receipt fee 2 Spl. Del'y fee

Delivery restricted to addressee:
person _____ or order _____ Fee paid _____
Accepting employee will place his initials in space
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POSTMASTER, per Mans

The sender should write the name of the addressee on back hereof as an identification. Preserve and submit this receipt in case of inquiry or application for indemnity.
Registry Fee and Indemnity.—Domestic registry fees range from 15 cents for indemnity not exceeding \$5, up to \$1 for indemnity not exceeding \$1,000. The fee on domestic registered matter exceeding \$5, up to \$1 for indemnity not exceeding \$1,000. The fee on domestic registered matter exceeding \$5, up to \$1 for indemnity not exceeding \$1,000. Consult postmaster as to about intrinsic value sent for which indemnity is not paid is 15 cents. Consult postmaster as to specific domestic registry fee and surcharge and as to the registry fee chargeable on registered mail-post packages for foreign countries. Fees on domestic registered C. O. D. mail range from 15 cents to \$1.50. Indemnity claims must be filed within one year (C. O. D. six months) from date mailing.
U. S. GOVERNMENT PRINTING OFFICE 16-30305

TREASURY DEPARTMENT

82

INTER OFFICE COMMUNICATION

DATE August 21, 1942

TO Secretary Morgenthau
 FROM Mr. Murphy *McM* *This memo is good*
 Subject: Recent Changes in Prices and Yields of Government Securities

During the week ended last night, price changes of Government securities were mixed. With few exceptions, both taxable and tax-exempt notes lost ground, while taxable bonds improved. The taxable 2's of December 1949-51 were up 2/32 during the week, closing yesterday at 100-6/32, and the 2-1/2's of 1967-72 improved 6/32 to 101-5/32. Since the closing last Saturday of the subscription books for the additional offering of the restricted 2-1/2's of 1962-67, this issue has risen to bid 100-8/32, asked 100-16/32* (the quotation at which it had held during the period from July 14 to July 27).

Prices of all taxable bonds and notes outstanding on March 19, except for the 2-1/2's of 1967-72, are now below their levels of that date. Prices of short- and medium-term tax-exempt securities have also declined, leaving longer-term partially tax-exempt bonds as the only sector of the market in an improved position relative to March 19. (See attached chart and tables.)

The average rate on the weekly offering of bills was unchanged from the previous week at 0.372 percent. Certificates of indebtedness were firm, with some improvement occurring in prices of the 1943 maturities.

Purchases by the Federal Open Market Account during the week, amounting to \$101 millions, consisted principally of \$80 millions of bills and \$18 millions of certificates. Sales totaled \$19 millions, including \$14 millions of bills. Bill maturities were \$19 millions, so that the net increase in the portfolio was \$63 millions.

* All quotations in this memorandum and the accompanying tables, unless otherwise specified, are mean of closing bid and asked quotations.

I want it each week ifm

Price and Yield Changes of United States Securities
August 13, 1942 to August 20, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	Aug. 13, 1942	Aug. 20, 1942	Change	Aug. 13, 1942	Aug. 20, 1942	Change
(Decimals are thirty-seconds) 1/			(Percent)			
TAXABLE SECURITIES						
<u>Bills</u>						
Average rate last issue	-	-	-	.37	.37	.00
<u>Certificates</u>						
1 1/2% 11/1/42	100.027	100.027	+000	.37	.36	-.01
5/8 2/1/43	100.017	100.027	+010	.59	.56	-.03
7/8 8/1/43	100.033	100.044	+011	.84	.83	-.01
<u>Variable Notes</u>						
3/4% 3/15/43	100.03	100.03	.00	.59	.58	-.01
3/4 9/15/44	99.19	99.16	-.03	.95	.99	+04
3/4 12/15/45	99.03	99.00	-.03	1.03	1.06	+03
1 3/15/46	99.06	99.03	-.03	1.23	1.26	+03
1-1/2 12/15/46	100.03	100.05	+02	1.48	1.46	-.02
<u>Variable Bonds</u>						
2 3/15/48-50	101.02	101.04	+02	1.80	1.79	-.01
2 6/15/49-51	100.08	100.10	+02	1.96	1.95	-.01
2 9/15/49-51	100.06	100.08	+02	1.97	1.96	-.01
2 12/15/49-51	100.04	100.06	+02	1.98	1.97	-.01
2 12/15/51-55	100.01	100.01	.00	2.00	2.00	.00
2-1/2 3/15/52-54	103.20	103.22	+02	2.08	2.07	-.01
2-1/4 6/15/52-55	101.02	101.05	+03	2.13	2.12	-.01
2-1/2 3/15/56-58	102.31	103.01	+02	2.25	2.24	-.01
2-1/2 6/15/62-67	100.00bid	100.12	+12	2.50	2.48	-.02
2-1/2 9/15/67-72	100.31	101.05	+06	2.45	2.44	-.01
TAX-EXEMPT SECURITIES						
<u>Fully Tax-exempt Notes</u>						
2 9/15/42	100.06	100.05	-.01	0/32*	1/32*	+1/32*
1-3/4 12/15/42	100.16	100.15	-.01	.26	.27	+01
1-1/8 6/15/43	100.21	100.20	-.01	.34	.36	+02
1 9/15/43	100.21	100.21	.00	.39	.38	-.01
1-1/8 12/15/43	100.29	100.29	.00	.44	.43	-.01
1 3/15/44	100.25	100.24	-.01	.51	.52	+01
3/4 6/15/44	100.13	100.12	-.01	.53	.54	+01
1 9/15/44	101.00	101.01	+01	.52	.50	-.02
3/4 3/15/45	100.16	100.13	-.03	.56	.59	+03
<u>Partially Tax-exempt Bonds</u>						
1-3/8% 6/15/43-47	102.09	102.09	.00	.63	.57	-.06
1-1/4 10/15/43-45	102.28	102.28	.00	.78	.74	-.04
1-1/4 4/15/44-46	103.28	103.29	+01	.91	.86	-.05
4 12/15/44-54	106.28	106.29	+01	1.01	.98	-.03
2-3/4 9/15/45-57	105.08	105.08	.00	1.02	1.01	-.01
2-1/2 12/15/45	104.30	104.31	+01	.99	.97	-.02
3-3/4 3/15/46-56	108.30	109.00	+02	1.20	1.17	-.03
3 6/15/46-48	106.30	106.30	.00	1.15	1.14	-.01
3-1/8 6/15/46-49	107.10	107.12	+02	1.17	1.14	-.03
4-1/4 10/15/47-52	114.24	114.26	+02	1.29	1.27	-.02
2 12/15/47	104.12	104.12	.00	1.15	1.15	.00
2-3/4 3/15/48-51	107.10	107.10	.00	1.39	1.38	-.01
2-1/2 9/15/48	106.24	106.25	+01	1.34	1.33	-.01
2 12/15/48-50	104.10	104.08	-.02	1.29	1.30	+01
3-1/8 12/15/49-52	110.16	110.18	+02	1.60	1.59	-.01
2-1/2 12/15/49-53	106.12	106.11	-.01	1.58	1.58	.00
2-1/2 9/15/50-52	106.23	106.22	-.01	1.61	1.61	.00
2-3/4 6/15/51-54	108.14	108.12	-.02	1.72	1.72	.00
3 9/15/51-55	110.16	110.16	.00	1.75	1.74	-.01
2-1/4 12/15/51-53	105.02	105.02	.00	1.66	1.66	.00
2 6/15/53-55	103.12	103.16	+04	1.66	1.65	-.01
2-1/4 6/15/54-56	105.10	105.11	+01	1.75	1.75	.00
2-7/8 3/15/55-60	110.06	110.06	.00	1.96	1.96	.00
2-3/4 9/15/56-59	109.12	109.12	.00	1.98	1.98	.00
2-3/4 6/15/58-63	109.20	109.18	-.02	2.04	2.04	.00
2-3/4 12/15/60-65	110.06	110.06	.00	2.08	2.08	.00

Treasury Department, Division of Research and Statistics.

August 20, 1942.

1/ Decimals in prices of certificates are cents.
Excess of price over zero yield.

Price and Yield Changes of United States Securities
March 19, 1942 to August 20, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	March 19, 1942	Aug. 20, 1942	Change	March 19, 1942	Aug. 20, 1942	Change
	(Decimals are thirty-seconds) 1/			(Percent)		
TAXABLE SECURITIES						
<u>Bills</u>						
Average rate last issue	-	-	-	.20	.37	+ .17
<u>Certificates</u>						
1/2 ⁸ 11/1/42	-	100.027	-	-	.36	-
5/8 2/1/43	-	100.027	-	-	.56	-
7/8 8/1/43	-	100.044	-	-	.83	-
<u>Taxable Notes</u>						
3/4 3/15/43	100.12	100.03	-.09	.37	.58	+ .21
3/4 9/15/44	99.31	99.16	-.15	.76	.99	+ .23
3/4 12/15/45	99.21	99.00	-.21	.84	1.06	+ .22
1 3/15/46	99.29	99.03	-.26	1.02	1.26	+ .24
1-1/2 12/15/46	-	100.05	-	-	1.46	-
<u>Taxable Bonds</u>						
2 ⁸ 3/15/48-50	101.28	101.04	-.24	1.67	1.79	+ .12
2 6/15/49-51	101.04	100.10	-.26	1.83	1.95	+ .12
2 9/15/49-51	-	100.08	-	-	1.96	-
2 12/15/49-51	-	100.06	-	-	1.97	-
2 12/15/51-55	100.12	100.01	-.11	1.96	2.00	+ .04
2-1/2 3/15/52-54	103.23	103.22	-.01	2.09	2.07	-.02
2-1/4 6/15/52-55	101.06	101.05	-.01	2.12	2.12	.00
2-1/2 3/15/56-58	103.05	103.01	-.04	2.24	2.24	.00
2-1/2 6/15/62-67	-	100.12	-	-	2.48	-
2-1/2 9/15/67-72	100.27	101.05	+ .10	2.46	2.44	-.02
TAX-EXEMPT SECURITIES						
<u>Wholly Tax-exempt Notes</u>						
2 ⁸ 9/15/42	101.04	100.05	-.31	5/32*	1/32*	-4/32
1-3/4 12/15/42	101.11	100.15	-.28	2/32*	.27	-5/32
1-1/8 6/15/43	101.04	100.20	-.16	.22	.36	+ .14
1 9/15/43	101.03	100.21	-.14	.26	.38	+ .12
1-1/8 12/15/43	101.16	100.29	-.19	.26	.43	+ .17
1 3/15/44	101.10	100.24	-.18	.34	.52	+ .18
3/4 6/15/44	100.27	100.12	-.15	.37	.54	+ .17
1 9/15/44	101.16	101.01	-.15	.39	.50	+ .11
3/4 3/15/45	101.00	100.13	-.19	.41	.59	+ .18
<u>Partially Tax-exempt Bonds</u>						
3-3/8 6/15/43-47	103.21	102.09	-1.12	.41	.57	+ .16
3-1/4 10/15/43-45	104.06	102.28	-1.10	.57	.74	+ .17
3-1/4 4/15/44-46	105.06	103.29	-1.09	.72	.86	+ .14
4 12/15/44-54	108.11	106.29	-1.14	.91	.98	+ .07
2-3/4 9/15/45-47	106.06	105.08	-.30	.94	1.01	+ .07
2-1/2 12/15/45	105.28	104.31	-.29	.90	.97	+ .07
3-3/4 3/15/46-56	110.08	109.00	-1.08	1.11	1.17	+ .06
3 6/15/46-48	107.28	106.30	-.30	1.09	1.14	+ .05
3-1/8 6/15/46-49	108.08	107.12	-.28	1.13	1.14	+ .01
4-1/4 10/15/47-52	115.20	114.26	-.26	1.33	1.27	-.06
2 12/15/47	104.23	104.12	-.11	1.15	1.15	.00
2-3/4 3/15/48-51	107.28	107.10	-.18	1.38	1.38	.00
2-1/2 9/15/48	107.07	106.25	-.14	1.33	1.33	.00
2 12/15/48-50	104.21	104.08	-.13	1.28	1.30	+ .02
3-1/8 12/15/49-52	110.22	110.18	-.04	1.65	1.59	-.06
2-1/2 12/15/49-53	106.16	106.11	-.05	1.60	1.58	-.02
2-1/2 9/15/50-52	106.20	106.22	+ .02	1.66	1.61	-.05
2-3/4 6/15/51-54	108.18	108.12	-.06	1.74	1.72	-.02
3 9/15/51-55	110.20	110.16	-.04	1.78	1.74	-.04
2-1/4 12/15/51-53	104.29	105.02	+ .05	1.70	1.66	-.04
2 6/15/53-55	103.10	103.16	+ .06	1.68	1.65	-.03
2-1/4 6/15/54-56	104.28	105.11	+ .15	1.80	1.75	-.05
2-7/8 3/15/55-60	110.00	110.06	+ .06	2.00	1.96	-.04
2-3/4 9/15/56-59	109.10	109.12	+ .02	2.01	1.98	-.03
2-3/4 6/15/58-63	109.12	109.18	+ .06	2.07	2.04	-.03
2-3/4 12/15/60-65	110.00	110.06	+ .06	2.10	2.08	-.02

Treasury Department, Division of Research and Statistics.

August 20, 1942.

1/ Decimals in prices of certificates are cents.
* Excess of price over zero yield.

White House ✓

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TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE August 21, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

September 1st will be the third anniversary of the start of World War II, and also the starting date of a new War Bond drive to be conducted by the motion picture industry through its theatres and stars during the month. The industry, through its War Activities Committee, is ready to put on a four-minute program in every theatre in the United States at nine o'clock on the evening of September 1st, for the purpose of saluting the men in our armed forces and calling upon the people at home to buy more War Bonds. It would help tremendously if the President were willing to make a brief newsreel address for this occasion, especially as it will be a war anniversary on which a message from the President would be appropriate.

I wonder if you would be willing to ask the President about doing this. Lowell Mellett tells me that we stand a much better chance of getting him if the request comes directly from you.

J. K.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 21, 1942

TO The Secretary
FROM Ted R. Gamble

Listed below are the stars who will be here on August 31:

Charles Laughton
Greer Garson
Irene Dunne
James Cagney
Edward Arnold
Ann Rutherford
Abbott and Costello

Following their luncheon with you at 1 P.M. they will appear at a rally on the north steps of the Treasury which will serve as a kick-off for their nation-wide tour. This tour will cover approximately 300 cities and will include not only this group of stars but virtually every top name in Hollywood. Each of these leading personalities will devote ten days' time to the September activity of the motion picture industry. As you know, their number one job in each city will be to visit factories and plants in the interest of Payroll Savings. Listed below are the names of the persons who are in charge of this national program as well as the names of two persons from the War Activities Committee here in Washington:

Kenneth Thomson - Chairman of Hollywood Victory Committee
Francis Harmon - Coordinator, War Activities Committee, Motion
Picture Industry
Sy Fabian - Chairman of September Drive
Oscar Doob - Publicity Director
Howard Diets
Carter Barron and John Payette - Washington, D. C. War Activities
Committee

The rally on the Treasury steps will last from 2:50 to 4:00. They will be free any other time during the day for the suggested visit with the President and Mrs. Roosevelt.

August 21, 1942.

Dear Henry:

The Public Relations Division of the Army Air Forces has been giving us such willing and valuable help in the War Savings program that I feel I should express my own appreciation to you and through you to the officers concerned.

You know, of course, that Army personnel and materiel have on several occasions been important to us in making for the success of our War Savings rallies in various parts of the country. The "air cavalcade" achieved an outstanding success at the National Airport here in Washington, and all along its route throughout the country.

I should like also to thank you and the War Department for the way in which the "Buy a Bomber" campaign has been handled by the Public Relations Division of the air forces. The cooperation of this division enabled many of our local committees to make use of the services of a number of General Doolittle's men at decoration ceremonies in their home towns.

This cooperation has been so willingly and constantly given and has been so useful to the Treasury that I just wanted to tell you about it. My appreciation is all the greater because I know what a load the entire War Department is carrying these days.

Sincerely,

(Signed) Henry

The Honorable
The Secretary of War
Washington, D. C.

Copy NMC.
File to Thompson.

FK:cgk:eg

Analysis of Exposure to Payroll Savings Plans
August 15, 1942

	Number exposed to payroll savings plans	Total number in the country (estimated)	Percent of total exposed
Part A - Summary by Number of Organizations Exposed			
I. Business organizations			
(1) Firms with 5,000 employees or more.....	481	486	99
(2) Firms with 500 to 4,999 employees.....	5,206	6,108	85
(3) Firms with 100 to 499 employees.....	<u>21,950</u>	<u>27,170</u>	<u>81</u>
(4) Subtotal - large firms.....	27,637	33,764	82
(5) Firms with less than 100 employees.....	<u>104,369</u>	*	*
(6) Total business organizations.....	132,006	*	*
II. Governmental organizations.....	*	*	*
III. Grand total.....	<u>132,006</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed

I. Business organizations			
(1) Firms with 5,000 employees or more.....	7,826,262	*	*
(2) Firms with 500 to 4,999 employees.....	6,941,715	*	*
(3) Firms with 100 to 499 employees.....	<u>5,077,314</u>	*	*
(4) Subtotal - large firms.....	19,845,291	*	*
(5) Firms with less than 100 employees.....	<u>2,653,807</u>	*	*
(6) Total business organizations.....	22,499,098	30,000,000 ^{1/}	75
II. Governmental organizations			
(1) Federal Government.....	1,551,186	2,100,000 ^{1/}	74
(2) State and local governments.....	<u>1,210,200</u>	<u>2,700,000</u>	<u>45</u>
(3) Total governmental organizations.....	<u>2,761,386</u>	<u>4,800,000</u>	<u>58</u>
III. Grand total.....	<u>25,260,484</u>	<u>34,800,000 ^{1/}</u>	<u>73</u>

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

August 21, 1942.

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

* Data not available.

Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans
(As reported by the War Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	Aug. 8	Aug. 15		Apr. 18	Aug. 8	Aug. 15
Alabama.....	149	246	246*	285	52	86	86
Arizona.....	43	65	66	66	65	98	100
Arkansas.....	44	55	55*	142	31	39	39
Northern California.....	512	642	649	649	79	99	100
Southern California.....	756	970	981	1,178	64	82	83
Colorado.....	113	132	133	133	85	99	100
Connecticut.....	277	411	418	622	45	66	67
Delaware.....	21	51	52	87	24	59	60
District of Columbia.....	52	108	112	152	34	71	74
Florida.....	147	192	193	193	76	99	100
Georgia.....	133	385	387	417	32	92	93
Idaho.....	31	31	31	34	91	91	91
Illinois.....	1,300	1,774	1,802	2,253	58	79	80
Indiana.....	415	614	616	616	67	99	100
Iowa.....	165	204	204*	272	61	75	75
Kansas.....	276	284	285	285	97	99	100
Kentucky.....	136	187	187	313	43	60	60
Louisiana.....	179	271	271	385	46	70	70
Maine.....	60	149	150	198	30	75	76
Maryland.....	177	260	264	405	44	64	65
Massachusetts.....	639	898	911	1,532	42	59	59
Michigan.....	689	893	898	1,030	67	87	87
Minnesota.....	376	432	432	432	87	100	100
Mississippi.....	59	71	72	143	41	50	50
Missouri.....	472	649	655	664	71	98	99
Montana.....	40	49	49	49	82	100	100
Nebraska.....	103	113	113	123	84	92	92
Nevada.....	14	18	18	21	67	86	86
New Hampshire.....	89	132	133	145	61	91	92
New Jersey.....	463	838	850	870	53	96	98
New Mexico.....	33	39	39*	42	79	93	93
New York.....	2,060	3,329	3,373	4,257	48	78	79
North Carolina.....	282	415	423	499	57	83	85
North Dakota.....	14	19	19	19	74	100	100
Ohio.....	1,126	1,408	1,422	1,740	65	81	82
Oklahoma.....	166	285	288	349	48	82	83
Oregon.....	211	280	280	280	75	100	100
Pennsylvania.....	1,682	2,058	2,067	2,067	81	99	100
Rhode Island.....	154	229	247	335	46	68	74
South Carolina.....	71	140	141	177	40	79	80
South Dakota.....	21	25	25	25	84	100	100
Tennessee.....	199	315	325	419	44	70	72
Texas.....	326	542	548	1,378	24	39	40
Utah.....	36	44	44*	44	82	100	100
Vermont.....	59	61	61	63	94	97	97
Virginia.....	281	377	378	378	74	99	100
Washington.....	234	345	347	347	67	99	100
West Virginia.....	134	188	189	272	49	69	69
Wisconsin.....	278	422	429	680	41	62	63
Wyoming.....	17	20	21	21	81	95	100
Alaska.....	2	2	2*	2	100	100	100
Railroads.....	49	49	49	52	94	94	94
Total.....	<u>15,365</u>	<u>21,716</u>	<u>21,950</u>	<u>27,170</u>	<u>57</u>	<u>80</u>	<u>81</u>

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

August 21, 1942.

* Data are for August 8, inasmuch as no August 15 report was received.

Regraded Unclassified

Firms Employing 500 Persons or More Participating in Payroll Savings Plans
(As reported by the War Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	Aug. 8	Aug. 15		Apr. 18	Aug. 8	Aug. 15
Alabama.....	41	63	63*	83	49	76	76
Arizona.....	9	13	13	13	69	100	100
Arkansas.....	16	17	17*	22	73	77	77
Northern California.....	122	133	133	175	70	76	76
Southern California.....	121	141	142	146	83	97	97
Colorado.....	25	30	30	30	83	100	100
Connecticut.....	114	135	135	158	72	85	85
Delaware.....	15	18	18	22	68	82	82
District of Columbia.....	32	41	41	42	76	98	98
Florida.....	28	33	34	43	65	76	79
Georgia.....	86	122	122	122	70	100	100
Idaho.....	11	11	11	11	100	100	100
Illinois.....	391	448	453	559	70	80	81
Indiana.....	88	129	130	165	53	78	79
Iowa.....	22	29	29*	39	56	74	74
Kansas.....	23	24	24	24	96	100	100
Kentucky.....	38	48	48	72	53	67	67
Louisiana.....	29	44	44	76	38	58	58
Maine.....	48	57	57	60	80	95	95
Maryland.....	84	95	98	105	80	90	93
Massachusetts.....	237	293	295	338	70	87	87
Michigan.....	265	281	281	303	87	93	93
Minnesota.....	79	80	80	82	96	98	98
Mississippi.....	26	32	32	39	67	82	82
Missouri.....	103	124	128	142	73	87	90
Montana.....	3	4	4	4	75	100	100
Nebraska.....	23	25	25	32	72	78	78
Nevada.....	4	4	4	5	80	80	80
New Hampshire.....	29	32	32	32	91	100	100
New Jersey.....	142	179	181	211	67	85	86
New Mexico.....	5	5	5*	5	100	100	100
New York.....	759	852	862	1,087	70	78	79
North Carolina.....	103	129	129	139	74	93	93
North Dakota.....	0	0	0	0	-	-	-
Ohio.....	412	438	439	499	83	88	88
Oklahoma.....	31	49	51	51	61	96	100
Oregon.....	48	54	54	54	89	100	100
Pennsylvania.....	551	586	587	629	88	93	93
Rhode Island.....	61	73	75	97	63	75	77
South Carolina.....	84	96	97	103	82	93	94
South Dakota.....	5	5	5	5	100	100	100
Tennessee.....	50	67	68	115	43	58	59
Texas.....	63	93	94	104	61	89	90
Utah.....	8	10	10*	11	73	91	91
Vermont.....	12	12	12	12	100	100	100
Virginia.....	93	105	105	105	89	100	100
Washington.....	49	68	68	77	64	88	88
West Virginia.....	36	66	66	70	51	94	94
Wisconsin.....	127	139	140	154	82	90	91
Wyoming.....	1	3	4	4	25	75	100
Alaska.....	3	3	3*	3	100	100	100
Railroads.....	109	109	109	115	95	95	95
Total.....	<u>4,864</u>	<u>5,647</u>	<u>5,687</u>	<u>6,594</u>	<u>74</u>	<u>86</u>	<u>86</u>

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

August 21, 1942.

* Data are for August 8, inasmuch as no August 15 report was received.

