

DIARY

Book 568

September 10 - 13, 1942

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, September 10, 1942.
979742

Press Service
No. 33-15

Secretary of the Treasury Morgenthau today announced the offering, through the Federal Reserve Banks, for cash subscription at par and accrued interest, of \$1,500,000,000, or thereabouts, of 0.65 percent Treasury Certificates of Indebtedness of Series C-1943, and of \$1,500,000,000, or thereabouts, of 1-1/4 percent Treasury Notes of Series C-1945. In order to insure more extensive participation in this offering the subscription books for both issues will remain open two days, and all subscriptions up to \$25,000 will be allotted in full. There will be no restrictions as to the basis for subscribing to these issues.

The certificates will be dated September 21, 1942, will be payable on May 1, 1943, and will bear interest at the rate of 0.65 percent per annum, payable on an annual basis at the maturity of the certificates. They will be issued in bearer form only, in denominations of \$1,000, \$5,000, \$10,000 and \$100,000.

The notes will be dated September 25, 1942, will mature March 15, 1945, and will bear interest at the rate of 1-1/4 percent per annum, payable on a semiannual basis on March 15 and September 15 in each year until the principal amount becomes payable. They will be issued in bearer form only, in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the securities now offered shall not have any exemption, as such, under Federal Tax Acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circulars released today.

Subscriptions for both issues will be received at the Federal Reserve Banks and Branches, and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks

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and the Treasury Department are authorized to act as official agencies. Subscriptions from banks and trust companies for their own account will be received without deposit, but subscriptions from all others must be accompanied by payment of 5 percent of the amount applied for.

The bases of allotment of subscriptions over \$25,000 will be publicly announced. Payment for any certificates allotted must be made or completed on or before September 21, 1942, or on later allotment, and for the notes on or before September 25, 1942, or on later allotment. The certificates will be redeemed in cash at maturity and will carry no exchange privileges.

The texts of the official circulars follow:

UNITED STATES OF AMERICA

0.65 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES C-1943

Dated and bearing interest from September 21, 1942

Due May 1, 1943

1942
Department Circular No. 691

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, September 10, 1942.

Fiscal Service
Bureau of the Public Debt

I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for certificates of indebtedness of the United States, designated 0.65 percent Treasury Certificates of Indebtedness of Series C-1943. The amount of the offering is \$1,500,000,000, or thereabouts.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated September 21, 1942, and will bear interest from that date at the rate of 0.65 percent per annum, payable on an annual basis at the maturity of the certificates. They will mature May 1, 1943, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes and will not bear the circulation privilege.

4. Bearer certificates with one interest coupon attached will be issued in denominations of \$1,000, \$5,000, \$10,000 and \$100,000. The certificates will not be issued in registered form.

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter proscribed, governing United States certificates.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to the closing of the subscription books. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit. Subscriptions from all others must be accompanied by payment of 5 percent of the amount of certificates applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, subscriptions for amounts up to and including \$25,000 will be allotted in full. The basis of the allotment on all other subscriptions will be publicly announced, and allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for certificates allotted hereunder must be made or completed on or before September 21, 1942, or on later allotment. In every case where payment is not so completed, the payment with application up to 5 percent of the amount of certificates applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depository will be permitted to make payment by credit for certificates allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive certificates.

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2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

UNITED STATES OF AMERICA

1-1/4 PERCENT TREASURY NOTES OF SERIES C-1945

Dated and bearing interest from September 25, 1942

Due March 15, 1945.

Interest payable March 15 and September 15

1942
Department Circular No. 694

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, September 10, 1942.

Fiscal Service
Bureau of the Public Debt

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for notes of the United States, designated 1-1/4 percent Treasury Notes of Series C-1945. The amount of the offering is \$1,500,000,000, or thereabouts.

II. DESCRIPTION OF NOTES

1. The notes will be dated September 25, 1942, and will bear interest from that date at the rate of 1-1/4 percent per annum, payable on a semi-annual basis on March 15 and September 15 in each year until the principal becomes payable. They will mature March 15, 1945, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes shall be subject to all Federal taxes, now or hereafter imposed. The notes shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The notes will be accepted at par during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury in payment of income and profits taxes payable at the maturity of the notes.

4. The notes will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege.

5. Bearer notes with interest coupons attached will be issued in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000. The notes will not be issued in registered form.

6. The notes will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States notes.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to the closing of the subscription books. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit. Subscriptions from all others must be accompanied by payment of 5 percent of the amount of notes applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, subscriptions for amounts up to and including \$25,000 will be allotted in full. The basis of the allotment on all other subscriptions will be publicly announced, and allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

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2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

September 10, 1942
9:30 a.m.

GROUP

Present: Mr. Bell
Mr. Gaston
Mr. Sullivan
Mr. Buffington
Mr. Schwarz
Mr. Haas
Mr. Paul
Mr. Kuhn
Mr. Graves
Mr. Blough
Mr. Odegard
Mr. White
Mr. Thompson
Mrs. Klotz

H.M.JR: Are you staying or are you rushing out this morning?

MR. PAUL: No, I think it would be well for me to stay, and I arranged to stay a short time by having Tarleau take up a couple of matters first.

H.M.JR: Because your man on the Hill, if he would ask Colonel Halsey for me whether he could get this editorial put into the record, plus the cartoon - I know they have never done it - I know they will do the editorial any time I want it.

But this is the only thing on our side that I have seen. If Danaher sees it - it is by the old man, himself. (Article by Josephus Daniels in "The News and Observer" of September 6, 1942.)

MR. PAUL: Who should get it put in the record?

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H.M.JR: Your man that covers the Hill, who goes to see Colonel Halsey. That is the way I have done it before. Halsey has always put it in for me. They will have to get this little piece snipped off there. But read it. I would like to have it photostated because it is simply marvelous.

It says here: "Day by day, night by night, the highly paid lobbyists and attorneys of Privilege by the use of every species of propaganda known to Big Business have been seeking in open and secretive ways to give escape from just taxation to the Big Boys by saddling the taxes on the Little Man. They began their campaign of scuttle and sabotage by sending big-wigs from the National Chamber of Commerce and the Manufacturers' Association who told the committee that they were ready and happy to pay heavy taxes for the successful conduct of the war. They spoke so patriotically and unselfishly that they received high commendation for changing their attitude of seeking favoritism for the rich. They waited to get the accolades and then, again proffering unselfish patriotism, came forward with the proposal that taxes on wealth (proposed by Morgenthau) be reduced, taxes on wages and small incomes be increased, and that the big cost of the war be levied upon consumption by means of a sales tax, but always protested that they were not asking for a sales tax because they wished it, but only as a "last resort."

MR. PAUL: We got quite a boost in the "PM" for our fight against the sales tax, too.

H.M.JR: This thing being by Josephus Daniels, they cannot refuse to run it - and the cartoon. I mean it just goes on like that, just the old-time southern orator. It is marvelous.

MR. KUHN: Does he still write editorials himself?

H.M.JR: You know what has happened, don't you? You see, in order to make it possible for his son, Jonathon, to come up here, he said, "I will go back and run the paper." And he is having such a good

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time that Jonathon is out of a job. The old man won't give it up, and this is the kind of stuff he is writing. He is writing it personally, in his own handwriting, and he won't give it up.

MR. KUHN: He is almost eighty, isn't he?

H.M.JR: Yes, but he is writing that kind of stuff, which is the most virile stuff I have seen, and with that cartoon - that is the way to get it in, I think, through Colonel Halsey.

MR. GASTON: That is a St. Louis Post Dispatch cartoon by Fitzpatrick.

H.M.JR: That, plus the cartoon - who covers the Hill for you now?

MR. THOMPSON: John Shea.

MR. KUHN: Shea.

H.M.JR: But the thing is to try to get that cartoon in. It certainly is refreshing. You cannot do the "PM" because "PM"--

MR. PAUL: No, I just mentioned it.

H.M.JR: But you cannot take - old Josephus Daniels is the bulwark of the Democratic party, the leading editor of the South, and so forth - Secretary of the Navy, Ambassador to Mexico - you cannot say he is a pink.

MR. PAUL: I got the "Red Tape Cutter" award from "PM" yesterday.

H.M.JR: Did you? What did you do, get in to see me? (Laughter)

MR. PAUL: I do not know why they call it that.

H.M.JR: I congratulate you. You are in no hurry today?

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MR. PAUL: No. I fixed it so - I think it is well for me to stay for a few minutes. I cannot stay too long.

H.M.JR: We will take you first, anyway. What happened after lunch yesterday?

MR. PAUL: We had a number of technical matters, like powers of appointment. The principal thing they did - we had quite a fight on the forty thousand insurance estate tax exemption, and we had gotten it out of the House bill and fixed the total exemption at sixty thousand. Danaher made quite an effort to get it back in, and the fight ended with a motion keeping it out, but raising the exemption from sixty to eighty thousand. It is now eighty, but it consists of part non-insurance and part insurance. That is pretty good, because now they cannot bring back, from a parliamentary standpoint, the insurance into the battle, and they will simply drop the sixty or seventy or eighty in the conference.

H.M.JR: One thing that was not clear, and I have not had a chance to talk to you about - you were sort of - I do not know - jockeying, that you should not put in this resolution until the bill passed, and I take it that the reason you did not want it passed now was because you thought that that would close the door to get anything else in the bill.

MR. PAUL: No.

H.M.JR: I could not understand it. I saw you jockeying so I stopped pressing you.

MR. PAUL: I thought yesterday it might be a good thing to get something in this bill and I thought I would talk to George about it. I agree with you that we should change the date of the other resolution from January 11 to December 1; but it would be even better if we could get something in this bill, and then if it does not stay in, it is the House's fault.

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H.M.JR: What I was thinking about was this, that if they get a resolution through, say to bring in a report, even December 1, or January 11, on pay-roll allotment, volunteer pay, and so forth, that they did it now, they will say, "Well, we are going to have it. We do not have to do anything in the bill." I thought you thought that if they did not do it until the bill passed--

MR. PAUL: This thing wouldn't be until the bill passed. This resolution that they passed yesterday of the Committee--

H.M.JR: I thought they were going to put it right straight through.

MR. PAUL: That would be part of the revenue bill.

H.M.JR: Wait a minute. Roy, didn't you understand it was to be separate?

MR. BLOUGH: George indicated that it could be either way. As it is now set up, it would be part of the bill, but he indicated that it would be possible to have a special resolution pushing it right through, if that were desirable; but as it was passed in the Senate yesterday, it would be part of the revenue bill.

MR. GASTON: I do not see why they need a joint resolution at all. Why doesn't Doughton simply order a subcommittee of the Joint Committee on the Internal Revenue Taxation to go to work on it?

MR. PAUL: You could do it that way, but it seems to me the best thing to do is to work out something, as George suggested - after we have finished in the next few days the remainder of the bill, they have to be drafting it for a couple of weeks, and you have a clear time in which to do it. I think we could do it in two weeks, and stick it in the bill and then you have something in the conference, and then, if it does not go through, it is the fault of the House. The Treasury has done its part.

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H.M.JR: That is all right.

MR. PAUL: We have been studying this. You do not need a month or a month and a half to do it.

H.M.JR: What else?

MR. PAUL: I only have one thing, that is, that Fish was at the Treasury yesterday. He just wanted some information about the procedure for filing Foreign Funds census reports. We had to give him this routine information the way we give it to anybody. That is all. I thought you might be interested in that because of this Fish thing.

H.M.JR: I already knew about it, but I just want to caution everybody to be awfully careful not to discuss the Hamilton Fish case with anybody - any angles of it - not anything about it, please.

Herbert?

MR. GASTON: You recall General Strong's letter about the search of these people in Tampa. We have not received the written report yet, but we have some verbal reports that this search was made at the insistence of Military Intelligence over the protest of the Customs man; and they finally consented to do it, and the request came, not from the local officer of Military Intelligence, but from Headquarters G-2 in Washington, which insisted on the search being made.

H.M.JR: I would love to because - I mean--

MR. GASTON: When we get that report we will have a good letter to write to Strong.

H.M.JR: Just as strong as his letter.

MR. GASTON: There is another thing that is disturbing us quite a little. The Navy is insisting on having a new system of search put into effect for seamen. They first started with alien seamen, and now broaden it to include all seamen.

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The system they want to put into effect is to have a panel, a committee, at each port consisting of ONI, FBI, and Immigration and Customs, to go through the crew, examine the entire crew, every vessel that comes in from a foreign port, and decide which ones shall be permitted to go ashore and which ones shall not be permitted to go ashore. Then they want to have all the men who go ashore searched to the skin, completely searched - every seaman who goes ashore.

The War Shipping Administration is tremendously concerned about the consequences, and I talked to Land about it yesterday, and I am going to talk to Berle today. It certainly will make a lot of trouble for them, with their crews. The Navy says--

H.M.JR: Well, Herbert, you handle it; I can't handle it.

MR. GASTON: I just thought I would let you know about it.

H.M.JR: You handle it, because--

MR. GASTON: We are trying to stop it.

H.M.JR: When Cooper comes in I have got to see him. I will have to stop at ten.

Lew Douglas told me that there were ships in Iceland - merchant ships - I think from March until either July or August, and nobody was allowed to go ashore. They would not even let them go ashore at all. He ordered the ships to London, and all the men to get shore leave. The Navy may have a good reason, you know.

MR. GASTON: Well, the reason is they want to make the search thorough. They think that some of

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these people may carry communications, but we think the dangers are too great. The trouble is too great to justify what they are doing, and we have a contrary suggestion to make.

H.M.JR: Supposing you take care of it.

MR. GASTON: Yes.

H.M.JR: Anything else?

MR. GASTON: I think that is all.

H.M.JR: Sullivan?

MR. SULLIVAN: The Office of War Information is distributing a lot of films and they wanted to know if they couldn't have some more of the Donald Duck. I said we would be very happy to do that when we found out how we wanted to change it for next year. I don't think we can let any more copies of that film out until we know just what changes--

H.M.JR: What do they want it for?

MR. SULLIVAN: They are sending them around to all the camps and schools, and so forth.

H.M.JR: In other words, you have got to wait until the tax bill passes.

MR. SULLIVAN: That is what I think. The minute it does I think we ought to get going on it pretty fast, because we have all those films and they can be changed at very slight expense and be made quite useful.

H.M.JR: Norman raised the question as to whether we wanted a new film. I said, "No, we will just bring this up to date."

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MR. THOMPSON: I thought if we had new ones - we would have to have legislation - there would be difficulty on the appropriation.

MR. BUFFINGTON: The sixteen millimeters are worn out; they have been used so much.

H.M.JR: Good.

Anything else?

MR. SULLIVAN: That is all, sir.

MR. BUFFINGTON: I have that article out of Fortune. Maybe you would like to wait and discuss that with me.

H.M.JR: Ask Stephens for an appointment. Is there such a man?

MR. BUFFINGTON: Yes, Robert Magowan of Merrill-Lynch.

H.M.JR: Do they describe him?

MR. BUFFINGTON: Yes, formerly with R.H. Macy and Safeway Stores.

H.M.JR: That is the fellow.

MR. BUFFINGTON: He married Charley Merrill's daughter.

H.M.JR: How long ago is that?

MR. BUFFINGTON: June, '41.

H.M.JR: I told him to look up Fortune. There was an article about stock exchange houses. There was a man in this new big one that did publicity, and I told him to go through the file. When was it?

MR. BUFFINGTON: June, '41.

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H.M.JR: And he used to be with Macy's and in the stock exchange. Wasn't he advertising man?

MR. BUFFINGTON: He is advertising man - partner in charge of advertising.

H.M.JR: Isn't that the kind of fellow we ought to get?

MR. BUFFINGTON: His experience has been more along stock lines.

H.M.JR: Yes, but if he had been with Macy's - we will look at it.

MR. BUFFINGTON: O.K. I will check with Stephens.

H.M.JR: Why don't you ask some of your friends in New York what he is doing. He may be down here as a colonel or a general now.

MR. BUFFINGTON: O.K. He is still listed as a partner. I do not happen to know him.

MR. PAUL: I know Mr. Pierce very well in that firm. Do you want to find out anything?

H.M.JR: Yes.

MR. BUFFINGTON: I know Pierce.

MR. PAUL: I know Pierce; I used to represent him.

H.M.JR: Who wants to do it?

MR. BUFFINGTON: There is another man there who would be more active in it than Magowan is - Winthrop Smith. I know him very well. He is Charley Merrill's second partner. Smith is not as active as he used to be.

- 11 -

H.M.JR: It appeals to me. If the man had regular merchandising experience, he would appeal to me.

MR. BUFFINGTON: I will check before I see you. That is all.

H.M.JR: Who is in back of Paul? Good morning.

MR. ODEGARD: Good morning.

H.M.JR: How is your cold?

MR. ODEGARD: It is much better.

H.M.JR: I don't know whether you like thrillers, but we had a good one last night. I heard you had to nurse your cold.

MR. ODEGARD: I slept long and well.

H.M.JR: Good.

MR. ODEGARD: I have nothing. There are a couple of things I would like to speak with you very briefly about today.

H.M.JR: Would you ask Steve to put your name down? We are not very busy; all we are doing today is watching them buy the money - the bonds. Is that right?

MR. BELL: Yes. Tomorrow we can watch them better.

H.M.JR: Kuhn?

MR. KUHN: You asked me yesterday about some announcements concerning nickels and pennies.

H.M.JR: Yes.

MR. KUHN: I have twelve very good announcements that caused a lot of wagging of heads last July when we tried it. I still think they are good; I think they are exactly right for the purpose.

- 12 -

H.M.JR: Give us a sample. I have on my bureau a glass ball about this big which is full of pennies.

MR. BELL: I have one too - a hundred pannies.

MR. SULLIVAN: That shows your children are grown up. (Laughter)

MR. WHITE: Wagging of head, you mean. (Laughter)

MR. KUHN: Shall I read a couple of these?

H.M.JR: Who got the best of that argument?

MR. WHITE: We disagreed on the facts.

MR. ODEGARD: The semantics.

MR. BLOUGH: I think there was only one head that didn't wag. (Laughter)

H.M.JR: What is semantics? I have got to learn what the upper and lower abdomen means. Semantics?

MR. ODEGARD: Semantics has to do with the science of words and symbols.

H.M.JR: All right, go ahead.

MR. KUHN: I will read two of these little ones. "Did you ever hear of lazy money? Sure, money can be lazy. Take, for example, that box of pennies lying in the back of your bureau drawer - or that jar half-full of nickels. That's lazy money -- because it isn't working for you. The best way to make that lazy money go back to work is to take it down to the bank or post office and swap it in for War Stamps or Bonds. As a War Bond it will be working to help win the war as well as helping to build up interest for you. Today, let's everyone of us make sure that there is no idle, lazy coin collection around our house. Swapping coins for Stamps or Bonds is a fine way to add to our savings in the War Bond Ten Percent Club, too."

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The second one is a little more direct: "A lot of us have at home bottles, boxes and jars which are full, half-full or contain just a few pennies, nickels, dimes and quarters. Now, of course, we should keep on saving - but we should not keep any more coins at home than we absolutely need. Because by keeping those coins idle, we may force our Government to mint new coins which takes needed strategic metals away from our war effort. Instead of saving odd pennies, nickels and dimes, why not save War Stamps and save toward War Bonds? Your savings bring you interest, that way! Let's take all our idle coins to the bank or post office, immediately. Let's each turn in our idle coins for War Stamps or War Bonds, today!"

H.M.JR: I have got one suggestion. Those are good, but are a little out of date. You could put in a sentence in each one, keep repeating it over again - this is a double-barreled suggestion, the second barrel being - I mean, you do not have to use that exact phraseology - make a study of ceramics, is it? (Laughter)

MR. BELL: That is what we are going to make the coins out of. (Laughter)

H.M.JR: Well, anyway, as I suggested - we have got to potter a little bit with these phrases. What I would like to get, the idea - this is a suggestion, but please remember the double-barreled effect is, and keep repeating it through each one, "We just haven't enough pennies to go around, and through keeping these on your desk you are hampering the general well-being of the country" - whatever you want to call it.

MR. BELL: War effort.

H.M.JR: War effort.

MR. KUHN: Most of these have got the angle--

H.M.JR: I repeat it, that "there are just not enough pennies to go around, so won't you help us by putting

- 14 -

your pennies back into circulation?" Get that thing. I mean, I would say, which you don't in any of that, that today there are not enough pennies to go around.

MR. KUHN: The emphasis here is, don't force the Government to go minting new coins which would use up materials.

H.M.JR: But we can't get any more copper. I mean, we have crossed that bridge, so now it is not a question of forcing us, we have reached the stage - if you could bring it up to date by saying we can't get any more copper.

MR. KUHN: That is easy.

H.M.JR: "There are not enough coins to go around, so why keep them on your desk where they are not doing anybody any good. Won't you please put them back into circulation; and while you are putting them back into circulation, why not buy yourself a few war stamps?" I would like to put the emphasis on putting them back into circulation.

MR. KUHN: That can be done easily.

MR. WHITE: There is a wee small voice of protest against it. It seems to me that by combining those--

H.M.JR: Why do you compliment yourself so? (Laughter)

MR. WHITE: I know nobody would believe it, that it is a wee small voice. (Laughter)

H.M.JR: Go ahead.

MR. WHITE: I think that the need right now is to get those pennies and nickels out into circulation. I think a plea from you or from the Treasury - I think either you or Dan should make it - that it is necessary - to the effect that we have no more copper and no more nickel; and don't tie it up with the bonds at all. I don't think you would get much results from savings stamps.

- 15 -

They are not going out and spend money just because they are changing a jar; they are not going to buy goods; they are very apt to buy savings stamps. I think you reduce the effectiveness of your plea for copper and nickel very substantially if you tie it up with savings, because then they think that is the real reason, rather than the other.

H.M.JR: Well, on the other hand, if I simply - your suggestion, to simply make the plea, to put it back into circulation, they could ask perfectly well, "With all this talk about buying stamps, why does he omit to say that?"

MR. WHITE: Then possibly that bridge could be met - that argument - this way, by asking them to change it for larger currency. Of course, you would prefer that they buy stamps, but in any case they ought to change it for bills.

H.M.JR: Well, you have made your wee protest; I have listened to it; and if you don't mind, what I would like to do is to put the emphasis on the fact that we haven't got enough copper, we haven't got enough coins, that we would like to have them turned in. "While you are turning them in, by the way, why don't you--"

MR. BELL: "Incidentally, why don't you--"

H.M.JR: "Incidentally, why don't you" - put the emphasis on turning the coins in - "and, incidentally, why don't you buy some stamps?" How soon could that go out?

MR. KUHN: I will have to find out how soon. We have just sent out a batch of new announcements on spending which the radio stations will just be getting this week, and I would like to wait a week before sending out this batch and asking the radio stations to use them.

H.M.JR: You mean on the spending?