Regraded Unclassified

UNITED STATES SAVINGS BONDS - TOTAL

Comparison of August sales to date with sales during the same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August daily sales	Cumulative sales by business days			August as percent of July
		August	July	June	
August 1942					
1	\$ 26,267	\$ 26,267	\$ 28,418	\$ 29,539	92.4%
3	38,765	65,032	52,687	45,442	123.4
4	27,023	92,055	79,964	67,046	115.1
5	25,835	117,890	126,495	98,208	93.2
6	40,450	158,341	157,605	132,341	100.5
7	38,184	196,524	201,056	154,085	97.7
8	24,218	220,742	240,974	192,659	91.6
10	41,021	261,763	288,729	206,523	90.7
11	15,274	277,037	324,856	236,552	85.3
12	24,724	301,761	372,020	259,772	81.1
13	22,757	324,518	402,122	281,724	80.7
14	28,504	353,022	435,929	303,163	81.0
15	12,830	365,852	467,599	334,398	78.2
17	41,806	407,659	505,257	345,497	80.7
18	14,551	422,209	527,186	368,782	80.1
19	27,756	449,965	580,443	387,369	77.5
20	23,791	473,756	602,129	414,804	78.7

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

August 21, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

UNITED STATES SAVINGS BONDS - SERIES E

Comparison of August sales to date with sales during the same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August daily sales	Cumulative sales by business days				August as percent of July
		August	July	June	August as	
August 1942						
1	\$ 14,044	\$ 14,044	\$ 15,821	\$ 19,834	88.8%	
3	22,178	36,222	30,701	27,841	118.0	
4	14,575	50,797	47,523	40,811	106.9	
5	12,988	63,785	77,320	58,199	82.5	
6	23,004	86,789	95,044	82,988	91.3	
7	24,959	111,748	116,643	98,197	95.8	
8	16,429	128,176	139,390	125,245	92.0	
10	26,805	154,981	164,161	134,157	94.4	
11	9,885	164,866	183,238	154,242	90.0	
12	15,921	180,787	209,787	169,920	86.2	
13	16,356	197,143	225,532	186,470	87.4	
14	18,760	215,903	243,938	201,700	88.5	
15	9,578	225,481	261,766	225,684	86.1	
17	28,683	254,163	284,111	233,218	89.5	
18	9,737	263,900	296,344	249,033	89.1	
19	17,650	281,550	327,712	261,321	85.9	
20	15,525	297,075	339,951	280,742	87.4	

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

August 21, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

Comparison of August sales to date with sales during the same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August daily sales	Cumulative sales by business days			
		August	July	June	August as percent of July
August 1942					
1	\$ 12,222	\$ 12,222	\$ 12,597	\$ 9,705	97.0%
3	16,587	28,810	21,986	17,601	131.0
4	12,448	41,258	32,441	26,235	127.2
5	12,847	54,105	49,175	40,009	110.0
6	17,447	71,552	62,561	49,353	114.4
7	13,225	84,777	84,413	55,888	100.4
8	7,789	92,566	101,585	67,414	91.1
10	14,216	106,782	124,568	72,366	85.7
11	5,389	112,171	141,618	82,310	79.2
12	8,803	120,974	162,232	89,852	74.6
13	6,401	127,375	176,590	95,254	72.1
14	9,744	137,119	191,991	101,464	71.4
15	3,253	140,372	205,833	108,715	68.2
17	13,124	153,496	221,147	112,279	69.4
18	4,814	158,309	230,842	119,749	68.6
19	10,106	168,415	252,731	126,048	66.6
20	8,266	176,681	262,178	134,062	67.4

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

August 21, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

Sales of United States savings bonds
August 1 through August 20, 1942
Compared with sales quota for same period
(At issue price in millions of dollars)

CONFIDENTIAL

Date	Series E				Series F and G				Total			
	Actual sales		Quota		Actual sales		Quota		Actual sales		Quota	
	August 1 Daily	August 1 to	August 1 to	to date as % of quota	August 1 Daily	August 1 to	August 1 to	to date as % of quota	August 1 Daily	August 1 to	August 1 to	to date as % of quota
1	\$ 14.0	\$ 14.0	\$ 16.0	87.5%	\$ 12.2	\$ 12.2	\$ 7.7	158.4%	\$ 26.3	\$ 26.3	\$ 23.7	111.0%
3	22.2	36.2	47.3	76.5	16.6	28.8	21.5	134.0	38.8	65.0	68.8	94.5
4	14.6	50.8	61.0	83.3	12.4	41.3	29.6	139.5	27.0	92.1	90.6	101.7
5	13.0	63.8	84.0	76.0	12.8	54.1	45.4	119.2	25.8	117.9	129.4	91.1
6	23.0	86.8	107.3	80.9	17.4	71.6	58.7	122.0	40.5	158.3	166.0	95.4
7	25.0	111.7	134.4	83.1	13.2	84.8	68.8	123.3	38.2	196.5	203.2	96.7
8	16.4	128.2	154.1	83.2	7.8	92.6	76.3	121.4	24.2	220.7	230.4	95.8
10	26.8	155.0	190.6	81.3	14.2	106.8	87.9	121.5	41.0	261.8	278.5	94.0
11	9.9	164.9	205.1	80.4	5.4	112.2	94.1	119.2	15.3	277.0	299.2	92.6
12	15.9	180.8	227.1	79.6	8.8	121.0	105.1	115.1	24.7	301.8	332.2	90.8
13	16.4	197.1	247.9	79.5	6.4	127.4	114.0	111.8	22.8	324.5	361.9	89.7
14	18.8	215.9	271.0	79.7	9.7	137.1	120.9	113.4	28.5	353.0	391.9	90.1
15	9.6	225.5	287.7	78.4	3.3	140.4	126.4	111.1	12.8	365.9	414.1	88.4
17	28.7	254.2	319.2	79.6	13.1	153.5	135.8	113.0	41.8	407.7	455.0	89.6
18	9.7	263.9	332.2	79.4	4.8	158.3	141.3	112.0	14.6	422.2	473.5	89.2
19	17.6	281.6	353.0	79.8	10.1	168.4	151.9	110.9	27.8	450.0	504.9	89.1
20	15.5	297.1	373.6	79.5	8.3	176.7	161.0	109.8	23.8	473.8	534.6	88.6
21			397.4				168.3				565.7	
22			415.1				174.3				589.4	
24			449.0				184.8				633.8	
25			462.9				191.0				653.9	
26			484.5				203.0				687.5	
27			505.0				213.2				718.2	
28			527.8				221.4				749.2	
29			544.2				228.1				772.3	
31			575.0				240.0				815.0	

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

August 21, 1942.

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

Note: Quota takes into account both the daily trend during the week and the monthly trend during the month.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

August 21, 1942

TO Mrs. Klots

FROM Joseph Gaer

Here are a couple of items which the Secretary, if he has not already seen them, might wish to glance through, the "Income Tax Quiz" for an idea it might suggest, and "The Little Less" as an indication of the type of material we ought to prepare for our own War Savings Program.



Income Tax *Quiz*

FOR WAGE EARNERS

A SIMPLE
EXPLANATION,
WITH
ANSWERS TO
YOUR QUESTIONS

2^d
NET



HIS MAJESTY'S STATIONERY OFFICE

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Issued for the Board of Inland Revenue
by the Ministry of Information

First Published February, 1942

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chester, 2 ; 1 St. Andrew's Crescent, Cardiff ; 80 Chichester Street, Belfast ;
or through any bookseller.

Price 2d. net, or 2s. 6d. for 25 copies.

Foreword

by the Chancellor of the Exchequer

THIS little booklet sets out as simply as possible important facts about your Income Tax. It would not be possible to deal with every question which might be asked. If you cannot find in this booklet the answer to any point which has arisen in your own case, do not hesitate to call at, or to write to, the office of your local Inspector of Taxes, where you will be given every assistance possible.

It is my earnest desire that every taxpayer, however large or small his tax bill, should have the opportunity of understanding how his assessment is made up so that he makes his contribution in the light of it, and in the knowledge that it is an essential part of our great fight for victory.

Winston Churchill

- ◀ This booklet is a simple explanation of Income Tax for weekly wage earners who have their tax worked out each half year. ▶
 ▶ You will find on the back cover the main classes of worker to whom this applies. ▶

1. How Your Tax Works

When you pay your tax. If you are reading this between January and June, then the money being deducted from your wages now is the tax on what you earned between April 6th and October 5th of last year. If you are reading this between July and December, then the money being deducted from your wages now is the tax on what you earned between October 6th of last year and April 5th of this year. The period from April 6th in one year to April 5th in the next year is called the "tax year."

You pay no tax if your total income for the year is not more than £110 (which is about £2 2s. a week). If you are married, or have someone dependent upon you, you may not have to pay tax even when your income for the year is much higher than £110. Why this is so will now be explained.

Allowances are made in certain cases when your tax is worked out. They are *portions of your income on which you do not pay any tax*. You are taxed only on that part of your total income which is left after the allowances have been deducted from it. First this booklet will tell you what the chief allowances are. Later on examples will be given to show how they work.

The chief Allowances are :

FOR TOOLS AND SPECIAL WORKING CLOTHES. Workers who have to spend part of their wages on their own tools, overalls, etc., may claim an allowance. Fixed allowances have been agreed upon for many different classes of workpeople. If you think you should have an allowance but are not sure, ask at the office of the Inspector of Taxes, or ask your Trade Union officials.

* **FOR ADDITIONAL TRAVELLING EXPENSES.** Generally no travelling expenses for getting to and from your work are allowed, but if you live

or work in a different place because of the war you can have an allowance for your *additional* travelling expenses to and from work. This may be up to £5 for the half year. It applies only to manual workers.

EARNED INCOME ALLOWANCE. An allowance is made to everyone of one-tenth of his earnings. If you receive allowances for tools and working clothes and additional travelling expenses (as described above), these allowances are deducted from your earnings first, and your "earned income" allowance is one-tenth of what is left. For example, if your earnings in a year are £210 and your allowances for tools, clothes and travelling are £10, then your earned income allowance is one-tenth of £200 (that is £20).

AGE ALLOWANCE. If you or your wife are 65 years of age or more, and if your combined total income is not more than £500, then as well as the one-tenth of your earnings, you get an allowance also of one-tenth of any other income you may receive.

PERSONAL ALLOWANCE. Every single man or single woman receives an allowance of £80 for the year (£40 for the half year). For every married couple, the allowance is £140 for the year (£70 for the half year).

ALLOWANCE FOR WIFE'S INCOME. If your wife is earning wages, and these wages are more than £50 in the year, an *additional personal allowance* of £45 for the year is given (£22 10s. for the half year). If her wages are less than £50 in the year, no tax is payable on them.

ALLOWANCES FOR CHILDREN. An allowance is made of £50 for the year for each child under 16 (£25 for the half year). An allowance of £50 is also made for each child over 16 if the child is receiving full-time education or is an apprentice working under certain conditions. The same allowance is given for adopted children in certain cases. But these allowances are not given if the child has an income of its own of more than £50.

ALLOWANCES FOR HOUSEKEEPER. If you are a widow or a widower and have a housekeeper living in the same house, you can claim an allowance of £50 for the year (£25 for the half year). If you are an unmarried man or woman, you can claim the housekeeper allowance if the housekeeper is a female relative needed to look after your younger brother or sister *and* if you have been given the child allowance for this brother or sister.

ALLOWANCE FOR DEPENDENT RELATIVE. If you have to keep a relative who is unfit for work because of old age or infirmity, you may claim an allowance of £25 for the year (£12 10s. for the half year). You may make this claim for your widowed mother, or for your wife's widowed mother, whether she is unfit for work or not. If two or

more taxpayers pay towards the keep of the relative, the allowance of £25 is divided between them. But if the relative has an income of her own, apart from what you may give her, of more than £50 a year, there is no allowance.

Fixing your "Taxable Income". When all your allowances have been deducted from your total income, what is left is called your "taxable income". This is the only part of your income on which you have to pay tax. For example, you may have an income of £250 in the year. Your total allowances may be £100. Then your "taxable income" would be £150.

How much is taken in tax. You pay 6s. 6d. out of every £1 of the first £165 of your taxable income for the year. You pay 10s. out of every £1 of the remainder of your taxable income.

Allowances after the tax is worked out on the taxable income. So far we have been speaking of allowances or deductions made from your total income in order to fix the taxable income. Now we have to explain some further reliefs you may claim, as deductions from the tax worked out on the taxable income. These further deductions are for :

- (a) premiums paid for insurance on your life or on your wife's life.
- (b) those parts of your contributions to a Trade Union or Friendly Society which are for death or superannuation benefits.
- (c) compulsory contributions up to £1 a year under the Widows', Orphans' and Old Age Contributory Pensions Act, 1936.

For every £1 you pay in premiums or contributions under (a) or (b), 3s. 6d. is taken off your tax. For the payment in contributions under (c), 5s. in the £ is taken off your tax. But should your contributions or premiums be more than one-sixth of your total income, then no allowance will be given for the part over one-sixth. Should they be over 7 per cent. of the sum payable at death on your insurance policy, no allowance will be given on that part which is over 7 per cent. For example, if your total income is £180, then one-sixth of that is £30. If your contributions and premiums as in (a) and (b) were £35, you would receive the allowance on £20, but no allowance on the remaining £5.

How to claim your Allowances. The Inspector of Taxes will send you a form each year. This is called a "return form". You must fill up this form, showing your income and claiming your allowances, and then send it back to the tax office. If you do this the allowances will be taken into account when you are given

your "notice of assessment"—that is, when you receive a statement telling you what your tax is, and showing you how it is worked out.

If you think your tax is too high. You will be sent this "notice of assessment" before any tax is deducted. If you think it is wrong, you can appeal against it by stating on the back why you think it is wrong, or by calling at the tax office. (The address of the office is given on the form.)

How the tax is deducted from wages. After the assessment has been made, your employer will be told what tax is to be deducted from your wages.

The tax on the wages earned in the six months from April 6th to October 5th is deducted from the wages paid during the 24 weeks beginning with the first pay day in the following January. The employer divides the total tax shown on the form sent to him by 24 and deducts an equal amount of tax each week.

It may be that in some cases the assessment has not been made in time for deductions to start at the beginning of January. In such cases, the deductions start as soon as possible. But then the number of weeks during which the tax has to be deducted is reduced, so that the weekly deductions, when they do start, are higher than if you had been paying during the whole 24 weeks.

No income tax may be deducted which will leave you less than £1 17s. 6d. in any one week. But any other kinds of deduction (such as insurances) come off the £1 17s. 6d. If you are a married taxpayer and fill up the necessary form (which you can get from your employer or from the tax office) no tax deductions will be made which will leave you with less than £2 17s. 6d. Any other kinds of deduction still come off the £2 17s. 6d.

If at the end of the 24 weeks from January to the middle of June your full tax has not been deducted because of the working of this rule, the amount which you owe will as far as possible be deducted during the last two weeks of June. But the limit of £1 17s. 6d. or £2 17s. 6d. (as the case may be) still applies to these last two weeks of June just as to the earlier weeks. So if some of your tax is still not deducted at the end of June, it is added on to the next half year's tax and deducted during the next six months.

The same procedure is followed for the second half-year's tax. The tax on your earnings from October 6th to April 5th is thus deducted during the first 24 weeks of the six months beginning on July 1st. Just as was explained above, any tax unpaid at the end of this 24 weeks is made up as far as possible by deductions during the last two weeks of December.

2. Three Examples

EXAMPLE 1 A miner received £155 in wages for the half year ended on October 5th, 1941. He is married and has one child under 16 years of age. He had no other income. He pays £5 a year into his Union's Death Benefit Fund.

The tax for the half year will be worked out like this:

	£	s.	d.
Wages	155	0	0
Take off expenses allowance (clothes, etc.) ...	5	0	0
This leaves	150	0	0
Take off earned income allowance (one-tenth) £15	110	0	0
Take off personal allowance (married man) £70			
Take off child allowance £25			
This leaves a "taxable income" of	40	0	0

Tax at 6s. 6d. in the £ works out at 18 0 0

Now we must deduct from this tax the additional allowances described on page 6.

Death Benefit Contribution (£5 a year), £2 10s. half year. The allowance of 3s. 6d. in the £ comes to 8s. 9d.

Contributions under Widows', etc., Pensions Act (£1 a year), 10s. half year. The allowance of 5s. in the £ comes to 2s. 6d.

Adding these together, we take off from the tax 11 3

Half-year's Tax = £12 8 9

The deduction to be made each week from the beginning of January, 1942, is one twenty-fourth of £12 8s. 9d. This works out at 10s. 4d. for 24 weeks, leaving a balance of 9d. to be deducted in the 25th week.

EXAMPLE 2 A metal worker received £214 10s. in wages for the half year ended on October 5th, 1941. He is married but has no children. His expenses allowance has been agreed by his Union with the Inland Revenue at £11 a year. He pays £8 for life insurance on his own life, the amount payable at death being £100. He has to pay extra travelling expenses because he had to move his home after an air raid. These come to £4 each half year.

His tax for the half year will be worked out like this:

	£	s.	d.
Wages	214	10	0
Take off expenses on tools for the half year £5 10s. 0d.	9	10	0
Take off additional travelling expenses £4 0s. 0d.			
This leaves	205	0	0
Take off earned income allowance (one-tenth, to the nearest £) £21	91	0	0
Take off personal allowance (married man) £70			
This leaves as "taxable income"	114	0	0

The first £82 10s. (half of £165) is taxed at 6s. 6d. in the £. This comes to 26 16 3

The balance remaining, £31 10s. (£114 less £82 10s.), is taxed at 10s. in the £ and comes to 15 15 0

The tax adds up to 42 11 3

Here are now the deductions described on page 6 to be made.

His Life Insurance Premium is £8 but allowances cannot be claimed on more than 7 per cent. of the sum payable at death (£100)—that is on £7 (or £3 10s. for the half year). The allowance of 3s. 6d. in the £ on £3 10s. works out at 12s. 3d.

Contribution under Widows', etc. Pensions Act, 1936, is £1. Allowance of 5s. in the £ works out for the half year at 2s. 6d.

These add up to 14 9

Deducting this 14s. 9d., the half-year's tax comes to £41 16 6

The deduction to be made each week from the beginning of January, 1942, is one twenty-fourth of £41 16s. 6d. This works out at £1 14s. 10d. for 24 weeks and 6d. in the 25th week.

EXAMPLE 3 A factory worker has a wife who is also employed in a factory. They have no children. The husband's wages for the half-year ended October 5th, 1941, amounted to £160. The wife's came to £120. They have no other income, and do not pay any life insurance premiums. The division of the tax between the husband's assessment and the wife's assessment may be done in several ways, but the total tax payable by the two together will be the same whichever way it is divided.

The wife's tax works out like this :

	£	s.	d.
Wages	120	0	0
Take off earned income allowance (one-tenth) £12	84	10	0
Take off additional personal allowance for wife's earned income (half-year) ... £22 10s.	85	10	0
This leaves a taxable income of	85	10	0
The tax at 6s. 6d. in the £ on £82 10s. (half of the £165 a year taxed at this rate) comes to £26 16s. 3d.			
The tax at 10s. in the £ on £3 comes to £1 10s. 0d.			
This gives a total tax of	28	6	3

The weekly deduction during the 24 weeks from the beginning of January, 1942, will be £1 3s. 7d., leaving 8d. to be deducted in the 25th week.

The husband's tax works out like this :

	£	s.	d.
Wages	160	0	0
Take off earned income allowance (one-tenth) £16	80	0	0
Take off personal allowance £70	74	0	0
This leaves a taxable income of	74	0	0
The tax on £74 at 10s. in the £ comes to	37	0	0
Take off contribution under the Widows', etc. Pensions Act (as in Examples 1 and 2)	2	0	0
	36	17	0

The weekly deduction during the 24 weeks from the beginning of January, 1942, will be £1 10s. 8d., with a deduction of 1s. 6d. in the 25th week.

3. The Tax on other kinds of Income

YOU must state *all* your income on the return form, whether tax has been deducted before you received your income or not. The chief kinds of income apart from wages are taxed like this :

House Property. If you own the house you live in, the *net annual value* is treated as part of your income. The tax on this is quite separate from the tax on your wages. It is assessed under what is called *Schedule A*, and the tax has to be paid to the Collector of Taxes where you live. The net annual value is shown on your Schedule A assessment.

Other allowances (for example, personal allowance, child allowance, earned income allowance, etc.) may be deducted from the assessment on your house so far as they have not been deducted from the wages assessment.

EXAMPLE: A married man owns his residence which has a net annual value of £27. He owns the house outright. That is, he does not owe any money on a loan obtained to buy the house and pays no ground rent.

His Schedule A assessment is :

Net annual value	£27
Take off part of the personal allowance	£27
	Nil

There is therefore no tax to pay under Schedule A.

The personal allowance for the assessment on the wages will be reduced from £140 for the year to £113 (because of the allowance of £27 against the Schedule A assessment) so that the half-yearly personal allowance will be £56 10s. instead of £70.

Where you have a loan from a Building Society to help in buying your house, the net annual value is still treated as part of your income, but an allowance is made for the interest portion of the instalments you are paying to the Society.

EXAMPLE: A married man owns his own residence which has a net annual value of £20. He is buying his house through a Building Society. The Building Society informs the Inspector of Taxes that the interest paid by the taxpayer is £12 in the year.

The Schedule A assessment is:

Net annual value	£20
Take off Building Society Interest... £12	} £20
Take off part of the Personal Allowance £8	
	Nil

There is therefore no tax to pay under Schedule A. The personal allowance in the wages assessment will be reduced by the £8.

NOTE. In these examples the allowances for Building Society interest plus the part of the personal allowance taken off are the same as the full amount of the Schedule A assessment, so that no tax is payable. In practice, the assessment may be made in this way or in one of several other ways. For example, in the second case, £20 personal allowance might have been deducted from the Schedule A assessment on property, leaving the Building Society interest to be allowed against the wages assessment. Or the whole of the allowances might have been made against the wages assessment, leaving tax to be paid on the Schedule A assessment. Whichever way it is done, the total tax on the assessments taken together is the same.

If you have a loan but it is not from a Building Society, then although your tax is worked out in a different way the amount that actually comes out of your own pocket is just the same. In most cases you must pay to the Collector of Taxes an amount of tax which you deduct at 10s. in the £ from the interest when you pay it.

Suppose, for instance, in the last example, the £12 interest had been paid to a private lender instead of to a Building Society. When paying the interest to the lender, you deduct tax at 10s. in the £—that is, you actually pay to the lender £12 less £8 tax, which comes to £6. The assessment will be:

Net annual value	£20
Take off part of the personal allowance ...	£8
This leaves ..	£12

You pay the Collector of Taxes the tax at 10s. in the £ on this £12—that is, £6 tax, because this is the amount which you deducted from the interest you paid the lender. Notice that in the end you are in the same position as the house owner in the example above. He paid £12 to the Building Society and “used up” £8 of his personal

allowance in his Schedule A assessment. You pay £6 to the lender, £6 to the Collector of Taxes, and “use up” £8 of your personal allowance.

If you pay ground rent, you deduct tax and send it in the same way.

Interest from Banks and War Loans. Any interest received from a Post Office Savings Bank Account or from any other Bank Account or from War Loan is income liable to Income Tax. The one exception is interest on Savings Certificates.

The interest is assessed once a year. As with the assessment on a house, it is a common practice to deduct from the interest an equal amount of the personal allowance, and to reduce the amount of personal allowance deducted in the wages assessment accordingly.

If, however, you have to pay any tax on interest you receive, it has to be paid on January 1st direct to the Collector of Taxes. He will send a demand note for it.

EXAMPLE: A single man has £16 interest from a Post Office Savings Bank Account. £16 out of his personal allowance of £80 will be deducted from this interest, leaving no tax to pay. The personal allowance to be deducted in his wages assessment will be reduced by this £16. Instead of being £80, it will be £64 (£32 each half year).

Interest from a Building Society. Nearly every Building Society has entered into an arrangement with the Inland Revenue to pay the tax due on the interest paid to, or credited to, shareholders and depositors. While therefore this interest must be shown on your return, you will not be charged any tax on it, because it has already been paid for you.

Pensions and Allowances. Pensions generally are treated as income, and liable to tax. There are some kinds of pensions, however, which are not liable to tax. Examples are pensions given to soldiers, sailors (including mercantile marine) and airmen for wounds and disabilities, and pensions payable as a result of air raid injuries.

Benefits under the Workmen's Compensation Acts, National Health Insurance Acts, Unemployment Insurance Acts are not taxable.

There are many other kinds of pensions and allowances. If you are in doubt whether yours is taxable, ask your Inspector of Taxes.

Taxed interest and dividends from Companies.
If you receive a dividend from a Company or interest from which tax has already been deducted at 10s. in the £, and you have had less than £165 of your taxable income charged at 6s. 6d. in the £, you are entitled to a refund of 3s. 6d. in the £ (the difference between 10s. and 6s. 6d.) on such dividends or interest. Instead of actually paying the refund to you, the Inspector of Taxes usually gives you an allowance of the same amount in your wages assessment.

EXAMPLES: (i) A taxpayer has only £40 income charged at 6s. 6d. in the £ after deducting all his allowances. He has received a dividend from a Company of £30, from which Income Tax at 10s. in the £ has been deducted by the Company (so that he actually received £15).

He is entitled to a refund of 3s. 6d. in the £ on this dividend of £30, so that the rate of tax which he finally pays on the dividend is only 6s. 6d. in the £. An allowance of 3s. 6d. in the £ on £30 comes to £5 5s. This sum will be deducted from the tax due on his wages.

(ii) A taxpayer has, as his only source of income, £90 in interest on a loan to a Company. The Company deducts tax at 10s. in the £. This comes to £45, and so the taxpayer receives only £45. He is entitled to a repayment from the Inspector of Taxes of £45 because his total income is less than £110 a year and no one with an income of less than £110 pays any tax. Thus the total tax (£45) deducted by the Company from his interest should be refunded to him. This repayment will be given if he fills up a simple claim form which he can get from the Inspector's Office, and if he sends it to the Inspector with the vouchers he has received from the Company showing that they have deducted the £45 tax.

4. How much you earn before you are taxed at all

YOU will see from the examples given that when all allowances have been made many wage earners with more than £110 a year (about £2 2s. a week) do not pay any income tax. But until they have sent in their return forms showing the allowances they claim, the Inspector of Taxes cannot know whether they are single or married or whether they have any children or dependants, and he will probably have to fix their tax as if they were single until he learns otherwise.

If you do not earn more than the figures given below, you pay no tax:

	<i>A year</i>	<i>A week</i>
SINGLE MAN	£110	£2 2s.
MARRIED MAN with no children ...	£156	£3 0s.
MARRIED MAN with one child	£211	£4 1s.
MARRIED MAN with two children ...	£207	£5 3s.
MARRIED MAN with three children ...	£322	£6 4s.
MARRIED MAN with four children ...	£378	£7 6s.
MARRIED MAN with five children ...	£434	£8 7s.
WIDOWER with housekeeper	£144	£2 16s.
WIDOWER with one child and a house-keeper	£200	£3 17s.

If you have allowances additional to these, you may not have to pay any tax, even though your income is higher still, but remember to claim all your allowances by filling in your return form promptly.

5. Post-war Credits Explained

What are Post-war Credits? Part of the income tax deducted from your wages between January and December, 1942, will after the war be placed in your name in a Post Office Savings Bank Account or a Trustee Savings Bank Account. *It will be yours.* From a date to be fixed as soon as possible after the war, you will be able to draw out your money, or leave it in the Bank to earn interest.

How your Credit will be worked out. Some of the income tax allowances were reduced in 1941. That means that extra has to be paid in Income Tax. It is the *extra* tax due to these reductions that will become your Post-war Credit, These reductions were :

	Before 1941/42	Now (1941/42)
Exemption limit	£120	£110
Personal allowance (single)	£100	£80
Personal Allowance (Married)	£170	£140
Earned Income Allowance	One-sixth of earned income	One-tenth of earned income
Age Allowance	One-sixth of total income if not exceeding £500.	One-tenth of total income if not exceeding £500.

Examples of Post-war Credit. Here are two examples of how Post-war Credits will work out :

EXAMPLE 1. A taxpayer receives £800 in wages for the year ended on April 5th, 1942. He is married and has one child. His Post-war Credit for 1941/42 will be worked out like this :

EXAMPLE 1 (continued).

Total wages (about £8 a week)	£300	
Earned income relief (one-tenth)	£80	} £220
Child allowance	£50	
Personal allowance (married)	£140	
His taxable income is therefore	£80	
Tax for 1941/42 on £80 at 6s. 6d. in the £ comes to		£26 0 0

But if the allowances were still the same as in 1940-41 his tax would be :

Total wages	£300	
Earned income relief (one-sixth)	£50	} £270
Child allowance	£50	
Personal allowance (married)	£170	
His taxable income would be	£80	
The tax on £80 at 6s. 6d. in the £ would be		£15 5 0

His Post-war Credit would be £26 less £9 15s. £16 5 0

In this case, therefore, £16 5s. out of £26 (the total tax for the year) will be put to the Post-war Credit.

EXAMPLE 2. A taxpayer has a total earned income of £200 for the year. He is married but has no children. His Post-war Credit will be worked out like this :

Total wages (about £4 a week)	£200	
Earned income allowance (one-tenth)	£20	} £180
Personal allowance (married)	£140	
His taxable income is	£40	
His tax for 1941/42 on £40 at 6s. 6d. in the £ is		£13 0 0

But if the allowances were still the same as in 1940-41, he would have no tax to pay :

Total wages	£200	
Earned income allowance (one-sixth)	£33	} £203
Personal allowance	£170	
His taxable income would be	nil	
Therefore of course his tax would be		Nil

His Post-war Credit would be £13 0 0

In this case the full £13 tax for the year will be put to the taxpayer's Post-war Credit.

6. Income Tax QUIZ

1. Do I actually lose money by working overtime?

No. The extra tax you have to pay because you have earned extra wages is *always* much less than the extra wages. So the more you earn the more you always have left over after paying Income Tax.

2. I know a man who lays off one day a week because he says that by doing this he just avoids paying Income Tax. Is he really better off?

No. He is worse off. If he did work the extra day, his extra wages would be much more than the tax he would have to pay.

3. How does my employer know how much to deduct?

After the tax has been worked out and you have been given a notice showing how much will be deducted for the half year, the tax office sends a notice to the employer telling him how much to deduct.

4. Does my employer get details of all my sources of income and details of what allowances have been made, etc?

No. Your employer is told only how much tax is to be deducted.

5. Does he make the deductions automatically without my doing anything about it?

Yes. He acts on the notice from the tax office.

6. What does he do with the money he deducts?

He pays the whole amount deducted to the Collector of

Taxes each month, and has to prove each half year that he has paid over the full amount deducted.

7. Is he paid to make the deductions?

No.

8. Why is there in some cases a delay before the first deduction is made?

Before he works out the tax, the Inspector of Taxes has to get a return of wages from your Employer. If this is late in coming to the Inspector he may be late in telling your employer how much to deduct. Delay may also occur if you do not make your own return of income and claim for allowances promptly. There are more than twice as many wage earners paying tax this year as there were last year, and more than six times as many as there were two years ago. This may result in delay in some cases this year.

9. What happens if the deductions for any wage earner do not start at the beginning of January?

The deductions still have to be completed by June, and if they start late it means that when they do start the deductions must be somewhat greater than if they had started promptly.

10. Why do deductions vary? Can't they be fixed?

The normal rule is that the deductions are fixed at the same

amount for the first 24 weeks out of the 26 weeks of the deduction period. But if you did not make your return before the beginning of the deduction period, the deductions may at first be fixed without making all your allowances. You may be treated as a single man although you are married and have a family. When your return is sent in and dealt with the weekly deduction for tax is corrected.

11. If I am away sick for three weeks, and return to work on the fourth week, does all my money for the fourth week go to pay the Income Tax that has piled up?

No. If the full amount of tax cannot be deducted in any week, the deductions for the remaining weeks of the first 24 weeks of the deduction period are not altered. The amounts not deducted during these 24 weeks are deducted as far as possible during the 25th and 26th week (subject to the limits referred to in No. 12 below). Any balance still not deducted at the end of the half year is added to the tax to be deducted in the next half year.

12. What happens if I am working on short time one week? Can the Income Tax take away all my wages?

No. No Income Tax deductions may be made which will leave you less than £1 17s. 6d. a week (before making other kinds of deduction). If you are a married man you can fill up a small form, obtainable from your employer, asking him to see that the tax deductions do not leave you less than £2 17s. 6d. (before making other kinds of deduction).

13. A man who works for a firm down the road says none of his tax is being deducted. Why is this?

There are several possible reasons; for example:

(a) He may be a casual worker who has to pay his tax direct.

(b) He may not be liable to tax at all.

Whatever the reason, however, if he is liable to tax he will not escape merely because no deductions are at present being made.

14. How will my deduction be made if I do not earn the same amount every week?

The tax deductions are the same each week whatever the wages earned. This is subject to the limits referred to in answer 12 above.

15. Why is the figure of wages in my assessment always a little more than the actual amount paid to me, even when I allow for the Income Tax deduction?

The wages to be charged to tax are the gross wages before deducting National Health, Unemployment, Pensions and other Contributions, and the figure in the assessment will therefore be rather more than the actual cash paid to you.

16. What should I do if I think the figure of wages given in my assessment is wrong?

Speak to the cashier or pay clerk about it. The Income Tax people get the figures from your employers, who get them from their records. These records should show the exact amount paid to each wage earner each week. If the figure given to the Inspector of Taxes is wrong,

your employers will send a correction slip to the Inspector who will put the assessment right.

17. *Should old age pensions be entered on the return?*

Yes. But generally the total income will be too small for any tax to be payable. In the case of contributory pensions, if there is substantial other income as well, you may have to pay some tax.

Pensions are treated as earned income. If any tax is chargeable the earned income allowance of one-tenth of the income will be deducted from the amount of the pension before working out the tax.

18. *Are widows' alternative pensions liable to tax?*

Yes. Such a pension must be entered on the return.

19. *Are the "divis" I get on my purchases from the Co-operative Society liable to Income Tax?*

No.

20. *Where both husband and wife are earning wages, how much of the tax is deducted from the husband's pay and how much from the wife's?*

The answer depends upon the facts of each case, but whichever way the tax is divided between husband and wife the total tax is the same.

21. *If a man is already paying tax at the full rate, is it true that the full rate (10s. in the £) must be paid on his wife's total earnings?*

No. An additional personal allowance of £45 a year (£22 10s.

each half year) is given on the wife's earnings before any tax is charged. One-tenth of her earnings will also be deducted before working out the tax (unless the total joint earnings exceed about £30 a week).

Thus, if the husband is liable to pay tax at 10s. in the £ on some part of his earnings, and his wife has an income of £2 a week, the tax in her case will be:

Half-year's wages ...	£52 0
Deduct one-tenth £5	
Deduct wife's additional personal allowance £22 10s.	£27 10
	£24 10

At 10s. in the £ this comes to ... £12 5

This works out at about 10s. 2d. a week, whereas tax at 10s. in the £ would in this case have come to £1 1s. 8d. a week.

22. *If my wife has a job and we pay somebody to look after the children, can we claim an extra allowance?*

The extra personal allowance of £45 is given for these additional expenses when a wife is in employment. No further allowance is given for these expenses.

23. *What happens if I do not fill up the return form?*

You will not get all the allowances to which you are entitled. If you are married and have a family, you will probably be treated as single. It is in your own interest to fill up the return form promptly and correctly.

1. *Why is such a complicated form necessary?*

In order to spread the tax fairly, allowances are given for children, dependent relatives, etc. This makes the law complicated. The form has to be complicated in order to deal with all these matters.

25. *If I put down on the form all the things I have to pay (rent, food, fares, etc.), will the Government understand that I cannot afford to pay the tax?*

No. The system of allowances for children, dependants, etc., is fixed to make the tax as fair as possible and no further deductions are allowed.

26. *When shall I be told the amount of my Post-war Credit?*

The first tax year to which Post-war Credit applies is the tax year 1941/42. For most weekly wage earners, the full tax for the year cannot be worked out until after the end of the year (that is, until after April 5th, 1942). Then the tax will not be wholly deducted until December, 1942. So, plainly, it must be some time yet before you can be told how much of the tax you have paid will be treated as Post-war Credit for this year, and how it is worked out. But you will be told as soon as possible.

27. *Do I get a Bank Book to show how my Post-war Credit stands?*

You will get a Bank Book after the war. In the meantime the yearly notifications will show how your Post-war Credit is mounting up.

28. *Does the Post-war Credit bear interest?*

It will bear interest as from some date after the end of the war.

29. *When can I draw out my Post-war Credit?*

You will be able to draw out your Post-war Credit as from some date after the end of the war, or you will be allowed to leave it in to earn interest just like any other Post Office Savings Bank account.

30. *How does the Income Tax on bigger incomes compare with mine?*

The bigger incomes have to pay the surtax in addition to income tax. This must be paid on all incomes over £2,000 a year. If a single man has £2,500 a year, one-half of his income goes in Income Tax. If his income is £15,000, three-quarters of it goes in Income Tax. On the highest incomes £19 out of £20 must be paid in Income Tax.

31. *How are war-time profits taxed?*

The Excess Profits Tax is now charged at the rate of 100 per cent., so that the whole of the profits made by a business over its normal pre-war profit has to be paid over to the Government. Income Tax has then to be paid at 10s. in the £ on the balance of profits after the Excess Profits Tax has been deducted.

32. *Where shall I go for help in filling up my Income Tax Return form?*

Go to the office of the Inspector of Taxes. The address will be on the form. It is their job to give you every assistance in filling up the form.

In some factories, arrangements have been made for a member of the Inspector's staff to visit the factory at stated times to give assistance of this kind.

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What Your Money Buys



THE cost of running the country is now £18,000,000 a day, of which about five-sixths is for actual war expenditure. This means that tenpence out of every shilling you pay in taxes goes to pay for victory.

The Staff of an average factory, employing 1,000 men and women workers with a total Income Tax payment of £25,000 a year, will pay for :

In a week

One barrage balloon or 2 aircrews
or 6 large armour-piercing bombs or 1 engine for a "Valentine" tank
or 675 incendiary bombs or 1 two-pounder gun.

In a month

2 corvette motor boats or 2 naval searchlights
or 2,000,000 rivets (more than enough for 2 destroyers) or one 25-pounder field gun
or 1 large rangefinder or engine and guns for a "Spitfire"
or 2 anti-tank guns.

In a year

7 "Fulmar" naval fighting planes or 50 barrage balloons
or 777 large general-purpose bombs or 777 large general-purpose bombs.
or 4 "Spitfires"

Q. *How do I know if this book is for me?*

A. Strictly, it applies to you if your tax is assessed twice a year. In practice it applies to you if your job appears in the list below. Even if you are not on the list, the book will probably apply to you if your work is similar to these jobs.

<i>Bakers</i>	<i>Machinists</i>
<i>Blast furnace men</i>	<i>Masons</i>
<i>Brick and tile makers</i>	<i>Metal workers</i>
<i>Bricklayers</i>	<i>Miners</i>
<i>Bus drivers, chauffeurs, etc.</i>	<i>Moulders</i>
<i>Carpenters, cabinet makers, etc.</i>	<i>Navvies</i>
<i>Cinema operators</i>	<i>Painters and decorators</i>
<i>Constructional steel workers</i>	<i>Plasterers</i>
<i>Crane drivers</i>	<i>Packers</i>
<i>Dental mechanics</i>	<i>Porters</i>
<i>Dockers</i>	<i>Quarrymen</i>
<i>Engineers</i>	<i>Railway workers</i>
<i>Farm workers</i>	<i>Riveters</i>
<i>Fitters</i>	<i>Smiths</i>
<i>Leather workers</i>	<i>Warehousemen</i>
<i>Liftmen</i>	<i>Weavers</i>
	<i>Worsted makers</i>

IT WILL NOT APPLY TO YOU IF:

your tax is assessed only once a year—for example, if you are a Civil Servant, Clergyman, Clerk, Cashier, etc., Commercial Traveller, Buyer, etc., Director, Manager, etc., Draughtsman, Insurance Agent, Police Officer, Secretary, Shop Assistant, Teacher.

The little less..⁹⁷



by
Guy Reed
+
Fongasse

Editor's Note

War brings many changes. It has even changed the familiar quotation, "The little more and how much it is." To-day we must all make do with the little less. And how much that is (or would be if each one of us played his part) in terms of ships and shells, machine-power and man-power gained for the war effort, Mr. Reed and Fougasse are going to show you.

Their witty drawings and truly staggering statistics illustrate a few of the ways in which economies are being made and can be made, and the effects of them. No doubt they will inspire the reader to think of many others. Each man or woman's power to save may seem tiny compared with the country's need; but—"little drops of water, little grains of sand . . ."

Every little saving **YOU** make goes to build our victory. Every time you save, whether it is a piece of string, a therm of gas or a fragment of soap, you are helping to win the Battle of the Atlantic—on dry land.

Author and artist have given their services free in the making of this book.

THE LITTLE LESS . . . :

. . . And How Much It Is



Issued by
THE MINISTRY OF INFORMATION

First Published 1941

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To be purchased from His Majesty's Stationery Office at
York House, Kingsway, London, W.C.2;
120 George Street, Edinburgh 2;
59-41 King Street, Manchester 2;
1 St. Andrew's Crescent, Cardiff;
80 Chichester Street, Belfast;
or through any bookseller

Price 6d. net or 20s. for 50 copies

(3869) Wt. 253 10M 1/42 W.P. Ltd. S.O. Code No. 70-381

The Little Less . . .

By

GUY REED AND FOUGASSE



LONDON
HIS MAJESTY'S STATIONERY OFFICE

PRINTED AND
PUBLISHED IN
GREAT BRITAIN

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FOREWORD

SOME TIME AGO a microscope was made which is so powerful it has enabled scientists to discover valuable facts about things so small that no one knew of their existence.

Now that microscope only magnifies a few thousand times. In the following pages we shall look at several forms of avoidable waste magnified up to 46,000,000 times*—and if we don't make some discoveries about how to help win this war, it shouldn't be for lack of seeing things clearly!

Nothing in all the world would be more disastrous news for Hitler than to hear that we British understood the stupendous power which lies in the trifling economies we can make in our daily lives. Hitler knows perfectly well that this country will never lack that quality of courage which inspires us to any sacrifice once the issue is clear. But his plan of campaign in the Battle of the Atlantic is built on the ferreted hope that the issue will *not be clear enough* to stir us to the concerted action which might well alter the whole course of the War.

Hitler's one chance is so to restrict the flow of ships to our shores that we cannot accumulate the arms we need. *Our* chance is so to relieve those ships and men we have, that they may be used to supply still more tanks and planes and guns with which to smash him.

But there are two points which must be quite clear before we can wholeheartedly do our part in blasting Hitler's hopes. The first is to realise the extent to which our war effort can be increased by the mass elimination of a certain amount of waste. Once we

*46,000,000=population of British Isles.

THE LITTLE LESS . . .

know the staggering possibilities, what seemed like a trifling nuisance is turned into an inspiring opportunity for really *doing* something to help win the war. The object of this book is to show some of these possibilities.

Having realised what *can* be accomplished, the second point is to realise the importance of religiously doing our part, *however small*, rather than leaving it to the next person.

This may sound pretty easy as war-winning sacrifices go. But in actual practice, it looks rather different and begins to seem a little unreal. For example, if you try to reason out how much shipping will be saved if *you* don't strike a match or if *you* grow a few cabbages, the saving is so ridiculously small it doesn't seem worth bothering about.

Now of course that's not quite the right way of looking at it. It's no use saying "How much will the country benefit if I do this or don't do that?" The thing to do is to look at it through that microscope with the 46 million magnifications, and then ask yourself the question "What will it mean to my country if all 46 million of us do so-and-so?" Having worked it out that way, if it seems good for your country, go ahead and set an example to others; but above all, don't give up if at first you feel other people may not follow suit—any more than you would refuse to buy a flag on a flag day for that reason.

It is not easy to think collectively, we were not brought up that way. However, we are having to learn a lot of new tricks in this war, and one of the best Hitler-smashing tricks is to form the habit of thinking and acting collectively. In peace time we had to think of avoiding waste only in terms of how it affected us *personally*; it was rather pleasant not having to bother about some of the more trifling savings.

. . . AND HOW MUCH IT IS

To-day we are faced by the inescapable fact that everything is directly or indirectly part of our country's resources—and as these resources are used up, either they must be replaced, which requires man-power, materials, or shipping space, or else someone must go short. We must think of a hat or a fountain pen, a loaf of bread, or a gallon of petrol, not so much in terms of what they cost us personally, but rather in terms of what they are worth to the country in man-power, or materials, or shipping space.

Therefore while the Battle of the Atlantic is raging it is, in fact, safe to look upon *anything* we consume, in excess of what we really need, as a tax on our country's resources. Once we become accustomed to this way of thinking, it is a lot easier to see that we are making a very real contribution to our country's war effort every time we manage to do without something we might otherwise consume.

Just as every man in the forces has duties he is expected to perform, so has every one of us, as part of the 46 million people in these Islands who are now fighting the Battle of the Atlantic; the duties that fall to us are to devise every possible means of avoiding waste, day by day, in every way we can.

There will, of course, be a few unconscientious objectors who will leave it to others, excusing themselves with the thought that "my contribution is so small it will make no difference anyway" . . . These few may be on the sidelines, cheering, when it is all over, but they can never march with those to whom the generations that follow will owe so much—their heritage of freedom, which *you* will have helped to save.

Untie the String and

ONE YARD of string saved weekly by everyone in the country over the age of 14, would provide enough string, in a year, to stretch round the world $42\frac{1}{2}$ times.

The imported hemp required to make that much string is enough to make 200,000 hundred-foot lengths of urgently needed fire-hose.

It's worth while spending a few moments untying string instead of cutting it, if it helps to protect someone's home (maybe your own) against the German fire blitz.

Each piece of string saved and re-used means that so much *less* string needs to be manufactured, and therefore so much *more* hemp is available for the manufacture of fire-hose or other products.

Many of those who already save string hoard it at home, even when it is far beyond their own requirements—they can help the country more by returning it to the shops from time to time.



8

. Stop the Fire

DATA FOR THE DOUBTFUL

36,000,000 = population of Great Britain over the age of 14.

25,000 miles = circumference of the world.

270 yards of average-size string weighs 1 lb.

33 lb. of hemp will make 100 ft. of 2 $\frac{3}{4}$ -in. fire-hose.



9



MANY PEOPLE do not realise that, by giving up some of the butter or fats they normally eat, they are helping to supply shells for our Army and Navy. A ration of 8 oz. butter, margarine and cooking fats is only $2\frac{1}{2}$ oz. below what the average person consumed before the war; nevertheless, this saving amounts to 152,000 tons of fat a year.

From the amount of fats saved by the ration, 15,000 tons of glycerine can be extracted. From that much glycerine 34,000 tons of nitro-glycerine can be made. This high-explosive is, of course, invaluable in war-time. One of its many uses is as one of the constituents of the propellant powder used in guns—for example, the nitro-glycerine which is available through the butter and fats ration would be sufficient for use in the charges for 19,000,000 shells. Incidentally, in making high-explosives from fats, one of the by-products is fatty acids, used in the manufacture of soap.

* * *

DATA FOR THE DOUBTFUL

*100 lb. of fats produce 10 lb. of glycerine.
Soap consists of 60 per cent. fats.*

Glycerine can be converted to more than double its weight of nitro-glycerine.

The propellant powder for a 4.7-in. shell can be made with about 4 lb. of nitro-glycerine.

10



Bang! Goes the Butter



11

Import Water? What?

1,825,000 TONS of shipping space are saved annually by the present restriction of fruit imports. Had we continued without any restrictions, fruit would have had to arrive in this country at the rate of *one shipload* every day throughout the year.

That sounds bad enough, but when you remember that all ordinary fruits contain about 80 per cent. water, it means, in effect, that 292 of those 365 ships, and thousands of seamen, would be facing all the dangers of the Atlantic to bring us nothing better than water! 1,460,000 tons of it.

Instead, thanks to the restrictions, those ships are arriving loaded with the vital war materials most needed for eliminating the Nazis.

Since fruit is so low in nutritive value, the nation suffers very little through the restriction—apart from not being able to enjoy the pleasant taste of the fruit! The health-giving vitamins present in fruits can be derived equally well by eating our home-grown potatoes and other vegetables.

DATA FOR THE DOUBTFUL

1,825,000 tons = normal imports of fruit.
A cargo-ship of 5,000 tons cargo-space has been assumed.

12



. . . With a Climate like Ours?

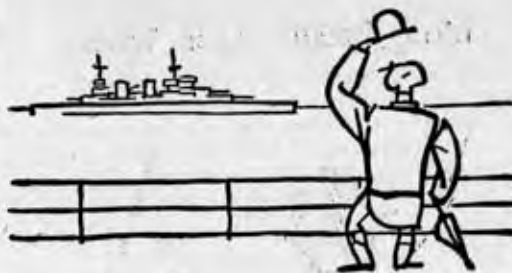
13

My Goodness, My Guineas!

CLOTHES RATIONING saves an average of six guineas a year for each person in the country and makes available enormous quantities of the three vital weapons of this war: man-power, materials and money.

1. Approximately 750,000 workers are released, under the new clothes rationing scheme, for more essential war work. This huge army of workers would normally be engaged in the manufacture and distribution, etc., of clothes.
2. 300,000 tons of shipping space will be saved annually, as we shall not have to import the extra raw materials that would be needed, if normal purchasing were permitted. Thus 60 ships are freed to bring more "lease and lend" war material from America.
3. Three hundred million pounds will be saved by the public annually in not buying so many clothes. This, if loaned to the nation, through war savings certificates, etc., would be enough to buy a whole navy consisting of 15 battleships, 50 cruisers, 130 destroyers and 8 aircraft carriers.

14



DATA FOR THE DOUBTFUL

The figures just given are estimated after the most careful study of all available data—allowance being made for men in uniform and labour required to operate the rationing arrangements.

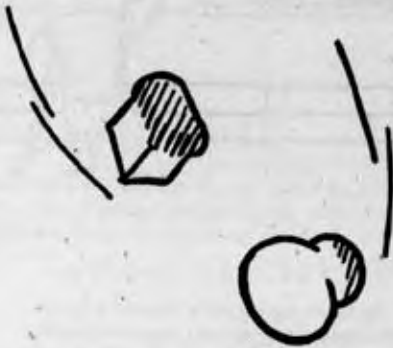
A cargo-ship of 5,000 tons cargo-space has been assumed.

With regard to the warships, pre-war published costs have been used as a basis:—

£8,000,000 =	{ approximate cost of a battleship.
£1,900,000 =	{ approximate cost of a cruiser (8-in. guns).
£1,500,000 =	{ approximate cost of a cruiser (6-in. guns).
£500,000 =	{ approximate cost of a destroyer.
£3,800,000 =	{ approximate cost of an aircraft-carrier.

15

More Bread — Less Wheat



16

THERE IS a very good reason why everyone who wants to help to win the war should eat National Wheatmeal bread—this is that 13 per cent. more 4-lb. loaves can be made from the same amount of wheat: thus, when we all order the National Wheatmeal bread, we are saving enough wheat annually to make all the bread for the entire nation for seven weeks!

This saving, which amounts to 350,000 tons of shipping space, would free 70 vitally needed ships to bring us other urgent war needs.

DATA FOR THE DOUBTFUL

1 ton of wheat will make 600 4-lb. white loaves.

1 ton of wheat will make 680 4-lb. wheatmeal loaves.

7 weeks = approximately 13 per cent. of a year.

1,750,000,000 4-lb. loaves = normal annual bread consumption.

3,000,000 tons of wheat required for annual bread consumption.

A cargo-ship of 5,000 tons cargo-space has been assumed.

17

A Thousand Tanks, Madam, for Avoiding Rush-Hour Shopping

MOST WOMEN are in the habit of shopping at certain times of the day and on certain days of the week.

According to authorities in the retail trade, a total reduction of about 100,000 staff could be made in British shops if business were more evenly distributed throughout the day and week, thus avoiding the necessity for extra staff to cope with rush periods.

By arranging your shopping at non-rush periods (ask your shopkeepers when these rush-hours are —and avoid them) you can help to release these 100,000 people for work of greater national importance. This is well worth while, when it is realised that the man-power thus released would be enough to produce, for example, 1,000 army tanks every three months.



Mr. Therm Clears the Lines for 5,700 Extra Trains

SUPPOSE EVERYONE were to save one-third of a therm of gas a week in cooking, room-warming or water-heating. There are 12,000,000 gas users in the country. If each of them made this small saving, they would save annually enough gas to fill nearly 14,000 large gas-holders. It takes over 2,500,000 tons of coal to make that much gas. (That's enough coal to fill a goods train 500 miles long.)

Not only would more coal be available for national use, but our railways would have 5,700 trains set free for more essential war transport.

Four Ways to Save Gas

1. Turn down the gas fire as soon as the room is warm enough. A smaller fire will keep it warm.
2. *Never* put a quart of water in the kettle when you need only a pint; *never* let the gas flare up round the sides of the kettle or saucepan.
3. Keep your cooker clean and your utensils clean. Dirt wastes gas.
4. Use less water in the bath. You will save both gas and water (water needs fuel to pump it at the waterworks).

20



DATA FOR THE DOUBTFUL

- 3,000,000 cubic feet of gas to large gas-holder.
- 10,000-20,000 cubic feet of gas from 1 ton of coal.
- 12 ft. = length of average railway truck.
- 10-12 tons = capacity of average railway truck.
- 40 railway trucks to large train.

21

Strength, not Sweetness



22

LET'S just see what we are doing for the country when we are rationed to 8 oz. of sugar a week: well, for one thing, the saving in sugar imports amounts to the huge total of 570,000 tons a year. 114 ships would have been required to bring that much sugar to this country.

Instead, those 114 ships are made available for bringing in what we need most to-day, planes, guns, tanks, shells. . . . That is to say, *strength*, not *sweetness*. Incidentally, the money saved by the public in refraining from buying the extra sugar amounts to over £21,000,000—enough to buy two fully equipped battleships and three cruisers as well.

DATA FOR THE DOUBTFUL

Over 1,000,000 tons of sugar consumed annually in the homes of this country.

A cargo-ship of 5,000 tons cargo-space has been assumed.

4d. per lb. = average price of sugar.

£8,000,000 = { approximate cost of a battleship.

£1,900,000 = { approximate cost of a cruiser (8-in. guns).

£1,500,000 = { approximate cost of a cruiser (6-in. guns).

23



The Overseas Hen Lays Eggs and Bacon

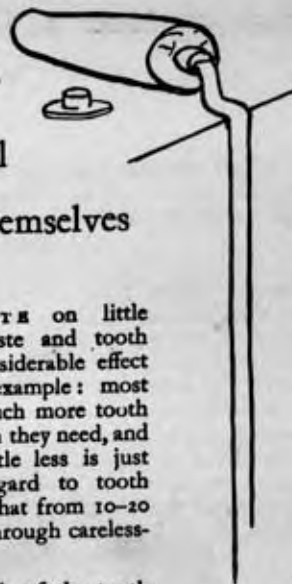
P EOPLE often complain that they cannot get enough feeding-stuffs to keep their hens. When it is explained that all the available shipping space is urgently needed for other supplies, they ask why we continue to import eggs if we are unable to spare the shipping space to bring in sufficient feeding-stuffs to maintain our own hens.

The answer is: the hens required to lay one shipload of eggs in a given time would eat two-and-a-half shiploads of feeding-stuffs during the same time:—

Thus every ship that brings eggs instead of feed saves one-and-a-half ships to bring in the bacon.

24

Look After
the Paste, and
the Pounds will
Look After Themselves



AVOIDING WASTE on little things like tooth paste and tooth powder can have a considerable effect on the war effort. For example: most people habitually put much more tooth paste on their brush than they need, and they will find that a little less is just as effective. With regard to tooth powder, it is estimated that from 10-20 per cent. of it is spilled through carelessness in use.

A saving of one-tenth of the tooth pastes and powders normally used would mean a yearly saving of £2,500,000 in dentifrice and the materials used for containers.

DATA FOR THE DOUBTFUL

£2,500,000 estimated value of British production of tooth pastes and powders annually.