- 16 -

MR. KUHN: We sent out about twelve announcements, special announcements, on unnecessary spending, which were quotations of yours and the President's, tied in with general policy, and we asked the stations if they wouldn't substitute those new ones for the announcements they already have. We can't ask them to do the same thing immediately. I would like to wait a week.

H.M.JR: Where are you on this, Peter?

MR. ODEGARD: Where am I on what?

H.M.JR: This thing that we are talking about.

MR. ODEGARD: This is the first I have heard of it.

H.M.JR: Why?

MR. ODEGARD: That is perfectly all right. These announcements have been coming to Ferdie.

H.M.JR: Now that you are back?

MR. KUHN: These were done in July, Mr. Secretary.

MR. ODEGARD: Now that I am back, I am afraid Ferdie will probably have them on my desk.

H.M.JR: I hope your fears come true.

MR. KUHN: The ones on spending were written while Peter was away and were shown to him.

H.M.JR: When will they begin to flop on Peter's desk?

MR. GRAVES: They are flopping on Peter's desk now; these originated in July. The current ones are going to Odegard now.

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H.M.JR: Well, how about this question? This is something new now, the copper coins, and all that. Would he pick that up now?

MR. KUHN: I was going to suggest that they be rewritten and when rewritten they should come to Peter.

H.M.JR: Rewritten by whom?

MR. KUHN: Rewritten by Mr. Waldman of the Radio Staff in accordance with your idea.

H.M.JR: And then they go to whom?

MR. KUHN: Odegard.

H.M.JR: And is he going to begin to take on that responsibility now?

MR. ODEGARD: I am afraid so, Mr. Secretary.

H.M.JR: I would just like to know when it starts.

MR. GRAVES: It has already started. I don't know what is the matter with those fellows. But it has already started.

H.M.JR: As a lawyer who listens to practice before a court here, would you like to go before a court on that? (Laughter)

MR. GRAVES: I wouldn't want to take witnesses like that before any court. (Laughter)

MR. KUHN: It has started in a big way. (Laughter)

H.M.JR: I am just curious, that is all.

MR. PAUL: That is more than leading the witness; that is shoving him. (Laughter)

see Paul's memo of
9-11 for editorial

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September 10, 1942

Dear Mr. Daniels:

It was very thoughtful of you to send me the editorial, "Has the Little Fellow a Chance?". This made very heartening reading just at this time, when the large metropolitan newspapers have been practically 100 per cent opposed to what I have been suggesting and almost unanimously for a sales tax. I was so impressed with the contents of the editorial that I have asked that it be reprinted in the Congressional Record. If this is done, I shall be glad to see that you receive a copy of the Record.

I had the pleasure of having luncheon a couple of weeks ago with your son, Worth, at Fort Bragg, and found him in the best of spirits and thoroughly enjoying his work.

With kindest regards,

Sincerely yours,

(Signed) Henry

Hon. Josephus Daniels,
Editor,
The News and Observer,
Raleigh, North Carolina.

GEF/lk

Orig. ^{editorial} cartoon - on "Hill"
File - Diary



THE SECRETARY OF THE TREASURY
WASHINGTON

September 10, 1942

Dear Mr. Daniels:

It was very thoughtful of you to send me the editorial, "Has the Little Fellow a Chance?". *reading*
~~It was most heartening for me to read this editorial~~ *This made me*
 at this time, ~~particularly when almost all of the~~ *practically*
 large metropolitan newspapers have been 100 per cent
 opposed to what I have been suggesting and almost
 unanimously for a sales tax. I was so impressed
 with ~~this editorial~~ that I have asked that ~~they run~~ *it be refused*
~~it~~ in the Congressional Record, and ~~if they do I~~ *this is done. I shall*
 will send you a copy of the Record. *be glad to see that you*
receive

I had the pleasure of having luncheon a couple of weeks ago with your son, Worth, at Fort Bragg, and found him in the best of spirits and thoroughly enjoying his work.

With kindest regards,

Sincerely yours,

Hm
 Mr. Josephus Daniels,
 Editor,
 The News and Observer,
 Raleigh, North Carolina.

September 10, 1942
10:29 a.m.

HMJr: Hello.

Operator: Mr. Sproul.

HMJr: Hello.

Allan
Sproul: Good morning.

HMJr: Allan.

S: Yeah.

HMJr: Good morning. How is the street accepting
our offering?

S: Very well.

HMJr: Very well.

S: They say they think it's based right on the
market.

HMJr: Good.

S: You might say they're a little more enthusiastic
about the one and a quarters than they are about
the certificates, but that's natural because
the one and a quarter will carry some premium
whereas the certificate as should be in the
case of such a short obligation won't carry a
premium. And the rest of the market is firm -
there's not much doing yet, but our whole
market's acting well.

HMJr: And on the .65 - that's all right?

S: That's all right. They quibble a little and -
but think it's right on the market and where it
should be for a certificate.

HMJr: Okay. Thank you.

S: All right.

September 10, 1942

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Supplement to the memorandum on the luncheon conference of September 9, 1942.

Senator Barkley said that the Treasury proposal for the spendings tax came too late in the session, that the Treasury waited too long to present it. As a result, he said the Committee did not have a chance really to understand the tax and give it proper consideration. The Secretary said that he recognized the recommendation came late in the session, but that this was due to the fact that he had waited through July and August to see what the returns from the voluntary plan of bond sales would produce. He indicated that the decision to ask for compulsory savings had been a difficult one for him to make.

Senator George said that he had talked with five or six members of the Committee and asked them what they thought about the principle underlying the spendings tax. He said he found that none of them was in favor of the principle. For this reason, he came to the conclusion that the Committee would not be interested in the tax, however it might be modified.

RB

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE September 10, 1942.

TO Mr. Gaston
FROM Miss Newcomer

I have been working on the assumption that the spendings tax will probably come up again even though the Senate Finance Committee has turned it down for the time being.

In this connection I have talked with Miss Dennison of the League of Women Voters and she has agreed to send out an information leaflet on the spendings tax. This will go to all members (2,500). The tax will also be discussed briefly in other current materials that they send out. Dr. Franklin of the AAUW has agreed to devote the next issue of the Social Studies Series "Contemporary America," (which goes out in the next few days) to this problem, and I have written the enclosed article for this purpose. It will go under my name at their request. This goes to all AAUW study groups.

I plan to see Miss Cummings of the National Federation of Business and Professional Womens' Clubs in New York on Saturday to discuss the matter with them. I have also written to Dr. Walker of the Tax Institute asking her if she will consider taking up current tax measures, and especially the spendings tax, in the next issue of "Tax Policy."

I am leaving tomorrow, Friday, for Poughkeepsie. I shall do what I can informally when the opportunity offers. I can come down occasionally if it seems desirable and shall be glad to do any writing or other work when you think I can be useful.

Maude Newcomer

NEW FEDERAL TAXES

MARK NEWCOMER

The importance of preventing serious inflation is well understood by the average consumer, but the danger of such inflation grows daily with the expansion of the war program. Federal expenditures of 80 billion dollars are contemplated this year. This sum is greater (in dollars) than the total national income in 1940. Some increases in production are possible, and being realized, but a large part of essential war production must be secured at the expense of consumer goods. If consumer buying is not greatly reduced by other means, it will be cut by rising prices. To have the cost of living double or triple in a few months would spell disaster for most families. Only drastic measures can prevent this. Price controls and rationing, unaided by taxes, cannot withstand the pressure of consumer demand.

The Federal Budget

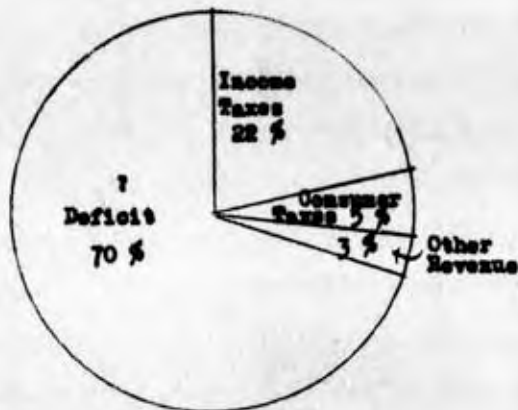
The estimated yield of Federal taxes now in force is 18 billion dollars for the current fiscal year. The proposed changes under the House Revenue Bill (H.R. 7378) would presumably increase tax yields to 24 billion dollars. This is less than one-third of estimated expenditures, as shown below:

	Billion Dollars
Income and profits taxes (individual and corporation)	17.5
Consumer taxes (mostly on liquor, tobacco, and gasoline)	4.2
Other taxes (mostly employment taxes and estate taxes)	2.5
Non-tax revenues	1
Total Revenues	24.5
Deficit	55.5
Expenditures	80.0

Actually, tax revenues will fall short of this, since the tax bill has not yet been passed, and the fiscal year began on July 1st.

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FEDERAL TAXES AND THE DEFICIT
Under H. R. 7378



Some of this deficit will be covered by voluntary savings, but voluntary savings thus far have not reached the goal of one billion dollars a month, and if even this goal were achieved these savings would not cover one-quarter of the deficit. This means that the Treasury will have to borrow large sums from the banks. To the extent that this is done, the Government will be taking goods -- but not money -- away from private consumers. The result will be goods shortages, and the competition of individuals to obtain their usual share will result in a rising cost of living.

Federal Tax Bill

The House Bill (H. R. 7378) would yield much less than the Secretary of the Treasury has set as a minimum, and the delay in passing any measure reduces the possible yield this year.

Further increases in revenue may be obtained by increased rates or lowered exemptions for taxes now in effect, but in addition to these, serious consideration is being given to the levy of three new Federal taxes -- a general sales

-3-

tax, a gross income tax, and a spending tax. The "Kanal plan," which has received so much publicity, is a plan for putting the income tax partly on a pay-as-you-go basis, and would not increase tax receipts.

General Sales Tax
 General sales taxes are in use in many States and their advantages and limitations are too well known to be set forth here. It should be noted, however, that an adequate Federal tax would be much heavier than any of the State taxes now in force. And if food and other necessities are exempted from such a tax, its yield is relatively small. A 5 percent retail sales tax exempting only sales to the Federal Government and its agencies would yield 3,100 million dollars; but if tobacco, liquor, and other commodities now subject to heavy Federal taxes are exempted, the yield is cut to 1,700 million dollars; and if food and medicine are exempted, the yield is cut further to 800 million dollars. Only by taxing necessities can such a tax be really productive.

Gross Income Tax

The Senate Finance Committee is urging a gross income tax -- the "Victory Tax." The proposed levy is 5 percent on income in excess of \$624. It makes no allowance for dependents, and does not permit the ordinary deductions of the income tax. It would tax the net profits of a business rather than gross receipts, however, and in this respect resembles a net income tax more than a gross income tax. A true gross income tax would provide neither personal exemptions nor the deduction of business expenses.

In view of the exemption, this "Victory Tax" is preferable to a sales tax. Also, since it would reach income spent for services and income saved (as the sales tax would not), the yield of a 5 percent levy would exceed that

- 4 -

of a 5 percent sales tax in spite of the exemption. It has been proposed that this tax be withheld from wages and other income payments, and that a substantial part of it should be refunded after the war.

The Spendings Tax

To meet this crisis the Secretary of the Treasury has recommended the immediate levy of spendings taxes, in preference to either a general sales tax or a gross income tax. Two taxes have been proposed: a flat 10 percent levy and a graduated surtax. Married couples spending not more than \$1,000 (plus \$250 for each dependent) would be exempt from both taxes. Those spending more than these sums would pay 10 percent on total expenditures. Married couples spending not more than \$2,000 (plus \$500 for each dependent) would be exempt from the surtax. Thus a man and wife with two children would pay nothing if they spent \$1,500 and \$300 if they spent \$3,000. If they spent more than \$3,000 they would be subject to a graduated tax on the excess over \$3,000. The graduated tax suggested begins with 10 percent and rises to 75 percent. The top rate would apply to expenditures in excess of \$11,000 for a single person, and \$13,000 for a family of four.

It is proposed to refund the 10 percent tax after the war. It is, therefore, a forced loan without interest, rather than a tax. The surtax would not be refunded. The following table shows the amounts of these taxes for families of different sizes, with different incomes and different expenditures.

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-3-

AMOUNT OF PROPOSED INCOME AND SPENDING TAXES

INCOME EXPENDITURE	\$2,500 1,250	\$2,500 2,500	\$5,000 2,500	\$5,000 5,000	\$10,000 5,000	\$10,000 10,000
Man with Wife and Two Children						
Income tax*	175	175	680	680	2,090	2,090
Spending surtax	-	-	-	200	200	1,800
Total nonrefundable taxes	175	175	680	880	2,290	3,890
Refundable spending tax	-	250	250	500	500	1,000
Total taxes	175	425	930	1,380	2,790	4,890
Man with Wife and No Dependents						
Income tax*	270	270	790	790	2,220	2,220
Spending surtax	-	50	50	400	400	2,000
Total nonrefundable taxes	270	320	840	1,190	2,620	4,220
Refundable spending tax	125	250	250	500	500	1,000
Total taxes	395	570	1,090	1,690	3,120	5,220
Single Person						
Income tax**	365	365	920	920	2,390	2,390
Spending surtax	25	200	200	1,000	1,000	2,400
Total nonrefundable taxes	390	565	1,120	1,920	3,390	5,790
Refundable spending tax	125	250	250	500	500	1,000
Total taxes	515	815	1,370	2,420	3,890	6,790

7378

* H.R. 1 with lowered exemptions

Comparison of Spending Tax and Sales Tax

The proposed spending taxes should check consumer buying where it will cause the least hardship. In this respect these taxes are superior to a sales tax. They do not fall on families with very small incomes, and for families with moderate incomes they will be largely refundable after the war.

Even though families with very small incomes are exempt, the spending tax will reach as large an amount of consumer spending as a retail sales tax without exemptions, and a considerably larger amount than a sales tax exempting food. This is because it reaches expenditures for services which normally escape a sales tax.

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The estimated yield of the proposed spendings taxes, together with the additional revenues from the accompanying reduction in personal income tax exemptions (to \$500 for single persons, \$1,000 for married persons, and \$250 for dependents) is 6.5 billion dollars. This is more than the estimated yield of a 10 percent sales tax exempting only sales to the Federal Government and its agencies.

The administrative problem is a difficult one, but it should be no greater than for a sales tax. Administration of spendings taxes can be integrated with that of the income tax, whereas administration of a sales tax would require setting up entirely new administrative machinery. The taxes might conceivably be simplified, but simplification would be at the expense of justice.

Comparison of Spendings Taxes and Income Tax

Under normal circumstances an income tax alone is of course preferable to combined income and spendings taxes. Today, however, the spendings tax is believed to be an essential weapon in combatting inflation. Additional income taxes yielding comparable sums would discourage saving as well as spending. The spendings tax definitely encourages saving. In fact, the surtax is designed to increase savings rather than to increase tax revenues. Individuals will have the option, not offered by an income tax, of reducing taxes by investing income instead of spending it.

The Choice Before Us

The choice is not, of course, between spendings taxes and sales taxes, or between spendings taxes and income taxes. We already have income taxes and special sales taxes. The question is how much the total tax revenue

- 7 -

should be increased and whether it should come in still larger proportion from income taxes, or whether general sales or spendings taxes should be developed.

Among the various plans that have been considered, the Treasury plan for spendings taxes should go farther toward checking the rising cost of living, and in the end should cause less hardship than any of the other plans. This is because it directly discourages needless spending, and offers a definite stimulus to ^{saving} saving.

The proposed taxes are heavy. They will probably reduce spending sharply. They might conceivably be modified, but if substantial modifications are made, the end - checking inflation - may be defeated.

The cost of living has risen 15 percent in the past ~~three~~ years, ^{and a half}. This is costing the family that spends all of its income for ordinary living as much as a 15 percent gross income tax ~~with~~ ^{with} exemptions. It has cost nine-tenths of the families in the United States much more than the proposed spendings taxes.

If taxes and savings are not increased materially the cost of living will almost certainly rise much farther. This would injure consumers far more than a spendings tax.

MEMORANDUM

September 10, 1942.

TO: The Secretary
FROM: Mr. Sullivan

T S

Today Collector Harry T. Maloney of the Camden, New Jersey District met with Commissioner Helvering, Deputy Commissioner Schoeneman and myself. It was stated to Collector Maloney that we three were convinced that the spirit and the morale of the employees in his District was very low and that we felt unless this situation was improved there would have to be a change in the collectorship. Collector Maloney acknowledged there was a bad situation for which he did not feel he was responsible. He announced his determination to improve the morale of his District and expressed his confidence in his ability to do so. He further stated that he felt that unless he could solve this morale problem he should resign. We all agreed with him.

We will keep in touch with the developments in this District and advise you as to the Collector's success in improving the situation.

Sept. 10, 1942.

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HM Jr informed the President about this
today.

THE UNDER SECRETARY OF WAR
WASHINGTON



September 9th, 1942.

Dear Henry:

The New Hackensack airport is to be taken on as an auxiliary field to Stewart Field. I shall see to it that the two houses that you mention are not disturbed.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "R. H. P. Pitt", followed by a horizontal line.

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

September 10, 1942

TO: MR. KUHN
FROM: THE SECRETARY

It seems to me that if I am going to thank people for assisting on the "Air Cavalcade" tour that it ought to be done promptly and not wait six weeks before thanking them.

In the future, if you think I ought to thank people for helping the Treasury, I wish that the letters would be given to me within a week of the time they were of assistance to the Treasury. I should think a letter coming six weeks late would not be appreciated by anybody.

*Started in N.Y. June 16
Finished in Chgo July 25.*

SEP 10 1942
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Dear Major McKesson:

You are to be congratulated on the part you played in making the "Air Cavalcade" tour in behalf of War Savings and Aviation Recruiting such an outstanding success.

I have been acquainted with the admirable way in which you conducted yourself on this tour and I want you to know that I sincerely appreciate the particularly fine cooperation you personally rendered our War Savings campaign.

As you go to your new duties, my sincere good wishes go with you for a full measure of success in all your undertakings.

Sincerely,

(Signed) H. Morgenthau, Jr.

Major Elmer E. McKesson
Flight Test Section
Wright Field
Dayton, Ohio

REE/ah

Extra copies to Mr. Thompson's Office and list - Diary

Similar letter was also sent to the following:

Capt H. A. Haines
Mr. Harry M. Hafele
Corporal H. F. Hoehnne
Sergeant C. M. Johnson
Mr. Robert Shaw
Corporal James W. Schultz
Private Phillip Ellison
Lieutenant Luther W. Cartwright
Lieutenant Theodore Marxson
Mr. Jerry Slusser
Captain W. A. Stevens, Jr.
Lieutenant Carter C. Porter
Major William J. Wrigglesworth
Mr. L. P. Knoles

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

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

(At issue price in thousands of dollars)

Date	September daily sales	Cumulative sales by business days				September as percent of August
		September	August	July	September as percent of August	
September 1942						
1	\$ 7,528	\$ 7,528	\$ 12,222	\$ 12,597		61.6%
2	9,811	17,339	28,810	21,986		60.2
3	9,397	26,735	41,258	32,441		64.8
4	10,678	37,414	54,105	49,175		69.2
5	10,713	48,127	71,552	62,561		67.3
8	18,550	66,678	84,777	84,413		78.7
9	6,072	72,749	92,566	101,585		78.6

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

September 10, 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 September sales to date with sales during the same number of business days in August and July 1942

(At issue price in thousands of dollars)

Date	September :		Cumulative sales by business days			September as percent of August
	daily sales :	September :	August :	July :	September as percent of August	
September 1942						
1	\$ 11,634	\$ 11,634	\$ 14,044	\$ 15,821		82.8%
2	14,748	26,381	36,222	30,701		72.8
3	18,305	44,687	50,797	47,523		88.0
4	17,804	62,491	63,785	77,320		98.0
5	19,166	81,657	86,789	95,044		94.1
8	49,400	131,057	111,748	116,643		117.3
9	13,295	144,352	128,176	139,390		112.6

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

September 10, 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 - TOTAL

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

(At issue price in thousands of dollars)

Date	September :		Cumulative sales by business days			
	daily sales :	September :	September :	August :	July :	September as percent of August
September 1942						
1	\$ 19,162	\$ 19,162	\$ 26,267	\$ 28,418		73.0%
2	24,558	43,720	65,032	52,687		67.2
3	27,702	71,422	92,055	79,964		77.6
4	28,482	99,904	117,890	126,495		84.7
5	29,880	129,784	158,341	157,605		82.0
8	67,950	197,734	196,524	201,056		100.6
9	19,367	217,101	220,742	240,974		98.4

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

September 10, 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.

47
 Sales of United States savings bonds
 September 1 through September 9, 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	Sales	Actual sales		Quota	Sales	Actual sales		Quota	Sales
	Daily	Sept. 1 to date	Sept. 1 to date	to date as % of quota	Daily	Sept. 1 to date	Sept. 1 to date	to date as % of quota	Daily	Sept. 1 to date	Sept. 1 to date	to date as % of quota
1	\$ 11.6	\$ 11.6	\$ 14.9	77.9%	\$ 7.5	\$ 7.5	\$ 6.9	108.7%	\$ 19.2	\$ 19.2	\$ 21.8	88.1%
2	14.7	26.4	34.5	76.5	9.8	17.3	16.6	104.2	24.6	43.7	51.1	85.5
3	18.3	44.7	55.5	80.5	9.4	26.7	26.4	101.1	27.7	71.4	81.9	87.2
4	17.8	62.5	81.0	77.2	10.7	37.4	35.6	105.1	28.5	99.9	116.6	85.7
5	19.2	81.7	98.3	83.1	10.7	48.1	42.2	114.0	29.9	129.8	140.5	92.4
8	49.4	131.1	143.3	91.5	18.6	66.7	58.1	114.8	67.9	197.7	201.4	98.2
9	13.3	144.4	168.8	85.5	6.1	72.7	67.8	107.2	19.4	217.1	236.6	91.8
10			193.4				76.7				270.1	
11			220.6				84.4				305.0	
12			239.2				90.1				329.3	
14			272.7				99.7				372.4	
15			288.2				105.0				393.2	
16			307.6				112.1				419.7	
17			327.2				119.2				446.4	
18			350.1				125.7				475.8	
19			365.4				130.5				495.9	
21			399.6				141.0				540.6	
22			415.7				147.0				562.7	
23			436.2				155.2				591.4	
24			457.1				163.4				620.5	
25			481.4				171.0				652.4	
26			497.4				176.6				674.0	
28			532.7				188.7				721.4	
29			549.2				195.5				744.7	
30			570.0				205.0				775.0	

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

September 10, 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

48

INTER OFFICE COMMUNICATION

DATE SEP 10 1942

TO Secretary Morgenthau
FROM Randolph Paul

In the attached memorandum of August 26, 1942, it was suggested that we should send two Foreign Funds Control investigators to Panama in response to requests of the Embassy and the State Department. You approved this suggestion provided our men were given diplomatic status.