25

How to Make a Tank from an Old Bedstead



26

IT WOULD only be necessary for each family in the country to collect together 20 lb. of scrap iron in order to provide enough steel to build 50 new cargo ships or over 5,000 army tanks.

Practically any family could collect together from odd corners of the house, the attic or garden a number of quite useless articles made of metal—tin cans, bits of railing, old bedsteads, parts of cars and other odds and ends. These will find their way to the armament factories if left where they can be collected by the dustman (if the dustman does not take it, notify your local council). If there is a large amount, a scrap metal merchant will probably pay for it (your local police station can give the name of a nearby scrap metal merchant).

DATA FOR THE DOUBTFUL

12,000,000 families in Great Britain.

2,200 tons of steel required to build a ship with 5,000 tons cargo space.

A tank of 20 tons (which is about the average weight) has been assumed as a basis of calculation.

27

11,000 tons of Margarine in the Soap Dish

16,000 TONS of soap can be saved every year, if each family in Great Britain uses the equivalent of one piece less a month.

Most of the fats used in soap-making can nowadays be processed into edible oils. The amount of oil required to make 16,000 tons of soap could be used instead to make 11,300 tons of margarine—enough to provide the entire annual fats ration for almost a million people.

A few ways of saving soap



1. Every moment that a piece of soap is under water, it is being dissolved and wasted.
2. Soap dishes that do not drain off the water thoroughly should be avoided . . . the dampness underneath softens and dissolves the soap.

28

3. Less soap flakes are needed if they are first dissolved in very hot water and cold water is added after the lather has been made, until the right temperature is reached. Usually more flakes are shaken out of the package than are required. Using a spoon reduces waste.

4. Scraps of soap that have become too small for ordinary purposes are useful for washing up, etc., if put into a little wire cage or cheese-cloth bag, and stirred in the dish water.

DATA FOR THE DOUBTFUL

12,000,000 families in Great Britain.

4 oz. = weight of average cake of soap.

60 per cent. of soap consists of oils.

85 per cent. of margarine consists of oils.



29

Let Yesterday's Post be To-morrow's Newspaper

SUPPOSE each grown person were able to collect, each week, only an amount of waste paper equal to one 2-oz. letter . . . *even that* would amount to over 100,000 tons per annum.

That much waste paper, when repulped, would make 80,000 tons of new paper, which is enough to print all the newspapers in Great Britain for nearly four months—and thereby save 16 shiploads of imported paper.

A waste paper chase around almost any house will produce all sorts of unwanted and forgotten paper—old books, newspapers, magazines, cardboard boxes, etc.—quite valueless where they are, but very valuable to the nation. (Leave them by your dustbin, and not inside it.)

Enormous quantities of paper are wasted throughout the country in lighting fires. If the kindling wood is well dried before use and of the correct size, and if the fire is carefully laid, much less paper will be required.



DATA FOR THE DOUBTFUL

36,000,000 = population over the age of 14.

80 per cent. of waste paper is reclaimed when repulped.

5,000 tons per week is the agreed consumption limit of all the British newspapers.

A cargo-ship of 5,000 tons cargo-space has been assumed.



How to Bomb Berlin on a Bicycle

MANY MOTORISTS feel perfectly justified in using all of their petrol allowance even if it is not quite essential that they do so; all the same, if 133 motorists were to use just one quart less petrol each month this would save 400 gallons a year for the nation.

400 gallons of petrol is enough to fuel a bomber in a typical raid on its "target for to-night." If 133 motorists could save that amount, imagine how much could be accomplished if every motorist were to save a quart a month. They probably would, if they realised that petrol for cars uses just as much shipping space as petrol for planes, and, since tanker-ships are limited, they are in the long run depriving the R.A.F. of a gallon of petrol every time they use one in their car.

After hearing this, a motorist told me that each time he used his car he asked himself, "Is it as important that I use the car for this journey as it is for the R.A.F. to use a plane for theirs?" . . . one week later he got his old bicycle out of the shed!



34

One Hour = { Four Million
Extra Workers

IF EVERY man and woman spent one extra hour a day making something they would otherwise have to buy, or spent an extra hour at their job, allotment, or on some other productive occupation, this would be the equivalent, in man-hours, of over 4 million people each working 8 hours every day.

To-day, when man-power is the all-important factor, the effect of this gigantic increase would be a very large contribution towards winning the war.

Since it is almost impossible for us to see how anyone will be freed for war work, simply because we do this or that odd job or minor repair ourselves, it is necessary to form the habit of thinking in terms of millions of others doing it also. Then it becomes more apparent that the more man-hours of workers' time we can free, by doing things ourselves in our spare time, the more workers will be freed to produce urgently needed war materials.

35

Spare the Blade and

BY USING one less razor blade a month, British shavers would save the manufacture of 15,000,000 blades each month.

Cold rolled strip steel, used in razor blades, is urgently needed for various purposes in aircraft production. For example: the amount of this special steel required to make 15,000,000 blades would be enough to make the machine-gun ammunition belts for 1,600 eight-gun fighters.

Ex-service men will probably remember this trick learned during the last war: it is possible to get almost double the life from a razor-blade by stropping it on the inside of a moistened tumbler. Place a finger on the middle of the blade and push gently against the inside of the glass, thus slightly bending the blade as you move it to and fro. Then turn the blade over and do the same on the other side.

DATA FOR THE DOUBTFUL

15,000,000 people in Great Britain use safety razors.

One ton of cold rolled strip steel makes 800,000 blades.

10 lb. of cold rolled strip steel makes 900 links for machine-gun ammunition belts.

Ammunition belt requires approximately 300 links.



. Spoil the Luftwaffe

Cosmetics to Protect the Face of Our Cities

WITHOUT losing anything in appearance, most women could easily save a further 5 per cent. of their cosmetics by using just a little more thought and trouble and just a little less material.

Quite apart from the fact that most cosmetics are made from raw materials which are now vitally important for the manufacture of high-explosives, the saving in money resulting from a 5 per cent. decrease would be enough to buy, for instance, the equipment for 800 barrage balloon units to protect our cities from dive-bombers.



Three ways of economising on cosmetics

1. By putting too much face powder on the puff, many women lose almost as much powder in the air as they put on their face.
2. Frequent brushing of the hair will increase its lustre, and free it of the tiny particles of dust that tend to make frequent shampoos necessary.
3. Many beauty experts agree that a good all-purpose cream is just as effective as, and much more economical than, a number of special creams applied at various times for special purposes.

DATA FOR THE DOUBTFUL

*Approximately £14,000,000 is spent annually on cosmetics in Great Britain.
£900 is the approximate cost of a barrage balloon, cable, and certain equipment.*

How to Grow Ships

A PLOT of ground 7 yards square can produce 160 lb. of food per annum. If each family in Great Britain cultivated an additional plot of that size, an extra 850,000 tons of food would be produced, which amounts to about 170 shiploads. Thus we could relieve thousands of merchant seamen from risking their lives merely to bring us that amount of food.

Instead, the 170 ships would be free to bring, for instance, from America:—

- 400 bomber aircraft
- 1,100 fighter aircraft
- 2,500 guns
- 3,000 tanks
- 23,000 lorries and other vehicles, and nearly 600,000 tons of ammunition and other stores.

So let's dig a bit more in our garden (or, if we haven't got one, let's go to our local council and take up an allotment), and leave the ships free to bring more Hitler-smashing material to our shores.

. in the Garden



DATA FOR THE DOUBTFUL
12,000,000 families in Great Britain.
A cargo-ship of 3,000 tons cargo-space has been assumed.

Coal the Ships by

IT WOULD NOT require a great deal of effort for every household, every office and every shop to economise to the extent of one out of every hundred units of electricity normally used. . . . Yet the result would be a saving of 70 million units a year. This would save over 33,000 tons of coal at the power stations.

That would be enough coal to fuel 66 cargo-ships on voyages across the Atlantic and back, bringing vital war supplies from the U.S.A.



Six ways of saving electricity

1. A great deal of electricity can be saved by systematically turning off the lights in rooms and passages where they are not essential.
2. A little thought and rearrangement will often enable fewer bulbs to be used while still retaining a cheerful and adequate light.

43

. Switching off the Light

3. It is particularly wasteful to use high candle power bulbs where lower candle power would be sufficient, as in pantries or on landings.

4. Dark shades waste light: light shades with lower candle power bulbs are much more economical.

5. Factory and office workers, and those in public buildings, can contribute to the country's resources by turning off lights, power, heat, etc., when they are not absolutely necessary.

6. A two-bar electric heater uses as much current as fifty 40-watt electric light bulbs, so turn off the heater when you can, or use one bar only.

DATA FOR THE DOUBTFUL

2,100 units saved will save a ton of coal.

500 tons of coal (say) burned in cargo-ship of 5,000 tons cargo-space crossing the Atlantic and back.

43



Care in the Kitchen Cooks Hitler's Goose

IT IS ESTIMATED that approximately 15 per cent. of food is wasted in the normal process of preparing and cooking. Much of this is unavoidable even in war-time: however, if only one-quarter of this wastage is eliminated, by thoughtful planning and care, the saving would amount to 3 1/2 per cent.

Taken over the entire country, this means a saving of almost a million tons of food per annum, which would be enough to feed the entire country for two weeks.

It is impossible to cover here the many ways of saving in the kitchen that never occur to one in the ordinary way. There are several good books and Government pamphlets that give interesting and valuable hints on the elimination of waste. Here are seven examples:—

1. Use measures and the clock. Accuracy in cooking prevents waste and produces better results.
2. Food value is lost through over-cooking.



3. Soda added to vegetables destroys valuable properties.

4. The outer leaves of cabbages, etc., if too tough to be served as a vegetable, make nourishing soups.

5. Peeling potatoes is a peace-time luxury and destroys valuable roughage.

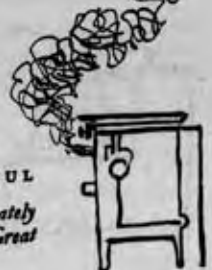
6. Save fat by frying the bacon rinds separately. Use the fried rinds for flavouring soups.

7. Less sugar is required to sweeten stewed fruit if added just before cooking is completed.

A good way of using all the scraps that are *unsuitable* for human consumption is to arrange a local community feeding scheme for poultry, pigs, rabbits and pets. Groups of neighbours can arrange to pool their scraps. For example, a family keeping poultry might collect poultry scraps from a neighbour in exchange for scraps more suitable for their neighbour's dog, rabbit or cat.

DATA FOR THE DOUBTFUL

26,000,000 tons of food is approximately the normal annual consumption in Great Britain.



Burning Question of the Moment



46

IF EVERY house in this country burns merely one lump less of coal (2 lb.) each day, the total saving will be $3\frac{1}{2}$ million tons a year. It takes 12,500 miners a whole year to produce that amount of coal.

This $3\frac{1}{2}$ million tons of coal would become available for many vital kinds of war work.

A few ways of saving coal

1. Keep a container of coal dust, so that the fire can be damped down when the room is warm enough.
2. Most fire-places are larger than is necessary for the size of the room. If they are made a little smaller by the use of fire-bricks, the coal-saving will be considerable.
3. Sift ashes and re-use the partly-burned coal.
4. A little professional advice from your local heating man will give you new ways of economising with kitchen ranges and hot-water heaters.

DATA FOR THE DOUBTFUL

11,000,000 inhabited houses in Great Britain.
280 tons = average annual output per coal-mining employee.

47



Rational Rations

THE RATIONS for meat, bacon and tea make a total saving in shipping space of 500,000 tons a year. This is equivalent to the cargoes of 100 ships.

When we are a little irritated by the nuisance of these rations, it is soothing to dwell on the tremendous array of arms, ammunition and supplies which 100 ships, made available by rationing, are able to transport.



Editor's Postscript

Many people have worked to make this book—author, artist, designer, printers, binders. Much paper has been used in its making, too. But it will be worth its weight in paper and man-hours, a hundred times over, if it has convinced you how important it is for our war effort that everyone should do with *The Little Less*.

But you must not only be convinced. You must act upon your conviction. By saving, here a little, there a little, you will help to save the world.

Do you want to see the immediate results of your saving? Then turn to the back cover . . .



25

MEMORANDUM FOR THE SECRETARY.

August 21, 1942.

Mail Report

As is apt to be the case when matters under general discussion do not affect the Treasury, the mail has been less in volume and has not concentrated on any one particular subject. There have been scattered suggestions for taxation, revenue raising, and general conduct of the war, but the mail of last week was on the whole uninteresting.

The Ruml "Pay-as-you-go" Tax Plan has evoked a great many comments and a number of suggested amendments. This week there were two who favored a withholding tax to one opposing it, while the excess profits tax for individuals had only one advocate. A number of letters predicted disastrous results if the corporation tax returns proposed in the pending bill were adopted. There were several letters asking definite rulings or explanations in connection with the deductibility of the advertising costs.

The question of payment of back debts, many of them incurred during the depression and only just being met because of increasing profits, has appeared often in our tax mail. Three or four writers have advised a moratorium on special types of debt so that taxes can be paid and bonds bought. Others ask allowance in tax payments for the discharge of debts unavoidably incurred during hard times. Bond investments, insurance premiums, and medical expenses continue to be mentioned as items for which deductions might be allowed.

Opposition to the sales tax and approval of it were evenly balanced in the week's mail. Other tax suggestions include a war savings tax levied through the enforced purchase of stamps, taxation of income from tax-exempt securities, a transaction tax of 1%, and taxes on tourist accommodations, matches, sugar, newspapers, gasoline, et cetera. There was one letter suggesting that employees be encouraged to make larger contributions to Federal pension funds.

C. C. Smart please invest etc and report. See rest of complaints on page following bonds which are the object of the above.

Memorandum for the Secretary.

The bond mail, although falling off in proportion to the general decrease, shows a noticeable increase in complaints. There were only two complaints of the non-receipt of interest, but those dealing with payroll deductions have increased by 25% over the number counted last week. There is evidently growing dissatisfaction among employees who have pledged 10% of their salaries and who after two or three months of deductions have received no bonds or only one, although the amounts deducted have covered the price of several. Some of these complaints mention the fact that bonds are dated from one to three months after the money has actually been deducted. Others complain of evasive replies when they ask for explanations. Almost all speak of the falling off in enthusiasm for the program as a result of this gap between the deduction of the money and the receipt of the security. Some half dozen letters have referred to the practice of cashing bonds at the expiration of the 60-day period. On the other hand, there were three requests for permission to engage in a "burn 'em" campaign in connection with the sale of stamps and bonds.

Among the suggestions in the bond mail are the following: Increase in the rate of interest, the issuance of Baby Bonds in smaller denominations, the issuance of negotiable bonds, installment plan for those not subject to payroll deductions, use of bonds as collateral for loans or in payment of debts, increased sales among school children, and a campaign for both bonds and stamps as Christmas gifts. Among the miscellaneous letters are suggestions for the conservation of materials in connection with the statement that plans for a new five-cent piece have been abandoned. There are the usual letters about Government economy and the importance of curbing inflation, while 5 warmly praised the work of the Joint Committee on Reduction of Non-essential Expenditures. From border towns in Texas have come 5 letters protesting the recent restrictions on the use of United States currency in Mexico.

G. F. Towber

- 1 -

General Comments

Paul T. Vickers, Manager, Chamber of Commerce, McAllen, Texas. The new Treasury regulation forbidding U. S. Nationals to enter Mexico with any currency except \$2 bills and coins is really playing the dickens with trade between border cities, with travel by U. S. Nationals to interior Mexico, and with good relations between the two Republics. * * * Bills of \$2 denomination are just about as extinct as the dodo bird. A man going to Mexico City on a visit would have to scramble around all over America to find enough \$2 bills to travel on, or else would have to hook on a trailer behind his auto to carry enough coins to make a decent trip on. This regulation is working great hardships on merchants, travellers and good relations. We loyally wish to cooperate and will cooperate on everything for our country, but some consideration, we believe, is justifiable for the travellers, for border merchants, and for the good neighbor policy.

E. J. Brown, Elmhurst, Ill. * * * A few years ago, circumstances forced me to go to one of the so-called "easy payment" loan companies to borrow some money. It was easy to get, but a little difficult to pay back. After four or five payments, I was informed that my credit was good for an additional sum. This was a little harder to pay back than the first. Then I started falling behind with my rent and other essentials. I finally got to the point where I had to borrow from one loan company to pay the other. In 1941, I paid in interest alone to the Imperial Credit Company, \$108.61; to the Household Finance Company, \$38.83; the International Finance Company, \$17.41; and to Palmer and Company, \$34.42; or a total of \$199.27 on about \$700.00. These figures came from the loan companies themselves. Of course, it can be argued, a person doesn't have to borrow from these 3% a month companies, and that is true. But if for any reason you once get into them, they have got you for keeps. * * * If you don't pay them promptly, they will file a wage assignment against your salary, leaving you the customary \$20.00 a week to live on. * * * With the

- 2 -

thousands and thousands of loan company customers here in Chicago, there must be hundreds of thousands throughout the nation. * * * I served my country in the last war as a soldier, and I feel ashamed to admit that so far I have been unable to help financially in this one. In my opinion this loan business is one of the biggest rackets that was ever foisted upon the people of this country. The old policy racket and the sweepstakes are small fry compared with this thing that fastens itself upon you and drains you to the last dollar.

Mrs. Russell D. Johnson, Chevy Chase, Md. * * * I'm not going to go into any very long dissertation on how welcome the Government is to our taxes, or Bond and Stamp money. Our Government knows that we all give it gladly, even though we do go into annual agonies over the income tax. Our protests are purely to remind ourselves that we live in a country where it is permissible to say out loud that taxes are a nuisance. * * * However, even such a miniature budgeter as myself, and the other hundreds of thousands of housewives, can see that it is going to take some high finance to keep the war going the way we want it to. You can be sure each of us will buy as many Bonds and Stamps as we can, but believe it or not, many of us still may have a penny or two left now and then, which your Department would be welcome to if we knew how to get it to you. * * * And then there's another item which our Government seems to have overlooked; the fact that many of us would like to give these odd pennies, and not lend them at interest for ten years. * * * Would it not be possible and practical to have on sale in Post Offices a "seal" which could be purchased by any one sending out mail? A "Victory Seal" perhaps, which could be used to seal a letter or package, as is done at Christmas time for the tuberculosis fund. Perhaps you don't realize how many Americans would be proud to put such a stamp on all their mail, and who would find it easy to buy a few at a time, or a sheet of a hundred if they could. This would give the little man, of which I am the female counterpart, an opportunity to give something to his Government, and as it would be purely voluntary, it would have an added allure to many. * * * Of course this would, comparatively speaking, be a small income for the Government, but as your Bond and Stamp sales releases remind us, every little bit does help, and surely something which would not have to be repaid would be doubly welcome in these trying times.

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Antonio Nazario, President, Union Social de Trabajadores de Muelle, (International Longshoremen's Association, Y.A. La American Federation of Labor), Mayaguez, Puerto Rico. We laborer of this port of Mayaguez, Puerto Rico, fill happy to send you here enclose money order for amount of \$49.10 which has been collected among members of this Union #1585, af. to International Longshoremen's of America. This money is send so as our purpose is to be used in part of National Defence, so we like it will be, and hoppe it will be well appreciate by the people of the United States of America who fight for liberty and democracy. Having no particular to reffere about and with our best wishes for the Nation, we remain yours and for the Nation, THE MEMBERS OF THE UNION.

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Unfavorable Comments on Bonds

C. C. Smoot, San Francisco, Calif. I became an employee of the Federal Government early in May of this year. One of my earliest assignments was to secure authorization for payroll deductions from members of the office in which I am employed. This task I enthusiastically performed, feeling the result would be of great benefit both to the employee and the Government. The response on the part of my fellow employees to such solicitation I found to be most ready and generous, and before the close of May, the work was complete. Deductions were first made, in accordance with the plan, from our June 15th checks, and have regularly been made since that time. However, to date, no one in our office has received a Bond, or been advised as to when they might expect to receive the Bond or Bonds. The question has been asked of me time and time again - "when will I receive my Defense Bond?" and although I have made frequent inquiry of my superiors, I have not been able to obtain a definite reply to this query. As a consequence, the statement has been made that "I used to get my Bonds from the bank and there was no delay at all". * * * The confidence of the buyer has been shaken. When you talk to another like myself, who should by now have in his possession four Bonds, and who has never heard a word as to the disposition of even a penny of his money, you are likely to be faced with a loyal citizen who is well soured on the whole voluntary payroll deduction plan. This frame of mind is communicated to others and its rapid spread can disrupt the whole plan for voluntary financing of our present war needs. * * *

Anthony Materzak, Chicago, Ill. This letter is to inform you of the way International Harvester Co. (McCormick Works) is handling their Bond Deduction Drive. I am an employee of this company and have 10% of my wages deducted for Bonds. * * * The Company does not buy War Bonds with the money that is deducted for same. Sufficient money has been deducted from my pay within the last three months to have acquired three Bonds, which the Company

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has not purchased; some of my fellow workers have acquired enough for five or six Bonds and have probably received only one Bond. The Bond deductions are going to fall off in this Company unless they issue the Bonds as they are paid for, or shortly after. * * *

Edward G. Coffey, Rahway, N. J. I have been working for the Pennsylvania Railroad going on 33 years. They have been promoting the sale of Bonds through the payroll deduction plan. I subscribe for one Bond a month, and buy as many as I can on the outside, and since Pearl Harbor, have more than doubled my purchases. In Rahway, N. J., many civic clubs have different days to promote the sale of War Bonds and Stamps. On August 11, 1942, I wanted to purchase twenty \$18.75 Bonds and ten \$37.50 Bonds, a total of \$750. I stopped to give these women the credit for selling these Bonds, and they wrote out the order for me, and the Rahway National Bank refused to sell them. They would sell me one \$1,000 Bond, but not the smaller Bonds. They said they had orders from the Federal Reserve Bank of New York. I returned the slip to the women, which was very discouraging and disheartening to them. * * * I went to the Rahway Post Office and the Post Office Employees said that they would sell me the Bonds any way that I wanted them, which they did. I am writing this letter to let you know what cooperation the Federal Reserve Bank of New York, and the Rahway National Bank are giving the Government at war times, and to give due courtesy to the Employees of the Rahway Post Office.

Henry Stephens, Jr., President, The First National Bank, Prestonsburg, Ky. I have noticed all along that it is the desire to conserve and save money by the Treasury Department, and that paper such as is used by the Treasury Department is expensive. Now, why is it you attach so much paper to your War Bonds, two-thirds of which is wasted and goes into the waste basket? * * * I am only an oldtimer, born and reared in the hills of Eastern Kentucky, and have gone through many hardships of life,

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and these little things attract my attention. * * * I would like to suggest that the Treasury recommend a change in their War Bonds. That the Bonds should not be redeemable for 4 or 5 years from date of issue. About the only way a great many American citizens will save, is by forced saving. We are issuing Bonds here at this bank to the public, a great many of whom come to the bank within a few days and request that the Bonds be cashed and this system has become a nuisance to the bank, and is a great expense to the Government in bookkeeping. * * *

Mrs. Julia C. Kugler, Cincinnati, Ohio. My son is a Captain in the Army Medical Corps. Before he was called to duty, he gave me Power of Attorney so I might attend to his affairs. This Power of Attorney was drawn by the law firm of Vincent Beckman, Cincinnati. December, 1941, I bought a \$1,000 Defense G Bond for my son; in April, 1942, a \$500 Defense G Bond, and now have accumulated another \$1,000 which I had planned to invest in the same way, but I question the wisdom of doing so. On July 1, 1942, received a dividend check, which I endorsed. * * * The Fifth-Third Union Trust Company (Cincinnati, Ohio) forwarded my Power of Attorney to the Division of Loans and Currency, Washington, D. C. They replied that the Division of Loans and Currency had been moved, but that my Power of Attorney had been forwarded to them. Since that time my check has been twice returned to the Fifth-Third Bank. The bank wrote to the Division of Loans and Currency on July 24, on July 31, and on August 7. All three letters are unanswered. * * * If such difficulty in collecting dividend checks is prevalent, I certainly would hesitate to put my small savings in Defense Bonds, and would have my son convert his before he leaves the country. * * *

F. C. Bentley, Springfield, Mo. * * * I note in the newspapers that you and Congress are not satisfied with the way the sale of Bonds is going. You have tried radio appeals (getting to be awful boresome and adverse to the purpose), and ballyhoo by Dorothy Lamour and her

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sarong, and Sabu, the elephant boy, as well as Betty Davis giving a dance with herself to a purchaser of a \$500 Bond. Why not try appealing to the horny handed savers, who, perhaps, don't think much of Hollywood.

John Gordon, Attorney at Law, West Roxbury, Mass. * * *
As Conservator of the property of one Ambrose B. Shute of this State, I decided that it would be of benefit to our Government, and a safe investment for a fiduciary to make, to put \$30,000 into U. S. War Bonds, which I did. Later, upon the unexpected death of Mr. Shute, I became Executor of his estate, and under the provisions of his will, duty bound to turn the estate into cash for later distribution. If the aforesaid \$30,000 had been in American Telephone, or other equally good stock, I could have turned it into cash very promptly. What has been my experience with War Bonds? On July 1, I personally deposited said Bonds with the Federal Reserve Bank here in Boston, with a certified copy of my appointment as Executor. After ten days or so, this Bank sent me further documents to be executed. Then, after another delay I am informed that it is necessary for me to furnish a death certificate, although any intelligent person would know that I could not have been appointed Executor by the Middlesex Probate Court unless I had proved to the Court that Mr. Shute was dead. The death certificate I obtained gave his full name, Ambrose Bennett Shute. This, of course, caused further delay, and I received another deposition to be sworn to, not only by me, but by some other person who knew both me and the decedent. This document started out with the request that an explanation be given by the signers as to why the name in the War Bonds, "Ambrose B. Shute" was different from the name in my appointment as Executor, "Ambrose B. Shute". As there was no difference, I inferred that possibly what was wanted was an explanation that "Bennett" in the death certificate was what the "B" stood for. It is now six weeks and two days since I delivered the Bonds to the Bank and I have received no cash yet, and consequently I am losing interest on the \$30,000. When I receive this cash (if I ever do), and ultimately make the distribution,

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do you think I should be justified, or feel inclined, to advise the beneficiaries to buy U. S. War Bonds? I may add that in other trusts, and also as Attorney for clients, I have been instrumental in the purchase of over \$150,000 worth of War Bonds, and have, for myself, personally, \$6,000 of said Bonds. If my clients and I can look forward to the kind of treatment I am receiving, what encouragement is there for recommending the putting of funds into War Bonds? * * *

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Unfavorable Comments on Taxation

George M. Craig, Merchants National Bank, Port Arthur, Texas. Our bank has been busy for the last few months selling War Bonds and Stamps, employing a special teller to do this. We have advised such purchasers to rent a safe deposit box to keep such Bonds and Stamps safe from fire and burglars. We have just rented our last \$3.00 box, and about 95% of them were rented to wage earners and salaried people. Your policy of opposing a 5% retail Sales Tax on commodities, and yet imposing a 20% Sales Tax on safe deposit boxes just does not make sense. When we tell each safe deposit customer the reason the \$3.00 box costs them \$3.60, most of them don't like it.

Alden R. Ludlow, N.Y.C. The present Revenue Bill of 1942 passed by the House does not permit the individual taxpayer to deduct expense in litigation before the Board of Tax Appeals, in which the taxpayer has won the case of overassessment. * * * In my particular case, I was overassessed by the Bureau of Internal Revenue, and in the case before the Board of Tax Appeals, I won and received the refund for the illegal assessment made by the Bureau of Internal Revenue, and the same Bureau now refuses to allow me to deduct the heavy expense of prosecuting the case. I cannot find the Committee in either house taking any interest in amending the law under "nontrade or nonbusiness deductions". The excuse is that much more important questions are before the Committees. * * * The gossip is that the Treasury Dept. itself is blocking it deliberately. * * * This correction, wiping out an unjust Bureau procedure which illegally assesses and at the same time forbids the deduction of the taxpayer's expense from income, is a right a citizen should expect and enjoy from an honest Government.* * *

AUG 21 1942

My dear Mr. Secretary:

I am enclosing copy of report on our exports to some selected countries for the period ending July 31, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,
The Secretary of State,
Washington, D. C.

Enclosure.

HMM/eds
8/22/42

Return to Secretary's office

cc: Miss Chauncey
File to Dr. White
By Veach 9:00 a.m. - 8/22/42

August 17, 1942

Exports to Russia, Free China, Burma, France and other blocked countries, as reported to the Treasury Department during the eleven-day period ending July 31, 1942.

1. Exports to Russia

Exports to Russia as reported during the eleven-day period ending July 31, 1942 amounted to \$35,669,000. Among the military equipment exported were 73 bombers, 63 fighters and 87 tanks. (See Appendix G.)

2. Exports to Free China and Burma

Exports to Free China as reported during the eleven-day period under review amounted to \$3,066,000 as compared with \$590,000 during the previous ten-day period. Military equipment accounted for more than 64 percent of the total. (See Appendix D.)

Exports to Burma as reported during the period under review amounted to about \$2,000. (See Appendix E.)

3. Exports to France

Exports to France during the period under review amounted to about \$1,000.

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Portugal, Sweden and Switzerland amounting to about \$352,000, \$194,000 and \$142,000, respectively.

ISF/efs
8/17/42

SUMMARY OF UNITED STATES DOMESTIC EXPORTS TO SELECTED
COUNTRIES AS REPORTED TO THE TREASURY DEPARTMENT
FROM EXPORT DECLARATIONS RECEIVED DURING
THE PERIOD INDICATED 1/

July 28, 1941 to July 31, 1942.

(In thousands of dollars)

	July 28, 1941 to July 10, 1942	10-Day Period ended July 20, 1942	11-Day Period ended July 31, 1942	Total Domestic Exports July 28, 1941 to July 31, 1942
U. S. S. R.	\$673,409	\$33,940	\$35,592	\$742,941
Free China	94,064	590	3,066	97,720
Burma 2/	12,480	-	2	12,482
France 3/	56	-	1	57
Spain	2,849	5/	9	2,858
Switzerland	11,394	1	142	11,537
Sweden	17,862	-	194	18,056
Portugal	9,363	28	352	9,743
French North Africa 4/	6,283	-	22	6,305

Treasury Department, Division of Monetary Research

August 13, 1942

- 1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period.
- 2/ From September 11, 1941 to date — it is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.
- 3/ Includes both Occupied and Unoccupied France — no breakdown is obtainable from Department of Commerce.
- 4/ Includes Morocco, Algeria, and Tunisia.
- 5/ Less than \$500.

JMK-ef 8/13/42

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APPENDIX B

Exports from the U. S. to Free China, Burma and
U. S. S. R. as reported to the Treasury Department
July 28, 1941 - July 31, 1942 1/
(Thousands of Dollars)

	Exports to Free China	Exports to Burma 3/	Exports to U. S. S. R.
July 28 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		586
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	1		1,023
Sept. 2 - Sept. 6	204		4,260
Sept. 8 - Sept. 13	2,261	2/	5,217
Sept. 15 - Sept. 20	3,822	2/	752
Sept. 22 - Sept. 27	110	449	2,333
Sept. 29 - Oct. 4	1,225	684	323
Oct. 6 - Oct. 11	5,312	1,157	6,845
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	403	5,623
Oct. 27 - Nov. 1	4,772	58	4,484
Nov. 3 - Nov. 8	1,672	342	4,552
Nov. 10 - Nov. 15	2,851	88	2,677
Nov. 17 - Nov. 22	1,228	1,021	3,581
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10 4/	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28 5/	2,921	-	26,119
Mar. 1 - Mar. 10	2,879	23	32,509
Mar. 10 - Mar. 20	8,058	3	28,556
Mar. 20 - Mar. 31 6/	4,836	2	42,435
Apr. 1 - Apr. 10	4,836	447	51,698
Apr. 11 - Apr. 20	5,335	639	66,906
Apr. 21 - Apr. 30	2,827	-	50,958
May 1 - May 10 7/	296	-	28,652
May 11 - May 20	1,872	5	18,080
May 21 - May 31 6/	2,533	-	26,180
June 1 - June 10	3,332	234	12,764
June 11 - June 20	2,707	-	53,799
June 21 - June 30	1,664	.06	49,919
July 1 - July 10	7,900	45	35,657
July 11 - July 20	990	-	33,940
July 21 - July 31 6/	3,066	2	35,669
Total	\$100,323	\$11,369.06	\$743,760

APPENDIX B

Page 2

1. These figures are in part taken from copies of shipping manifests.
2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures are given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.
6. 11-day period.
7. Due to changes in reporting procedure by the Department of Commerce this report is incomplete for the period indicated.

SECRET

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APPENDIX C

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the eleven-day period ending
July 31, 1942

	Unit of <u>Quantity</u>	<u>Quantity</u>	Value (Thousands of Dollars)
TOTAL EXPORTS			\$ 35,669
Principal Items:			
Aircraft			
Medium bombers (2-eng. B-25)	No.	19	14,825
Light bombers (2-eng. A-20)	No.	54	
Fighters (1-eng. P-39)	No.	10	
Fighters (1-eng. P-40)	No.	53	
Military tanks			
Light tanks (M-3)	No.	40	4,880
Medium tanks (M-3)	No.	47	
Ammunition			
.30 caliber	No.	10,855,700	2,210
.32, .38 and .45 caliber	No.	2,552,000	
.50 caliber	No.	600,450	
Links and belts	No.	3,020,000	
37 mm. armor piercing	No.	202,940	
75 mm. armor piercing and high explosive	No.	32,204	
22 mm. tracer and high explosive	No.	60,000	
Motor trucks	No.	733	1,199
Iron & steel plates, sheets & strip	M.Lb.	20,329	987
Butter	Lb.	2,465,199	974
Ordnance combat vehicles			843
Scout cars	No.	412	
Others		49	
Sausage	Lb.	1,337,000	534

Treasury Department, Division of Monetary Research August 15, 1942

ISF/ers
8/15/42

APPENDIX B

**Principal Exports from U. S. to Free China
as Reported to the Treasury Department
during the eleven-day period ending
July 31, 1942**

(Thousands of Dollars)

TOTAL EXPORTS **\$ 3,066**

Principal Items:

Military equipment	1,970
Relief supplies - drugs and biologics	971
Radio receiving and transmitting sets and parts	64
Relief supplies - hospital and surgical	20

Treasury Department, Division of Monetary Research August 15, 1942

**ISF/efs
8/15/42**

APPENDIX E

**Principal Exports from U. S. to Burma
as reported to the Treasury Department
during the eleven-day period ending
July 31, 1942**

(Thousands of Dollars)

TOTAL EXPORTS	\$ 2
Principal Items:	
Truck and bus casings	2

Treasury Department, Division of Monetary Research August 15, 1942

**ISF/efs
8/15/42**

AUG 21 1942

My dear Mr. President:

I am enclosing report on our experts to
some selected countries for the period ending
July 31, 1942.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,
The White House.

Enclosure.

HEM/efs
8/27/42

cc: Miss Chauncey
File: Dr. White

Return to Secretary's office By Veach 9.00 a.m. 8/22/42

August 17, 1942

Exports to Russia, Free China, Burma, France and other blocked countries, as reported to the Treasury Department during the eleven-day period ending July 31, 1942.

1. Exports to Russia

Exports to Russia as reported during the eleven-day period ending July 31, 1942 amounted to \$35,669,000. Military equipment accounted for about 67 percent of the total. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China as reported during the eleven-day period under review amounted to \$3,066,000 as compared with \$590,000 during the previous ten-day period. Military equipment accounted for more than 64 percent of the total. (See Appendix D.)

Exports to Burma as reported during the period under review amounted to about \$2,000. (See Appendix E.)

3. Exports to France

Exports to France during the period under review amounted to about \$1,000.

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Portugal, Sweden and Switzerland amounting to about \$352,000, \$194,000 and \$142,000, respectively.

ISF/efs
8/17/42

SUMMARY OF UNITED STATES DOMESTIC REPORTS TO SELECTED COUNTRIES AS REPORTED TO THE TREASURY DEPARTMENT FROM EXPORT DECLARATIONS RECEIVED DURING THE PERIOD INDICATED 1/

July 28, 1941 to July 31, 1942.

(In thousands of dollars)

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Spain	2,849	5/	9	2,858
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Portugal	9,363	28	352	9,743
French North Africa 4/	6,283	-	22	6,305

Treasury Department, Division of Monetary Research

August 13, 1942

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- 3/ Includes both Occupied and Unoccupied France -- no breakdown is obtainable from Department of Commerce.
- 4/ Includes Morocco, Algeria, and Tunisia.
- 5/ Less than \$500.

JMM-of 8/13/42

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APPENDIX B
Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 28, 1941 - July 31, 1942 (Thousands of Dollars)

Month	Free China	Burma	U.S.S.R.	Total
July 28 - Aug. 2	295			
Aug. 4 - Aug. 9				
Aug. 11 - Aug. 16	309			
Aug. 18 - Aug. 23	2			
Aug. 25 - Aug. 30	204			
Sept. 1 - Sept. 6	2,261			
Sept. 8 - Sept. 13	110			
Sept. 15 - Sept. 20	110			
Sept. 22 - Sept. 27	1,225			
Sept. 29 - Oct. 4	5,312			
Oct. 6 - Oct. 11	5			
Oct. 13 - Oct. 18	269			
Oct. 20 - Oct. 25	4,772			
Oct. 27 - Nov. 1	1,672			
Nov. 3 - Nov. 8	2,852			
Nov. 10 - Nov. 15	1,228			
Nov. 17 - Nov. 22	3,279			
Nov. 24 - Nov. 29	1,921			
Dec. 1 - Dec. 6	1,364			
Dec. 8 - Dec. 13	64			
Dec. 15 - Dec. 20	18			
Dec. 22 - Dec. 27	111			
Dec. 29 - Jan. 3	1			
Jan. 5 - Jan. 10	35			
Jan. 12 - Jan. 17	91			
Jan. 19 - Jan. 24	1,695			
Jan. 26 - Jan. 31	6,938			
Feb. 1 - Feb. 10	4,869	1,054		
Feb. 10 - Feb. 20	4,853	583		
Feb. 20 - Feb. 28	2,921			
Mar. 1 - Mar. 10	2,879	23		
Mar. 10 - Mar. 20	8,098			
Mar. 20 - Mar. 31	2			
Apr. 1 - Apr. 10	4,856	447		
Apr. 11 - Apr. 20	5,335	639		
Apr. 21 - Apr. 30	2,827			
May 1 - May 10	296			
May 11 - May 20	1,872	5		
May 21 - May 31	2,533			
June 1 - June 10	3,399	234		
June 11 - June 20	2,707			
June 21 - June 30	2,664			
July 1 - July 10	7,900	45		
July 11 - July 20	1,990			
July 21 - July 28	1,056			
July 29 - Aug. 5	295			
Aug. 6 - Aug. 12	4,523			
Aug. 13 - Aug. 19	986			
Aug. 20 - Aug. 26	2,735			
Aug. 27 - Aug. 31	1,023			
Sept. 1 - Sept. 7	4,260			
Sept. 8 - Sept. 14	5,217			
Sept. 15 - Sept. 21	752			
Sept. 22 - Sept. 28	2,333			
Sept. 29 - Oct. 5	6,825			
Oct. 6 - Oct. 12	1,924			
Oct. 13 - Oct. 19	5,683			
Oct. 20 - Oct. 26	4,484			
Oct. 27 - Nov. 2	4,528			
Nov. 3 - Nov. 9	2,677			
Nov. 10 - Nov. 16	3,981			
Nov. 17 - Nov. 23	2,476			
Nov. 24 - Nov. 30	3,609			
Dec. 1 - Dec. 7	12,040			
Dec. 8 - Dec. 14	4,580			
Dec. 15 - Dec. 21	1,829			
Dec. 22 - Dec. 28	3,993			
Dec. 29 - Jan. 4	8,247			
Jan. 5 - Jan. 11	5,874			
Jan. 12 - Jan. 18	3,685			
Jan. 19 - Jan. 25	1,685			
Jan. 26 - Jan. 31	9,608			
Feb. 1 - Feb. 7	13,315			
Feb. 8 - Feb. 14	26,174			
Feb. 15 - Feb. 21	28,119			
Feb. 22 - Feb. 28	26,509			
Mar. 1 - Mar. 7	32,509			
Mar. 8 - Mar. 14	28,596			
Mar. 15 - Mar. 21	66,906			
Mar. 22 - Mar. 28	50,958			
Mar. 29 - Apr. 4	28,652			
Apr. 5 - Apr. 11	18,000			
Apr. 12 - Apr. 18	26,180			
Apr. 19 - Apr. 25	12,764			
Apr. 26 - May 2	53,799			
May 3 - May 9	49,919			
May 10 - May 16	35,657			
May 17 - May 23	35,940			
May 24 - May 30	35,669			
June 1 - June 7	4,523			
June 8 - June 14	986			
June 15 - June 21	2,735			
June 22 - June 28	1,023			
June 29 - July 5	4,260			
June 6 - June 12	5,217			
June 13 - June 19	752			
June 20 - June 26	2,333			
June 27 - July 3	6,825			
June 4 - June 10	1,924			
June 11 - June 17	5,683			
June 18 - June 24	4,484			
June 25 - July 1	4,528			
June 2 - July 8	2,677			
June 9 - June 15	3,981			
June 16 - June 22	2,476			
June 23 - June 29	3,609			
June 30 - July 6	12,040			
July 7 - July 13	4,580			
July 14 - July 20	1,829			
July 21 - July 27	3,993			
July 28 - Aug. 4	8,247			
July 5 - July 11	5,874			
July 12 - July 18	3,685			
July 19 - July 25	1,685			
July 26 - Aug. 1	9,608			
Aug. 2 - Aug. 8	13,315			
Aug. 9 - Aug. 15	26,174			
Aug. 16 - Aug. 22	28,119			
Aug. 23 - Aug. 29	26,509			
Aug. 30 - Sept. 5	32,509			
Aug. 6 - Aug. 12	28,596			
Aug. 13 - Aug. 19	66,906			
Aug. 20 - Aug. 26	50,958			
Aug. 27 - Sept. 2	28,652			
Aug. 3 - Aug. 9	18,000			
Aug. 10 - Aug. 16	26,180			
Aug. 17 - Aug. 23	12,764			
Aug. 24 - Aug. 30	53,799			
Aug. 31 - Sept. 6	49,919			
Sept. 7 - Sept. 13	35,657			
Sept. 14 - Sept. 20	35,940			
Sept. 21 - Sept. 27	35,669			
Sept. 28 - Oct. 4	4,523			
Sept. 5 - Sept. 11	986			
Sept. 12 - Sept. 18	2,735			
Sept. 19 - Sept. 25	1,023			
Sept. 26 - Oct. 2	4,260			
Sept. 3 - Sept. 9	5,217			
Sept. 10 - Sept. 16	752			
Sept. 17 - Sept. 23	2,333			
Sept. 24 - Sept. 30	6,825			
Oct. 1 - Oct. 7	1,924			
Oct. 8 - Oct. 14	5,683			
Oct. 15 - Oct. 21	4,484			
Oct. 22 - Oct. 28	4,528			
Oct. 29 - Nov. 4	2,677			
Oct. 5 - Oct. 11	3,981			
Oct. 12 - Oct. 18	2,476			
Oct. 19 - Oct. 25	3,609			
Oct. 26 - Nov. 1	12,040			
Oct. 2 - Nov. 8	4,580			
Oct. 9 - Oct. 15	1,829			
Oct. 16 - Oct. 22	3,993			
Oct. 23 - Oct. 29	8,247			
Oct. 30 - Nov. 5	5,874			
Oct. 6 - Nov. 12	3,685			
Oct. 13 - Oct. 19	1,685			
Oct. 20 - Oct. 26	9,608			
Oct. 27 - Nov. 2	13,315			
Oct. 3 - Oct. 9	26,174			
Oct. 10 - Oct. 16	28,119			
Oct. 17 - Oct. 23	26,509			
Oct. 24 - Oct. 30	32,509			
Nov. 1 - Nov. 7	28,596			
Nov. 8 - Nov. 14	66,906			
Nov. 15 - Nov. 21	50,958			
Nov. 22 - Nov. 28	28,652			
Nov. 29 - Dec. 5	18,000			
Nov. 6 - Nov. 12	26,180			
Nov. 13 - Nov. 19	12,764			
Nov. 20 - Nov. 26	53,799			
Nov. 27 - Dec. 3	49,919			
Nov. 4 - Nov. 10	35,657			
Nov. 11 - Nov. 17	35,940			
Nov. 18 - Nov. 24	35,669			
Nov. 25 - Dec. 1	4,523			
Nov. 2 - Nov. 8	986			
Nov. 9 - Nov. 15	2,735			
Nov. 16 - Nov. 22	1,023			
Nov. 23 - Nov. 29	4,260			
Nov. 30 - Dec. 6	5,217			
Dec. 7 - Dec. 13	752			
Dec. 14 - Dec. 20	2,333			
Dec. 21 - Dec. 27	6,825			
Dec. 28 - Jan. 4	1,924			
Dec. 5 - Dec. 11	5,683			
Dec. 12 - Dec. 18	4,484			
Dec. 19 - Dec. 25	4,528			
Dec. 26 - Jan. 1	2,677			
Dec. 2 - Dec. 8	3,981			
Dec. 9 - Dec. 15	2,476			
Dec. 16 - Dec. 22	3,609			
Dec. 23 - Dec. 29	12,040			
Dec. 30 - Jan. 5	4,580			
Dec. 6 - Dec. 12	1,829			
Dec. 13 - Dec. 19	3,993			
Dec. 20 - Dec. 26	8,247			
Dec. 27 - Jan. 2	5,874			
Dec. 3 - Dec. 9	3,685			
Dec. 10 - Dec. 16	1,685			
Dec. 17 - Dec. 23	9,608			
Dec. 24 - Dec. 30	13,315			
Jan. 1 - Jan. 7	26,174			
Jan. 8 - Jan. 14	28,119			
Jan. 15 - Jan. 21	26,509			
Jan. 22 - Jan. 28	32,509			
Jan. 29 - Feb. 4	28,596			
Jan. 5 - Jan. 11	66,906			
Jan. 12 - Jan. 18	50,958			
Jan. 19 - Jan. 25	28,652			
Jan. 26 - Feb. 1	18,000			
Jan. 2 - Feb. 8	26,180			
Jan. 9 - Jan. 15	12,764			
Jan. 16 - Jan. 22	53,799			
Jan. 23 - Jan. 29	49,919			
Jan. 30 - Feb. 5	35,657			
Jan. 6 - Jan. 12	35,940			
Jan. 13 - Jan. 19	35,669			
Jan. 20 - Jan. 26	4,523			
Jan. 27 - Feb. 2	986			
Jan. 3 - Jan. 9	2,735			
Jan. 10 - Jan. 16	1,023			
Jan. 17 - Jan. 23	4,260			
Jan. 24 - Jan. 30	5,217			
Feb. 1 - Feb. 7	752			
Feb. 8 - Feb. 14	2,333			
Feb. 15 - Feb. 21	6,825			
Feb. 22 - Feb. 28	1,924			
Feb. 29 - Mar. 6	5,683			
Feb. 7 - Feb. 13	4,484			
Feb. 14 - Feb. 20	4,528			
Feb. 21 - Feb. 27	2,677			
Feb. 28 - Mar. 6	3,981			
Feb. 7 - Feb. 13	2,476			
Feb. 14 - Feb. 20	3,609			
Feb. 21 - Feb. 27	12,040			
Feb. 28 - Mar. 6	4,580			
Feb. 7 - Feb. 13	1,829			
Feb. 14 - Feb. 20	3,993			
Feb. 21 - Feb. 27	8,247			
Feb. 28 - Mar. 6	5,874			
Feb. 7 - Feb. 13	3,685			
Feb. 14 - Feb. 20	1,685			
Feb. 21 - Feb. 27	9,608			
Feb. 28 - Mar. 6	13,315			
Mar. 7 - Mar. 13	26,174			
Mar. 14 - Mar. 20	28,119			
Mar. 21 - Mar. 27	26,509			
Mar. 28 - Apr. 4	32,509			
Mar. 5 - Mar. 11	28,596			
Mar. 12 - Mar. 18	66,906			
Mar. 19 - Mar. 25	50,958			
Mar. 26 - Apr. 1	28,652			
Mar. 2 - Mar. 8	18,000			
Mar. 9 - Mar. 15	26,180			
Mar. 16 - Mar. 22	12,764			
Mar. 23 - Mar. 29	53,799			
Mar. 30 - Apr. 5	49,919			
Mar. 6 - Mar. 12	35,657			
Mar. 13 - Mar. 19	35,940			
Mar. 20 - Mar. 26	35,669			
Mar. 27 - Apr. 2	4,523			
Mar. 3 - Mar. 9	986			
Mar. 10 - Mar. 16	2,735			
Mar. 17 - Mar. 23	1,023			
Mar. 24 - Mar. 30	4,260			
Mar. 31 - Apr. 6	5,217			
Apr. 7 - Apr. 13	752			
Apr. 14 - Apr. 20	2,333			
Apr. 21 - Apr. 27	6,825			
Apr. 28 - May 4	1,924			
Apr. 5 - Apr. 11	5,683			
Apr. 12 - Apr. 18	4,484			
Apr. 19 - Apr. 25	4,528			
Apr. 26 - May 2	2,677			
Apr. 3 - Apr. 9	3,981			
Apr. 10 - Apr. 16	2,476			
Apr. 17 - Apr. 23	3,609			
Apr. 24 - Apr. 30	12,040			
May 1 - May 7	4,580			
May 8 - May 14	1,829			
May 15 - May 21	3,993			
May 22 - May 28	8,247			
May 29 - Jun. 4	5,874			
May 5 - May 11	3,685			
May 12 - May 18	1,685			
May 19 - May 25	9,608			
May 26 - Jun. 1	13,315			

APPENDIX B

Page 2

1. These figures are in part taken from copies of shipping manifests.
2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures are given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.
6. 11-day period.
7. Due to changes in reporting procedure by the Department of Commerce this report is incomplete for the period indicated.

Treasury Department, Division of Monetary Research August 15, 1942

ISV/efs
8/15/42

APPENDIX C

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the eleven-day period ending
July 31, 1942

(Thousands of Dollars)

TOTAL EXPORTS

\$ 35,669

Principal Items:

Military equipment	24,020
Motor trucks	1,199
Iron and steel plates, sheets and strip	987
Butter	974
Sausage	574
Track-laying tractors	446
Ham and bacon	424
Tires and tubes	404

Treasury Department, Division of Monetary Research August 15, 1942

ISF/efs
8/15/42

APPENDIX D

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the eleven-day period ending
July 31, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 3,066
Principal Items:	
Military equipment	1,970
Relief supplies - drugs and biologics	971
Radio receiving and transmitting sets and parts	64
Relief supplies - hospital and surgical	20

Treasury Department, Division of Monetary Research August 15, 1942
ISF/efe
8/15/42

APPENDIX E

**Principal Exports from U. S. to Burma
as Reported to the Treasury Department
during the eleven-day period ending
July 31, 1942**

(Thousands of Dollars)

TOTAL EXPORTS	\$ 2
Principal Items:	
Truck and bus casings	2

Treasury Department, Division of Monetary Research August 15, 1942

**107/ofs
8/15/42**

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

August 21, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended August 12, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.



inc-5/21/42

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

August 20, 1942

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

I am enclosing our compilation for the week ended August 12, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy:vw:8-21-42

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

Week Ended August 12, 1942

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE						
	DEBITS			CREDITS					DEBITS			CREDITS			Net Incr. (+) or Decr. (-) in Balance
	Total Debits	Gov't Expenditures (a)	Other Debits	Total Credits	Proceeds of Sale of Gold	Securities (Official) (b)	Other Credits (c)	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Gov't Expenditures (d)	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	
First year of war (8/29/39-8/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	866.3(a)	416.6(e)	449.7	1,095.3(f)	900.2	195.1(e)	+229.0
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1
Second year of war (8/29/40-8/27/41)**	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1
1941															
Aug. 28 - Oct. 1	140.9	105.9	35.0	176.2	20.1	2.0	154.1	+ 35.3	0.3	-	0.3	0.5	-	0.5	+ 0.2
Oct. 2 - Oct. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	+ 41.9	0.3	-	0.3	0.3	-	0.3	-
Oct. 30 - Dec. 3	156.1	111.6	44.5	134.6	-	1.0	133.6	- 21.5	16.1	-	16.1	0.4	-	0.4	- 15.7
Dec. 4 - Dec. 31	88.4	69.6	18.8	51.5	-	-	51.5	- 36.9	0.8	-	0.8	0.4	-	0.4	- 0.4
1942															
Jan. 1 - Jan. 28	102.3	73.2	29.1	69.3	-	0.5	68.8	- 33.0	0.2	-	0.2	0.4	-	0.4	+ 0.2
Jan. 29 - Feb. 25	87.2	63.8	23.4	57.2	-	1.0	56.2	- 30.0	-	-	-	0.3	-	0.3	+ 0.3
Feb. 26 - Apr. 1	121.4	86.4	35.0	171.4	-	-	171.4	+ 50.0	0.1	-	0.1	0.4	-	0.4	+ 0.3
Apr. 2 - Apr. 29	6.1	64.2	33.9	70.5	-	0.5	70.1	- 27.5	0.2	-	0.2	0.4	-	0.4	+ 0.2
Apr. 30 - June 3	104.0	81.4	22.6	165.7	-	-	165.7	+ 61.7	-	-	-	0.3	-	0.3	+ 0.3
June 4 - July 1	89.9	72.6	17.3	113.6	-	-	113.6	+ 23.7	-	-	-	0.3	-	0.3	+ 0.3
July 2 - July 29	65.1	45.9	20.2	84.4	-	-	84.4	+ 18.3	0.1	-	0.1	0.3	-	0.3	+ 0.2
WEEK ENDED:															
July 22	10.2	5.6	4.6	31.2	-	-	31.2	+ 21.0	0.1	-	0.1	0.1	-	0.1	-
29	14.8	9.2	5.6	10.9	-	-	10.9	+ 3.9	-	-	-	-	-	-	-
Aug. 5	19.6	16.7	2.9	23.3	0.9	-	22.4	+ 3.7	-	-	-	0.1	-	0.1	+ 0.1
12	15.7	12.2	3.5	9.6	-	-	9.6(f)	- 6.1	0.2	-	0.2	0.1	-	0.1	- 0.1

Average Weekly Expenditures Since Outbreak of War
France (through June 19, 1940) \$19.6 million

England (through June 19, 1940) 27.6 million
England (since June 19, 1940) 36.0 million

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

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

Week ended August 12, 1942 \$ -
Cumulation from July 6, 1940 \$ 162.7

million
million

- [REDACTED]
- (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) Includes \$3.7 million deposited by British Ministry of Supplies.