We have raised this question with the State Department, and it seems to be impossible to get diplomatic status for them. They will be there on temporary assignments and will not, in any case, be representing this Government in a way which would be recognized by a foreign government as entitling them to diplomatic status. At present, we are advised, only foreign service officers can get diplomatic passports.

After considering the question further, it seems to me and to Pehle that it would be too bad to pass up this chance to send some good Treasury people to do this investigative work in the Central American field. Accordingly, it is suggested that we proceed to make appropriate arrangements even though diplomatic passports cannot be obtained. Please indicate below if you approve.

*Seag wants status
advises Pehle RSP.
9/17/42*

Approved: _____

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE September 10, 1942

TO Secretary Morgenthau

FROM Mr. White

Subject: Status of Stabilization and Gold Agreements on August 31.

1. Stabilization Agreements in Operation.

Country	Dated	Expires	Amount		Collateral
			Commitment	Outstanding	
Brazil ^{1/}	7/15/37	7/15/47	\$100,000,000	None	None gold
China	7/14/37	12/31/42	50,000,000	\$19,112,500	\$19,379,000 gold
China	4/1/41	6/30/43	50,000,000	None	None required
Iceland	5/1/42	6/30/43	2,000,000	None	None required

2. Stabilization Agreements Concluded but not yet effective

Argentina	1/1/41	6/30/41 ^{2/}	\$ 50,000,000	None	None required
Mexico	11/1/41	6/30/43	40,000,000	None	None required
Ecuador	3/1/42	6/30/43	5,000,000	None	None required

3. Gold Purchase Agreement.

Country	Dated	Delivery by	Commitment to buy	Gold still undelivered	Advance still outstanding
Russia	1/3/42	12/29/42	\$21,070,000	\$ 4,953,792	\$ 2,505,856

4. Gold Sale Agreement

Country	Dated	Expires	Gold Sales not yet Paid For Commitment	Outstanding	Payment due within:
Cuba	7/6/42	6/30/43	\$5,000,000	\$5,000,008	120 days from each sale 3/

This agreement, as amended, also provides for sale to Brazil of up to \$100,000,000 in gold, of which \$40,438,335 has been sold.

Argentines informed agreement can be revived on ratification.

Cuba allowed to pay for the \$5 million outstanding with U. S. currency at Habana.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE September 10, 1942

TO Secretary Morgenthau

FROM Mr. White

This is a comparative statement of the earnings and expenses of the Stabilization Fund for the months of July and August 1942.

<u>Earnings</u>	<u>July 1942</u>	<u>August 1942</u>
Interest earned on investments	\$ 20,110.20	\$ 20,110.20
Interest earned on Yuan	<u>24,360.81</u>	<u>24,391.84</u>
Total	\$ 44,471.01	\$ 44,502.04
Profits on handling charges on gold	<u>63,213.78</u>	<u>77,552.47</u>
Grand Total	\$107,684.79	\$122,054.51
 <u>Expenses</u>		
Salaries	\$ 16,853.65	\$ 19,843.34
Travel	83.53	172.69
Subsistence	96.00	908.22
Telephone and Telegraph	1,699.92	2,381.33
Stationery	141.84	29.70
All others	<u>104.51</u>	<u>676.87</u>
Total	\$ 18,979.45	\$ 24,012.15
Net earnings	\$ 88,705.34	\$ 98,042.36

Treasury Department 5
Division of Monetary Research

Date Sept. 15 1942

To: Miss Chauncey

Appended is a report of the Hong Kong situation by Mr. Taylor. I have indicated a few paragraphs that the Secretary might be interested in glancing at.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Sept. 10, 1942

TO Mr. White
 FROM Mr. Taylor

Subject: Conditions in Hong Kong

1. When the Japanese marched into Hong Kong on December 26, 1941, one of their earliest actions was to seize the godowns. Many of the warehouses were filled with essential goods — foodstuffs, tin ingots, crated motor vehicles, medicines, etc. In one godown 1,500 tons of cracked wheat belonging to the Red Cross were seized. British doctors estimated that the drugs seized were enough to constitute a two-year supply for Hong Kong's pre-war population of 1,500,000. Most of these goods have been earmarked for army or navy use, though through "squeeze" some are finding their way into the market.
2. The Colony of Hong Kong, though pocked and scarred by aerial bombs and artillery fire, was virtually intact. A few areas, such as Wanchai and Happy Valley, where heavy fighting had taken place were severely battered. The British had not destroyed anything of consequence. When they retreated from Kowloon, the railway, wharves, oil installations, naval stores were left intact, and the damage done to water pumps and electrical apparatus was repaired in a few days. Some damage was subsequently done by British artillery fire but such was insignificant. Within a few weeks the Japanese had all public utilities functioning in the Colony.
3. Under a Gendarmerie order of January 4, 1942, the American, British and Dutch population were rounded up and interned. At first imprisoned in unsanitary Chinese hotels in town, many of which had been brothels, the people were subsequently moved to Stanley Peninsula where they were housed in prison warders' apartments and Indian guard barracks. On May 30, 1942, the number of civilian internees at Stanley was as follows:

British	2,481
American	316
Dutch Belgian	<u>70</u>
	2,867

Besides these, it was estimated that approximately 75 Americans and 200 British civilians were living outside the Camp — medical workers, bankers and families interned in town, people released to custody of neutrals or to Chinese wives, etc.

The civilians interned were allowed to take with them limited personal effects and no opportunity was afforded them of returning to apartments, homes, or hotels to salvage possessions or to provide for their removal to places of safety. Within the Camp the people suffered from overcrowding and starvation. During March and April the caloric content of the food ration per person per day fell to 1,000, compared to the League of Nation's "minimum for non-working adults" of 2,400. At no time was the daily calorie rating over 1,800.

4. Not interned were persons of Chinese, Filipino, Russian, Portuguese, and Indian nationality or extraction. A system of hostages was put into effect by which prominent political and business leaders were held in protective custody as assurance that their organizations would cooperate with the Japanese. Individuals of note suspected of being pro-British were imprisoned and released only when sufficient evidence or guaranty of change of heart was forthcoming.

5. Wherever and whenever the Japanese came into control of an area looting became the order of the day. British police patrols were disarmed and detained. Japanese soldiers, individually and in small groups, helped themselves freely to whatever they wanted. Chinese looters, armed with abandoned British service revolvers and carbines, systematically pillaged houses, apartments, and offices without restraint by the Japanese gendarmerie. What could not be carried off conveniently was oftentimes smashed or burned. Japanese troops and cavalry units were quartered in homes and upon leaving them engaged in wanton destruction. Since the surrender the looting has proceeded apace. Even flooring and bathroom fixtures have not escaped the looter. Clothing, furniture, books, art objects, knick-knacks are sold everywhere by street hawkers and secondhand shops. Neutrals have not escaped and in February some Scandinavian seamen were murdered while resisting the looting of their premises.

6. The Japanese are systematically emptying the city of everything that may be of service to the war effort. Cargoes of automobiles, scrap metal, foodstuffs, tires, etc., have been shipped back to Japan. Even metal frames from office building windows and metal fixtures from now empty private homes are being utilized.

7. Few factories have been permitted to resume operations. The shortage of materials would in any event render operations difficult. The cigarette factories of the British-American Tobacco Company have resumed production. The naval dockyard, ship repair and construction yards are or have been repaired and are being worked to full capacity.

8. Hong Kong faces a serious food crisis. It is removed from agricultural centers of supply and has always been dependent on large food imports. The Japanese press has ballyhooed the arrival of rice ships from Siam. Formosan tinned pineapple can be procured in the markets.

Some imports of meat and vegetables have arrived from Portuguese Macau, French Kwangchow and Canton. Rice rationing has prevailed throughout Japanese occupation. In several instances riots have developed and Chinese have been beaten by guards with bamboo poles or shot. British sanitary doctors, still functioning in town, have reported many cases of the sale of human flesh in restaurants, a practice the Japanese have done nothing to discourage even when brought to their attention.

9. All American, Belgian, British and Dutch banks are in process of liquidation. Four Chinese banks are also being liquidated — the Central Bank, the Farmers Bank, the Bank of Canton and the Manufacturers' Bank of China. The Yokohama Specie Bank and the Bank of Taiwan have assumed control of bank affairs. Chinese banks other than those specified, and the Banque de l'Indochine have been allowed to continue operations. The foreign banks destroyed little before the occupation either in the way of records or notes. Under control of the Yokohama Specie there has, however, been no looting of records and these remain intact to date. The liquidating banks have been allowed to make payments on deposits — a first payment of HK \$50 in January was subsequently raised to \$500 plus 20 percent of the deposit above \$500. Safety deposit boxes have been opened in an orderly fashion, though foreign currency, gold, and silver are subject to confiscation against a chopped receipt. The cash reserves of the banks were tallied immediately and later centrally pooled. Attempts have been made to collect on overdrafts and obligations due. Bank notes unissued were seized and the British have been forced to sign them for issuance under the Japanese. According to latest advices, the Chartered Bank has issued \$2,000,000 in small notes and the Hongkong Shanghai Bank over \$10,000,000 including large notes.

10. Hong Kong dollars and Military yen are the only legal tender currencies in circulation. The pre-war official rate of exchange gave the dollar and the yen approximately equal value. This has been replaced by a military rate of Y 1:HK \$2. Even at these rates Hong Kong "big notes" of \$50, \$100 and \$500 denomination are subject to a 20 to 30 percent discount by merchants and exchange shops. Bank of Japan yen, British Empire currencies, U. S. dollars, Chinese national dollars, etc. are dealt in extensively in an active black market, where quotations are greatly affected by war developments. It is widely believed that the Japanese are issuing counterfeit American currency.

11. White military prisoners of war numbering about 5,000 have been interned at Shamshuipo and North Point Barracks. Within recent weeks officers have been segregated at the Argyle St. Barracks. No communication has been allowed between the military and civilian camps and people oftentimes do not know what has happened to friends or family members. Two British doctors who had served in these camps and were recently transferred to Stanley stated that conditions within the camps were deplorable. Collective punishment had been instituted as a result of

escapes. Due to a shortage of medicines and adequate attention, many preventable deaths are recorded.

Indian troops, which helped defend Hong Kong, were interned separately. Many have since been "permitted" to enlist in Japanese army units to fight for "the liberation of India". To obtain such enlistments, the Japanese utilized propaganda, starvation, solitary confinement and force. According to a reliable source, it is learned that three Indian soldiers were bayoneted to death in June for refusal to take advantage of the Japanese offer.

12. When Hong Kong was occupied, the Japanese allowed Dr. Selwyn-Clarke, of the Medical Department, his freedom. In the early months he was allowed to retain a few trucks with American drivers. This corps did heroic work in salvaging firewood, camp cots and bedding, foodstuffs, clothing and personal effects for the Chinese hospitals in town and the Stanley Civilian Internment Camp. With the passage of time the restrictions imposed by the Japanese became increasingly onerous until it was impossible to maintain the trucking service any longer. Dr. Selwyn-Clarke himself was suspected of being a spy and was placed under such close surveillance that his effectiveness was seriously impaired. At the present time his department is undergoing a reorganization in function, no longer will it be a medical department but a relief agency through which friends may contribute funds and commodities for the relief of the destitute in camp. In May and June this organization raised some HK \$140,000, which was used for the purchase of essential clothing, dress materials, and drugs for distribution to internees.

13. In their propaganda the Japanese make a great point about winning the cooperation of the Chinese population. Fortunately, however, that is about as far as it goes for through harsh treatment, unjustifiable detention, unwarranted confiscation, forcible deportation and through liberties taken with Chinese women, the Japanese have lost all possibility of winning over the masses of the people. Until the time is auspicious, however, the people will undoubtedly reluctantly comply with the orders of the Gendarmerie. There is some rumor of Chinese sabotage and guerilla activity in Hong Kong but reliable quarters say that it is very small.

14. In their press and conversations the Japanese make no secret of their plans for the future of Hong Kong. Hong Kong is to become a large airport terminal and important naval base and a hospital center. In Kowloon, where Kai Tak airport is located, the Japanese have already given notice to Chinese occupants of houses in the immediate vicinity that they must vacate for the houses are to be demolished and the airport area to be increased many times over. On the waterfront in Hong Kong conscripted Chinese labor is busy working in the shipyards or repairing damage done to shipyard facilities. Many of the boats scuttled by the British have already been refloated and are being reconditioned for

service. From Stanley a steady procession of Red Cross ships could be seen coming into Hong Kong and people in town told us that all of the major hospitals had been cleared of Chinese and taken over for the exclusive use of the Military and Navy. In order to facilitate such a program the Japanese have carried out a systematic policy of depopulating Hong Kong. Entire areas have been roped off and their inhabitants forcibly ejected. The vagrants on the street have been picked up, taken to the border line and told not to return. It has been made extremely easy through cheap steamer and rail fares for the Chinese to return to their native villages in Kwangtung Province. Any attempt to estimate the number of people who have left Hong Kong would be precarious, but an American who was in town until repatriation stated that on the basis of the best estimates that he could gather about one-third of the entire Chinese population have been forced out of the Colony.

15. Throughout January, February and March the civilian internees at Stanley were treated like hardened criminals. Following upon Mr. Anthony Eden's speech in the House of Commons anent atrocities in Hong Kong, the treatment became less severe. A new administrator was appointed in April and conditions improved. The Japanese press went to great lengths to prove that Mr. Eden's charges could not be true; that in fact the British and Americans were committing atrocities against Japanese civilians within their control.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 313

Information received up to 7 A.M., 10th September, 1942.

1. NAVAL

Attacks on trade from 5th to 8th September. 10 ships were reported torpedoed. A British tanker and a U.S. ship in West Atlantic, 2 British ships and a Greek ship in the Mouth of St. Lawrence, a Mexican tanker in Gulf of Mexico, 2 British ships in FREETOWN area, a British ship in Arabian Sea and a Palestinian ship in Eastern Mediterranean.

2. MILITARY

EGYPT. Patrolling activity continued along the entire front. In Southern sector the enemy has established some strong points.

3. AIR OPERATIONS

WESTERN FRONT. 8th/9th. A total of 423 tons of bombs were dropped at FRANKFURT, scattered fires were started, some in centre of town, others near main railway station and docks. 9 aircraft were employed on intruder operations over HOLLAND, 3 of these aircraft are missing.

9th. MUNSTER, OSNABRUCK and BIELEFELD were bombed by 3, 2 and 1 Mosquitos respectively. Whirlwinds escorted by fighters sank two 1,200 ton ships off CHERBOURG.

9th/10th. Aircraft despatched sea mining 34 (1 missing), anti-shipping 11. Hits are claimed on 2 ships in convoy off BORKUM.

MEDITERRANEAN. 7th/8th. A southbound convoy was attacked north of DERNA, 3 hits were claimed on a destroyer, a vessel approximately 6,000 tons was probably hit and another ship was damaged.

EGYPT. 8th. Fighters intercepted a large formation of heavily escorted dive bombers. 3 enemy aircraft destroyed, 4 probably destroyed and 5 damaged. 1 of our fighters lost (pilot safe). Long range fighters attacked road traffic mainly westbound between MERSA MATRUH and SOLLUM destroying or damaging about 50 vehicles and shooting down 1 enemy aircraft. A considerable number of damaged M.T. were also seen along the road.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 314

Operations in MADAGASCAR were resumed during night 9th/10th September.

First reports indicate that initial operations were successful and that MAJUNGA has surrendered.

OPTEL No. 315

Information received up to 7 A.M., 11th September, 1942.

1. MADAGASCAR

Three military convoys from KILINDINI and one from DIEGO SUAREZ made rendezvous with a strong naval force at noon on the 9th in the MOZAMBIQUE CHANNEL. A successful landing was made at MAJUNGA and by 5:30 A.M. 10th the town was in our hands and the aerodrome captured. There was only slight opposition. By 0747 A.M. our ships had entered the harbour and FORT KALSEPE had been captured. At 1023 A.M. a landing on the Island of NOSIBE 180 miles north of MAJUNGA had been completed with five casualties, by a detachment of Royal Marines and two platoons of South African Infantry landed from one of H.M. Cruisers. A successful diversionary landing from one of H.M. Destroyers also took place at 1025 A.M. at MORONDAVA, no opposition was met and a key position occupied. A force is now advancing from MAJUNGA to TANANARIVE and by 2:30 P.M. had covered 50 miles.

Air reconnaissance showed that up to 5 P.M. 10th all bridges on the MAJUNGA-TANANARIVE Road were still intact.

2. NAVAL

On the 10th our submarines patrolling off the north coast of NORWAY sighted the TIRPITZ, HIPPER, KOLN and six destroyers steering a northerly course. One of H.M. Submarines attacked with torpedoes but claims no hits. Subsequently another of H.M. Submarines sighted three ships possibly proceeding into a Fjord.

3. MILITARY

RUSSIA. There has been no substantial change in the situation at STALINGRAD. German forces have made further progress eastwards along the north bank of the TEREK but the Russians continue to attack the German bridgeheads across the river. In the Western Caucasus the Russians are attacking the German positions on a line running from Northeast of TUAPSE to Northeast SUKHUM. The Russians are still holding in the southern part of the town of NOVOROSSISK.

Regraded Unclassified

- 2 -

4. AIR OPERATIONS

WESTERN FRONT. 9th/10th. Ten Hudsons attacked a convoy of about 17 ships off the FRISIAN ISLANDS. Two ships were hit with bombs and a number of near misses were obtained.

10th/11th. 475 bombers, including 192 heavy, were sent to attack DUSSELDORF. 32 are missing and six crashed. Preliminary reports state that weather was cloudless over the objective with slight haze. The attack was very successful.

EGYPT. TOBRUK HARBOUR was bombed by our aircraft on the 8th/9th and by U.S. Aircraft on the 9th. Two Wellingtons are missing. Attacks were also made on QHA boats off MERSA MATRUH and on road traffic between SIDI BARRANI and MERSA MATRUH. Several lorries were destroyed.

RUSSIA. 8th. German long range bombers attacked a Russian aerodrome at KOLA and MURMANSK HARBOUR. On the 9th the Baltic Fleet Air Arm successfully raided an unspecified German aerodrome.

BURMA. 9th. Ten Blenheims and six Hudsons attacked shipping at AKYAB HARBOUR. A 1,500 ton ammunition ship was hit and believed sunk and a small escort ship was damaged. Four of our aircraft are missing.

475 / 3800
3800

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 321

Following is supplementary resume of operational events covering the period 3rd - 10th September, 1942.

1. NAVAL

Aircraft and submarine attacks on enemy shipping in the MEDITERRANEAN continued. 6 and possibly 7 merchant ships were hit and probably seriously damaged if not sunk. 3 Italian destroyers were damaged by our aircraft.

Naval aircraft continued to attack land objectives in the Egyptian battle area and torpedoed off the CALABRIAN COAST a ship which was later seen beached.

The Battleship LITTORIO has left dry dock and is now presumed to be effective.

U-BOAT WARFARE. A number of enemy submarines are operating off the GOLD and IVORY COASTS, and it is probable that their operations will extend further south towards the Mouth of the CONGO in the near future. One promising attack by surface craft and seven by aircraft were reported by British forces and one promising attack by U.S. aircraft.

Shipping losses in August as recorded to date at 603,000 tons were heavier than in July but lighter than in June, May or April. The August figure includes 98,000 tons lost in the MALTA Convoy.

Casualties were almost entirely due to U-Boats and the bulk of the losses occurred in the West Atlantic and North-Western Approaches. Slightly more than one-sixth took place in the FREETOWN-AZORES area. Tankers formed 141,000 tons of the total.

During August, 14 homeward convoys totalling 367 ships arrived without loss. Out of three convoys totalling 107 ships, 17 were lost. 16 outward convoys totalling 418 ships arrived without loss while 7 ships were lost out of two convoys totalling 76 ships. Imports in convoy into the UNITED KINGDOM for the week ending 5th amounted to 539,000 tons, including 143,000 tons of oil.

2. MILITARY

EGYPT. It is now clear that the main purpose of the German attack on the 31st August was the defeat of the British forces with a view to the occupation of the Delta, the preliminary objective being the capture of the ALEM EL HALPA RIDGE and other strategic points in that district. During the week's operations, the enemy suffered heavy losses in tanks and mechanical transport, largely owing to the vigour of our tank attack well supported by our artillery and air forces. One regiment of artillery fired 300 rounds per gun during a single day.

MADAGASCAR. See Daily OPTELS.

FAR EAST. CHINA: The Japanese withdrawal eastwards along the CHEKIANG-KANGSI railway has halted west of KINHWA. It is unlikely that a further withdrawal will take place, and, while this keypoint is held by the Japanese, little benefit from the withdrawal can accrue to the Chinese.

3. AIR OPERATIONS

WESTERN FRONT. Bomber Command made three medium scale attacks on BREMEN, DUISBURG and FRANKFURT. They also sent out 39 aircraft on BISCAY patrols, and in addition laid 220 sea mines. About 776 tons of high explosive and 655 tons of incendiaries were dropped. Coastal Command sent 239 sorties on anti-submarine operations.

MEDITERRANEAN. Several successful attacks on Axis shipping by aircraft and submarines are reported in paragraph one.

Regraded Unclassified

- 2 -

RUSSIA. About 2500 German aircraft continue to be employed on the whole Russian Front, about 1500 of them in the southern sector, of which about 1,000 against STALINGRAD in recent weeks where air operations have been intensive. About 450 are thought to be operating on the MOSCOW front, which so far seem to have been sufficient to cope with Russian offensives in this area. It is unlikely that Russian activity here has attracted any of the German Air Force from the Southern sector, although reinforcements have arrived from the LENINGRAD Front, where only about 150 aircraft of all types are at present left. German policy appears to be to conserve their air force as much as possible by limiting operations to one main sector only, consequently losses and wastage are likely so far to have been much less than up to September, 1941. Considerable Russian activity has taken place over various sectors of the front.

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

BREMEN. Attacked 4th/5th. Photographs 5th show many fires still burning in factories and warehouses in docks area, machine shop almost completely destroyed and other buildings blasted at an aircraft factory two workshops Atlas Shipyards gutted. Many warehouses burnt out. Railway sheds still burning and over 200 yards of covered good sidings appear destroyed. Fires burning fiercely in business area at one point extending over about six acres.

MUNICH. Attacked 28th/29th August. Photographs 3rd though incomplete show six main areas of damage, including industrial property. At M.A.N. Works a very large shed completely destroyed and large building partially destroyed. At SIEMENS SCHUCKERT, one large building completely destroyed. Much damage to residences from heavy bombs.

KASSEL. Attacked 27th/28th August. Photographs 3rd show largest building at Henschel Locomotive Works damaged by fire and other buildings partially destroyed or damaged. Repairs already being carried out indicate importance attached to factory. Eight other factory buildings burnt out, damage at railway station. Very heavy damage to residential property in two streets.