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

Weak Ended Aug. 12, 1942 Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)						
	DEBITS				CREDITS					DEBITS			CREDITS			
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
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	6.1	+ 4.9
War period through December, 1940	471.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (8/29/40-8/27/41)**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Aug. 28 - Oct. 1 1941	23.1	-	23.1	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	- 7.9
Oct. 2 - Oct. 29	37.4	-	37.4	19.7	11.9	-	-	7.8	- 17.7	8.2	5.5	2.7	8.0	5.9	2.1	+ 0.2
Oct. 30 - Dec. 3	52.8	0.1	52.7	32.5	19.3	-	-	13.2	- 20.3	10.3	15.9	3.4	11.6	9.0	2.6	+ 1.3
Dec. 4 - Dec. 31	47.7	-	47.7	22.2	17.3	-	-	4.9	- 25.5	3.9	1.8	2.1	2.8	0.2	2.6	- 1.1
1942																
Jan. 1 - Jan. 28	39.5	-	39.5	33.0	27.0	-	-	6.0	- 6.5	4.5	-	4.5	10.8	-	10.8	+ 6.3
Jan. 29 - Feb. 25	34.1	-	34.1	35.7	12.4	-	-	23.3	+ 1.6	8.4	5.3	3.1	1.6	-	1.6	- 6.8
Feb. 26 - Apr. 1	46.5	-	46.5	99.3	20.5	7.7	-	71.1	+ 52.8	7.8	1.3	6.5	3.6	-	3.6	- 4.2
Apr. 2 - Apr. 29	37.4	-	37.4	35.9	14.2	-	-	21.7	- 1.5	10.9	8.0	2.9	16.8	-	16.8	+ 5.9
Apr. 30 - June 3	54.2	-	54.2	47.9	15.7	-	-	32.2	- 6.3	13.2	9.5	3.7	14.6	-	14.6	+ 1.4
June 4 - July 1	47.2	-	47.2	72.9	14.7	-	-	58.2	+ 25.7	2.5	0.5	2.0	3.0	-	3.0	+ 0.5
July 2 - July 29	40.8	-	40.8	37.7	9.0	-	-	28.7	- 3.1	19.1	15.0	4.1	19.5	-	19.5	+ 0.4
WEEK ENDED:																
July 22	13.3	-	13.3	7.3	3.3	-	-	4.0	- 6.0	-	-	-	0.9	-	0.9	+ 0.9
29	9.8	-	9.8	8.8	2.0	-	-	6.8	- 1.0	3.5	3.0	0.5	0.3	-	0.3	- 3.2
Aug. 5	4.0	0.2	3.8	15.1	3.1	-	-	12.0	+ 11.1	2.5	1.0	1.5	0.4	-	0.4	- 2.1
12	10.7	-	10.7	14.9	7.3	-	-	7.6(a)	+ 4.2	0.8	-	0.8	0.7	-	0.7	- 0.1

Weekly Average of Total Debits Since Outbreak of War

Through August 12, 1942 \$ 8.1 million

- * For monthly breakdown see tabulations prior to April 23, 1941.
- ** For monthly breakdown see tabulations prior to October 8, 1941.
- (a) Includes \$3.3 million maturing Treasury bills.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose Statement No. 47 - Aircraft Despatched
- for week ended August 18th, 1942.

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

August 21, 1942.

STATEMENT No. 47

ST SECRET

Aircraft despatched from the United States
Week ended August 18, 1942.

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERY FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
4D	U.K.	Canada en route		3	
Y-5B	U.K.	U.K.		5	
	U.K.	Canada en route		2	
<u>BRITISH</u>					
WYHAWKS	Middle East	Port Sudan	20		
<u>CHILD</u>					
26 CORNELL	Canada	Canada		11	
<u>LOCKHEED</u>					
8 HUDSON VI	Middle East	Middle East		9	
8 HUDSON VIA	Middle East	Middle East		1	
WYFURA	U.K.	Canada en route		1	
"	South Africa	South Africa		4	
<u>BENN MARTIN</u>					
6A MARAUDER	Middle East	Middle East		4	
<u>WORTH AMERICAN</u>					
5C	U.K.	Canada en route		1	
<u>ATHROP</u>					
WYGEANCE	INDIA	Bombay	26		
"	U.K.	U.K.	14		
		TOTAL	60	30	11

BRITISH AIR COMMISSION
August 21, 1942.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 286

Information received up to 7 A.M., 21st August, 1942.

1. NAVAL

One of H.M. Armed Merchant Cruisers escorting a homeward bound convoy from FREETOWN was torpedoed on the 18th but is able to proceed.

In an engagement with E-boats off YARMOUTH on 19th/20th one E-boat was seriously damaged by one of H.M. Destroyers.

On the 18th one of our Destroyers captured 14 Danish fishing vessels off the DOGGER BANK. One was sunk after capture and the remainder have arrived in East Coast ports.

A Russian submarine claims to have sunk 2 ships of 6,000 and 8,000 tons in the BALTIC on the 8th and 11th. 2 Russian submarines were reported lost on patrol in Northern waters in July and a third is overdue and presumed lost. One of H.M. submarines attacked, with gunfire, a southbound goods train on the mainland north of MESSINA on the 8th. One of H.M. Submarines torpedoed a southbound ship of 5,000 tons off the West Coast of GREECE yesterday.

2. MILITARY

RUSSIA. In the Middle Don Sector the Germans are now in possession of the greater part of the north-east corner of the river bend though the Russians retain bridgeheads there and continue to resist strongly. West of STALINGRAD the Germans may have succeeded in crossing the river. In CAUCASIA German forces continue their advance towards the Lower Kuma River while those thrusting through the CAUCASUS Mountains have made further progress. The Germans have also gained ground south of the lower KUBAN towards TUAPSE and NOVOROSSISK.

3. AIR OPERATIONS

WESTERN FRONT. 20th. 11 U.S. Fortresses bombed the railway centre at AMIENS. 39 Squadrons of fighters, including 3 U.S. Squadrons operated as escort and on three diversionary sweeps. 1 F.W.190 was destroyed, another probably destroyed and a third damaged. A German float plane was destroyed off DIEPPE and a JU 88 damaged off NORFOLK. One Spitfire is missing. A Lancaster and a Hudson (three crew rescued) were lost on anti-shipping patrols.

- 2 -

20th/21st. 65 bombers were despatched - sea-mining off Western France 36, in BALTIC 24, leaflets, FRANCE 5. 7 aircraft are missing and one crashed. About 18 enemy aircraft dropped a few bombs in HAMPSHIRE and SUSSEX chiefly in country districts round PORTSMOUTH. 1 heavy bomber was destroyed by a Beaufighter off BEACHY HEAD.

EGYPT. 18th/19th. TOBRUK HARBOUR was bombed and one ship probably hit. An enemy vessel in a southbound convoy north of TOBRUK was probably hit by torpedo.

19th. Our fighter bombers attacked M.T. in the central sector. A covering fighter sweep destroyed four enemy fighters, probably destroyed four and damaged four more.

8-21-42

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INTELLIGENCE REPORT

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OFFICE OF
WAR INFORMATION
BUREAU OF
INTELLIGENCE

COPY No. 7

Henry Morgenthau, Jr.

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NEWS EMPHASIS

Good news from the Solomon Islands brought this sector of the war flaring back into banner headlines after a few days of obscurity. Handling of the story, in both press and radio, has been dramatic, yet there was little tendency to minimize American dangers and losses. Rivaling it for attention among the fighting fronts was news of the continuing battle for the Caucasus. In general, the war stories were reported with more hopeful overtones during the past week, although the seriousness of the Russian situation was not disguised. American bombing raids helped to give the headlines a somewhat optimistic tone. And Prime Minister Churchill's visit to Moscow was dramatized hopefully.

News from India dropped to a subordinate position. Emphasis was placed on British statements that violence had been brought under control. Newspapers, indeed, seemed deliberately to play the situation down. Radio commentators were more prone to stress its importance.

On the home front, material shortages remained a subject of prime interest. A number of speculative stories discussed criticism of the WPB in regard to supply allocations and the Kaiser plan. The strike at the Bayonne plant of the General Cable Corporation highlighted the problem of wildcat walk-outs. But news interest died down when the Navy took over.



EDITORIAL ATTITUDES

Military Front

Editorial criticism of military issues evaporated into cheers this week over reports of the American offensive in the Solomons. The action was widely interpreted as a part of global strategy,

a number of commentators suggesting that it may have averted a Japanese thrust at Siberia. Toward the end of the week, there was a tendency to abandon earlier caution and describe the American attack as a major success and the beginning of a great offensive.

Satisfaction over the Solomons was carried over into encouragement respecting the Russian front. Commentators reviewing the situation stressed the gravity of the German conquest of the Maikop oil fields. But there seemed little fear of a Russian collapse. Some insisted, indeed, that the Germans had failed in their main objectives. Major George Fielding Eliot, for example, declared, "The German eruption into the northern Caucasian area is a military operation which must move much farther before it can be considered a permanent success. A stalemate now would be tantamount to German defeat."

Agitation for the opening of a second front all but ceased. Comment on this issue was cautious, generally suggesting that the decision must be left to the United Nations leadership.

The meeting of allied leaders in Moscow was commonly interpreted as a hopeful portent of concerted action. The New York Herald-Tribune said of it: "Short of the announcement of a major victory, it is difficult to imagine better news than that conveyed in the communique reporting Mr. Churchill's visit to Moscow." On the air, Raymond Gram Swing found "the presence of Churchill in Russia ... a symbol of the reality of Britain's concern over what is happening in Russia" and called the meeting "an occasion with the life and civilization of nations at stake."

Despite the paucity of news about India, the volume of comment on the Indian problem has been abundant. By no means all of the discussion remains sympathetic to the British. A number of critics express uneasiness over the

way in which the problem has been handled, particularly over the news that whipping is to be employed. In this connection, the New York Times remarked, "If they mean to recognize the freedom and equality of the Indian people, they must not use against a rebellious minority any measures that they would not use against a similar minority in Britain itself."

Much of the uneasiness about the problem in India arises from a sense that Britain's conduct may not be wholly consistent with the stated ideals of the United Nations. Columnist Raymond Clapper observed: "The first anniversary of the Atlantic Charter should have been an important morale event, but it was muffled under the turbulent news from India. The noble words give off just now a slightly hollow ring against the noise of riots in the Gandhi campaign for immediate independence."

Production

Discussion of developing shortages of war materials continued heavy in volume, but changed in tone, to some extent, from mere grumbling to more considered concern. A number of commentators rose to the defense of Donald Nelson. Others refrained from charging him with full blame for the shortcomings they saw in the War Production Board. The St. Louis Post Dispatch, for example, declared that "If the present WPB setup can't produce results, then, as Senator Truman says, Donald Nelson 'should exercise his authority and reorganize the iron and steel division' of his organization."

Walter Lippmann loftily reproved the production chief for "his excessively patient way". He declared that Mr. Nelson must "participate in the planning of the war at the level of General Marshall and Admiral King, and of the combined chiefs of staff, and of the British Minister of Production." It is a

common complaint that Mr. Nelson has not been sufficiently tough.

The Scripps-Howard newspapers have been tilting their lance at UPB on behalf of Henry Kaiser and his cargo plane plan. They charge that the West coast shipbuilder was given the "old bureaucratic run-around." Other commentators, too, reveal dissatisfaction with the way in which Kaiser has been treated.

Attention was diverted from the technical to the human problems of production by the strike at the General Cable Corporation plant in Bayonne, New Jersey. The strike was vehemently condemned. And while commentators approved the prompt seizure of the plant by the Navy, they were avid for more drastic punishment of the strikers. Even the relatively liberal Philadelphia Record said: "Draft into the Army, immediately, the leaders of illegal strikes, their aides, and as many more as may be necessary to convince war workers generally that Uncle Sam is not going to allow them to let down their countrymen at the fighting fronts."

Politics

Comment on the primaries figured among the top editorial topics of the week. The renomination of Hamilton Fish was condemned by most commentators. But a majority also appeared pleased to be able to interpret the renomination of other ex-isolationists as a repudiation of the President's formula for judging candidates by their attitude prior to Pearl Harbor. Like the Detroit Free Press, they argued that any presidential interest in political affairs amounted to "attempted dictation from the outside."

The Chicago Tribune, with its customary restraint, declared in a front page editorial on Mr. Fish's victory that "The outcome of the primary was a

deserved rebuke to a vindictive and unscrupulous administration, determined to punish anyone who had dared to show some independence of mind before Pearl Harbor."



POPULAR REACTIONS

War News

There is a natural correspondence between the handling of news by editors and popular appraisal of events. The stories to which newspaper headlines and radio newscasters give prime attention are the stories upon which public interest is focussed. Thus, when the Bureau of Intelligence asked people to name the most important event of the past week, a majority chose the battle of the Solomon Islands. Second in importance, to the man in the street, was the fighting in the Caucasus.

Most people considered the offensive in the Solomon Islands to be good news. Despite continuing reverses on the Russian front and difficulties in India, there was a marked swing of public opinion toward a belief that the week's war news was generally favorable for the United Nations.

The Bureau of Intelligence, on Friday, August 14, asked a small national sample the same question which it had put to a comparable cross section on July 31 -- "Do you think the war news as a whole this past week has been generally favorable for our side or generally unfavorable?" The results for the two interviewing dates are shown in the following table:

	<u>July 31</u>	<u>August 14</u>
Favorable	21%	46%
50-50	14	16
Unfavorable	53	29
Don't know	12	9

Battle for the Caucasus

Some light is shed on the seriousness with which the American public views the Russian reverses by another question put to the small sample last Friday — "If Russia doesn't get more help from the allies than she is getting now, do you think Russia will be able to hold out against the Germans until this winter?" The division of opinion on this question was fairly even, with a considerable minority undecided. Thirty-eight per cent answered "Yes"; 43 per cent said "No"; 19 per cent expressed no opinion.

Apparently the plight of the Russians is considered grave when it is called to the attention of respondents in these terms. But spontaneous references to the gravity of the Russian situation are not frequent in response to generalized questions about the progress of the war. The full implications of a Russian defeat for the United Nations cause do not appear to be widely understood.

Public opinion is also split rather evenly as to the way in which Russia can best be aided by her allies. The chart immediately below shows the division of opinion expressed by people in response to a question posed August 14 and designed to discover their preference respecting methods of opening up a second front in Europe.

DURING THE NEXT TWO OR THREE MONTHS DO YOU THINK THE ALLIES SHOULD...



Concentrate on increasing their bombing attacks on Germany?

40%



Try to land troops somewhere in Europe to try to attack Germany?

38%



Don't know

22%

Production

The statement regarding production problems issued by the Office of War Information, together with considerable publicity about raw material shortages, seems to have dampened public optimism concerning our productive effort. People are no longer quite so prone as they were a few weeks ago to feel that our output of war material is all that it should be. The table which follows shows the trend of opinion on this subject:

"In general, do you think that production of war materials in this country is going along very well, only fairly well, or poorly?"

	Early July	Late July	Mid-August
Very well	67%	50%	42%
Only fairly well	23	40	43
Poorly	2	4	10
Don't know	8	6	5

Prices

About one-third of the public has sufficient confidence in price control to believe that prices will remain at current levels during the year ahead. More than half of those interviewed believe there will be a rise in prices. Among those anticipating increases, a majority expects that they will be considerable; but a sizeable minority thinks they will be only slight.

DO YOU EXPECT THAT IN THE NEXT YEAR PRICES ON MOST THINGS AROUND HERE WILL GO UP STAY ABOUT THE SAME OR GO DOWN?



Go up

56%

29%

21%

5%



Stay about the same

36%



Other

8%

The Aftermath of Isolationism*

Those Americans who, prior to Pearl Harbor, held views which were commonly called "isolationist" show little embarrassment about acknowledging them today. Either they remain convinced that they were right in their earlier opinion or they believe that the errors demonstrated by hindsight are no cause for consternation. The fact is that when they are asked now to recall the attitudes they held before December 7, they show no hesitation in acknowledging that they were opposed at that time to American intervention in the conflict.

A study prepared by the Princeton University Office of Public Opinion Research sheds interesting light on the attitudes of this group. Last November the Princeton research agency asked the following question of a national cross section: "Which of these two things do you think is more important for the United States to try to do: (1) To help Britain even at the risk of getting into the war or (2) To keep out of war ourselves?" The latter alternative was chosen by 28 per cent.

In June of 1942, a comparable sample of the public was asked: "Before the Japanese attacked us at Pearl Harbor a lot of people thought we should try to keep out of war, rather than run the risk of getting in by sending supplies to England and Russia. Were you in favor of risking war by sending supplies to England or were you in favor of trying to keep out of the war?" Thirty-five per cent put themselves in the second category.

The readiness with which people now acknowledge that they were on the isolationist side before American entry into the war lends small

* Reprinted from Intelligence Report #36

encouragement to those interested in the defeat of "isolationist" Congressmen. Candidates are unlikely to encounter any greater hostility because of their views on war issues today than they would have last November.

An analysis of those who say they preferred avoiding war to aiding Britain, prior to American involvement, shows that they continue to be markedly less in favor of vigorous offensive action than the majority of the public. The chart on the following page illustrates contrasts between the attitudes of those who said that, before Pearl Harbor, they favored risking war (interventionists) and those who said they favored keeping out of war (non-interventionists).

Nationwide Gas Rationing

The following table summarizes the views of a nationwide cross section on the question of whether gasoline rationing is necessary throughout the country.

	RATIONED AREA			NON-RATIONED AREA		
	Car	No Car	Total	Car	No car	Total
Necessary	51%	56%	53%	27%	41%	31%
Not necessary	39	24	33	60	38	54
Not ascertainable	10	20	14	13	21	15

Interviews were conducted late in July. In general, they confirmed the findings of two telegraphic polls conducted during the first half of July and reported in Survey No. 33.

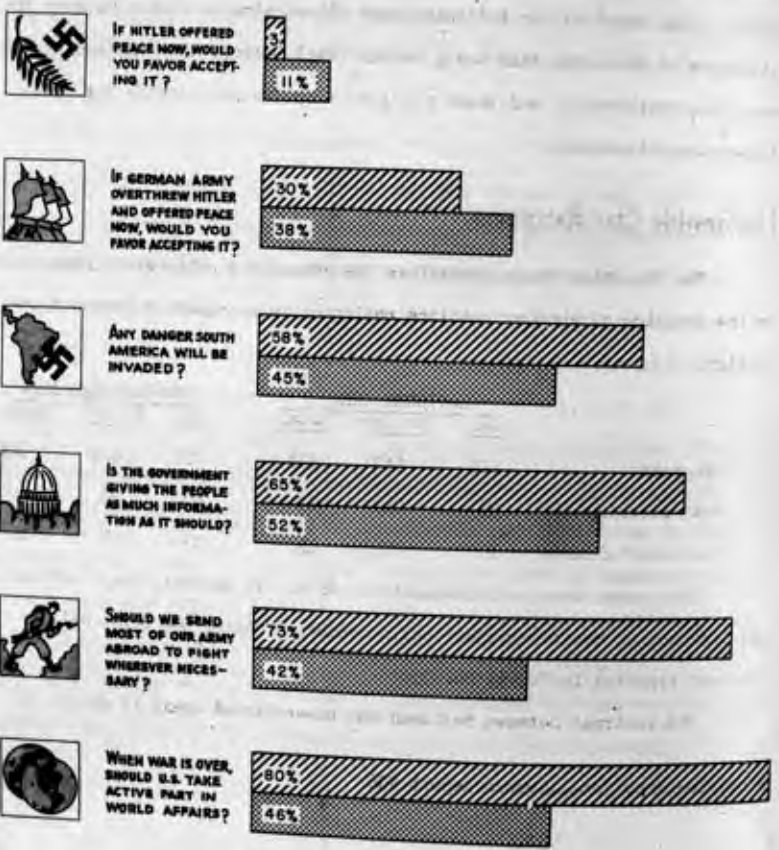
The contrast between rationed and non-rationed areas is sharp. A

* Reprinted from Intelligence Report #36

CONTRASTING VIEWS ON SOME WAR ISSUES

"YES" ANSWERS ONLY:

 Pre-Pearl Harbor Interventionists  Pre-Pearl Harbor Non-Interventionists



majority of people in areas which now have gasoline rationing believed that a nationwide program should be instituted. People in non-rationed areas, on the other hand, were reluctant to accept rationing. In both areas those who did not own cars were somewhat more likely to approve of gas rationing.

Respondents who felt that nationwide gasoline rationing is necessary were asked to tell why. Almost half of them mentioned the need for conserving gasoline — either to supply the armed forces or for some unspecified use in connection with war effort. The reason given by the next largest group of respondents was the need for conserving rubber. In areas where rationing now prevails many people also stressed the importance of equality of sacrifice; they felt that the entire country, and not simply the East, should bear the burden of gasoline rationing.

Of those who felt that nationwide rationing is unnecessary, the largest single group maintained that there is no real shortage of gas. Especially in non-rationed areas, many respondents took the position that any shortage which does exist is due solely to transportation, so that nationwide rationing is unjustified.

Those interviewed were also asked: "Do you think there is a serious rubber shortage in this country now?" Two-thirds replied in the affirmative, and had the word "now" not been included in the question even more might have done so. People in areas where gasoline rationing is now in effect were a little more prone than people in other parts of the country to feel that there is a serious rubber shortage.

Those respondents who said that nationwide gasoline rationing is unnecessary, or who were doubtful about it, were asked the following question:

"Do you think we may have a rubber shortage which is so serious that we will have to ration gasoline all over the country in order to save tires?" Thus reminded of the interrelationship between gasoline rationing and rubber conservation, half of those questioned modified their previously expressed views and acknowledged that such a course might sometime be necessary. This surprising and significant turnabout suggests that large numbers of people now opposed to nationwide gas rationing can be persuaded to accept it if sufficient emphasis is put on its value in conserving rubber.

(For tables and further details see "Gasoline Rationing," Special Report #14, Extensive Surveys Division, available on request to the Bureau of Intelligence.)

Fear of Sabotage

Americans are inclined to feel that their fellow countrymen are not greatly worried over the danger of sabotage. But they think that there is now greater awareness of this danger and a greater fear of it than there was a few weeks ago.

Shortly after the capture of the eight Nazi saboteurs who landed from submarines on Long Island and in Florida, the Bureau of Intelligence put this question to a national sample: "Are most of the people you know really worried about the chances of sabotage in this country or do they think things are pretty well under control?" The first alternative was chosen by 32 per cent of those interviewed; 57 per cent chose the second alternative; 11 per cent did not know how to answer the question.

Proximity to the scene of the saboteurs' landings seems to have encouraged a belief that people are fearful respecting the sabotage danger. Respondents in East coast communities were most inclined to say that people

are worried, while those on the West coast were least prone to hold this opinion.

The Bureau also asked the sample the following question: "Do you think people are more worried now than they were a couple of weeks ago?" Fifty-nine per cent answered "Yes"; 34 per cent said "No"; seven per cent expressed no opinion. Again the East coast led the rest of the country in thinking the public was "worried", while the West was lowest in this opinion. Indeed, among West coast respondents who expressed opinions, a slight majority felt that the public was no more alarmed than it had been two weeks earlier.

There is a majority feeling among Americans that the Government should make public information concerning the capture of spies or saboteurs. The question asked in this connection did not relate specifically to the recently publicized trial of German saboteurs, but was general in nature — "Do you think the Government should tell the public when they catch spies and Nazi agents in this country, or do you think they should keep it quiet?" Fifty-five per cent were in favor of telling the public; 35 per cent were in favor of keeping it quiet; 10 per cent left the question unanswered.

The chief reason offered in support of the contention that the Government should release information of this sort was that it would make the public more vigilant. Conversely, the reason most commonly advanced for the contrary opinion was that it would put the enemy on guard and increase the difficulty of capturing other enemy agents.

Attitudes Toward Aliens

Publicity concerning the recent trial of the Nazi saboteurs appears to have heightened a prevailing feeling that the Germans are the most dangerous

of the alien groups in the United States. The following table illustrates the shift of opinion on this topic between April and July: "Which of these alien groups in the United States do you think is the most dangerous; the Japanese, Germans, or Italians?"

	<u>April</u>	<u>July</u>
Germans	46%	51%
Japanese	35	26
Italians	2	1
All the same	11	15
Not ascertainable	6	7

Despite the fact that a majority of Americans considers the Germans the most dangerous alien group residing here and that no more than one per cent puts the Italians in this category, three-fourths of the public think that all three alien groups should be treated alike. Apparently the belief that Italians are less dangerous than Germans does not remove the fear that they are, nevertheless, a real threat to our security.

In an earlier study, conducted during the first part of June, a similar disinclination to consider Italians as menacing as Germans was apparent. At that time the sample was asked separately about treatment of German aliens and treatment of Italian aliens. A cross tabulation showed that 75 per cent recommended identical treatment for the two groups, 19 per cent favored more lenient treatment for Italians than for Germans; three per cent recommended more lenient treatment for Germans than for Italians. These findings appear to indicate that distrust of the Italian aliens, while less intense than that for Germans, is still sufficient to create widespread opposition to proposals for giving the Italians special consideration.

Attitudes Toward the Anti-Inflation Program*

Most leaders of farm, labor and business groups recognize that inflation constitutes a real threat to the people they represent. They are prepared to support a strong and uncompromising anti-inflation program. Each of them insists, however, that the program should not disadvantage his particular group. Absolute equity is demanded in the imposition of necessary restrictions.

These opinions were secured through more than 600 off-the-record interviews, conducted by the Bureau of Public Inquiry, with leaders of the principal occupational groups in all sections of the country.

The dominant feeling among these group leaders is that the general public has forgotten the President's anti-inflation speech and never possessed any clear understanding of it. The term "inflation" is generally feared, but there is no clear picture of what it means or how it can be prevented. Various phases of the program are opposed by different group interests.