KARLSRUHE. During the attack on 2nd/3rd September, 200 fires were burning at one time. Goods station still burning late following afternoon. Adjacent warehouses said to be severely damaged. On 4th and 5th coal traffic through the town has fallen by thirty per cent.

DUISBURG. Attacked 6th. Photographs 7th although incomplete show large building, probably part of Maschinefabrik, burnt out, buildings damaged at another works of Maschinefabrik, at Stahlwerke and at a chemical factory, six craters at the aerodrome.

SAARBRUCKEN. Permanent way and sidings have been so much damaged that full traffic will not be possible for some time.

MEAULETE. Attacked 28th August by U.S. Fortresses. Photographs 5th show direct hit on a hangar which is partially destroyed.

ROUEN RAILWAY CENTRE. Attacks 5th. Photographs 8th show engine shed workshop and transshipment sheds severely damaged. Over 30 hits on track and rolling stock, severe damage to sidings, wagons damaged and derailed.

5. OPERATIONAL AIRCRAFT BATTLE CASUALTIES

<u>BRITISH AND ALLIED</u>	<u>METROPOLITAN AREA</u>		<u>ENEMY</u>		
	<u>In the Air</u>		<u>Dest.</u>	<u>Prob. Dest.</u>	<u>Damaged</u>
Bombers	35	Bombers	6	3	6
Fighters	18	Fighters	23	29	48
Coastal	8	Miscellaneous	Nil	Nil	2
Total	61	Total	29	32	56

- 3 -

MIDDLE EAST
(Including MALTA)

<u>BRITISH AND ALLIED</u>	<u>ENEMY</u>			
<u>In the Air</u>	<u>Dest.</u>	<u>Prob. Dest.</u>	<u>Damaged</u>	
Bombers	16	28	5	9
Fighters	46	29	22	35
		1	2	1
Total	62	58	29	45

6 crews and 22 pilots are safe

Of the above 4 were destroyed by A.A.

NOTE: No account is taken of enemy aircraft destroyed on the ground in any theatre, or of British Naval aircraft casualties.

6. HOME SECURITY

Estimated civilian casualties for week ending 6 A.M., 9th. Killed, 76, seriously wounded 81.

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

SECRET

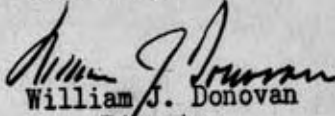
September 10, 1942

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

My dear Mr. Secretary:

The attached memoranda contain certain economic intelligence material which we have just received from London.

Sincerely,


William J. Donovan
Director

Enclosures

SECRETMilitary Supplies

The new ships being built for Germany in Spain are adapted to handling the small landing barges being constructed at Varna is indicated by their hold and derrick equipment.

Two thousand Norwegian fishing boats have been requisitioned by Germany.

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Agriculture and Living Standards

All hides in the Baltic states have been commandeered by the Germans.

According to an intercept source, Italy has been trying to barter barbed wire for Turkish hides.

There are conflicting reports as to whether the food needs of the German army can be fully met in occupied Russia. It seems certain that at least half though probably not all German military requirements can be met by the food available in this area.

500 grams per day has been fixed as the producers bread ration in France. Presumably it is hoped that a generous ration will reduce peasant hoarding.

Due to a reduction in the amount of barley made available for use in coffee substitute the German coffee substitute ration has been reduced.

Due to lack of clothing for the children schools in Karzlia district of Finland have been forced to close.

SECRETLabor Supplies

For work in Germany, Arab workers in North Africa have been offered 900 francs a day by the Germans.

According to reports, the French have tried to recruit in French West Africa for French factories, and seven hundred were secured in mid-July. Stories that real destination is Germany have held up recruiting.

From a CX report there is indication that shipyard workers are being transferred from the Brest arsenal to Dakar and Toulon for work on the Richelieu. Aerial torpedo manufacture is taking place at Roulon.

In occupied countries, the working hours are to be raised to 54 a week with work on holidays and Sundays compelled. According to official reports, Belgium workers have been made to work such long hours that they have had no opportunity to go to Church. This has given rise to official representations by the Belgian Government which the Germans have rejected.

Industrial**SECRET**

CX reports of heavy oil shipments from the Caucasus fields across the Caspian via Krasnovodsk Ashkabad and Tashkent. No reliable figures are available.

According to a fairly good CX report the Germans have oil installation reconstruction crews training in Hanover. Such crews are said to be organized in two military divisions and to be practicing construction of storage tanks.

Despite the doubling of the Constanza - Cerenavoda line it appears that the Ploesti - Cernavoda pipeline will not be doubled since the eighteen French welders who were working on the Constanza - Cerenavoda line from January through July have now returned to France.

Germans steel mills furnishing material to Italian shipyards are not willing to meet Italian specifications regarding knock test.

302,000 tons of coal moved to Italy in June and 266,000 tons in July through Chiasso. There have been none through the Brenner OBQGN (sic) to military movements. No reliable figures are available for coal shipments over the Taritza and Simplon routes. It is believed that unless there is a sudden increase in shipments Italy will be short of coal this winter. Several sources have commented on the slackness of the Italian coal traffic on the Karlsruhe main line recently.

Employed in this traffic are approximately 15,000 German cars and 10,000 Italian cars.

12,000 tons of petroleum products were shipped from Hungary to Italy in July. This amount was made up of 4300 tons gasoline, 2500 tons crude oil, 3000 tons kerosene and the balance diesel oil.

1500 tons of wild rubber were shipped to Europe in 1941. This is about the ten year average and could probably be increased to about 5000 tons.

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The French electrical industry is being told to substitute aluminum for copper.

Link and brake parts for type 50 locomotives are being sub-contracted to French factories which have had no previous locomotive manufacturing experience. All French locomotive manufacturers are adhering to established schedule and are working on locomotives for Germany.

Five German officers have been sent to the Carnullem-Bauxite mines to supervise production.

The power situation in France continues to deteriorate. Industrial units not producing for the German war effort are rationed to 60 per cent of last Aprils consumption.

ACX report of an intercepted telephone conversation indicates that the air raid on May 13 inflicted heavy damage on the Goodrich rubber factory. It is hoped that by October or November the plant will get back to 50 or 60 per cent production. Assistance for rehabilitation may be furnished by the French Government conditional on ownership by French citizens of 60 per cent of the company's stock. 200 workers formerly employed by the plant are to be sent to Germany and others are to be forced to go.

Pulp imports in France have practically ceased.

In addition to track requisitions already mentioned, 10,000 tons of new railroad ties are being furnished to Germany by France.

According to a CX report, all Wehrmacht trains in North France are to have one and usually two Fist cars with anti-aircraft guns mounted on them.

A definitely declining tendency in the number of freight cars in French yards is indicated after a study of aerial photographs.

An offer of the Bulgarian War Ministry to purchase

-3-

1,300 tons of steel has been rejected by a German steel firm.

An additional 4,000 tons of nichel chrome iron ore has been shipped from Greece to the Krupp works in Germany.

An article in a back number of a German technical publication which has recently been received confirms the shortage of antimony in Germany.

Economy in the use of industrial diamonds is being urged on German industry.

The Swiss have been asked by the Germans to process about 1,000 tons of natural rubber. 10% of the raw material is to be retained by the Swiss in return.

The lifting of load limit of German freight cars has now been extended to the use of such cars in occupied territories except as to twenty ton cars in the Balkans.

The report has not been confirmed that travel permits were to be required for passenger travel in Germany. This report is probably unfounded except in so far as certain local applications may be involved.

A power shortage in Scandinavia has led to the announcement of rationing and the drastic curtailment of domestic use.

200 locomotives and 150 cars have been requisitioned from Belgium by Germany.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Sept. 10, 1942

TO Secretary Morgenthau

FROM Mr. Hoflich

Subject: Summary of Intelligence Reports

Flying Fortress Raids

On September 5, 37 Flying Fortresses dropped about 70 tons of bombs on the railway center of Rouen. This was about three times the number of these bombers taking part in any previous raid over Western Europe. Two days later 29 Fortresses were sent to attack the shipyards at Rotterdam. Heavy enemy fighter opposition was encountered and only seven of the American planes actually bombed their target. No Fortresses were reported missing.

(British Operations Reports, September 6, 8, 1942)

Dakar

The German-controlled press has charged recently that the United States is planning to seize Dakar as a convenient base for the transfer of troops from Brazil across Africa to Egypt.

It is reported that discussions concerning Dakar took place on August 27 between Laval and German representatives, and that the Germans requested (1) a German military observer or control commission at Dakar, and (2) an agreement between France and Germany for the defense of French North and West Africa. It is believed that the French assented to the first proposal. It is said that Laval favored the defense plan, but relinquished the idea for the time being when Admiral Auphan (Minister of Marine) threatened to resign, objecting that such a pact would invite an attack by Britain and the United States.

General Barreau, the commanding officer in Dakar, said to be friendly toward the United States, is expected to go on indefinite leave, to be replaced by a naval officer whose sympathies are unknown.

(O.S.S., "The War This Week", August 27-September 3, 1942)

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Dieppe

The British report that, according to reliable sources, German staff officers have stated that R.A.F. aggressiveness gave them the most difficult defense problem during the raid on Dieppe, and that the R.A.F. plan was bold and well-executed. They fear that heavier bombs may be used on a larger scale in the future. The Nazi officers, it is reported, admit the loss of about 170 aircraft during the attack.

(British Operations Report, August 27-September 3,
1942)

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NUMBER 48

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OFFICE OF STRATEGIC SERVICES

THE WAR THIS WEEK

September 3-10, 1942

Printed for the Board of Analysts

Copy No. 6

The Secretary of the Treasury

Office of Strategic Services

THE WAR THIS WEEK

As the Russians continue to beat off German attacks of almost unparalleled intensity before Stalingrad, observers are laying increasing emphasis on the shortness of the fighting season on the Eastern Front, and Prime Minister Churchill has remarked cryptically: "Of the Russian front I will only at this moment say it is the 8th of September."

Meanwhile the British have blunted a heavy attack by Rommel and have forced him back substantially to the line from which he initiated an apparently ambitious offensive. The reverse was punctuated by heavy losses in enemy motor transport. Anglo-French differences in the Levant are reaching a crisis stage, with De Gaulle apparently determined to stand his ground.

In Spain reliable observers see in recent government shifts—and notably in the ousting of Suñer—changes reflecting primarily the domestic situation but generally favorable to the interests of the United Nations. On its side, the Vichy regime continues to yield concessions to the Germans, but an unusually well informed observer believes that Laval is still determined to conclude no military agreement with the Nazis, a situation now considered to reflect in part his doubts of eventual German victory.

Exceptional Japanese maritime activity in Melanesia suggests an early intensification of operations in the Solomons and in New Guinea, while the Japanese continue to relinquish their earlier gains in Chekiang—a move which remains enigmatic to date.

Indian disorders are entering their second month and some observers still believe that the real campaign of civil

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disobedience lies in the future. Reports indicate meanwhile that the Hindu Mahasabha is seeking permission to communicate a significant compromise proposal to the jailed Congress leaders.

The Defense of Stalingrad

Hemmed in on three sides, the defenders of Stalingrad have thus far beaten off German ground and air assaults of an intensity unparalleled since the siege of Sevastopol. To the west, the attackers have apparently reached the suburbs of the city, leaving the Russians little maneuver space for their mechanized units. The Soviet forces, however, apparently intend to resist to the last, and hand-to-hand fighting alone can reduce this "Red Verdun." After failing to find a soft spot, the Germans have now resorted to costly frontal attacks.

Observers emphasize that with the supply position of both sides extremely critical, each day that Stalingrad holds out is of real significance in the timetable of events on the Eastern Front. The Russians are practically cut off from supplies and reinforcements: the attackers are now bombing the Astrakhan-Saratov railway east of the Volga, the last free road to the north. And the Germans themselves have been obliged to commit increasing numbers of men and quantities of mechanized equipment along the two single-track railways that serve as their supply lines. In the opinion of air experts, the Soviet estimate of 1,000 German planes, almost half of them dive-bombers, now concentrated before Stalingrad, may not be far from the truth. Some observers conclude that the Nazis are so heavily committed around Stalingrad and have been delayed so long, that they may find it too late to launch another major offensive on the Eastern Front this year.

Elsewhere, the Axis mop-up on the Taman Peninsula and the fall of Novorossiisk have long been discounted as the

inescapable consequences of the German drive toward the Caucasus. Similarly, the fall of Groznyi—now threatened by a Nazi bridgehead across the Terek River—would not decisively alter the Russian military position; in this sector the Germans have evidently been held up by a lack of air strength, now massed before Stalingrad. But the Nazis infiltration of the Caucasus passes represents a real and growing danger. While Russian mountain troops have counterattacked in the Klych Valley south of the Klukhor pass, small Nazi units have continued to filter over the lesser passes to the south. Such infiltrations could eventually threaten the whole Soviet position in the Trans-Caucasus.

Rommel Withdraws in Egypt

The German attack in Egypt has proved a tactical failure, and Marshal Rommel has now withdrawn his forces behind an antitank screen only slightly east of the line from which he launched his drive on the night of August 30.

The high percentage of Rommel's total available strength concentrated for this attack has led military observers here to feel that this was probably planned as the first step of a major offensive. Rommel's two German armored divisions, supported by other German and Italian units, struck north-eastward through the British minefields, apparently trying to lure British tank forces into a pitched battle. Avoiding such an action, the British harassed Axis forces with artillery, mobile units, and air attacks. They then forced the Germans to withdraw by coordinating a sharp New Zealand attack from the north (threatening to cut off advance German forces) with intense air raids on enemy columns. British units constantly harassed the enemy during the retreat. Axis losses in tanks were considerable.

A major factor in the German reverse was the Allies' unquestioned command of the air. Allied air forces

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inflicted heavy losses on enemy motor transport, and withdrawal of these columns began early—an indication that this particular attack was over. Enemy fighters were kept on the defensive, and apparently the Germans did not use dive bombers. This has caused further speculation as to the strength of German air reserves available at this time, although some observers suggest that the principal limiting factor in this theater may have been gasoline.

Axis forces are now digging in behind their anti-tank screen. They apparently still hold sections of the British minefields. Although their supply situation is presumably increasingly tight, especially with regard to gasoline and motor transport, there is no indication that the Axis is planning to retreat beyond the present line. The rate of sinking of enemy supply ships has been extremely heavy. Nevertheless some observers do not exclude the possibility that Rommel might shortly renew his attack, if he feels that time is running against him. Forces are still concentrated in the southern sector and the situation remains tense.

Anglo-French Crisis in the Levant

In Syria De Gaulle appears determined to force the issue, and has implied that he expects the British to be prepared to hand over the military command of the Levant as of September 10. He bases this demand on the De Gaulle-Lyttleton agreements of 1941, which provided that command would rest with whoever had the larger forces in the area. The British deny De Gaulle's claim that his troops outnumber British forces there.

Meanwhile De Gaulle and Casey have not yet arranged a place of meeting.

Spanish Cabinet Changes: Suñer Ousted

The important changes which Franco made in his Government on September 3 were dictated primarily by internal pressures. Heightened by economic strain and wartime conditions, tension has long been mounting within the Falange, and between the Falange and such conservative groups as the Army, the Church, and the Monarchists. The bomb outrage committed at Bilbao by prominent Falangists precipitated a crisis; and Franco has attempted to restore harmony and stabilize his regime by severely punishing the guilty and removing key figures about whom antagonism centered. Well qualified observers feel that the net result indicates the Army has won the first round of its fight with the Falange; that Franco may have strengthened his own position; and that the changes in general favor Allied interests, so far as they affect foreign policy at all.

Most important was the removal of the unpopular Serrano Suñer from two high offices. Franco has himself succeeded Suñer as president of the Junta Politica of the Falange and has appointed to the Foreign Ministry General Gomez Jordana. The latter has been a staff officer during most of his career, and is considered something of an old guard bureaucrat, loyal to Franco, and satisfactory to the conservative groups. He is not believed to have any pro-German sympathies, and is credited with resisting Italian pressure when Foreign Minister in 1939. Suñer had reputedly been growing less pro-German than formerly, but he remained the principal exponent and symbol of close relations with the Axis. Although removed primarily because of internal opposition, his departure is a blow to Nazi prestige in Spain and may suggest that the Franco regime is now less certain of ultimate Axis victory.

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Other Shifts in Franco's Government

The three other changes are of less clear-cut significance, but in general Franco seems to have fallen back on competent administrators of less decided political commitments.

After others had refused, Franco persuaded his Chief of Staff, General Carlos Asensio, to succeed the Royalist Varela as War Minister. Asensio is considered a man of intelligence and efficiency, who joined the Party as a matter of form but who is without any special political aspirations.

The new Minister of the Interior, Blas Perez, is a former teacher of law who joined the Party but who has taken no active part in its activities. He has previously held important posts in the judicial hierarchy.

As a measure of appeasement to the Army group, Franco has ousted José Luna from the Vice Secretary-Generalship of the Falange. The latter was associated with the worst elements of the Party, and was implicated in the Bilbao incident. The office has been filled, however, by Manuel Mora Figueroa, a Falange leader who has recently "crusaded" with the Blue Division against the Soviet.

Although the conservative groups appear to have gained from the Cabinet reshuffle, powerful Falangists still remain in office, and it is probably too early to consider Suñer completely out of the picture. He may reappear either in an important position at home or as Ambassador to Rome. The Spanish press had made no comment except to state that the Cabinet shifts involve no change in internal or external policy. Some observers suggest that with these changes Spain moves one step nearer to a Monarchist restoration, engineered by the conservative groups, who are militantly opposed to any return of the Republic.

Laval Weighs Further Concessions

Although the French press carried an official denial of the presence of German troops at Dakar, Laval is believed to have consented to the sending there of two German military observers, probably passing as civilians. The State Department has protested the turning over to Germany of any merchant shipping, either French or foreign, now stationed in French ports. Such a step exceeds the demands of the Armistice agreement, but Laval has stated that it will be "difficult" not to let Germany have about 40,000 tons of shipping belonging to nationals of occupied countries.

An unusually well qualified observer, however, feels that Laval will not conclude any general military agreement with the Germans—it being the basic principle of his policy not to draw France into the war on either side.

In Alsace-Lorraine the Germans are reported to be enrolling boys of 14 to 16 for German labor camps and planning to conscript men 17 to 45 for the German Army. Laval apparently kept Pétain in the dark about this for several days, and then finally submitted a protest to the Germans, allegedly sent merely as a matter of form. Vichy officials admit that no such provisions were included in the Armistice conventions, but they are completely apathetic about the question. In Alsace the Germans are apparently taking strong action against resistance to the execution of their plans.

On the occasion of the abolition of the last vestiges of parliamentary institutions, Eduard Herriot, President of the Chamber, and Jules Jeanneney, President of the Senate, are reported in the press to have addressed a letter to Pétain warning that France would not follow along the path leading to war against "our allies." In their unusually outspoken letter, the two leaders also protested against the establishment of a dictatorial regime at Vichy, in violation of earlier pledges.

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Axis activities in North Africa are generally more quiet now than they have been over the past eighteen months, according to a highly-placed observer. Nevertheless, the press in Morocco, following the anti-Anglo-Saxon line taken by Vichy propaganda, is reported by another source to be definitely more pro-Axis than previously.

Japanese Pressure on the Middle Melanesian Front

Local enemy pressure continues on the Middle Melanesian front, where further Japanese operations against Allied positions in New Guinea, the Solomons, or both, are expected. On September 6, 3 light cruisers and 26 destroyers—an unprecedented concentration of destroyers in these waters—were sighted in the Shortland Harbor-Buin (Bougainville Island) area, about 350 miles northwest of Tulagi. The day before, more than 100 landing barges were counted at Rabaul Harbor, and both here and in the vicinity of the Trobriand Islands, northeast of Milne Bay, cruisers and destroyers were sighted.

These evidences of Japanese reluctance to lose the initiative in this theater were coupled with continuing heavy pressure on Allied positions in the Kokoda area, and small-scale penetrations elsewhere. At Kokoda Japanese troops have fought their way through "The Gap" in the Owen Stanley Range to Efogi, and are now on the southwestern slopes of these mountains, about 35 miles air distance from Port Moresby. In the southeastern Solomons, small night infiltration parties have succeeded in landing on several islands from which the Japanese recently were ejected. These parties, equipped with radio, land at points outside the immediate reach of United Nations' ground forces and set up machine gun posts. By September 2, five such posts had been located on or near Guadalcanal, three on Malaita Island, one on Florida Island, and one at least on the Russell Islands.

The Japanese also are becoming increasingly active in the Gilbert Islands. On Abemama and Tarawa Islands, particularly, military observers believe sufficient Japanese land, sea, and air forces are now available to carry out attacks on the strategic Pacific islands to the eastward which dot the Allied supply line to Australia.

These moves, both at Kokoda and in the Solomons, have been countered by United Nations ground and air forces. Japanese casualties at Kokoda are estimated at more than 1,000. United Nations' planes inflicted relatively heavy casualties on Japanese troops attempting landings September 3 on San Jorge Island, 65 miles northwest of Guadalcanal, and September 5 on Guadalcanal itself. At Milne Bay, where an enemy landing party was forced to withdraw after falling into an Allied trap, the Japanese lost some 600 troops.

Japanese Moves in Chekiang

The withdrawal in Chekiang has now slowed, and the Japanese continue in possession of the railroad and airport town of Chin-hua, former provincial capital. There is, however, no indication that the Japanese are preparing important counterattacks in this region, and it seems clear that for the present at least they are resigned to relinquishing most of the gains of their summer campaign.

These gains were of considerable importance in both nature and extent. By July the Japanese had seized all important airfields in Chekiang Province. They had succeeded in occupying the Hangchow-Nanchang Railway and had opened a potential land communication route to their base at Nanchang. They had pushed south and west of Nanchang, threatening a drive along the Kiangsi-Hunan railway, and they had driven some distance northward from Canton along the Canton-Hankow Railway. Occupation of Nan-ch'eng, in northeastern Kiangsi, had cut off the better of the two

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roads which link the province of Fukien with the remainder of Free China. Moreover, the Japanese had drawn a semi-circle around the Chekiang seaboard from Wenchow through Ch'u-hsien and Chin-hua to Hangchow, which denied to Chungking important smuggling centers and salt supplies.

Reasons for the Japanese withdrawal are not yet clear. It is fairly certain that withdrawal was not occasioned by Chinese pressure, but there is no real indication yet as to why the Japanese High Command came to this decision. The relinquishment of the Chekiang airfields at a time when the United States Army Air Force in China is showing increasing activity is puzzling, particularly in view of the phobia of the Japanese regarding bombing raids against Japan proper. Some observers believe that the Japanese may be hoping to cut off air raids by action elsewhere, possibly some move against the India-to-China air route, intended to intercept aircraft before they reach China. Japanese bombers and fighters recently have flown over Chittagong, but as yet there have been no other signs of offensive action, and no significant movement of troops or aircraft toward India have been reported.

Renewed Predictions of Japanese Attack on Siberia

Predictions that Japan will soon attack Siberia continue to appear, but the more cautious versions forecast that she will do so only if the Germans crush Russia in Europe or if the United States uses Siberian territory for bases.

The Japanese are now fully prepared for an invasion, which, if it occurred, would doubtless be unannounced, of lightning rapidity, and simultaneous at all selected points along the 2,500 mile line from Vladivostok to the railroad terminals in Inner Mongolia. Various informants place the Japanese forces in Manchuria at from 650,000 to 1,000,000 men, and rough estimates locate half or more of their available combat

planes in this area—about equally divided between Japan (including Karafuto) and Manchuria-Korea. Observers, using previous Japanese training schedules as a basis, consider that the ten divisions of recruits in Japan are now ready for active duty, and that Japan has port facilities and shipping available to ferry these divisions, or such of the garrison divisions in Japan as they might replace, to the mainland in a month's time. Chinese sources, which for some time have vaguely reported movements of Japanese units northward from China into Manchuria, have recently become more specific about such movements to Kalgan and other points along the southern fringe of the Mongolian plateau. Finally, the Japanese have apparently completed all contemplated transfers in the high command.

The Greater East Asia Ministry

Premier Tojo has announced the creation of a new "Greater East Asia Ministry" to be headed by a Minister of Cabinet rank. The new department is to be the "general organ for conducting administrative work covering the fields of politics, economics, and culture within the Greater East Asia sphere, excepting Japan proper, Korea, Formosa, and Karafuto." Previously Japanese administrative activities in Manchuria, Occupied China, and the newly occupied areas in the southwest Pacific have been guided by a multitude of separate boards and agencies. The consolidation of these functions under one Ministry is a significant administrative reform, reflecting long-term Japanese planning for the areas she has conquered. Should General Teiichi Suzuki, long-time President of the highly important Planning Board, be appointed to the new Ministry (a likely possibility according to current report), a further indication would be given of the political importance of the new development.

The creation of the new Ministry clarifies the resignations

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of Foreign Minister Togo and Vice Foreign Minister Nishi, which occurred last week. The Ministry of Foreign Affairs is hardest hit of all the Ministries which have been obliged to relinquish functions to the new organ. Togo and Nishi, as the ranking career men of their Ministry, evidently felt constrained to resign, either as a measure of protest, or to avert the loss of face which might result for Ministers who remained in office after their power had been curtailed.

India: The Hindu Mahasabha's Proposals

The proposals for limited independence and the formation of a national government advanced by the Hindu Mahasabha are, in the opinion of an American observer in New Delhi, the single positive plan for a settlement put forward by an important political group since the imprisonment of the Congress leaders (*The War This Week*, August 27-September 3, p. 17). Furthermore, according to the author of the Mahasabha draft, they represent the position held by Nehru and Azad just before they were jailed—a view that they felt sure the Mahatma would accept. Now the Mahasabha has approached the Viceroy with its proposals, apparently seeking his permission to establish contact with the Congress chiefs.

Our observer surmises, however, that the Government will not prove accommodating. In his latest statement to the House of Commons, Prime Minister Churchill has declared that with more "white" troops in India than at any time since the beginning of the British connection, the course of events in India is improving and on the whole is reassuring; the British Government, he concludes, intends to give all possible support to the Viceroy and Government of India.

Retrospect on the Disorders

With the current disorders in India going into their second month, it is now possible to recapitulate briefly some of their consequences and the partial recovery from them that has taken place. Advices from New Delhi summarize the disturbances to date.

Interruptions of railway service have occurred most extensively on the East Indian Railway, the premier line of India, and the route from Calcutta to the north and northwest, and one of the two routes from Calcutta to Bombay. Although the railway has established limited service over the "Grand Chord" line, the "Main Line" running through Patna is still out between Patna and Mogul Serai. Between Lucknow and Cawnpore similar interruptions of service have occurred. The Bengal and Northwestern Railway has likewise suffered serious interruptions, while temporary suspensions of service have occurred between Madras and Calcutta and on the Bengal and Nagpur railway, the second route from Calcutta to Bombay. These disorders, coupled with flood washouts along the Northwestern Railway from Karachi to Lahore, and from Karachi to Baluchistan, seriously affected India's entire transportation system during August, and recovery is as yet by no means complete.

Industrial Disturbances

While the strike in the Tata Steel Plant at Jamshedpur is now in process of settlement, employees of the Steel Corporation of Bengal and of the Mysore Iron and Steel Works are still on strike. These three produce all but a minute fraction of India's steel. In Bombay, 64 out of 67 textile mills are now back in production, but in Ahmedabad the employees of 50 mills have not yet returned to work. In Bangalore, India's one aircraft factory has apparently resumed production. Although many private plants working

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on government contracts have been obliged to close down, the government ordnance factories have been able to maintain operation. By the payment of "dearness allowances", the establishment of food shops selling goods at regulated prices, and the use of police and troops, the Government has tried to keep dislocation of its industrial program down to a minimum.

In general, opinion reaching this country differs as to whether the disorders have been the work of Congress groups or of hooligan elements. The Government claims that these outbreaks conform to a plan formulated by Congress leaders before the Bombay meeting of August 7. Congress sympathizers maintain, however, that the disorders are not Congress-directed, and that Congress nonviolent noncooperation when it begins will be far more general and far less controllable than the anti-British activity to date.

With this latter opinion an American observer on the spot is in substantial agreement. He believes that an intensified civil disobedience campaign will start very soon, and that it will be so powerful that the Government will be unable to suppress it. The present tendency to minimize the possibility of a Japanese invasion of India, he maintains, is strengthening the position of the Government in its refusal to reach a clear-cut settlement of India's current difficulties. Unless the British offer the Indian people a constructive, workable program, he concludes, India cannot become an effective United Nations base for military operations against Japan.

Significance of General Justo's Offer

The offer of the Argentine General Justo to serve against the Axis in the Brazilian army adds considerably to the embarrassment and discomfort of the adamantly isolationist Castillo Government. Though General Justo may be motivated to some extent by personal political aspirations, the

fact that he, an ex-President of Argentina with pronounced conservative leanings, has decided to throw his full weight on the side of the United Nations is further indication of the narrow political base which supports the Castillo semi-dictatorship.

General Justo's petition to the Argentine Congress for permission to serve in the Brazilian army has been referred to a subcommittee on constitutional affairs. Significantly enough, Deputy Raffo de la Retta, a member of Castillo's own party, has already publicly recommended that Argentine citizens be granted the right to serve in any American army. In the meantime, General Justo has made political capital of his situation. He has appeared jointly with President Vargas and Nelson Rockefeller at a huge public meeting celebrating the 120th anniversary of Brazilian independence.

Brazil Expropriates an Axis Estate

The recent expropriation for defense purposes of a \$100,000,000 Italian owned estate (the property of Henrique Lage), with wide holdings in shipping, mining, and industry, indicates the vigor of the Vargas administration in prosecuting the economic phase of the war. This act is also in line with the recent trend in Brazil toward state ownership of basic industries. The federal government already owns the Lloyd Brasileiro, principal steamship line of the country, the new steel mill at Volta Redonda, and many railroad lines.

The shifting of submarine packs to the South Atlantic has increased the food shortage in the bulge area of Brazil, already serious because of two years of drought and wartime demands upon existing stocks. Coastwise traffic which normally brings surplus foodstuffs of the rich agricultural southern states to northeastern Brazil has been disrupted by recent ship sinkings and by reluctance of vessels to leave port without naval escort.

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APPENDIX I INDIAN OPINION IN THE CURRENT CRISIS

Since the arrest of the Congress leaders on August 8, the Government of India has imposed a severe censorship on the publication of news about the current disorders. It has not, however, seriously interfered with the expression of opinion. The following commentary on the present state of Indian opinion has been prepared by the British Empire Section of the Office of Strategic Services (for its attitude of the Congress, see *The War This Week*, July 30-August 6, pp. 22-24).

Possibilities of Compromise

With an astonishing degree of unanimity, the English and vernacular press, the leaders of political parties, the Archbishop of Calcutta, and many other prominent Indians and British in India have urged the Government to seek a solution for the country's present difficulties through negotiation with the Congress. Although the proposed terms of a compromise vary widely, all speakers have deplored the methods of repression currently employed by the Government. Many have suggested mediation by the United Nations or by the United States alone.

Before being jailed, the Congress leaders themselves apparently hoped for discussion and compromise. Of these leaders Nehru had the clearest idea of the terms on which negotiation might proceed, while Gandhi seemed less certain and less sure that discussion would be profitable. Rajagopalachari, ex-member of the Congress Working Committee, and Saprui and Jayakar, leaders of the Moderates, now seem to be outstanding figures who offer hope for a reconciliation of India's divergent elements.

Muslim Opinion in India

Alone among important parties, the Moslem League has not insisted upon a compromise with the Congress—maintaining that the Government should first grant the League's own demand for the division of India into separate Hindu and Moslem States (the *Partition* proposal). Though urgent in demanding independence, the League refuses to consider any solution that would leave India a united nation. Yet there are reports that several members of the League's Working Committee, including the vice-president, have suggested negotiations with the Congress.

Furthermore, a number of Moslems holding high elective office, object to the intrusiveness of the League's president, Mr. Jinnah. These include the premiers of the four provinces with Moslem-dominated ministries. Such men, since they represent Moslem constituencies, presumably are aware of their constituents' sentiments. Moreover, the Jamiat-ul-Ulema-i-Hind, the association of Moslem divines in India, in August adopted a strongly pro-Congress and anti-League resolution. The Asad Moslem Conference and a number of lesser Moslem groups are also opposed to the League. While the League's present strength is a matter

of considerable doubt, it is apparently at least the strongest single Moslem party in India, though not necessarily stronger than all the others combined.

Moslem Opinion Outside India

Outside India, the Moslem Near East seems little interested in the success of the Moslem League's Pakistan proposals, according to recent confidential reports from American observers. In Egypt the dominant Wafd party maintains cordial and sympathetic relations with the Indian National Congress. Turkey understands India's demand for independence. Some Turks consider the present an inopportune time to insist on freedom, while others are in sympathy with the Congress. Iraq is impressed with the vigor of British repressive action, though the anti-British masses tend to applaud Gandhi and the Congress. Public opinion in Iran wants to see the British expelled from India and favors the Indian Nationalist cause.

Only Saudi Arabia, which is Wahhabi and therefore religiously conservative and fundamentalist, views the Indian problem as a struggle between the true faith of Islam and the heathenism of the Hindus. In Afghanistan the desire for a greater Afghanistan creates support for a Pakistan state—presumably dominated by Afghanistan. In general the Islamic world is apparently more interested in nationalism and the removal of British imperialism in the Near East and elsewhere than in pan-Islamism or religious self-assertion.

The Depressed Classes (Untouchables)

Although the opinion of the depressed classes is frequently mentioned, it is not clear that these classes actually have an "opinion." Dr. Ambedkar and Mr. M. C. Rajah profess to be their leaders and venture to speak for them. Mr. Gandhi also professes to be one of their leaders. Ambedkar and Rajah both oppose the Congress program.

The difficulty is that the 48 million untouchables are the least politically conscious of all India's 388 millions, and no organization claiming to represent them can show any sizeable membership. Neither is it likely that many of these people respond to the programs advanced by self-nominated spokesmen. Most of the untouchables are still submissive to the theory and practice of traditional Hinduism and can hardly see any realism in proposals to relieve their social and economic degradation. The few that do, like Ambedkar and Rajah, want the Depressed Classes to keep as free as possible from entanglements with other political organizations in order to increase their bargaining power. On the other hand, Gandhi declares that the Depressed Classes should remain with Congress and not become a divisive element in Indian politics.

The Hindu Mahasabha

The third most powerful political party in India, the Hindu Mahasabha voices the communal interests of the Hindus, as the Moslem League does for the Moslems. It feels that the Congress has been too subservient to the Moslems, and has not taken a sufficiently strong stand in protection of the rights of the majority. It stands primarily on the principle of majority rule, that is, rule by the group (Hindu) which it represents. The Mahasabha has just reiterated its unyielding

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opposition to Pakistan and has demanded immediate independence (subject to the limitations imposed by the war) and the formation of a government representative of all parties. Though Hindu, the Mahasabha is not averse to violence; it asserts that a partitioned India will fall into civil war (the Moslem League prophesies civil war if India is not partitioned).

On one issue, however, all Indian parties are in agreement. They all demand the rapid transfer of administrative control to native Indians and the abolition of the post of Governor-General (Viceroy) and the Secretaryship of State for India in London. At the present time, although 11 out of 15 members of the Viceroy's Executive Council are Indians, they do not enjoy the country's confidence, since they have no parliamentary responsibility. Furthermore, the Governor General has an ultimate veto over any of their decisions. Finally, the positions which Indians consider most important, the Finance Ministry and the Home Department (which controls the police and internal affairs), are still held by Englishmen.

APPENDIX II

FOOD SUPPLIES IN CAUCASIA

The loss of territory and the transport difficulties imposed on Russia by the German invasion of the North Caucasus will accentuate the present serious problem of food supply in Russia as a whole and will have immediate repercussions in the Trans-Caucasus, according to a report prepared in the East-European Section of the Office of Strategic Services. The North Caucasus normally yields a surplus of grain, vegetable oils, livestock, and fish (caught in the northern waters of the Caspian). The Trans-Caucasus normally has a surplus of cotton, tobacco, tea, and citrus fruits, but a serious deficit of grain.

Although the effects of the loss of the North Caucasus on Russia's over-all food position are still under study, it is obvious that unoccupied Russia to the north and east has been denied important grain supplies as a result of the present partial occupation of the North Caucasus. A further occupation of the entire North Caucasus would similarly deny this region's livestock resources to the rest of Russia. As for the Trans-Caucasus, the current German advance to the north has already complicated its food position by decreasing its outside supply and by increasing its demand (owing to the influx of soldiers and refugees)—a situation which the complete occupation of the North Caucasus would only intensify.

Bread Grains

Both the North and Trans-Caucasus areas produce a considerable volume of agricultural supplies, as is indicated in the following tables:

Area sown to principal crops, 1938
[Thousands of acres]

	Total Trans-Caucasus	Georgia	Armenia	Azerbaijan
Wheat:				
Winter.....	2,012.4	647.4	266.9	1,098.1
Spring.....	520.8	141.6	319.2	60.0
Oats.....	52.9	15.1	6.9	30.9
Winter rye.....	34.6	8.4	22.5	3.7
Barley:				
Winter.....	477.7	53.4	7.2	417.1
Spring.....	530.0	196.2	219.2	114.6
Corn.....	995.6	973.1	2.2	20.3
Rice.....	64.7	1.0	2.2	61.5
Potatoes.....	121.6	56.8	29.2	35.6
Vegetables.....	78.3	36.3	11.1	30.9
Melons.....	46.9	10.6	5.2	31.1
Legumes.....	97.1	21.5	5.9	69.7
Sunflower seed.....	54.1	33.6	1.2	19.3
Tobacco.....	72.1	52.1	7.2	12.8
Cotton.....	530.0	5.2	42.2	482.6
Forage and hay crops.....	300.0	106.5	65.0	128.5
Other crops.....	225.0	76.9	67.5	80.6
Total.....	6,213.8	2,435.7	1,080.8	2,697.3

Output of principal agricultural commodities, 1937
[Thousands of tons]

	Trans-Caucasus	Georgia	Armenia	Azerbaijan
All grains.....	2,381.5	1,107.0	402.9	871.5
Cotton.....	255.5	13.0	23.8	228.8
Tobacco.....	24.1	17.9	1.9	4.3

¹ Estimated on the basis of 1938 acreage.

Output of principal agricultural commodities, 1934
[Thousands of tons]
[Exclusive of Stalingrad Krai]

	Total North Caucasus	North Caucasus Krai ¹	Azov-Black Sea Krai	Kalmyk Autonomous Republic ²
All grains.....	7,921.2	3,463.9	4,355.9	92.3
Potatoes.....	1,207.0	648.7	548.8	8.5
Cotton.....	12.4	10.6	1.8	0.1
Legumes.....	51.1	20.2	30.8	-----
Sunflower seed.....	683.0	206.9	474.0	0.9

¹ 1934 boundaries.

² Estimated on the basis of sown area in 1938 and 1934 yield for Stalingrad Krai, of which the Kalmyk Republic was part.

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The North Caucasus normally yields a grain surplus of about 1,800,000 tons annually. A third of this surplus, some 600,000 tons, has usually been required to meet the grain deficit of the Trans-Caucasus region. The remainder is available for general distribution. The Germans now occupy almost all of the grain areas in the North Caucasus, and although the current harvest may well have been gathered before the invasion, it is certain that it was not fully transported from the battle zone.

The normal grain deficit of the Trans-Caucasus will, in the coming year, be augmented by the presence of at least 1,500,000 refugees. Should the Germans complete the conquest of the North Caucasus, additional refugees can be expected, raising the total accretion in the civilian population to perhaps 3,000,000. Under normal conditions, the Trans-Caucasus deficit for civilian uses might thus be raised from 600,000 tons annually to almost 1,600,000 tons. It is believed that under war conditions this figure might well be reduced to somewhat more than 1,000,000 tons. Thus approximately 100,000 tons per month of shipping space on the railways to Guriev and Krasnovodsk, and an appropriate volume of merchant shipping on the Caspian, may have to be allocated to this civilian need, complicating the already difficult and costly problem of military supply in the Trans-Caucasus. When the civilian population is short of food, it is obvious that the entire food supply of the Russian army in the Trans-Caucasus constitutes an additional deficit item.

Vegetable Oils

German occupation of the North Caucasus will deny to Russia important oil-seed resources, in the form of castor oil beans and sunflower seed. The area is the largest producer of castor oil beans in the country. The loss of the vegetable oils from these sources not only will affect human consumption, but will also reduce the supply of lubricating oil, since castor oil is, in part, used for the lubrication of airplane engines in Russia. There is a very small production of sunflower seed in the Trans-Caucasus.

Livestock

The major livestock regions in the North Caucasus have not yet been fully occupied by the Germans. If the whole of the North Caucasus is occupied, large quantities of meat and meat products, as well as 33,000 tons of hides per year (about 8 percent of the total national hide output) will be lost.

The substantial livestock population of the Trans-Caucasus will undoubtedly suffer from an acute shortage of feed and forage crops which are normally imported in quantity, from other areas. This shortage will result in extensive slaughtering of the Trans-Caucasus herds in the course of the coming year, at a time when meat would also be used to supplement the probable scanty bread ration of the region. The loss and decimation of the Caucasus herds would constitute a serious long-run blow to Russian animal-husbandry and agriculture.

Miscellaneous Products

In 1938 more than 60,000,000 pounds of fish were caught in the waters of the Caspian Sea. The main fishing areas lies in the northern part of the Caspian which would, of course, be particularly vulnerable to German air attack, should

the North Caucasus be fully occupied. It is likely that the fish requirements of the Trans-Caucasus could be met under these circumstances, but relatively little of the Caspian catch would be available to the rest of Russia.

The Trans-Caucasus produces a sizeable proportion of the Russian cotton crop. Transport difficulties, however, and the need for reserving transport facilities for the shipment of oil and manganese from Trans-Caucasia to Central Russia will undoubtedly force the Russian industry to rely almost exclusively on the cotton crops of Central Asia.

Some 72,000 acres in the Trans-Caucasus produced, in 1938, 24,000 tons of tobacco. It is probable that this crop will be moved, owing to its relatively small bulk and the importance of tobacco in maintaining civilian and military morale.

Finally the Trans-Caucasus virtually monopolizes the cultivation of tea and citrus fruits in the U. S. S. R. The compact tea crop (11,000 tons in 1938), like that of tobacco, would probably get relatively high priority for transport. It is doubtful, however, if the more bulky lemons and tangerines of the Trans-Caucasus will be generally available in Russia in the course of the next year.

APPENDIX III

RUSSIA AND THE SECOND FRONT: A SOVIET ACCOUNT

(The following account of the evolution of Russia's attitude toward a second front is based on remarks made to reliable sources by prominent Soviet citizens now in this country.)

Early Russian Attitude

Before the Russo-German war and during the first months of that conflict there was a strong tendency among young army commanders of the U. S. S. R. to distrust the Allies, politically as well as militarily. Voroshilov was considered the spokesman of a number of Russian commanders and certain high officials when he remarked of the British and French in 1939, "Let us see what kind of fighters they are." Though ardently anti-German and insisting on the necessity of an uncompromising struggle, this group has felt that the Soviet Union must rely upon her own resources and consider the war exclusively her own.

Such was not Stalin's point of view. With the agreement of the leading men of his government, of the Political Bureau of the Party, and of the High Command, Stalin consistently spoke of the Russian struggle as part of a common fight on the side of the Allies. Stalin is convinced that Russia cannot win the war alone; he is fully aware of the necessity of a good understanding with the Allies.

Nevertheless he agreed that it would be a mere cautious *internal* policy to make the people of Russia consider this struggle as their supreme national fight, and not arouse exaggerated hopes of Allied aid. With this policy in view, the war was called in official statements "The Second National War" (the first was the campaign against Napoleon). In this early period, propaganda organs made no mention of a "second front." The official line taken by press and radio was that a friendly

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relationship prevailed among the U. S. S. R., Britain, and the United States, that the Allies gave what help they could, and that there was no reason to worry.

The Intermediate Stage

After the winter campaign, the appeal to the Allies for a second front grew more insistent. The official stand was revealed in Ambassador Litvinov's speeches of February and April, in which he called for the utmost aid and the fullest use of Allied armies, navies, and air fleets. The parts of these addresses that dealt with the Allies were all worded in Moscow.

But while the Soviet Government negotiated, the Russian press kept silent editorially, on the second front. A Soviet citizen could learn of the problem in his newspaper only from short reports of news from London and Washington. The tendency in official statements was to be optimistic about Allied aid. For political and military reasons, the Moscow Government did not want to make public its anxiety and annoyances about supplies. The public impression that assistance from abroad was satisfactory was strengthened by the June announcement of the Russo-British treaty, and by the public mention in Russia of an agreement on the second front issue.

The Current Demand for a Second Front

At the end of June and the beginning of July the situation changed. Hints about the second front appeared more and more frequently in the Soviet press, until now the subject is in the forefront of the news.

This new public demand for a second front springs from the critical military situation, from German technical superiority, from the warnings of the Russian High Command, from the growing pressure of opinion in the Army and in the country. The Russian High Command and leading officials are concerned lest the lack of a second front impair morale and bring disillusionment after the hopes aroused by the announcement of Molotov's visit to London and Washington. For the first time, the so called "political commissaries" reported that soldiers were asking, "And where are our Allies? Why do they not help us?" Although not always expressed in the press or in public meetings or in the forms familiar to the democracies, Russian public opinion exists as a real and powerful force that the Kremlin must take into account.