Leaders among these groups are jockeying for preferential positions. None wants that portion of the anti-inflation program affecting his group to be the first undertaken. He would prefer it to be the last, but he will support an over-all program imposed simultaneously and justly.

The view prevails among group leaders that there is urgent need for an effective informational campaign to promote general understanding of two points:

- (1) That sacrifice is necessary today to forestall disaster tomorrow
- (2) That the sacrifices will be imposed simultaneously and equitably upon all, with no privileges and no needless hardships.

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DEVELOPING SITUATIONS

Detroit

Serious tensions are fermenting in the overcrowded industrial city of Detroit, one of the most important centers of the American production effort. Labor unrest, a desperate housing shortage, racial antagonisms and unscrupulous agitation combine to create a situation which may become explosive and which clearly detracts from the morale and productivity of this community. There is now some public awareness of the problems which plague the city as a result of the candid picture story on Detroit which appeared in the August 17th issue of Life and subsequent newspaper articles quoting prominent Detroiters.

The restlessness and resentment of Detroit's workers, particularly within the United Automobile Workers Union, was depicted in Intelligence Report #35 and is given additional detail in the following item of this issue. Union leadership may be overridden by the rank and file. Small wildcat strikes are already extremely frequent.

The housing situation is critical. While it is true that the Sojourner Truth housing riots reflected instigated race friction, the need for housing for whites, as well as Negroes, has been desperate. In Willow Run, where Henry Ford is opposing a Federal housing project, people are living in tents, trailers and shacks. It is hoped that about 75,000 local women can be recruited for Detroit's industries. But it is estimated that about 96,000 new workers from outside the area will be needed to meet 1943 production requirements. At the time of the last WPA vacancy survey in April, it was estimated that no more than 5,040 dwelling units were available for rent. An influx of

new residents will overtax not only existing housing, but also the city's water supply, sewerage, health, recreation and transportation facilities.

Negroes constitute about 10 per cent of Detroit's population, foreign-born whites about 20 per cent. Within the past twenty years 200,000 whites have moved to Detroit from southern or border states, and many of the newcomers will be drawn from the same regions. They bring with them deep-seated antagonisms toward aliens and the colored elements of the population. Detroit has been the scene of most of the strikes caused by the employment of Negroes at skilled and semi-skilled work.

Influential groups are at work to inflame unrest and widen existing cleavages. The Ku Klux Klan, attempting to stage a comeback, is trying to gain control of the U.A.W. and has already penetrated into a number of locals. Gerald L. K. Smith is recruiting members for his ambitiously titled "Committee of One Million." The organization's publication, the Cross and Flag, which picked up the baton when Social Justice was forced to suspend publication, sedulously follows the Axis line. Charles Coughlin's "Christian Front" and the pro-Axis "National Workers League" contribute to the discord and discontent.

Smith is campaigning for the Republican nomination for Senator. While he will probably not be elected, it may be expected that he will miss no opportunity to exploit group hatreds. Complicating the political situation is a German bloc which tends to vote as a unit.

The enemy appears to realize that tensions in the Detroit area threaten the attainment of war production goals, and pays the city a great deal of attention in its propaganda. Vigorous federal action, both on the administrative and informational levels, is urgently needed to restore health and

harmony to this seething center of unrest. Only the national Government possesses the prestige and power to overcome the disturbing influences now at work in Detroit.

Labor Grievance*

Last week's Intelligence Report (#35), states that final action of the United Automobile Workers Convention on proposals to rescind the voluntary waiver of Saturday and Sunday overtime pay would provide a clue to the prevalence of rank and file discontent. When the proposal was introduced on the Convention floor pandemonium followed. For nearly three hours delegates argued that the Committee's resolution was too mild a measure. They wanted to add to it the threat to abolish the "no strike agreement".

When the vote came, more than half of the 1700 delegates present sent the resolution back to the Committee for "more teeth". As finally adopted, it provided that UAW would regard itself as released from its commitment, waiving premium pay for overtime work, unless the Administration within 30 days developed an effective anti-inflation program based on 10 specified points.

The turbulence was extreme. Leadership was quite unable to control the resentment of members over the belief that management and rival unions were taking advantage of their sacrifice. Effective administrative and informational measures seem urgently needed to prevent intemperate action by the rank and file of the automobile workers.

* Reprinted from Intelligence Report #36

Women and the War

Women are playing an increasingly important part on the nation's production front. In July more than 14,000,000 American women were gainfully employed. More than 2,000,000 of them had been added to the labor force in the preceding 12 months.

Women constitute our most important source of additional workers. There are approximately 2,500,000 unemployed single women. Excluding farm women, there are some 13,000,000 married women who have no children under 16 years of age. Many women with young children will be in a position to accept employment once enough day nurseries are established.

Despite the existence of this large supply of potential workers, bringing enough women into the labor force to meet the demands of the war effort will be a formidable task. It is estimated that 5,000,000 women must be recruited, trained and placed within the next 18 months to replace men drawn into the armed forces and to augment the labor force as production capacity expands. Although there is now a shortage of women workers in only a few localities, shortages impend in a number of additional places and will be experienced in many of the most important production centers of the country as the proportion of women workers needed in industry increases.

Many employers have objections and reservations about hiring women, and large numbers of women — even though they may theoretically approve of women working — hesitate to seek employment outside of the home. The real difficulties in the way of a fuller utilization of women in business and industry are sometimes exaggerated by both management and by women. Efforts to pave the way for the wider employment of women must both provide the

facilities which will make it possible for women to seek work outside the home, including training courses and day nurseries, and neutralize the attitudes which now inhibit their employment.

The recruitment of women into the labor force may be expected to improve their morale and their knowledge of issues related to the war. Studies conducted by the Bureau of Intelligence suggest that employed women are somewhat better informed and have higher morale than housewives.

Women and men see eye-to-eye on most war issues. But, except on issues closely related to their everyday experience, women are less likely than men to express any opinion. Many women complain that their housekeeping tasks do not leave them enough time to keep up with the war.

Women appear to be somewhat more prone than men to take a "defensive" view of the war. For example, more women than men think that we should pull our armed forces close to home to protect ourselves, rather than use them offensively against Germany and Japan. Women also tend to be slightly more apprehensive than men about the course of the war and its final outcome. But the differences are not great, and the women who think about the war in defensive terms comprise only a small minority.

These findings summarize a Special Intelligence Report, Women and the War, issued August 19, and available to authorized individuals upon request to the Bureau of Intelligence.

War Worker Motivations*

Interviews conducted among war workers in 19 cities and small towns throughout the country indicate that the men engaged on the production front

* Reprinted from Intelligence Report #36

have a keen, perhaps exaggerated, recognition of the importance of their role in the war effort. They are prone to feel that production alone will win the war and to be over-optimistic in their reactions to current military events.

On the basis of their answers to a number of questions, the Bureau of Intelligence rated slightly less than half of this group as of high morale; about one-third as possessing medium morale; a quarter were judged to be of low morale.

The morale of these men is affected by certain dissatisfactions which detract from the full utilization of their skill and energy in the production program. Their satisfaction with their jobs is affected by the wages they receive, by the conditions under which they work, by their relations with employers, with the Government and with the communities in which they live. Wages are the dominant factor. About half of the men interviewed said they were satisfied with their present rate of pay.

Workers are prone to blame management for delays or inefficiency in production. They desire a greater voice in the planning of production and wider information respecting production difficulties and the use made of their products. Labor-Management committees have helped in some situations to promote cooperation between employers and employees. In general, however, workers are unfamiliar with them.

Workers look confidently toward the Government for the protection of their economic interests, both at present and when the war is over. But they are fearful that the war may be followed by depression and unemployment and are kept from full absorption in their present jobs by this uncertainty.

The problem of promoting worker morale is a problem in employer-employee relations. The solution can be helped, however, by Government information policy which will educate workers in respect to the need for all-out effort and the possibilities for social security which lie ahead with victory.

These findings summarize a Special Intelligence Report, War Worker Motivations, issued August 12 and available to authorized individuals upon request to the Bureau of Intelligence.



ENEMY PROPAGANDA

Enemy Version of the Military Situation

Nazi propaganda treatment of the Dieppe commando raid followed expected lines. The raid was described as a genuine invasion attempt turned into a "Dunkirk" by strong German defenses. The suicidal character of the attempt is said to reflect the desperateness of the Soviet military position. Vichy is quoted by Berlin as describing the action as the "First U. S. reverse on European soil" and that "American blood has been spilled in Europe by order of Stalin."

A new stage in the Nazi "peace offensive" against Britain and the United States is reflected in the first explicit German propaganda claim of final victory. Broadcasting to the United States on August 15, a German news analyst declared, "Germany and her allies, the Axis powers, the new Europe, have won this war." Dr. Goebbels is now permitting exaggeration in broadcasts outside of Germany, although he seeks to avoid extremes of optimism and pessimism within Germany by a more cautious domestic propaganda policy.

The original Japanese version of the Solomon Islands battle has been

revised from claims of complete Japanese victory to an admission that fierce fighting with United States Marines is still going on. In home broadcasts, the Japanese people are prepared for news of a set-back by a broadcast asserting that, while the first American offensive has been turned into a disastrous defeat, "we.... must tighten our helmet strings against their plans to carry out a second and third offensive, which they boast will be supported by reinforcements of warships and air power."

German Home Front

There are evidences of Nazi concern over German morale. The German press and radio now give a more prominent place to the contributions of Germany's allies on the Russian front. An effort is evidently being made to convince the German people that they are not fighting alone against the United Nations. The Nazis are seeking also to persuade the German people that this war is not like the last one. The latest issue of Das Schwarze Korps states: "Today we are thoroughly prepared for war. We have adapted ourselves and stored peace in a mothproof cupboard. To make comparisons with the last war would mean doing the enemy a favor."

A recent speaking tour by Dr. Goebbels through western Europe reflects particular concern for the population of this bombed area. Goebbels stressed that the war is not being fought for ideals, but for more grain fields and oil wells. "We want bread and do not care how we get it. The war is not being waged for certain privileged classes but for the masses; for a well-laden breakfast, lunch and dinner table; for better living accommodations; for people's cars and tractors; cinemas and theatres in every village; for raw materials, oil and iron; in short, for a dignified existence. The past

winter was critical but," said Goebbels quoting Nietzsche, "What does not kill us makes us stronger."

It is also noteworthy that a particular effort is being made to disparage the United States. The Berliner Boersen Zeitung of August 12 says that Anglo-Saxon morale is nearing collapse. Goebbels devotes an entire article to "God's Own Country", in which he describes Americans with savage irony as a people without culture and originality.

Appeals for Listeners

For the first time Radio Roma has devoted as much as five per cent of her broadcast time, employing prominent Fascist party speakers, to strengthen Fascist ties with Italian-Americans. The talks, in Italian, are directed to the more recent Italian immigrants. Italians are urged to resent Anglo-Saxon discrimination and to avoid naturalization.

The German propaganda ministry, in its efforts to build up an American radio audience, has broadcast for the first time a series of messages allegedly from American seamen, captured from a Murmansk convoy, and a casualty list of American airmen, allegedly shot down on July 13.



AUTHORITATIVE STATEMENTS

Beginning with the recent OWI release on the progress of the war, there has been a new tone of clarity and precision in official statements. Outstanding have been Secretary Stimson's announcement that he will eliminate three quarters of the Army's publicity officers; Secretary Wickard's address of August 19 calling on farmers to lead the anti-inflation front and flatly favoring repeal of the 110 per cent parity provision; Mr. Henderson's speech at Norfolk on August 20

calling for a new offensive against inflation; and Mr. Nelson's statement of August 19 that "from now on anyone who crosses my path is going to have his head taken off... I'm going to get tough enough to get this job done... There'll be no more alibis."

...the ...
...the ...
...the ...

The period covered by this report is the week of August 12 through August 18, except where otherwise specifically stated

August 22, 1942
9:30 a.m.

INFLATION

Present: Mr. Paul
Mr. B. Bernstein
Mr. Gaston
Mr. Kuhn
Mrs. Klotz

H.M.JR: I thought you gentlemen would like to know the Judge had eight-fifteen breakfast with me. He took this executive order to the President, told him what I wanted from the State, namely, the same formula that Mr. Hull had, and the President overruled the Judge and said that I was to have that formula.

MR. PAUL: Congratulations.

MR. GASTON: Swell.

H.M.JR: And then he wants me, when I see him at ten o'clock, to go over the whole thing, and he said, "I would like you to mention the fact that you want the authority - I mean that you want a" - you know, and so forth and so on. So I am going to go over and see him, and after I see him I will let you know.

But he said, "For heaven's sake, don't tell this to anybody. It is not going to appear in any draft until the last draft; because if it is in there, everybody wants it." So he said, "Now, don't tell anybody," and he said, "Don't let it out, because there is somebody giving direct leaks to the Post, and I am not going to have this in any draft until the very end; because if Henderson sees it, he will want it, or, want it out, and the same for everybody else - Wickard and Jones."

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But he said, "You ask the President yourself this morning when you see him." So I said that I would.

So when I come back from seeing the President, I will again report progress.

MR. PAUL: I will probably be up on the Hill then.

H.M.JR: He said, "That Herbert Gaston, the way he went after me was just nobody's business." He said, "He is good."

O.K., gents?

MR. BERNSTEIN: Does that mean that definitely they are going to have an order with authority?

H.M.JR: No. He said that labor is fighting the thing so hard that he doesn't know if there will be any order.

MR. BERNSTEIN: Well, is it still in order to make a suggestion as to how this can be done without any order?

H.M.JR: Yes, to Mr. Paul.

August 22, 1942
12:10 p.m.

INFLATION

Present:

Mr. Gaston
Mr. B. Bernstein
Mrs. Klotz

H.M.JR: When I came to discuss the Executive order with the President I wanted to show him a certain paragraph, which is the provision which would give me the same exemption under the order that it gives Mr. Hull under the Board of Economic Warfare order. The President just brushed it aside and said, "That is a detail." He then went on to discuss that he could do this thing in one of two ways.

He could either send a message to Congress and say, "If within the next thirty days you don't give me the legislation necessary to control inflation" - then he went on and expounded about, particularly, reducing the hundred and ten percent of parity to a hundred - "I will go ahead under my wartime powers authority and do it."

The other way to do it is for him to just go ahead without first consulting Congress.

I told him I thought he should go ahead and not consult Congress and wait for thirty days, and Mr. Gaston agrees with me.

MR. GASTON: Just tell him what has been done.

H.M.JR: I told him - I said a thing that certainly Judge Rosenman had overlooked, but I am sure that he hadn't, was that the wife of the farmer is just as much

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a consumer as the wife of anybody living in the city. I never went home on a week end but what somebody on the farm would talk about fifty-five-cent-bacon, or they couldn't get any coffee, or that the price of canned goods had gone up.

The wife of the farmer buys an enormous amount of stuff from the stores. She is almost as much interested as the woman that lives in the city, and I told him that I felt if the wife of the farmer were properly appealed to, she would rather have her grocery bill go down than to get the extra ten percent of parity for her crops.

The Vice President has been telling the President that he will get into trouble with the Senate, particularly with Senator Barkley and Senator McNary, and the Vice President mentioned this at Cabinet. But I told him I would like to see him go ahead.

That is all.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Randolph Paul

You may wish to make the following suggestions to the President and Judge Rosenman:

In lieu of issuing an Executive Order, the President directs the heads of the interested agencies to get together under the guidance of an impartial chairman like Judge Rosenman and work out and present to the President and the Congress by no later than October 1 a complete and over-all program to deal with the problem of inflation.

Simultaneously, the President will immediately announce to the public that this group is meeting and that an over-all plan will be presented by the first of October.

You can stress the idea that an enormous amount of work and thinking has already been done in the agencies charged with handling the problems of inflation; that technical experts of these agencies have been holding meetings in the past; and that if they were to meet continuously under the pressure of the deadline, you think it is possible, by the first of October, to actually present the program.

In this way the President will be avoiding the criticism such as was embodied in the editorial in the New York Times Yesterday and a cartoon on the front page of the Star a few days ago, of simply creating another super-board or committee where existing agencies have not produced satisfactory results.

Furthermore, the group may be able to produce an over-all program which will make it unnecessary to announce a formula for dealing with wages which has been the subject of so much opposition by the Unions and certain of the agencies in the Government.

ASA

140

Sorry I could not find an unmarked copy
this evening.

Received
Sat. evening Aug 22.
1942

Proposal for a spending tax

1. The tax base.--The tax would be levied on total expenditures for consumer goods and services in excess of a personal exemption and credit for dependents.

2. The computation of the tax base.--The amount of expenditures would not be computed directly but would be derived indirectly by subtracting from the total amount of funds at the disposal of the consumer the amounts used for purposes other than current consumption. The major non-taxable uses of funds are repayment of debt, expenditures for life insurance, purchase of war bonds or other capital assets, gifts and contributions, payment of taxes. The attached schedule lists the items that would have to be obtained to compute the total funds at the disposal of the consumer and the total non-taxable use of funds.

3. The exemptions.--The exemptions should, initially at least, be the same as under the individual income tax. The exemptions would, however, be in terms of spending rather than income.

4. The tax rates.--The tax should be graduated, in the same manner as the individual income tax. The only difference is that the brackets would refer to amount of spending instead of to amount of income.

5. The taxpayer.--The unit for tax purposes should normally be the family. Preferably, some allowance should be made by means of different rate scales for the difference between the consumption needs of families and single individuals, which would also remove any incentive for the filing of separate returns by married persons. If this is not done, joint returns must either be made mandatory, or there must be some provision against the deduction of gifts to spouses. In any case, the deduction of gifts to minor children or other dependents must be restricted or disallowed, in order to insure uniform inclusion of the expenditure of dependents in the return.

6. Method of collection.--The ultimate liability under the spending tax, as under the income tax, could not be determined until after the close of year in which the spending took place. Collection of the tax would not, however, have to be delayed until the ultimate liability was determined. Two general alternatives are open:

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(a) Individuals could be required to report the approximate amount of spending at short intervals, say quarterly, with a final adjustment after the close of the year. The quarterly report might contain no more than a single item--approximate amount of spending during the preceding quarter--or might contain a more detailed statement.

(b) Part of the spendings tax could be collected at source from income paid in the form of wages and salaries, bond interest, and dividends in the same way as it is now planned to collect part of the regular income tax. If desired, payroll allotments for the purchase of war bonds could be allowed as a deduction before computing the amount to be withheld. Collection at source based on income instead of spendings would involve no real hardship, since the only persons who would pay too much would be those who save part of their income and hence do not need the extra amount withheld for current consumption.

Treasury Department
Division of Tax Research

July 29, 1942

MR/USV

The individual expenditure tax return

The figure for taxable expenditure can be calculated most simply by totaling 11 cash receipt items and subtracting the total of 10 deduction items, as follows:

Funds at the disposal of the consumer

1. Cash and bank balances on hand at beginning of the year
2. Salaries and other compensation received for personal services
3. Dividends and interest received (including insurance dividends)
4. Interest received on all Government obligations
5. Rent and royalty receipts
6. Annuity receipts, pensions, and insurance benefits of all kinds
7. Withdrawals from business, profession, partnerships, and trusts
8. Cash gifts and bequests received
9. Receipts for sale of capital assets
10. Receipts from debt repayment
11. Borrowings, including debts incurred on installment purchases
12. Other receipts in cash or in the form of goods and services
13. Total (Items 1 - 12)

Deductions: Nontaxable use of funds

14. Cash and bank balances on hand at end of the year
15. Cash gifts and contributions
16. Interest paid, except interest payments on a debt on owner-occupied homes
17. Taxes paid during the year for which this return is filed, except those on owner-occupied homes
18. Fines and penalties
19. Purchase of capital assets
20. Life insurance premiums, and annuity and pension payments
21. Debts repaid in cash including payments on installment purchases
22. Loans made
23. Other nontaxable payments
24. Total deductions (Items 14 - 23)
25. Expenditures subject to tax (Item 13 minus Item 24)

1. PURPOSE OF TAX

The proposed spendings tax should not be appraised in terms of peace time criteria. It should rather be appraised in the light of a fiscal policy appropriate to a wartime economy in which the supply of consumer goods is being drastically reduced at the same time that incomes are expanding rapidly; and in which the Government is spending unprecedented sums. The spendings tax has special merit in such a period that it would not have in ordinary times.

A tax on consumer spendings might be designed

- a. primarily to raise additional revenue; or
- b. primarily to reduce consumer expenditures, and thereby inflationary pressure on prices, by attaching a penalty to spending that became more severe as spending increases.

These two purposes are not entirely inconsistent: insofar as the tax yields revenue it withdraws purchasing power that would otherwise be available for expenditure; and the more revenue it yields, the larger the withdrawal of purchasing power. Nonetheless, the two purposes are to some extent inconsistent. The more successful a tax at any given rates is in inducing individuals to curtail expenditures, the smaller the revenue yield. High and steeply graduated rates may curtail expenditures so drastically as to yield less revenue than lower rates.

The purpose that is considered primary is unlikely to affect the structure of the tax--the tax base, the method of computing the tax base, and the like--but it will greatly influence the levels of exemptions and rates, and the method of collection.

The discussion that follows proceeds on the assumption that the two major fiscal alternatives to a spendings tax are either a general sales tax or further increases in the individual income tax.

2. APPRAISAL OF SPENDING TAX COMPARED WITH A RETAIL SALES TAX

Viewed either as a method of raising revenue or as a method of controlling expenditures, the spendings tax is decidedly superior to a retail sales tax, if the spendings tax is collected currently.

The spendings tax, like the sales tax, places a direct penalty on spendings. Unlike the sales tax, however, it can easily provide exemptions and be progressive. It is therefore far more equitable than a sales tax.

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Progressive rates make it possible to enact a spendings tax that will make spendings in excess of any desired amount prohibitively costly. This is impossible under a sales tax without at the same time levying an intolerable burden on the great masses of the people. A spendings tax therefore permits a more selective control of expenditures than is possible under a sales tax.

Because it takes account of the varying circumstances of individuals, through exemptions and graduated rates, a spendings tax is less likely to stimulate demands for wage increases. Individuals are all affected alike under a sales tax and are therefore more likely to make a concerted effort to secure higher wages.

A sales tax is likely to enter into costs of production and therefore make price control difficult. In addition, it is likely to affect parity prices for farm products. A spendings tax has neither of these effects, since it is collected directly from individuals.

A spendings tax would be much easier to administer than a sales tax since much of the labor of assessment and collection is carried out by the taxpayer himself and since it would be administered along with the individual income tax. A Federal sales tax would require the establishment of new and expensive administrative machinery.

The only advantage of a sales tax over a spendings tax is that the payment of the tax is synchronous with the expenditure that gives rise to the tax. The consumer cannot escape awareness of the tax; and the tax is necessarily collected currently. From the point of view of controlling consumption, this advantage of the sales tax is fairly minor if the spendings tax is collected currently; it may, however, be decisive if the spendings tax is collected a year late.

3. APPRAISAL OF SPENDING TAX COMPARED WITH FURTHER INCREASES IN INDIVIDUAL INCOME TAXES

Considered as a method of directly controlling consumer expenditures, the spendings tax performs a function entirely beyond the scope of the income tax. Considered primarily as a revenue measure, the spendings tax may be preferable to further increases in individual income tax rates, when the income tax rates reach extremely high levels. This point has probably not yet been reached. The margin is, however, much narrower than between the spendings tax and the retail sales tax, as the following listing of the advantages and disadvantages of the spendings tax indicates:

a. Advantages

1. It grants relief to expenditures for debt repayment, insurance premiums, and other fixed obligations connected with the purchase of assets or the discharging of liabilities. This is done by excluding these items from the tax base. If the spendings tax were added to H.R. 7378 without changing the individual income tax rates, relief would, of course, be given only with respect to the additional tax revenue. If it were desired to go farther than this, it would be necessary to reduce the individual income tax rates, and raise the revenue instead from the spendings tax.

2. It raises revenue with a minimum of interference with voluntary bond purchases, since these purchases would be exempt from tax.

3. It makes the tax to some extent voluntary, since the tax can always be escaped by reducing consumption expenditures.

4. It puts a direct penalty on spending compared with saving, and therefore would be more effective in reducing consumer expenditures than an equal amount withdrawn from purchasing power through an income tax. If rates are graduated sharply enough, the expense of consuming beyond a certain amount can be made prohibitive.

5. It taxes individuals who maintain consumption by drawing upon their capital, while an income tax cannot affect this type of expenditures.

b. Disadvantages

1. The tax base is smaller than under an individual income tax with the same exemptions because savings are exempt.

2. It permits the accumulation of wealth without the payment of a tax.

3. It involves an addition to the administrative burden and an increase in the complexity of the tax return that would be avoided by an increase in income tax rates.

4. SPECIFIC PROBLEMS OF THE SPENDING TAX

a. The tax base

1. Durable consumer goods

For an expenditure tax conceived as a permanent part of the tax structure, the ideal treatment of durable consumer goods would be to treat the original purchase as an investment, including only the imputed income from the goods in the tax base. This treatment is not, however, administratively feasible. An approximate equivalent would be to include only actual expenditures in the tax base, whether these expenditures were in a single lump sum or in installments. This would permit expenditures on durable goods bought on the installment plan to be spread over more than a year, diminishing erratic fluctuations in the tax and avoiding undue burdens upon persons who make large outlays on durable consumer goods in a single year.

However, in connection with the present emergency, it is desirable specifically to discourage large present outlays on consumer durable goods. For this reason it is proposed to include in expenditure the entire purchase price of durable consumer goods (except houses) at the time of purchase, exclusive of any interest separately stated.

ii. Housing

Dwellings owned by the occupant present a more difficult problem than other consumer durable goods because of the large part of total expenditure involved in this single item, the relatively long period of serviceability, and the importance of avoiding undue discrimination between renters and owners. Ideally the imputed rental value of an owner-occupied dwelling should be included in both income and expenditure. British income tax practice actually does include this item in income. Because of lack of administrative experience with this type of treatment, possible misunderstanding on the part of the taxpayer, and political opposition, it does not appear feasible to adopt this treatment immediately in this country.

The two main alternatives are (1) the inclusion in the tax base of all rent and of all of a home owner's current outlays except repayment of mortgage (interest on mortgage, property taxes, insurance, and repairs); (2) the exclusion from the base of both rent paid by tenants and current expenses of the home owner. The choice between these two alternatives depends not only on considerations of equity but also on the desirability of establishing an incentive to economize housing as well as other consumption items.

The first alternative, the inclusion in the tax base of as much of the housing expenditure as is feasible, is recommended for the following reasons:

(1) Like all other items, housing will be scarce relatively to money demand. Excluding housing expense from the tax base would make it an attractive avenue of expenditure and increase the demand for it.

(2) While housing is relatively fixed in supply, and there is no need to force tenants to vacate existing living accommodations, this is unlikely to occur to any great degree. A large part of the population will be either exempt from tax or will pay a relatively small tax. For the rest, the tax would merely serve to reduce a demand that, at current prices for housing, exceeds the supply in many localities.