No Separate Peace

The force of this opinion is one reason why fears of a separate Russian peace are groundless, our Soviet sources continue. The harm Hitler has done to the country is so great, the hatred he has provoked so intense, that the Russian people are ready to fight to the bitter end. Never before has there been in Russia such a rise of national spirit. The days when the Soviet Government could do what it would with the people ended when the latter were given arms. Today, powerful as Stalin is, he could make peace only if the Army and the armed people consented. And the popular attitude of today is not that of 1917.

The ruling group in Russia, moreover, realizes that from the political point of view the only way to preserve the Soviet system is to continue the war. Anything else would be suicide both for the system and its leaders. The scorched earth

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policy and Russia's unrelenting struggle are proof of her determination to fight to the end.

Nor is there any party in the Soviet which could come to the surface in case of defeat. "Appeasers" do not exist in Russia. The Germans themselves can not name any important Russian Quislings. Even the minority groups are strongly anti-Nazi, except the Turks of Azerbaidshan, whom the Russians distrust. Moreover, Hitler could not be satisfied with dividing Russia into free and occupied zones; his objective is to smash forever the Russian state, politically, economically, militarily.

But while a separate peace is excluded, the possibility exists that Russia might suffer a military collapse. If her armies were broken and forced to retreat to the Urals, the Russian theater would be reduced to a secondary front of large-scale guerrilla warfare, with only local operations on various small fronts.

It is this possibility, our Soviet informants conclude, that has occasioned Russia's criticisms of the war effort of her Allies and her current demand for a second front.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, September 11, 1942.

Press Service
No. 33-22

Secretary of the Treasury Morgenthau announced last night that the subscription books for the current offering of 0.65 percent Treasury Certificates of Indebtedness of Series C-1943 and of 1-1/4 percent Treasury Notes of Series C-1945 will close at the close of business today, September 11.

Subscriptions for either issue addressed to a Federal Reserve Bank, or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight Friday, September 11, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the bases of allotment will probably be made on Wednesday, September 16.

-oOo-

September 11, 1942
9:35 a.m.

GROUP

Present: Mr. Bell
Mr. Gaston
Mr. Sullivan
Mr. Buffington
Mr. Graves
Mr. Gamble
Mr. Thompson
Mr. Kuhn
Mr. White
Mr. Odegard
Mr. Blough
Mrs. Klotz

H.M.JR: Harold, which one of your many assistants, or associates, or collaborators, do I speak to about this Minute Man movie that I saw the other night?

MR. GRAVES: Mr. Gamble is the movie man.

H.M.JR: I just wanted to say that I thought it was terribly good.

MR. BELL: Terribly good? (Laughter)

H.M.JR: Where do you show it?

MR. GAMBLE: That is attached to newsreels and is shown all over the United States.

H.M.JR: Now, one thing, Ted, which I asked for originally - I may have it, but I don't know it - is that I wanted to tie it up with people within the State. That is what I asked for originally.

MR. GAMBLE: That is right. That has been done, yes, sir, but any good short, like this Maritime short that you saw, would get general distribution by and large.

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These have been more or less community activities. They go into a State and tie it up with some outstanding event or incident in that particular State.

H.M.JR: Take a note for Mrs. Klotz (to reporter). On this Maritime movie that I saw, send it over to Miss Grace Tully and ask her the next time the President has movies, if she will show it to him. It is only two minutes.

Now, the other thing - I have never seen this one on a State-wide basis. In fact, this is the first one I have ever seen. I have never seen one before.

(Mrs. Klotz entered the conference.)

MR. GAMBLE: Would you like to see one every time you screen - put one on every time you screen?

H.M.JR: I would like to see one that has something to do with locality.

MR. GAMBLE: All right, sir.

H.M.JR: I would like - how many of these do you do?

MR. GAMBLE: Those average one a week.

H.M.JR: I can see one a week. I would like to see one tied up with the locality.

Norman?

MR. THOMPSON: We had about twenty-four hundred reinstatements and appointments in the month of July.

H.M.JR: What is that?

MR. THOMPSON: In the month of July in our personnel turn-over we had about twenty-four hundred appointments, thirty-one percent men, and sixty-nine percent women. It is going up.

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H.M.JR: Now, do you have to be excused at ten o'clock for your meeting?

MR. THOMPSON: Yes, sir.

H.M.JR: I have a little message that I would like you to take to these people, and that is this, that if this thing goes on and they continue to lose so many people and you can't find people to replace them, we are going to move some of these bureaus out of Washington.

MR. THOMPSON: We have been through that.

H.M.JR: You will have to move some more. You take New York City, for instance; you can get all the help you want in New York City. We may not be able to in Chicago, but the unemployment problem in New York is terrific.

MR. BELL: There is a good editorial on that in this morning's Post.

H.M.JR: In what?

MR. BELL; In the Post.

H.M.JR: If their answer is that after trying every method, going through everything, they can't get help, then we will move some of these divisions up to New York. They can get space.

MR. THOMPSON: That is going to be tough. We have just agonized through moving.

H.M.JR: You have got to get people to do the work.

MR. THOMPSON: I think we can get people in Washington.

H.M.JR: O.K. That is a dagger hanging over their heads. You tell them that if after they have tried everything they can't get help, then some of them are going to be moved out of Washington.

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MR. THOMPSON: That will accelerate their efforts.

H.M.JR: This isn't a threat, this is just - if they can't do it, we will do it that way, because there is plenty of help in New York. There is almost grass growing, and if there isn't--

MR. THOMPSON: I think the kind of help they are going to get in Washington is a little below the level of efficiency.

H.M.JR: You can get office space and you can get the help up there. This man said he couldn't get a certain kind of an operator; you can get all that in New York. They have four hundred thousand people unemployed in New York right now.

MR. THOMPSON: We will do it.

H.M.JR: Bell?

MR. BELL: Mr. Nelson wrote you a letter on the second regarding the use of the five million ounces of so-called free silver. This is a reply. (Letter to Mr. Donald Nelson signed by the Secretary.) The manager of the National Theater wrote to you, or called on the telephone, and made a suggestion concerning investment of war savings bonds. Miss Chauncey thought that you might like to answer it due to the fact that he has been rather nice to you in meeting your requirements. (Letter to Mr. Edward Plohn, Manager, National Theater, signed by the Secretary.)

H.M.JR: I pay cash. (Laughter)

MR. BELL: These are the circulars on the tax savings note.

H.M.JR: Well - oh, that is just straight--

MR. BELL: Just the official circular.

H.M.JR: If anybody wants to see a very silly, but a very amusing play, I recommend the one at the National now, called "Vickie". I was there last night. There

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are lots of good laughs. It is just good low comedy.

MR. BELL: We have a press release on this, which, with the circulars, went to the Federal Reserve Banks last night to be released, or at least to be released for printing Saturday morning and released to the press on Monday morning.

George Buffington has been working with the Philadelphia man on a type of circular somewhat along the line of the tax savings note plan we had before. That will be available today.

H.M.JR: We have a meeting, supposedly, at ten-thirty on publicity on this.

MR. BELL: That is what I was going to bring up, that I thought there ought to be some publicity and--

H.M.JR: Can't we do that at ten-thirty? Isn't that the time?

MR. BUFFINGTON: Yes, ten-thirty.

H.M.JR: And I would like Odegard to sit in so that you will know in War Savings what I am trying to do. I mean, what I am going to try to do on anything from now on to do with publicity I want anybody that has anything to do with--

MR. ODEGARD: That is ten-thirty?

H.M.JR: Yes.

MR. SULLIVAN: I would like to be here.

MR. BUFFINGTON: I think it would be a good idea.

MR. BELL: Yes, since it is tax notes he ought to be here.

H.M.JR: O.K.

MR. BELL: I have a telegram from Mr. Miller, who is the vice president of the Citizens Union--

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H.M.JR: Will you be here?

MR. BELL: Yes, I will be here. ...Citizens Union National Bank of Louisville. He has been in a number of times and he has been very cooperative; he sends this telegram. He says: "The Treasury has removed the limit on subscriptions for Government bonds of banks, firms, individuals, and corporations. It would be a tremendous help to banks on account of the shortage of help, wear and tear on machines, paper, and so forth, if the Treasury Department would not compel us to give the names of the individual subscribers." I think that is a good suggestion. You see, we have had those names because of the policing and the limitations that we have put on individual subscriptions. I think maybe we might want some break-down as to corporations, insurance companies, and so forth.

H.M.JR: You use your own judgment.

MR. BELL: I think it is a good suggestion if you don't think you will ever want individual names for statistical reasons.

H.M.JR: Where is Haas?

MR. BELL: He is sick, I understand. I will discuss it with him and consult New York and Chicago before--

H.M.JR: Use your judgment.

MR. BELL: Leon Henderson has written Delano, saying that the Office of Price Administration would like to use the banks in controlling the rationing system.

H.M.JR: One minute you read me something about the machinery wearing out because I ask for some names, and the next minute you want to do the other thing. (Laughter)

MR. BELL: I didn't say I wanted to do it. He wants the banks to set up accounts with all the local people who will be handling coupons - the retailer, the wholesaler, and everybody.

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H.M.JR: They had better use some other method.

MR. BELL: And they have gone to the banking people, and they don't want to refuse to do it because of the public relations; but they say they just can't do it without reimbursement, and the Price Administrator is willing to reimburse them. The minute we start reimbursing one department for work of this character, then you are going to have to reimburse them for all the Treasury work. Furthermore, you are using them, it seems to me, up to the limit in our financing, and I question the advisability of doing this.

H.M.JR: You had better talk with Henderson or somebody very close to him and explain it to him, but he had better find something else. The banks can't do any more than they are doing for us, and the Federal Reserve, and everything else.

MR. BELL: That is the way the supervising authorities feel about it, that is quite a burden to put on the banks at this time. .

H.M.JR: Take it up with Henderson direct and tell him it is best to use the post offices.

MR. BELL: I think he has been trying that, but I agree that there--

H.M.JR: I am serious. Tell him you suggest they use the post offices. .

MR. BELL: All right.

H.M.JR: And I know that is the way the President feels on the thing. He thinks they should use the post offices in a lot more stuff.

MR. BELL: Of course this is an accounting problem, and the post offices are not equipped--

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H.M.JR: Take it up with Henderson direct, will you?

MR. BELL: All right. That is all I have.

H.M.JR: You can relax, Harold. I saw you getting ready to get in on my argument - unless you want us to use the banks. (Laughter)

MR. GRAVES: No, indeed.

MR. BELL: You don't want to pay them, either.

MR. GASTON: Use the collectors of internal revenue. (Laughter)

MR. GRAVES: Yes, they won't have anything to do. Do you still want to see our group at ten about this matter of accelerating the delivery of bonds on payroll allotment? We have, I would say, something over a thousand answers to the telegrams we sent out. We will ultimately have pretty close to four thousand. Mr. Tickton is going to--

H.M.JR: You are not ready yet?

MR. GRAVES: ...analyze and classify those, and I would think possibly you might want to postpone this ten o'clock conference, although we can come and comment on these replies.

H.M.JR: You would be better off next week?

MR. GRAVES: Yes. Mr. Tickton will have a complete tabulation about the middle of next week, I would say.

H.M.JR: I can use that time very nicely this morning.

MR. GRAVES: I will not be here myself from Tuesday through Friday of next week.

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H.M.JR: Gamble will be here?

MR. GRAVES: Gamble will be here.

H.M.JR: O.K. Fine.

MR. GRAVES: So we will skip this ten o'clock meeting.

H.M.JR: When are you leaving?

MR. GRAVES: Monday afternoon.

H.M.JR: Well, let's see each other before you go.

MR. GRAVES: All right. Monday morning?

H.M.JR: It depends on what time I get back.
What time do you leave?

MR. GRAVES: I am not sure. I think it is late Monday afternoon.

H.M.JR: All right.

Harry?

MR. WHITE: Yesterday--

H.M.JR: You can have his ten o'clock appointment. I want to hear what happened over at the State Department afterwards.

MR. WHITE: All right, sir. That telegram came yesterday from one of the independent movie producers, who is coming in today and would like to talk with you about block balances of theirs. I don't think it is very necessary to see him.

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H.M.JR: I can only see them as a group. I can't start seeing them individually.

MR. WHITE: I don't imagine it is anything that requires your attention, but if it is I will call it to your attention.

H.M.JR: Is he bringing any stars with him?
(Laughter)

MR. WHITE: No. I don't recognize the name of the company. I don't think it has any stars.

H.M.JR: If you should be wrong let me know, Harry. (Laughter)

MR. WHITE: I will. I think possibly we will be satisfied with something less than stars.

On this matter of the Canadian orders, I wonder whether you want to reconsider the procedure and think of this as a possible way of handling it.

H.M.JR: Don't do - let's do it right after this meeting. There is no use in tying up everybody.

MR. WHITE: You sent an editorial about silver to me which made several statements about the Treasury. There were many misstatements in there. I discussed it with Ferdie Kuhn, and his opinion was that we ought not to go into it or do anything about it.

MR. KUHN: It is only because the column is Waldrop's, a notoriously unreliable fellow who will not print corrections; and if you take notice, he will make matters worse; and he works for Eleanor Patterson.

H.M.JR: Of course I don't agree with you. I mean, there is just no use ever trying to get any of these corrections made. He wrote a second

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column on the thing. I have handled much worse people than Waldrop. I made the suggestion over a week ago. I can't get anything done. I am really getting very, very much displeased, Ferdie.

MR. KUHN: My opinion was asked about it.

H.M.JR: I have handled people much, much worse than that, and darn it, there must be somebody in the Treasury so that when people attack me they are willing to write a letter and point out the mistakes in the statement. I really think it is getting to be up to the limit. I mean the thing is happening day in and day out. I make these requests that a factual letter go out, and I don't think I am asking too much. I am constantly given reasons after reasons why you can't do it.

I have handled people like Pearson and Allen and others, a half a dozen columnists much worse than Waldrop; and I don't see why, when I make a request like that, that somebody in this whole Treasury can't do something to see that I am not constantly defamed and misrepresented, and so forth and so on.

MR. KUHN: It often happens that when you get people like that and you point out their errors, they will go to work and go after you again, precisely as the New York Times did on silver. They admitted one misstatement, and then they went and delivered an attack much worse than the first one.

Waldrop and his paper will do that every time.

H.M.JR: Have you tried Waldrop?

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MR. KUHN: I have not tried Waldrop, but I know what Waldrop and his paper are like. Only my opinion was asked on it.

H.M.JR: But it is always the thing. I am constantly being - I mean, nobody here - there is not a single person here when these people constantly make misstatements and lie about the Treasury - it is not about me. He did not attack me personally.

I need somebody here who will take up the cudgels and go to bat.

Now, I want somebody to do it, and I am not going to do it myself. I have reached the limit on this thing.

When I asked for a factual correction, it seems to me that in the whole Treasury, with all the newspapermen in the Treasury and all the people here, that somebody could take it on himself and do it.

MR. WHITE: I think this episode may be misunderstood. I think it is a little unfair to Ferdie.

The note read to talk this over with Ferdie Kuhn, and we prepared answers to the misstatements and spoke to Ferdie about it and asked his opinion. His opinion was that it would be unwise to handle it. I don't think that anybody regarded your request as instructions. If they had been so interpreted I think it would have gone forth.

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H.M.JR: I am not going to issue instructions. But this thing goes on every single day. Every single day, I mean, there are misstatements about the Treasury. It isn't that I am not asking somebody - Waldrop did not attack me, personally - I am not asking somebody to defend me. It is a question of simply doing the thing and nobody is doing it, Ferdie.

MR. KUHN: I am not sure the procedure is right. You see, that is my feeling, that you get nowhere, as the experience of Mr. Ickes has shown. He used to go to work and reply to every little attack made on him. He made himself and his department the most unpopular in Washington. Now, do we want to do the same thing? Should we take notice of every little - every little attack in a paper that anyway is bound to attack us because that is their policy?

H.M.JR: You and I differ fundamentally.

MR. KUHN: That is right, sir.

H.M.JR: You do not believe in it. Who can I get to do it?

MR. KUHN: If you want it done, it will be done. If you want it done in this case or in any case, it will be done. I do not think it is good policy, that is my opinion, but--

H.M.JR: There is one thing, Mr. Ickes - what Mr. Ickes - we have had this thing discussed. I cannot - oh, let's skip it. What is the use? I have got so many important things to do.

MR. WHITE: I wonder whether one further comment might not straighten things out. If that is to be the policy, then somebody is tagged with the responsibility of answering - that is that person's responsibility. Now, that came from you, I mean, the editorial came from you. I think we would all agree that you shouldn't be bothered with that, so it ought to be easy to

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establish the policy - determine the policy, and then it will be somebody's responsibility to answer every one of those, and we can prepare answers. I do not think it can be left in the air this way.

H.M.JR: I do not have the memorandum before me, but as I remember it, I said I wondered if there were any factual mistakes. I just wanted them pointed out. Now, what Harold Ickes did was to get personal. He would attack Mr. Waldrop, and he would do it publicly. Now I never suggested that. What I am suggesting - Mrs. Klotz, ask for a copy of the memorandum, will you? It is a memorandum - who was it to?

MR. WHITE: To me. I think it was in pencil - in handwriting. You can get it from my office.

H.M.JR: There is all the difference in the world in doing what Harold Ickes does, to get personal and nasty to Mr. Waldrop, or write Waldrop a little note saying, "My dear Mr. Waldrop, I think you would like to know that these are the facts," and that is all. Now, if he does not want to do it, drop it. What was the name of the man that used to attack us so - McClure syndicate, who used to write misstatements?

MR. GASTON: Ray Tucker.

H.M.JR: Now there is a man - we would have Ray Tucker come around and talk to him. I used to have to do the thing - I used to have to do it, but I cannot do it any more. Do you see anything--

MR. GASTON: I do not think there is a fundamental difference, as you said, between you and Ferdie. Ferdie will admit some stories are so outrageous and incorrect you ought to put out a public denial, or talk to the man himself on the cases when you do not want a public denial, but call attention of the man to the fact that he has made a mistake, perhaps honestly, perhaps not. In the case of Waldrop it is probably not, but I think it is just a question to agree whether the thing is worth calling to his attention. I think you have to judge

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that on the individual case. I think it might be worth while to let Waldrop know that he has made a misstatement of fact in this argument.

H.M.JR: That is all I am asking for. But, Ferdie, I will never ask anybody to do anything as long as he is associated with me, that he does not believe in. Now, if you do not believe in it, it is your privilege to say so. There will be no hard feelings, and I will simply ask somebody else to do that kind of work for me. If you do not believe in it, just say, "Mr. Morgenthau, I cannot do that kind of stuff; I do not believe in it." Now, if that is the way you feel, O.K. I will ask somebody else to do it.

MR. KUHN: I do not, as a general rule, except for their information, to see that they get the facts before them - as a general rule--

H.M.JR: But this thing goes on all the time. Now, if you do not believe in it, say so, and then I won't have to feel that I am not getting what I want and I will get somebody else to do that particular kind of work.

MR. KUHN: It would be perfectly simple to send Waldrop that memorandum.

H.M.JR: I do not want anybody in the room to ever stultify themselves in the least, or do anything he does not believe in. Nobody has to do that. There will never be any feeling on my part if you say, "Mr. Morgenthau, I cannot do that sort of thing." O.K. I mean on this kind of thing it is different. It isn't like Wayne Taylor, who did not believe in what we were trying to do on the war effort - that is something else. But on a matter like this, which is not a fundamental difference - it is just a difference of method of approach. I want you to know this now, or anybody else in the room, if you say, "I cannot do it; I think it is wrong," O.K. So we understand each other?

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MR. KUHN: Yes.

H.M.JR: That goes for anybody else in the room. On the other hand, when somebody says, "Mr. Morgenthau, I think that we should - I do not think that you should press so hard for buying supplies for Russia - I do not want to give them precedence over anybody else," that is a fundamental difference. But this is not. Now, do you and I understand each other?

MR. KUHN: Yes.

H.M.JR: You can have your come-back.

MR. KUHN: No, I will be glad to do this.

MR. WHITE: I gather it is not a question of this particular episode. What the Secretary is searching for is a policy. I do not know who brought that to your attention. It should be brought to your attention.

H.M.JR: I read it myself.

MR. WHITE: There is something wrong there, isn't it? I mean, if somebody is to be tagged with the responsibility of seeing any statement that relates to Treasury matters that may or may not be wrong, there ought to be a routine that should be followed without any attention being required. So the thing to do, it seems to me, is to establish the policy and tag somebody with it and forget it.

H.M.JR: The trouble is this, I asked Ferdie to do this because I want, when somebody writes something that is incorrect, a courteous letter to go to him.

No newspaperman - I don't care, starting with Colonel McCormick up or down - can object to getting a letter from an Assistant Secretary, a man in public relations, saying, "My dear Mr. Jones, yesterday you wrote such-and-such a letter. I would like to bring the correct facts to your attention to make such use of as you wish." I don't see how anybody can object to that. That would go for the same thing if it

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were a Senator or a Congressman. Simply state the correct position, not the Treasury's position, but the factual position.

MR. GASTON: Again I say, if you don't mind, it is not a matter of fundamental principle, it is a matter of application to the individual cases. It is a question of how important the error was and how widely circulated it was, and how important it is to us to correct it. You cannot follow all the mistakes that are made - all the misstatements affecting the Treasury. I do not think it would be good policy to follow all of them, but a great many of them you can. And it gets back to the--

H.M.JR: My dear Herbert, it gets back to the question of judgment.

MR. GASTON: Yes, the question of judgment on the individual case, and I think all of us will agree there are some cases of which we ought to take notice, and probably you would want to take notice of more than Ferdie would want to take notice of; and if you do not mind, I will say that probably you would want to take notice of more cases than I would want to take notice of. There are some cases you would want to call the newspaperman in on and complain. Probably I wouldn't. Now, some cases I might agree with you and some cases I might agree with Ferdie.

H.M.JR: All right. Now, in the nine years that we have been here, how many cases do you know of that I have personally ever sent for a newspaperman?

MR. GASTON: I do not know. It hasn't been very frequent. There have been a good many cases, yes, and I think usually it has worked out pretty well. (Discussion off the record.)

H.M.JR: All right. Well, now, I will tell you what I will do so we can have this thing on a basis. I am going to appoint Kuhn and Gaston a committee of two to next week recommend somebody to go into the Office of Public relations, to head it up, so that we won't have this thing. I am dissatisfied. Will you do that Ferdie?

MR. KUHN: I did not hear the question.

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H.M.JR: I want you and Gaston, next week, to make a recommendation to me.

MR. KUHN: Yes.

(Mr. Thompson left the conference.)

H.M.JR: Where did we leave this thing in regard to Waldrop?

MR. KUHN: I would be glad to send a letter to Waldrop embodying that memorandum of White's, which was very clear, pointing out the mistake. It was rather technical for his usage, but I would be glad to send it to him as a statement of fact with a letter pointing out the errors.

H.M.JR: O.K.

MR. BUFFINGTON: Might I say one thing? Could I submit to Ferdie a letter to Frank Kent in answer to that editorial of his?

H.M.JR: No, no. Now Ferdie is working to help me. I mean, he is here exclusively to help me. No, definitely not. I mean, that is just what I have been trying to get Ferdie out from under so he can help me. He isn't here for that sort of thing, definitely not.

(Discussion off the record.)

MR. GASTON: There are too many people reporting to the Secretary on those things. If we could coordinate the thing under one man it would take a great deal of pressure off the Secretary.

H.M.JR: Well, if you had a man like Fussell, how would you feel about it?

MR. GASTON: I would feel that he could report directly to you and not take a great deal of your time, and, of course, consult with other people in the Treasury.

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MR. BLOUGH: May I be excused for some matters on the Hill?

H.M.JR: Go ahead.

(Mr. Blough left the conference.)

H.M.JR: As I say, this has been boiling inside of me for a long time.

How far did I get? Peter?

MR. ODEGARD: I have nothing.

H.M.JR: Have you got any ideas on this, Peter?

MR. ODEGARD: I have an idea I would like to - I wouldn't like to bring it up here now.

H.M.JR: Will you let me know?

MR. ODEGARD: Yes.

H.M.JR: Ferdie?

MR. KUHN: I have one little message from Chick's office. They wonder whether it is O.K. to release on next Thursday the list of salaries of seventy-five thousand or over. They have it all ready, and they just wanted to get your clearance on it.

H.M.JR: Sure.

MR. KUHN: O.K.

H.M.JR: Is that all?

MR. KUHN: There is one thing, I do not know whether you saw in last month's Fortune the Walt Disney picture and the article? Did you see that?

H.M.JR: Yes.

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MR. KUHN: So it shows that the picture is in the works.

H.M.JR: Yes, I was glad to see it.

MR. KUHN: That is all.

H.M.JR: Gamble?

MR. GAMBLE: I have nothing.

H.M.JR: You fellows, Kuhn and Odegard and Gaston - you better get together on this question of public relations for the Treasury, because you are going to have me upset until you do.

MR. KUHN: Herbert and I had a good talk about it yesterday.

H.M.JR: I will be just continually upset because this thing is beginning to get tougher and tougher.

MR. WHITE: Mr. Secretary, I feel rather badly about that remark of mine.

(Discussion off the record.)

H.M.JR: George?

MR. BUFFINGTON: We directed a letter to the banks asking them to designate a place in each bank for the sale of applications to be made for the sale of tax notes. (Letter to presidents of banking institutions signed by the Secretary.)

H.M.JR: Who does this go out to?

MR. BUFFINGTON: We are going to send it out through the Federals.

H.M.JR: Will we get copies of this?

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MR. BUFFINGTON: Yes. That is all, sir.

MR. SULLIVAN: On the renegotiating provisions put in the supplemental appropriation bill last April, the Army and Navy and Maritime Commission took over the rules and regulations we had for forcing the Vinson-Trammell Act to determine what was a contract and what was a subcontract. Last month we tried two cases before the Board of Tax Appeals and in each case the Board of Tax Appeals determined that a material man was not a subcontractor. The Army is very anxious not to have to renegotiate contracts with material men, and they talked with us to find out whether or not we were going to appeal that decision from the Board of Tax Appeals. They were very anxious that we should not appeal, but rather that we should acquiesce in the decision of the Board of Tax Appeals.

Then the Navy and the Maritime Commission were very anxious that we should appeal, and I got them together yesterday afternoon - the War Department, the Navy Department, and the Maritime Commission. As a result of that conference Judge Patterson is going to talk to the men on the Hill and find out whether they can get clarifying legislation so that Congress will know just what they are deciding, and no action of ours will be decisive in the matter. I just thought I should bring that to your attention in case any of the other men mention that.

Yesterday the Commissioner and I had quite a talk with the collector in that Camden district. He acknowledged that there was a situation, but he thought he could clear it up. He felt that if he tried it and failed that he should resign. We all agreed with him. So I think we have made some progress on that.

In these special cases on which we are making the early audit, there are five hundred and twelve cases where we are collecting an additional seven million seven hundred thousand. There are an additional

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five hundred seventy-eight cases in which there is a recommendation of forty-four million, so there will be additional taxes for around fifty million in about eleven hundred cases; the total now in process are eighteen hundred.

H.M.JR: Good. That is good.

MR. SULLIVAN: I don't think - I haven't bothered you with this because I didn't think it would be possible to get that committee together while they are working so hard on the tax bill, but I have all the reports whenever you are ready to go over it.

H.M.JR: Will you remind me again?

MR. SULLIVAN: Yes, sir, I will. There is a meeting of three thousand women in Pittsburgh on October 2. I think it was started by the Federated Women's Clubs and all of the other women's organizations are in it. The woman who is president of the Pennsylvania Federated Women's Clubs was down here and asked me if I would come up and talk on the general Treasury fiscal problems. I told her I didn't know whether I could or not. There might be somebody else you would rather have do that. I think she heard me when I spoke to the Federated down here on sales taxes last February.

H.M.JR: When is that going to be?

MR. SULLIVAN: October 2.

H.M.JR: Well, look, I wish you would stall on that. I mean, I would be more than pleased to have you do it, but what we are trying to do here is to get out a booklet which would be really formulating a Treasury policy.

MR. SULLIVAN: I am very much in favor of that, and I think that anybody who talks on this now is going out on the end of a limb, because the situation is a

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little volatile. But they will want to have somebody, because it is really quite a show; and I think that if there is any chance of this being out in time - the policy decided - I would be delighted to do it.

H.M.JR: Let's see where we get next week. I think when we get into this question of writing this booklet I may have to settle a lot of problems as we go along.

MR. SULLIVAN: I will just stall it.

H.M.JR: Bring it up the middle of next week.
O.K.?

MR. SULLIVAN: Yes, sir.

MR. GASTON: Miss Newcomer talked, at my request, to several women's organizations on this matter of the tax situation. The League of Women Voters is going to send out a leaflet written by themselves, on the tax situation to twenty-five hundred members. At the request of Dr. Franklin of the American Association of University Women, Miss Newcomer has written an article on the tax problem, "New Federal Taxes" for their series of publications, "Contemporary America," that is going to go out in the next few days. I have the article here. It is a very excellent job of simple writing, covering the whole tax situation and ending with the spendings tax. It is really a fine job.

H.M.JR: Good.

MR. GASTON: It will serve as an outline for some of our other work. She is seeing tomorrow Miss Cummings of the National Federation of Business and Professional Women's Clubs in New York, and also Dr. Walker of the Tax Institute.

H.M.JR: She is getting somewhere?

MR. GASTON: Yes, she is going after these four organizations. She has made definite arrangements with

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two of them, and she has written this article for the University Women, which is a very good job. I don't know whether you would like to see it or not.

H.M.JR: I would. O.K.

September 11, 1942
12:54 p.m.

Robert Rouse: Good morning.

HMJr: Bob, good morning. How's our issue going?

R: Coming along very well here.

HMJr: Good.

R: And I was talking with Young in Chicago

HMJr: Yes.

R: about an hour ago, and I had a pretty good report from him.

HMJr: Good. I have nothing - just wanted to make sure everything was all right. I mean, have you had to do much buying?

R: No, very little.

HMJr: Good.

R: The market's very quiet today, and there's practically nothing going on.

HMJr: Well, it'd been most unfortunate if the Fed. had announced that increase yesterday, wouldn't it?

R: Yes, I think it would have been.

HMJr: Yeah.

R: What did they finally decide to do? Wait until next week?

HMJr: They didn't tell me, but the last I heard it was - to do - announce it Monday.

R: Well, that would be all right.

HMJr: Yeah.

R: I understand.

HMJr: They didn't tell me, but that's what I understood.

R: They'll do it Monday morning, and that would be even better than Monday afternoon.

HMJr: Yeah. Well, they didn't tell me but that's what I understood.

R: Uh - huh. Fine. Well, I was out yesterday and the day before, and

HMJr: Are you sick?

R: Yeah, I had a bad cold develop, and everything was settled, so I didn't come in.

HMJr: Okay. Are you all right now?

R: Yeah, I'm much better.

HMJr: Take care of yourself.

R: I shall.

HMJr: Thank you.

R: Thank you.

September 11, 1942
12:56 p.m.

Ronald
Ransom:

Off the record, I'd like to have your help on a problem if I could.

HMJr:

Well, it'll have to - I've just got a guest outside for lunch, Ronald.

R:

Well, I just want to propose a question, and ask you to call me back.

HMJr:

Yeah.

R:

As between the 14th and the 19th for action on reserve requirements in Chicago and New York, there are some arguments on - in favor of both dates. I'd like you to think about it a little.

HMJr:

Well, I can tell you right now.

R:

Yeah.

HMJr:

I - I think I'd do it the morning of the 14th.

R:

And announce it effective that date?

HMJr:

No. Just announce it.

R:

Yeah.

HMJr:

I don't - I thought

R:

Well, there's some advantage in making it effective the date we announce it, but it - it isn't very great.

HMJr:

Well, I don't care. I think you ought to announce it the morning of the 14th, though.

R:

And, regardless of the effective date?

HMJr:

That's right.

R:

Well, that is my own preference. There are some arguments the other way

HMJr:

Well, I

R:

.... but, if anything develops on it, I'll give you a ring back later in the afternoon, if I may.

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HMJr: Will you please do that?

R: Yes. You'll be in town?

HMJr: Well, yes, up until about 4:30, and then let Bell know.

R: Well, the point is that there is some work depending on this particular issue that's now out, if it goes over as well as it looks like it does, the 14th is the day for action.

HMJr: Okay.

R: All right. That would suit

HMJr: You let either Bell or me know.

R: I'll do that.

HMJr: I thank you.

R: All right.

September 11, 1942
12:58 p.m.

HMJr: Ransom called me and said they were arguing as to whether they should lower this two per cent - you know

Daniel Bell: Yeah.

HMJr: reserve - either the 14th or the 19th. - would I think it over. And I said I didn't have to think it over. I'd said - I still said the morning of the 14th.

B: Well, that was the announcement.

HMJr: They - they haven't announced anything yet.

B: No, I mean, the 14th was to be announced

HMJr: Yeah.

B: and effective date was to be sometime around payment date.

HMJr: Well, now they want to make it - both the announcement and effective on the 14th. So, I said I had no - I had no opinion on that.

B: I don't think it makes a bit of difference.

HMJr: I said - but I still stuck to the morning of the 14th, and I just got through talking to Rouse and Rouse said, "Gee, I hope they're going to make it the morning of the 14th".

B: He does? Well, of course, it - it relieves their problem in New York if they do that.

HMJr: Well, I said I had nothing, and then Ransom said they can't make up their mind until late this afternoon, until they see how this issue goes.

B: Yeah.

HMJr: So I said that if I wasn't here to - to talk to you.

B: All right.

HMJr: But as far as I'm concerned, I'd like to see it the morning of the 14th, and when it is effective, I don't care. Do you?

B: No, I don't care, here. But I can see where it would relieve Bob's problem.

HMJr: Yeah, well

B: Because you - after this thing is closed, you may have some turning, see?

HMJr: Yeah.

B: And getting - getting ready for the payment date, but on the other hand, if the banks have the knowledge that it's going to be done before payment date, why they won't do the turning.

HMJr: No. All right.

B: But, I think we can stand by Bob if he wants the 14th.

HMJr: Well

B: Very easily.

HMJr: I didn't quote him.

B: No, I won't. No. All right. I'll handle it.

HMJr: Thank you.

B: Good-bye.

September 11, 1942

Senator Byrd told me at luncheon today that Ruml only got three votes on his plan, and those were the votes of the subcommittee which brought in the report. All the rest voted against it.

September 11, 1942
3:32 p.m.

HMJr: How are you?

Prof. Roy
Welch:

First rate. I have an answer for your - to your memorandum which I was dictating when your secretary called me. This thing was played on WINX today at 12:30. It will be played on a Coast-to-Coast broadcast on NBC on Saturday, October 19th, from 10:00 to 10:30.

HMJr: Well, look - could I have that, for I'm seeing Mrs. Roosevelt Sunday night, and I'd like to give it to her?

W: I'll get it up to you in about five minutes

HMJr: And you

W: and will leave it with Lt. Comdr. Stephens.

HMJr: And tell him I want to take it with me.

W: Very good.

HMJr: I thank you.

W: Thanks very much.

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(The Secretary talked to Mrs.
Roosevelt about this. . .

THE WHITE HOUSE
WASHINGTON

September 8, 1942

Dear Henry:

The orchestra of the Navy Band played Shastokovitch's Hymn to the United Nations at the last meeting of the International Student Assembly. This had never been orchestrated before and they worked practically all night to have it ready for Saturday night.

I thought it was particularly stirring, and I wondered if you could make it possible for them to play it over the air. I know they would be delighted to have a chance.

Affectionately,

Eleanor Roosevelt

Dear Roy Welch:

Please have this
done promptly and advise so
I can let Mrs R. know.
Henry

September 11, 1942

Dear Captain McGraw:

In connection with your letter of September 10th, addressed to the Secretary, and quoting from Mrs. Roosevelt's note about the Shostakovich Hymn of the United Nations, I am passing on to you the information contained in a memorandum to the Secretary from Professor R. D. Welch of the War Bond Staff.

Professor Welch informs Mr. Noyenthan that the Shostakovich Hymn was played today, September 11th, at 12:30 p.m. over station WJLB. At his suggestion it will also be used on a concert to coast broadcast over NBC on Saturday, September 19th. It will go on the air at 10:00 a.m. Professor Welch is also looking into the possibility of using this music on a Treasury Star Parade.

Sincerely,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Captain John L. McGraw, U. S. N.,
Naval Aide to the President,
The White House,
Washington, D. C.

GJW/lk

Delivered by S. Service 9/11/42
5:50

THE WHITE HOUSE
WASHINGTON

September 10, 1942.

My dear Mr. Secretary:

I have this date received a note from Mrs. Roosevelt in which she made reference to the Hymn of the United Nations played by the Navy orchestra at the evening session of the International Students Assembly in the Departmental Auditorium on September 5th, 1942. I quote the following paragraph from Mrs. Roosevelt's note for your information:

"The orchestration of the Shastokovitch Hymn of the United Nations was very stirring and many people spoke to me about it. I am hoping Henry Morgenthau can give them a chance to play it over the air - I think it would be a fine thing to do."

The orchestration referred to above was made by Lieutenant Charles Brendler, Leader of the Navy Band, copy of the score of which has been given to Mrs. Roosevelt by Lieutenant Brendler.

Very respectfully,

John L. McCREA

JOHN L. McCREA
Captain, U. S. Navy
Naval Aide to the President

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

September 11, 1942

My dear Mr. Morgenthau:

The Director of the Orchestra of the Navy Band reports that his version of the Shostakovich Hymn to the United Nations was played today (September 11th) at 12:30 over Station WINK.

At my suggestion it will be used on a coast to coast broadcast over NBC on Saturday September 19, at 10:00 A.M. I shall look into the possibility of using this piece on a Treasury Star Parade.

Very sincerely yours,

R. D. Welch

RDW:RLB

September 11, 1942
3:35 p.m.

WAR BONDS

Present: Mr. Bell
Mr. Gaston
Mr. Graves
Mr. Kuhn
Mr. Gamble
Mr. Odegard
Mrs. Klotz

H.M.JR: Go ahead.

MR. GRAVES: We find that there has been a lot of distortion in the press - I think you perhaps noticed it, too - of what you said yesterday about the voluntary bond program. You noticed the headline, probably, in the Herald Tribune. We find that the thing has been similarly headlined in a good many places. Cagney, for instance--

H.M.JR: Who?

MR. GRAVES: Jimmy Cagney, for instance, called up, in his capacity as head of the Screen Actors Guild, saying that he had seen in the Detroit papers that the voluntary plan had been found a failure. He felt that these motion picture people should stop their jobs and go home.

Another example is Mr. Harrison of the New York Life, who was in the process of organizing for us a committee which is going to work on F and G bonds. He phoned and said that he had seen this thing and thought he should abandon any program that they were starting.

There are other instances. I believe some of our State people have called in and thought they should abandon meetings that they had scheduled for pay-roll allotment. We all think that you should issue a statement that will clarify this position - your position,

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and make it clear that there is no intention to abandon the voluntary plan, and that you have never said that there was any.

H.M.JR: Did you look at what I said?

MR. GRAVES: I did.

H.M.JR: I sensed what this was and I just--
(Reading from Press Conference of September 10, 1942.)

"Mr. Secretary, in the spendings tax you came around to what is, in effect, a type of forced savings. Is that an admission of voluntary sales not doing the job which some had hoped previously?"

"A. I have not the language here, but if you don't mind I will ad lib and then I would like to have them look up the language in my statement, because, after all, every word is - I think we said 'added to' or 'supplement to' the voluntary."

Then I will go on to where they brought in the statement. "The new proposals are intended, therefore, to supplement the bond purchasing program."

"Q. In connection with forced savings of some type or shape, do you think that if we don't get it in this tax bill, in future tax bills we are in for it?"

"A. I feel just the way I said here, that we have to supplement the voluntary bond purchase program." There is nothing in there.

MR. GRAVES: Absolutely, and even the Herald Tribune story, itself, didn't bear out the headline they used on the story.

MR. KUHN: It did at the end, Harold, it said the Secretary's remarks were an admission, or something of that kind - that the bond program had been a failure. It was down toward the end of the story.

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H.M.JR: It was on the ticker and I called up Schwarz twice yesterday to correct the thing - twice, and he said he had been down in the press room. I said, "Go down to the press room again and make sure that story--" I don't know whether you know I did that.

MR. GRAVES: Yes, I did know you did it. I think that is one of the places where it--

H.M.JR: All right. He said, "I have done everything." I said, "Go down and do it all over again."

What is the statement that - you all look so sad--

(Statement handed to the Secretary, copy attached.)

MR. BELL: Colonel Pope called on me this morning and said that his brother, who is working on your committee, and Nevil Ford came over to see him and they were quite worried about it. They thought they might as well close up if that is the way the Treasury felt about it.

H.M.JR: How many have seen this statement?

MR. GRAVES: I think all of us have seen it.

(Statement read by the Secretary.)

H.M.JR: What is the matter with this?

MR. GRAVES: We think it is all right.

H.M.JR: One, two, three, four, five, six of you!

MR. ODEGARD: We think it is all right.

H.M.JR: Why does it take six people? (Laughter)

MR. GASTON: May I be excused? (Laughter)

H.M.JR: Where do you want to go?

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MR. GASTON: Wouldn't that leave five?

H.M.JR: Six people!

MR. GASTON: We were all prepared to make a case on this if we had to.

MR. BELL: We just brought a force to convince you.

H.M.JR: I know, but the thing that bothered me was your bringing in Bell. (Laughter)

MR. BELL: Well, I guess the reason I am in - I called Harold and asked him if there was anything to this story, and he said, "Yes." And apparently you had made some remark which had been misinterpreted and misquoted, and he said, "You had better come in with us at three-thirty." That is the reason I am here, by invitation.

MR. GRAVES: I had no idea I could settle this.

H.M.JR: Am I as tough as all that? Six of them - did you really look for a fight? You are honest, Ted.

MR. GAMBLE: No, we did not look for a fight, Mr. Secretary. We thought this was a very good and direct statement, and would undo all the harm that has been done.

MR. GASTON: I am not so sanguine as Ted. I think it is awfully hard to catch up with a printed story. I think we may have to go to short radio announcements, that is, in addition; we have a lot of people scared and upset.

MR. GRAVES: I think we ought to.

MR. BELL: The only question I raised was about the last sentence in the statement.

MR. GRAVES: Wasn't that fixed?

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MR. BELL: It helped it some, but it didn't cure it.

H.M.JR: "We shall, however, continue to rely upon voluntary lending for a large part of our financing. The mounting requirements of the war demand that our sale of War Bonds be continued and intensified. As I told the Senate Finance Committee last week, it is my belief that the voluntary War Bond program has produced and will continue to produce a great contribution to the nation's war effort. Regardless of the other measures that are needed, the voluntary savings program will be essential and irreplaceable for the duration of the war."

That is a stretch of the imagination. When a bank subscribes, that is volunteer, still, isn't it?

MR. GASTON: Yes, that is not forced lending.

MR. KUHN: You can add the words, "voluntary lending by the public."

MR. BELL: Why don't you put "savings" in that - "war savings bond program"? Say, "the voluntary War Savings Bond program has produced and will continue to produce a great contribution to the nation's war effort."

H.M.JR: Where is that?

MR. BELL: The next to the last sentence. It would help what you were questioning in the previous sentence.

H.M.JR: Oh, no, that is all right. I mean, if you wanted to be strictly critical, but this is all right. Would you say, "As I told" or "As I informed"?

MR. ODEGARD: "As I said to--"

H.M.JR: I never liked "told".

MR. KUHN: "As I said to the Senate Finance Committee," that is better.

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H.M.JR: There is just one suggestion, if you are going to put this as a sort of a proclamation, I would like to ask the hundreds of thousands of devoted volunteers to continue on their effort.

MR. BELL: You have said that in your telegram.

H.M.JR: Yes, but I mean--

MR. ODEGARD: The telegram is to the motion picture people.

H.M.JR: Why not add the sentence, "To the hundreds of thousands of volunteers who have been helping us" - I would like to ask them to continue their effort.

MR. KUHN: That their efforts are more urgently needed as the expenditures of the war increase?

H.M.JR: I think I would make it - no I won't - I would simply say "the hundreds of thousands of volunteers who have been helping us day and night for the past year, I ask them to continue their splendid effort" or something like that.

MR. GASTON: "Your work was never more valuable or necessary than it is now."

MR. KUHN: That is the thought; that has it.

H.M.JR: Something ~~like~~ that might be put in.

MR. BELL: Do you want to say that the savings program is "essential and irreplaceable for the duration of the war"?

H.M.JR: Where do I say that?

MR. BELL: That is the last sentence.

H.M.JR: I think "irreplaceable" is too strong.

MR. ODEGARD: We do not need it.

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H.M.JR: We do not need it; I would take it out.

MR. GRAVES: "--would be essential for the duration."

H.M.JR: "Regardless of the other measures that are needed, the voluntary savings program will be essential." I think Bell is right.

MR. ODEGARD: Take out "irreplaceable."

H.M.JR: I think what you ought to do is this. I know we do not have a county chairman in every county, but I think this statement should go - we tried to do it once from here?