(3) The exclusion of housing expenses from the tax base would require lower spending tax exemptions in order to reach the same group of persons and higher rates to raise the same revenue.

(4) The exclusion of housing expenses would raise a difficult problem of segregating such expenses from others. Rent may or may not include heat and light, garage, furnishings, personal services, etc. To achieve uniformity, it would probably be necessary to exclude expenditures for gas, electricity, and fuel as well as direct expenditures for housing.

(5) The special reason for the exclusion of housing expenditures might not be clearly understood, with the consequence that there would be great pressure to exclude other categories such as food.

(6) The inclusion of housing expenses does involve discrimination between owners and renters. Their exclusion, on the other hand, would involve discrimination between persons who spend a relatively large part of their income on housing and persons who spend a relatively small part of their income on housing.

b. The taxpayer unit

One of the most important technical problems in the spending tax is the proper definition of the tax unit. Since the tax is graduated, and since gifts are permitted as a deduction, the higher rates can be avoided, if no contrary provision is made, by transferring funds to other members of the household and having them pay for part of the family expenditures. Such avoidance would not only create inequities, but would reduce the effectiveness of the tax in controlling the distribution of consumer goods.

The treatment which appears most desirable is to permit married couples to file either joint returns or separate returns, at their option, but to require single persons and married persons filing separate returns to compute their tax according to a schedule in which the amounts of expenditure subject to the successive rates of tax are only half of those provided for married couples filing joint returns. To prevent avoidance through transfers to dependents, gifts to minor children or other dependents (except the spouse) would not be allowed as a deduction in computing the expenditure of the taxpayer. All

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expenditure of dependents would be required to be included in the taxpayers' returns.

A treatment which is somewhat less satisfactory is to require married couples to report their combined expenditure in a single return, and to compute the tax under the same rate scale as is used by single taxpayers. The same provisions would apply to gifts and the expenditure of dependents as in the first treatment. This treatment would limit the differential between the expenditure of a single person and a married couple to the amount of the difference in personal exemption, and would permit a single individual having a moderately high expenditure to spend almost as much as a married couple before being subjected to a given rate of tax.

The treatment which is least satisfactory is to follow the provisions of the existing income tax, that is, provide for either joint or separate returns at the option of the taxpayer, with no compensating differentiation of the rate schedule. To prevent almost universal splitting up of incomes it would be necessary to extend the restriction on gifts to the spouse as well as minor children and dependents. It is likely that such a restriction would work substantial hardship in those cases where large gifts are made for purposes other than tax avoidance. If the deduction of gifts were allowed, it would be relatively easy for all informed taxpayers to split their expenditures into two returns, and thus achieve substantially the relative effect of the first treatment suggested, except that the general level of rates might be somewhat lower.

c. Simplified returns.

Simplification of the return form to be used by the bulk of the taxpayers at the lower income and expenditure levels is more difficult than for the income tax. To base the tax on a presumed expenditure related to gross income would be extremely crude and would remove most of the effect of the tax in reducing the desire to spend. Probably the best solution would be to require the calculation of the tax in all cases, but to provide an optional brief return containing only the most frequent sources and uses of funds.

d. Filing requirements.

If exemptions and credits for dependents are the same for the expenditure tax as for the income tax, some persons will be required to pay an expenditure tax who do not have to pay an income tax, and many who must pay an income tax will not have to pay an expenditure tax. If the two tax returns are to be combined on one form, it is

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desirable that all persons having gross receipts from all sources, gross income, or a total expenditure in excess of the personal exemption applicable be required to file a return for both taxes.

e. Anticipatory buying

Since if a spending tax is to have any important effect the rates must be fairly high, even at the lower end of the scale, anticipatory buying is likely to be a serious problem when the tax is first introduced. When excise taxes are raised on specific commodities anticipatory buying is not inconsiderable, and is felt even at the relatively low rates of such general sales taxes as have been imposed. At the higher marginal rates of the proposed expenditure tax, the incentive to buy anything readily storable will be extremely great.

One method of reducing the incentive for such buying is to require the initial return to cover not only the first taxable year, but also the period between the announcement of the tax proposal and the effective date of the tax. If expenditures during this period were at a considerably higher rate than during the first taxable year, the taxpayer could be required to include the excess in his tax base. The chief defect with this method is that some taxpayers may not have records of their bank balances, cash on hand, etc., for a period when they were not on notice that such information would be required.

f. Enforcement

i. Hoarded cash

It will be almost impossible to check adequately the amount of cash reported as on hand at the beginning of the initial taxable year, and some tax may be evaded through the understatement of this item. On the whole the item is not likely to be large. In addition, it will be less important in later years, since any attempt to overstate cash held at the end of one year will require the reporting of a like amount at the beginning of the following year. The taxpayer who claims an excessively high amount of cash remaining at the end of the year may be required to produce it or account for it.

ii. Information at source

To provide an effective check on the returns filed by taxpayers, information returns will be required in much greater number than for the income tax, and by a much larger number of informants--including all banks, savings organizations, insurance companies, and the like. These additional returns will frequently be for small amounts, and the task of collating them will be difficult. It is doubtful whether much more than a sample check can be obtained with a reasonable expenditure of administrative effect.

However, it should be noted that in most cases expenditures will bear a reasonably close relationship to income; and that it is likely to be immediately apparent whether a return requires special auditing.

5. RATE SCHEDULES

The height and mode of graduation of the rate schedule for an expenditure tax depends both on the amount of revenue required and the degree to which the tax is to be used for consumption rationing purposes. The following schedules are samples of what might be required for various purposes.

Expenditure brackets		Schedule I	Schedule II	Schedule III
Single persons and married persons filing separate returns	Married couples filing joint returns			
\$ 0 - \$ 250	\$ 0 - \$ 500	10%	10%	10%
250 - 500	500 - 1,000	10	15	20
500 - 1,000	1,000 - 2,000	15	20	40
1,000 - 1,500	2,000 - 3,000	20	30	60
1,500 - 2,000	3,000 - 4,000	25	40	80
2,000 - 2,500	4,000 - 5,000	25	40	100
2,500 - 3,000	5,000 - 6,000	30	50	150
3,000 - 3,500	6,000 - 7,000	30	50	200
3,500 - 4,000	7,000 - 8,000	30	50	200
4,000 - 5,000	8,000 - 10,000	30	50	250
5,000 - 12,500	10,000 - 25,000	30	75	300
Over 12,500	Over 25,000	30	100	300

The expenditure brackets for single persons and persons filing separate returns are half of those for married couples filing joint returns. Schedule I represents a schedule designed primarily to raise a relatively small amount of revenue, with the effect in discouraging consumption spread fairly evenly throughout the whole income range. Schedule II is a schedule designed to yield a moderate amount of revenue, still without any sharp rationing effect. Schedule III is a schedule which would raise a substantial amount of revenue, and at the same time severely inhibit consumption much in excess of \$5,000, although it may prove necessary to continue the graduation of the rates

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still further above the \$10,000 level in order to inhibit the consumption of the wealthy who can afford to pay several fold to retain their consumption near their accustomed levels.

Treasury Department
Division of Tax Research

July 29, 1942

MFr/WSV

THREASURY DEPARTMENT - FIELD AND DEPARTMENTAL EMPLOYEES

SEMI-MONTHLY REPORT OF CASH PARTICIPATION IN PAY-ROLL ALLOTMENT PLAN FOR PURCHASE OF WAR SAVINGS BONDS

FOR PERIOD ENDED AUGUST 23, 1942

Bureau, Division, or Office	Employees		Percentage of Participation		Semi-monthly		Percentage of Semi-monthly Pay Roll	
	No. on Pay Roll	No. Participating	Pledged	Actual	Gross Pay Roll	Allotment Deductions	Pledged	Actual
Office of the Secretary	220	201	90.7	91.4	\$24,915.51	\$2,915.73	11.6	11.7
Office of Research & Statistics	121	107	87.8	88.4	11,780.21	1,491.94	11.9	12.7
Office of the General Counsel	181	169	97.7	93.4	21,653.02	2,528.21	12.3	11.7
Office of Personnel	85	78	96.5	91.8	7,222.99	784.43	11.6	10.9
Office of the Chief Clerk	217	203	98.6	93.5	15,035.77	1,461.77	10.3	9.7
Office of Superintendent of Treas. Bldgs..	342	306	98.5	89.5	20,302.51	1,991.14	11.0	9.8
Office of Accounts:								
Office of Disbursement	2,144	1,927	91.9	89.9	148,908.80	14,561.62	10.0	9.8
Accounting Organization	138	115	99.0	83.3	11,211.61	1,073.83	12.0	9.6
Total, Bureau of Accounts	(2,531)	(2,369)	(93.0)	(89.6)	(185,960.15)	(18,724.87)	(10.5)	(10.1)
Office of the Public Debt	2,000	1,647	97.1	82.4	140,677.53	12,188.93	10.5	8.7
Director of the U. S.	1,796	1,487	93.4	82.8	121,354.17	11,439.03	9.8	9.8
Office of Customs	9,173	8,313	91.9	90.6	873,902.41	90,223.48	10.6	10.3
Director of the Currency	1,175	1,126	98.3	95.8	141,802.00	16,103.00	11.9	11.4
Office of Internal Revenue	28,784	27,464	96.4	95.4	2,727,612.37	296,544.25	10.9	10.9
Appealing Tax Board of Review	19	19	100.0	100.0	3,250.81	406.89	12.6	12.5
Office of Excise	352	321	96.5	91.2	38,849.26	4,006.35	10.7	10.3
Office of Regulating and Frisking	6,140	5,725	93.3	93.2	455,499.60	39,692.63	10.7	8.7
Post Office Service	914	798	92.3	87.3	82,610.88	7,528.77	10.6	9.1
Office of the Mint	2,043	1,894	98.8	92.7	160,973.48	16,720.63	10.9	10.4
Research Division	3,253	2,607	95.6	80.1	251,639.02	21,909.97	10.3	8.7
Office of Monetary Research	61	53	88.3	86.9	8,067.76	938.17	13.3	11.6
Office of Tax Research	96	51	90.4	91.1	6,779.00	798.00	10.7	11.2
Printing Staff	848	776	93.8	91.5	86,135.94	10,189.00	12.2	11.8
Public Funds Control	1,131	1,013	96.8	89.6	99,305.13	10,219.07	11.4	10.3
TOTAL	61,442	56,627	95.2	92.2	5,485,329.12	568,765.86	10.8	10.4

Includes Public Debt service employees transferred to Chicago who were not included during June campaign.

Total totals include 2,488 temporary employees not participating and new employees with delayed pledges whose semi-monthly salaries aggregate \$13,922.36.

UNITED STATES SAVINGS BONDS - TOTAL

Comparison of August sales to date with sales during the same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August daily sales	Cumulative sales by business days			August as percent of July
		August	July	June	
August 1942					
1	\$ 26,267	\$ 26,267	\$ 28,418	\$ 29,539	92.4%
3	38,765	65,032	52,687	45,442	123.4
4	27,023	92,055	79,964	67,046	115.1
5	25,835	117,890	126,495	98,208	93.2
6	40,450	158,341	157,605	132,341	100.5
7	38,184	196,524	201,056	154,085	97.7
8	24,218	220,742	240,974	192,659	91.6
10	41,021	261,763	288,729	206,523	90.7
11	15,274	277,037	324,856	236,552	85.3
12	24,724	301,761	372,020	259,772	81.1
13	22,757	324,518	402,122	281,724	80.7
14	28,504	353,022	435,929	303,163	81.0
15	12,830	365,852	467,599	334,398	78.2
17	41,806	407,659	505,257	345,497	80.7
18	14,551	422,209	527,186	368,782	80.1
19	27,756	449,965	580,443	387,369	77.5
20	23,791	473,756	602,129	414,804	78.7
21	22,187	495,943	636,640	429,158	77.9

August 22, 1942.

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

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

UNITED STATES SAVINGS BONDS - SERIES E

Comparison of August sales to date with sales during the same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August daily sales	Cumulative sales by business days				August as percent of July
		August	July	June	August as percent of July	
August 1942						
1	\$ 14,044	\$ 14,044	\$ 15,821	\$ 19,834	88.8%	
3	22,178	36,222	30,701	27,841	118.0	
4	14,575	50,797	47,523	40,811	106.9	
5	12,988	63,785	77,320	58,199	82.5	
6	23,004	86,789	95,044	82,988	91.3	
7	24,959	111,748	116,643	98,197	95.8	
8	16,429	128,176	139,390	125,245	92.0	
10	26,805	154,981	164,161	134,157	94.4	
11	9,885	164,866	183,238	154,242	90.0	
12	15,921	180,787	209,787	169,920	86.2	
13	16,356	197,143	225,532	186,470	87.4	
14	18,760	215,903	243,938	201,700	88.5	
15	9,578	225,481	261,766	225,684	86.1	
17	28,683	254,163	284,111	233,218	89.5	
18	9,737	263,900	296,344	249,033	89.1	
19	17,650	281,550	327,712	261,321	85.9	
20	15,525	297,075	339,951	280,742	87.4	
21	16,026	313,101	358,135	291,729	87.4	

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

August 22, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

Comparison of August sales to date with sales during the same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August daily sales	Cumulative sales by business days			August as percent of July
		August	July	June	
August 1942					
1	\$ 12,222	\$ 12,222	\$ 12,597	\$ 9,705	97.0%
3	16,587	28,810	21,986	17,601	131.0
4	12,448	41,258	32,441	26,235	127.2
5	12,847	54,105	49,175	40,009	110.0
6	17,447	71,552	62,561	49,353	114.4
7	13,225	84,777	84,413	55,888	100.4
8	7,789	92,566	101,585	67,414	91.1
10	14,216	106,782	124,568	72,366	85.7
11	5,389	112,171	141,618	82,310	79.2
12	8,803	120,974	162,232	89,852	74.6
13	6,401	127,375	176,590	95,254	72.1
14	9,744	137,119	191,991	101,464	71.4
15	3,253	140,372	205,833	108,715	68.2
17	13,124	153,496	221,147	112,279	69.4
18	4,814	158,309	230,842	119,749	68.6
19	10,106	168,415	252,731	126,048	66.6
20	8,266	176,681	262,178	134,062	67.4
21	6,161	182,842	278,505	137,429	65.7

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

August 22, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

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Sales of United States savings bonds
August 1 through August 21, 1942
Compared with sales quota for same period
(At issue price in millions of dollars)

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Date	Series E				Series F and G				Total			
	Actual sales		Quota,	Sales	Actual sales		Quota,	Sales	Actual sales		Quota,	Sales
	: August 1	: August 1	: August 1	: to date	: August 1	: August 1	: August 1	: to date	: August 1	: August 1	: August 1	: to date
: Daily	: to	: to	: as % of	: Daily	: to	: to	: as % of	: Daily	: to	: to	: as % of	
	: date	: date	: quota		: date	: date	: quota		: date	: date	: quota	
1	\$ 14.0	\$ 14.0	\$ 16.0	87.5%	\$ 12.2	\$ 12.2	\$ 7.7	158.4%	\$ 26.3	\$ 26.3	\$ 23.7	111.0%
3	22.2	36.2	47.3	76.5	16.6	28.8	21.5	134.0	38.8	65.0	68.8	94.5
4	14.6	50.8	61.0	83.3	12.4	41.3	29.6	139.5	27.0	92.1	90.6	101.7
5	13.0	63.8	84.0	76.0	12.8	54.1	45.4	119.2	25.8	117.9	129.4	91.1
6	23.0	86.8	107.3	80.9	17.4	71.6	58.7	122.0	40.5	158.3	166.0	95.4
7	25.0	111.7	134.4	83.1	13.2	84.8	68.8	123.3	38.2	196.5	203.2	96.7
8	16.4	128.2	154.1	83.2	7.8	92.6	76.3	121.4	24.2	220.7	230.4	95.8
10	26.8	155.0	190.6	81.3	14.2	106.8	87.9	121.5	41.0	261.8	278.5	94.0
11	9.9	164.9	205.1	80.4	5.4	112.2	94.1	119.2	15.3	277.0	299.2	92.6
12	15.9	180.8	227.1	79.6	8.8	121.0	105.1	115.1	24.7	301.8	332.2	90.8
13	16.4	197.1	247.9	79.5	6.4	127.4	114.0	111.8	22.8	324.5	361.9	89.7
14	18.8	215.9	271.0	79.7	9.7	137.1	120.9	113.4	28.5	353.0	391.9	90.1
15	9.6	225.5	287.7	78.4	3.3	140.4	126.4	111.1	12.8	365.9	414.1	88.4
17	28.7	254.2	319.2	79.6	13.1	153.5	135.8	113.0	41.8	407.7	455.0	89.6
18	9.7	263.9	332.2	79.4	4.8	158.3	141.3	112.0	14.6	422.2	473.5	89.2
19	17.6	281.6	353.0	79.8	10.1	168.4	151.9	110.9	27.8	450.0	504.9	89.1
20	15.5	297.1	373.6	79.5	8.3	176.7	161.0	109.8	23.8	473.8	534.6	88.6
21	16.0	313.1	397.4	78.8	6.2	182.8	168.3	108.6	22.2	495.9	565.7	87.7
22			415.1				174.3				589.4	
24			449.0				184.8				633.8	
25			462.9				191.0				653.9	
26			484.5				203.0				687.5	
27			505.0				213.2				718.2	
28			527.8				221.4				749.2	
29			544.2				228.1				772.3	
31			575.0				240.0				815.0	

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

August 22, 1942.

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

Note: Quota takes into account both the daily trend during the week and the monthly trend during the month.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FA 811.51/5032

August 22, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a telegram dated August 20, 1942 from the American Ambassador at Mexico City communicating a message "For B. Bernstein Treasury from Rains".

Enclosure:

From Embassy,
Mexico City,
telegram no. 901,
August 20, 1942.



msj

BH

~~SECRET~~

Mexico City

Dated August 20, 1942

Rec'd 1:13 a.m., 21st

Secretary of State,
Washington.

(901) August 20, 4 p.m.

FOR B. BERNSTEIN TREASURY PROCF RAINS.

Bank of Mexico, Mexico City, has purchased \$234,523 in sums up to \$250. Average purchase probably somewhere between \$100 and \$150. Total of \$91,944 in sums up to 999 taken for collection. Total of \$1,043,125 taken for collection in sums of \$1,000 and up.

Figures available from about 25% of private banks in Mexico City, not necessarily representative, show \$70,655 purchased and \$211,519 taken for collection. Latter figure not broken down. No reports yet available from other cities.

Spanish funds previously discussed are not included in above figures.

Bank of Mexico, starting today, will ship funds by train via Laredo to Federal Reserve Banks at

Dallas

-2- #901, August 20, 4 p.m., from Mexico City.

Dallas and New York, It is desired that boxes which are consigned directly to Federal Reserve Banks containing money and documents be subjected to customs examination at destination and not (repeat not) at border. If possible please arrange. //

MESSERSMITH

WSB

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ENCLOSURES

COPY No. _____
(For Record Section only)

MILITARY INTELLIGENCE DIVISION W. D. G. S.

MILITARY ATTACHE REPORT Portugal

Who's Who - Cardinal Patriarch, (Country reports) 5990
Subject D. Manuel Goncalves Jarajaira G. No. _____
Lisbon (Chief descriptive title) 1523
From M. A. Report No. _____ Date Aug. 22, 42

Source and degree of reliability: **Personal observation.**

Reliability - good.

SUMMARY.—Here enter careful summary of report, containing substance succinctly stated; include important facts, names, places, dates, etc.

1. Method of arranging audience.
2. Cardinal is acquainted with problems of American people, due to extensive visits in our country.
3. Cardinal is great student of government and says purpose of present Portuguese Government is to raise standard of individual and family.
4. Portuguese Government has no similarity to Axis Governments; authoritarian government of Portugal is not for purpose of enslaving the individual, but for the welfare of his family.
5. 1/A Comments: Cardinal is close friend of Salazar and he and the Minister of Finance have strong influence in the Portuguese social and fiscal policies.
The Cardinal is not exactly a liberal, but he is for the integrity of the individual, and his friendship should be cultivated.

Not transmitted; M. Minister, Lisbon.

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Enclosures:

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IG 5990

A visit was made to the Patriarchal Sé (Cathedral) of Lisbon, and an audience was had with the Cardinal Patriarch, D. Manuel Gonçalves Cerejeira. The audience was arranged by Dr. Joao Amauz Leite Ribeiro, Director of the Bank of Portugal, and the Cardinal's secretary called on August 20, stating that the Cardinal would see me the next day at five o'clock.

The visit lasted for forty minutes and the Cardinal proved to be an interesting speaker. The conversation was carried on in French, Spanish, and Portuguese, with some English thrown in, as he said, "to keep up the practice." The Cardinal is very much interested in the United States, having visited the country on numerous occasions, particularly New England, New York, Washington, D.C., and California. His various visits have been extensive, and he appears to have a more than ordinary knowledge and comprehension of our people and their problems. He has also traveled extensively in South America, particularly Brazil and the Argentine.

The Cardinal is a great student of Government, and the adaptation of the forms of government to the particular types or groups of peoples concerned. He stated that in the formulation of the Portuguese Government, every care and consideration had been devised to evolve for Portugal a form of government which was best suited to the economy, education, and living standards of the people. The mission of this form of government, the Cardinal said, was to enrich and raise the standard of the individual, and of the family, over a period of time.

The Cardinal took pains to emphasize in the conversation the fact that the Portuguese form of government had no similarity or relationship to either the Italian or German. He expressed indignation that many such comparisons have been attempted in the past by uninformed persons. Again and again, he emphasized the fact that the authoritarian form of government of Portugal was not for the purpose of enslaving the individual, but for the welfare of his family.

M/A Comments: The Cardinal Patriarch is one of the closest friends of Jelazar today. He was a co-student and roommate of the Premier at Coimbra University. His influence in the Government and life of Portugal can not be over emphasized. Along with the Minister of Finance, Dr. Joao Pinto da Costa Leite (Lumbrals), of Coimbra University, they exert strong influence on the social and fiscal policy of the nation. While the Cardinal may not be rated as a liberal in our sense of the word, he is one of the leading churchmen, and personifies the church's effort to preserve the integrity of the individual instead of the tendency of the "New Order" to build up the state at the expense of the individual. Every effort should be made to keep on the very best terms with this important figure in Portuguese life.

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JOSEPH RODRIGO,
Colonel, G. S.,
Military Attache.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Aug. 22, 1942

TO Secretary Morgenthau
FROM Mr. Hoflich
Subject: Summary of Military Operations

Raid on Dieppe

A secret British report refers to the raid on Dieppe as reconnaissance in force, and states that the raid (1) achieved tactical surprise, (2) gained information of importance, and (3) took a few prisoners. Landings were made on six beaches and heavy opposition was encountered. Some tanks penetrated the town. Withdrawal was carried out under considerable difficulties and heavy artillery fire. The tanks were not removed, but were destroyed by Allied forces before withdrawal. (Colonel Holmes, executive officer for General Walter B. Smith of the Combined Chiefs of Staff, believes that between 6,000 and 8,000 Allied troops took part in the raid.)

Allied losses are listed as one destroyer sunk and three damaged, 98 fighter planes (30 pilots safe), 3 Boston bombers and 12 Army-cooperation planes lost. Enemy losses are reported to be 93 aircraft destroyed, 39 probably destroyed, and 140 damaged.

(British Operations Report, August 20, 1942)

Murmansk Harbour

The London Economist reports that the numerous air raids over Murmansk during June did not seriously affect the unloading of supplies or their transportation to the interior of Russia. The average load handled at Murmansk was under three tons per dock worker in January, over 4 tons in February, more than 5 tons in March and April, 9.3 tons in May, and still greater in June.

(The Economist, July 11, 1942)

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Information received up to 7 a.m. 22nd August, 1942.

1. MILITARY.

Russia. In the northern and central sectors the Russians continue their attacks against the German positions at various points but their successes are still of a local character only. In the Caucasus the Germans have made further progress in their advance south-eastward towards the Middle Kuma River.

2. AIR OPERATIONS.

Western Front. 21st. One Spitfire was shot down by enemy aircraft over this country but the pilot is safe. 12 U.S. Fortresses with fighter escort were sent to bomb Rotterdam docks. Owing to failure to effect rendez-vous between escort and bombers the escort was recalled, on reaching the Dutch coast the bomber formation then consisting of nine aircraft received the recall signal and turned for home. On the way back they were attacked by 20 to 25 F.W. 190's of which 2 were destroyed and several probably destroyed or damaged. All Fortresses returned safely.

Malta. 20th. 12 Beauforts escorted by 12 Beaufighters were sent to attack an 8000 ton tanker with destroyer and air escort off Cape Spartivento. A destroyer was possibly hit and 2 enemy aircraft damaged. 4 of our aircraft were lost though 1 Beaufighter pilot was saved.

21st. A similar force attacked this convoy south of Corfu and the tanker is reported to have been stopped.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTSL No. 238

Information received up to 7 A.M., 23rd August, 1942.

1. NAVAL

Attacks on shipping. During the 3 days 19/21 August the following 18 ships were reported torpedoed between 11th and 19th August and one schooner in July. A U.S. ship in Northwestern Approaches, a U.S. tanker in convoy in the West Atlantic, 3 British, 1 Egyptian, 1 Swedish and 2 U.S. ships in convoys in the WEST INDIES. A Colombian schooner in the GULF OF HONDURAS in July. 4 Brazilian ships and a schooner off the east coast of BRAZIL. A Dutch and 2 British ships in convoy in the AZORES area and a Norwegian tanker in the FREETOWN area. The missing British ship from the MALTA convoy is now presumed to have been sunk. A British tanker is overdue at FREETOWN.

2. MILITARY

Nothing of importance to report.

3. AIR OPERATIONS

WESTERN FRONT. 22nd. About 60 Spitfires carried out low level harassing operations over BELGIUM and Northern FRANCE where a factory was set on fire. 4 Spitfires are missing. 2 Whitleys are missing from patrols in the BAY OF BISCAY. 22nd/23rd. About 15 enemy aircraft dropped bombs over a wide area of Eastern ENGLAND. No war damage and few casualties reported. Our night fighters destroyed one medium bomber, probably destroyed another and damaged two more. 21st. 9 torpedo carrying Beauforts and 5 bomb carrying Beaufighters, escorted by 8 Beaufighters, made 3 hits with torpedoed and 3 near misses with bombs on 8,000 ton tanker near CORFU. An escorting destroyer was also hit by a bomb. The Beaufighters destroyed 5 enemy aircraft and probably destroyed another. 2 of our aircraft are missing and 7 others were damaged.

EGYPT. 21st. In the evening our bombers attacked a convoy north of TOBRUK and hit 2 merchant vessels. One bomber is missing. 21st/22nd. Landing grounds near ALEXANDRIA were attacked by enemy aircraft one of which was destroyed by night fighters.

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