MR. GRAVES: What we ought to do is send it to our administrators. They always send it to their county people.

H.M.JR: But can't you say, specifically--

MR. GRAVES: Yes, we can tell them to see that it gets in the hands of our county chairmen promptly.

MR. GASTON: Ask them to see that the local papers handle the Secretary's statement from Washington. They can take the copy to the local papers and see that they handle it as a Washington dispatch.

H.M.JR: Have we any Treasury radio program that we could bust in and put this on?

MR. GRAVES: I think so.

MR. ODEGARD: Yes.

H.M.JR: Haven't we got some radio programs?

MR. GAMBLE: Yes, we have one almost every day.

H.M.JR: Can't you bust in on some of them?

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MR. GAMBLE: Not only that, we can get special news commentators to handle it.

H.M.JR: I have another suggestion. We could put this on one page, with the facsimile signature, and that could go out tomorrow night to every State administrator - enough to be distributed to all the volunteer workers, if you wanted to.

MR. GRAVES: Would you rather do that, or would you rather telegraph them today?

H.M.JR: I would do that. I would telegraph and tell them to distribute it, but then follow this up with a letter from the Office of the Secretary of the Treasury, this thing, with a facsimile of my signature.

MR. GRAVES: All right. We will do it.

H.M.JR: I mean "Office of the Secretary of the Treasury" on this thing. Get them working on it tonight and be ready to mail it tomorrow morning to the forty-eight States, and an accompanying letter saying one of these should be put in the hands of everybody.

MR. ODEGARD: That is very important.

H.M.JR: How would that be?

MR. KUHN: Good.

H.M.JR: Now, I am sorry, but I called up Schwarz as soon as I saw it. I said, "Schwarz, this is terrible; fix it." Then somebody spoke to me about it again, and I called the second time, "Have you been down to the press room?" He said, "Yes." I said, "Go down the second time and do it all over again." So the second I saw it I was disturbed.

MR. GASTON: It is awfully hard to catch it once it is out.

H.M.JR: The trouble is, gentlemen, the advocates - let's call a spade a spade - the advocates of the sales

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tax have been sitting back watching for this to happen before, and I have been so careful not to say anything. Now I said this thing, and they take it and twist it. I was saying to Ferdie this morning, "I am not one of the gang." By "gang" I mean I do not belong to any of these big insurance companies or any big bank, and so forth and so on. They know I don't now and never will. Just as long as I am here they will always be doing something like this to make life difficult for me. And this is almost the only department left in Washington that hasn't been taken over by the Willkie cohorts. They have pretty well taken all the other departments over.

MR. ODEGARD: People throughout the country have been terribly worried about this, and this statement - I know just exactly how it affected them.

H.M.JR: You will not get much in the papers, but I think if you could bust in on every radio program - who does that come under, mostly?

MR. GAMBLE: Callahan.

H.M.JR: Who is he under?

MR. ODEGARD: Me, and I am seeing Callahan at four o'clock.

H.M.JR: And tell him to get this on every program today and tomorrow that we have any influence with. I will tell you what else you can do, young fellow, as long as you are coming here - as long as I am one of you, and you are not going to sit there and fight me - (Laughter) I would ask the sixteen thousand theaters to make a slide of this and show this in every theater - the statement of the Secretary of the Treasury.

MR. GAMBLE: We can do that.

MR. BELL: We will have to condense it a little; it is rather long for that.

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MR. GAMBLE: No, the statement is not too long.

H.M.JR: I would ask the sixteen thousand theaters to just make a slide, the good old-fashioned kind of slide - the old-fashioned corner drugstore kind. You never had that in your theater.

MR. GAMBLE: Yes, sir. I was brought up on stereopticons. Only some three or four thousand theaters today are equipped to do that, but all sixteen thousand could use a trailer. It would be better to make a running roll trailer of it.

H.M.JR: It takes too long.

MR. GAMBLE: Oh, no, we could have it on the screen tomorrow.

H.M.JR: I mean, as long as - if you are going to catch up with it, I would put it in the moving pictures, put it on the radio, and I would have some come-backs. I would have some people answering me, like James Cagney saying, "Glad to learn you were misquoted. We will carry on; we will carry the ball over the line," signed by Cagney - and then put that on the air, and so forth and so on. Get some other people like that to make an answer to my letter. "In reply to your letter, Mr. Morgenthau, of course we are going to continue. So glad to know that you were misquoted. We were sure that you were going to say that." Get a flood of answers coming in to me to put back on the air.

MR. GAMBLE: Mr. Harrison suggested that if we were successful they were getting up a statement they would like to issue tomorrow to the effect that their committee was going right ahead with that job.

H.M.JR: That is all right, but I wouldn't say anything about the--

MR. GASTON: That is our old friend George, isn't it?

MR. GRAVES: Yes.

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H.M.JR: Well, anyway, that is all right, but I think if you get this thing - Cagney and the other people to do the thing - and I would get this in the hands of every one of these movie stars, so they can read it to their audiences. Do you want any more publicity suggestions? (Laughter)

MR. GAMBLE: I think you have given us a twenty-four-hour job.

H.M.JR: If you do everything I have said between now and Saturday night you can go pretty far toward counteracting it.

MR. GAMBLE: We will.

H.M.JR: I am serious. I appreciate your all coming in, because when I saw you this morning you did not say anything to me about a bad reaction. I mean, when you fellows left here at ten-fifteen there was nothing at that time.

MR. BELL: I meant to raise the question as to whether or not your statement was correct, and forgot it. I did not raise it.

H.M.JR: Do you think that most of these things can be done?

MR. GRAVES: Yes.

MR. ODEGARD: The radio can be done.

MR. GAMBLE: They can all be done.

SUGGESTED STATEMENT BY SECRETARY MORGENTHAU

The impression seems to have spread that I regard the voluntary War Bond program as a failure. "This is not only a distortion of anything I have said on the subject but it is also an injustice to the hundreds of thousands of devoted volunteers in all parts of the country who are working night and day to enlist the nation's savings for the war. In view of our swiftly rising war expenditures I have said that the voluntary War Bond program cannot alone close the gap between the amount of money available for consumer spending and the supply of goods available for civilian use. I have said that it must therefore be supplemented by a more drastic and comprehensive tax program, including a tax on spendings, a part of which would be treated as a debt to the taxpayer and repaid after the war. We shall, however, continue to rely upon voluntary lending for a large part of our financing. The mounting requirements of the war demand that our sale of War Bonds be continued and intensified. "As I told the Senate Finance Committee last week, it is my belief that the voluntary War Bond program has produced and will continue to produce a great contribu-

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tion to the nation's war effort. Regardless of the other measures that are needed, the voluntary savings program will be essential and irreplaceable for the duration of the war.

September 11, 1942
3:56 p.m.

HMJr: Harold.

Harold Graves: Yes, sir.

HMJr: This statement which is being given out

G: Yes.

HMJr: I wish that - that everybody in the War Savings Staff before they go home, should be given a copy of it.

G: All right. I'll see that they do.

HMJr: Before they go home.

G: Yes, sir. I'll see that that's done.

HMJr: Will you do that?

G: Yes, sir.

HMJr: Fine. Thank you.

G: You're welcome.

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON



MEMORANDUM FOR THE SECRETARY'S FILES:

The Secretary asked me on Friday, September eleventh, to attend a conference which he had given Colonel Pope of the First Boston Corporation for eleven o'clock.

Colonel Pope said that he came down with a suggestion for the Secretary in connection with his consideration of financing matters but he had approached the subject ~~in~~ some trepidation. He knew that it was a little out of his bailiwick, but nevertheless he had given this matter a great deal of consideration and he was really trying to be helpful to the Treasury.

He said he realized that the Secretary saw a great many people before each financing and he did not want to discourage this. He knew that when these people came down to see the Secretary, they usually consulted one another as to what they were going to recommend and also many of them had axes to grind. He would like to suggest that the Secretary pick out three individuals who are familiar with the Treasury's problem to be his confidential advisers, it to be definitely understood that the three people so picked would not advise their companies as to what they had told the Secretary. If they did, the Secretary could readily tell them that their services could no longer be used by the Treasury.

He said he had been thinking about the type of person that the Secretary would need in this particular job, and he had tried to pick individuals merely as a suggestion who would understand the whole problem. The following were his suggestions:

1. Henry J. Schuler, Executive Vice President, Bank of New York and Trust Company, who, he said,



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thoroughly understands the banking viewpoint and also the bond market and the type of securities the Treasury should sell the banks. He said he was a man of high qualifications and could be trusted to do a good job.

2. Dwight Beebe, Vice President, Mutual Life Insurance Company. I understood him to say that this man is in charge of the investment policies of this company. He said he would know what to recommend from the standpoint of the insurance companies and also knew a great deal about corporate investments.

3. Aubrey Lanston, of his own Corporation. He said he realized that he might be accused of trying to get in on the know, by recommending Lanston, but he said that was not the case and he would not expect Lanston to tell him what he recommended to the Secretary or keep him advised of his conferences with the Secretary. He said he recommended Lanston because, after looking over the entire field, there was no man better qualified, who knows the Treasury's requirements because he worked down here a year, and knows the market better; and there is no one more honest in making his recommendations to the Treasury even though they are against the best interests of his own firm.

The Secretary told him that he had his viewpoint and thanked him very much for coming down. He asked him if he would be good enough to go into it in a little more detail in my office.

I conferred with Colonel Pope at some length and he had very little to add to what he had already said in the Secretary's office. He did say that he felt that the Secretary and I were too busy to be constantly studying these problems and he thought it would be a good thing to get outside viewpoints from the angle he had mentioned. He said he would not suggest that these people be brought to Washington because they would then get out of touch with the market, the banks, and the insurance companies. He

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said he hoped they would continue right on with their present duties so that they would be in a position to know exactly what the banks, insurance companies, and the market all want in connection with Government financing.

He said that he would not want to suggest a way of handling it. He thought that possibly the Secretary or I could see them once in a while, but possibly most of the contacts could come through Bob Rouse of the Federal Reserve Bank of New York.

sub

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE September 11, 1942

TO Secretary Morgenthau
 FROM Mr. Murphy *MS*
 Subject: Recent Changes in Prices and Yields of Government Securities

The offering yesterday of \$1.5 billions each of 0.65 percent certificates due May 1, 1943 and of 1-1/4 percent notes due March 15, 1945 had no appreciable effect on the market for outstanding Government securities. During the day, the certificate maturing in 1942 declined slightly, but the 1943 maturities were firm. Taxable notes were either unchanged or 1/32 lower.

During the week ended last night, declines in the prices of outstanding Government securities were general, but in no case substantial. Taxable bonds gave the best performance, the prices of the majority of these issues remaining unchanged or showing some improvement. The taxable 2's of December 1949-51 (offered in July) were up 2/32 during the week, closing last night at 100-8/32. The taxable 2-1/2's of 1967-72 closed at 101-5/32, a decline of 1/32 from the quotation of last week. The 1-1/2 percent notes due December 1946 closed yesterday at 100-3/32 as compared with 100-4/32 a week ago.

Prices of all taxable bonds and notes outstanding on March 19, except for the 2-1/2's of 1967-72, are below their levels of that date. Prices of short- and medium-term tax-exempt securities have also declined, while longer-term partially tax-exempt bonds are generally in a slightly improved position relative to the March 19 benchmark. (See attached chart and table.)

The average rate on the weekly offering of bills was 0.368 percent, up slightly from the previous week. Some improvement occurred in the price of the certificates due February 1943, but prices of the other maturities declined.

Purchases by the Federal Open Market Account during the week amounted to \$159 millions, the heaviest since the comparable period ending August 6. They consisted of \$69 millions of bills, \$64 millions of certificates, \$17 millions of partially tax-exempt bonds, \$1 million of taxable bonds, and \$8 millions of guaranteed issues. Sales, which consisted solely of bills, amounted to \$16 millions and bill maturities totaled \$30 millions, with the result that the net increase in the Account's portfolio was \$113 millions.

Price and Yield Changes of United States Securities
September 3, 1942 to September 10, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	Sept. 3, 1942	Sept. 10, 1942	Change	Sept. 3, 1942	Sept. 10, 1942	Change
(Decimals are thirty-seconds) 1/			(Percent)			
TAXABLE SECURITIES						
ills						
Average rate last issue				.37	.37	.00
Certificates						
1/2% 11/1/42	100.023	100.020	-.003	.35	.36	+.01
5/8 2/1/43	100.050	100.055	+.005	.50	.48	-.02
7/8 8/1/43	100.105	100.095	-.010	.76	.77	+.01
Variable Notes						
3/4% 3/15/43	100.03	100.03	.00	.57	.57	.00
5/4 9/15/44	99.17	99.16	-.01	.98	1.00	+.02
5/4 12/15/45	98.31	98.29	-.02	1.07	1.09	+.02
1 3/15/46	99.04	99.03	-.01	1.25	1.26	+.01
1-1/2 12/15/46	100.04	100.03	-.01	1.47	1.48	+.01
Variable Bonds						
2% 3/15/48-50	101.05	101.06	+.01	1.78	1.77	-.01
2 6/15/49-51	100.11	100.11	.00	1.95	1.95	.00
2 9/15/49-51	100.08	100.09	+.01	1.96	1.96	.00
2 12/15/49-51	100.06	100.08	+.02	1.97	1.96	-.01
2 12/15/51-55	100.02	100.02	.00	1.99	1.99	.00
2-1/2 3/15/52-54	103.22	103.21	-.01	2.07	2.07	.00
2-1/4 6/15/52-55	101.04	101.03	-.01	2.12	2.13	+.01
2-1/2 3/15/56-58	103.03	103.04	+.01	2.23	2.23	.00
2-1/2 6/15/62-67	100.13	100.14	+.01	2.47	2.47	.00
2-1/2 9/15/67-72	101.06	101.05	-.01	2.44	2.44	.00
TAX-EXEMPT SECURITIES						
Fully Tax-exempt Notes						
2% 9/15/42	100.02	100.01	-.01	0/32*	0/32*	0/32*
1-3/4 12/15/42	100.13	100.12	-.01	.29	.30	+.01
1-1/8 6/15/43	100.19	100.18	-.01	.36	.38	+.02
1 9/15/43	100.21	100.20	-.01	.36	.33	+.02
1-1/8 12/15/43	100.29	100.28	-.01	.41	.43	+.02
1 3/15/44	100.25	100.24	-.01	.49	.50	+.01
3/4 6/15/44	100.13	100.13	.00	.52	.52	.00
1 9/15/44	101.00	100.31	-.01	.50	.52	+.02
3/4 3/15/45	100.15	100.13	-.02	.56	.59	+.03
Partially Tax-exempt Bonds						
3-3/8% 6/15/43-47	102.07	102.05	-.02	.52	.53	+.01
3-1/4 10/15/43-45	102.27	102.26	-.01	.68	.66	-.02
1-1/4 4/15/44-46	103.28	103.27	-.01	.82	.82	.00
2-3/4 9/15/45-47	106.29	106.28	-.01	.93	.92	-.01
2-1/2 12/15/45	105.08	105.08	.00	.99	.98	-.01
3-3/4 3/15/46-56	109.00	109.00	.00	1.14	1.13	-.01
3 6/15/46-48	106.30	107.00	+.02	1.12	1.09	-.03
3-1/8 6/15/46-49	107.13	107.14	+.01	1.12	1.10	-.02
4-1/4 10/15/47-52	114.28	114.26	-.02	1.24	1.24	.00
2 12/15/47	104.09	104.06	-.03	1.16	1.18	+.02
2-3/4 3/15/48-51	107.11	107.11	.00	1.37	1.36	-.01
2-1/2 9/15/48	106.27	106.26	-.01	1.32	1.32	.00
2 12/15/48-50	104.06	104.05	-.01	1.30	1.31	+.01
1-1/8 12/15/49-52	110.19	110.19	.00	1.58	1.58	.00
1-1/2 12/15/49-53	106.09	106.09	.00	1.58	1.58	.00
2-1/2 9/15/50-52	106.20	106.20	.00	1.62	1.62	.00
2-3/4 6/15/51-54	108.11	108.11	.00	1.72	1.72	.00
3 9/15/51-55	110.16	110.14	-.02	1.74	1.74	.00
2-1/4 12/15/51-53	105.00	104.30	-.02	1.67	1.67	.00
2 6/15/53-55	103.14	103.13	-.01	1.65	1.65	.00
2-1/4 6/15/54-56	105.12	105.09	-.03	1.74	1.75	+.01
2-7/8 3/15/55-60	110.01	109.31	-.02	1.97	1.97	.00
2-3/4 9/15/56-59	109.08	109.06	-.02	1.99	2.00	+.01
2-3/4 6/15/58-63	109.14	109.13	-.01	2.05	2.05	.00
2-3/4 12/15/60-65	110.02	110.00	-.02	2.09	2.09	.00

Treasury Department, Division of Research and Statistics.
Decimals in prices of certificates are true decimals.
Excess of price over zero yield.

September 10, 1942.

Table II 130
Price and Yield Changes of United States Securities
March 19, 1942 to September 10, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	March 19, 1942	Sept. 10, 1942	Change	March 19, 1942	Sept. 10, 1942	Change
	(Decimals are thirty-seconds) 1/32			(Percent)		
TAXABLE SECURITIES						
Average rate last issue	-	-	-	.20	.37	+ .17
Certificates						
1/2 11/1/42	-	100.020	-	-	.36	-
5/8 2/1/43	-	100.055	-	-	.48	-
7/8 8/1/43	-	100.095	-	-	.77	-
Variable Notes						
3/4 3/15/43	100.12	100.03	-.09	.37	.57	+ .20
3/4 9/15/44	99.31	99.16	-.15	.76	1.00	+ .24
3/4 12/15/45	99.21	98.29	-.24	.84	1.09	+ .25
1 3/15/46	99.29	99.03	-.26	1.02	1.26	+ .24
1-1/2 12/15/46	-	100.03	-	-	1.48	-
Variable Bonds						
2 3/15/48-50	101.28	101.06	-.22	1.67	1.77	+ .10
2 6/15/49-51	101.04	100.11	-.25	1.83	1.95	+ .12
2 9/15/49-51	-	100.09	-	-	1.96	-
2 12/15/49-51	-	100.08	-	-	1.96	-
2 12/15/51-55	100.12	100.02	-.10	1.96	1.99	+ .03
2-1/2 3/15/52-54	103.23	103.21	-.02	2.09	2.07	-.02
2-1/4 6/15/52-55	101.06	101.03	-.03	2.12	2.13	-.01
2-1/2 3/15/56-58	103.05	103.04	-.01	2.24	2.23	-.01
2-1/2 6/15/62-67	-	100.14	-	-	2.47	-
2-1/2 9/15/67-72	100.27	101.05	+ .10	2.46	2.44	-.02
TAX-EXEMPT SECURITIES						
Fully Tax-exempt Notes						
2 9/15/42	101.04	100.01	-1.03	5/32*	0/32*	-5/32*
1-3/4 12/15/42	101.11	100.12	-.31	2/32*	.30	-5/32*
1-1/8 6/15/43	101.04	100.18	-.18	.22	.38	+ .16
1 9/15/43	101.03	100.20	-.15	.26	.38	+ .12
1-1/8 12/15/43	101.16	100.28	-.20	.26	.43	+ .17
1 3/15/44	101.10	100.24	-.18	.34	.50	+ .16
3/4 6/15/44	100.27	100.13	-.14	.37	.52	+ .15
1 9/15/44	101.16	100.31	-.17	.39	.52	+ .13
3/4 3/15/45	101.00	100.13	-.19	.41	.59	+ .18
Partially Tax-exempt Bonds						
3-3/8 6/15/43-47	103.21	102.05	-1.16	.41	.53	+ .12
3-1/4 10/15/43-45	104.06	102.26	-1.12	.57	.66	+ .09
3-1/4 4/15/44-46	105.06	103.27	-1.11	.72	.82	+ .10
4 12/15/44-54	108.11	106.28	-1.15	.91	.92	+ .01
2-3/4 9/15/45-47	106.06	105.08	-.30	.94	.98	+ .04
2-1/2 12/15/45	105.28	104.30	-.30	.90	.96	+ .06
3-3/4 3/15/46-56	110.08	109.00	-1.08	1.11	1.13	+ .02
3 6/15/46-48	107.28	107.00	-.28	1.09	1.09	.00
3-1/8 6/15/46-49	108.08	107.14	-.26	1.13	1.10	-.03
4-1/4 10/15/47-52	115.20	114.26	-.26	1.33	1.24	-.09
2 12/15/47	104.23	104.06	-.17	1.15	1.18	+ .03
2-3/4 3/15/48-51	107.28	107.11	-.17	1.38	1.36	-.02
2-1/2 9/15/48	107.07	106.26	-.13	1.33	1.32	-.01
2 12/15/48-50	104.21	104.03	-.16	1.28	1.31	+ .03
3-1/8 12/15/49-52	110.22	110.19	-.03	1.65	1.58	-.07
2-1/2 12/15/49-53	106.16	106.09	-.07	1.60	1.58	-.02
2-1/2 9/15/50-52	106.20	106.20	.00	1.66	1.62	-.04
2-3/4 6/15/51-54	108.18	108.11	-.07	1.74	1.72	-.02
3 9/15/51-55	110.20	110.14	-.06	1.78	1.74	-.04
2-1/4 12/15/51-53	104.29	104.30	+ .01	1.70	1.67	-.03
2 6/15/53-55	103.10	103.13	+ .03	1.68	1.65	-.03
2-1/4 6/15/54-56	104.28	105.09	+ .13	1.90	1.75	-.05
2-7/8 3/15/55-60	110.00	109.31	-.01	2.00	1.97	-.03
2-3/4 9/15/55-59	109.10	109.06	-.04	2.01	2.00	-.01
2-3/4 6/15/58-63	109.12	109.13	+ .01	2.07	2.05	-.02
2-3/4 12/15/60-65	110.00	110.00	.00	2.10	2.03	-.07

September 10, 1942.

Treasury Department, Division of Research and Statistics.

Decimals in prices of certificates and bonds. Excess of price over zero yield.

Analysis of Exposure to Payroll Savings Plans

September 5, 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.....	484	487	99
(2) Firms with 500 to 4,999 employees.....	5,308	6,100	87
(3) Firms with 100 to 499 employees.....	<u>22,583</u>	<u>27,262</u>	<u>83</u>
(4) Subtotal - large firms.....	28,375	33,849	84
(5) Firms with less than 100 employees.....	<u>110,366</u>	*	*
(6) Total business organizations.....	138,741	*	*
II. Governmental organizations.....	*	*	*
III. Grand total.....	<u>138,741</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed			
I. Business organizations			
(1) Firms with 5,000 employees or more.....	7,854,262	*	*
(2) Firms with 500 to 4,999 employees.....	7,051,683	*	*
(3) Firms with 100 to 499 employees.....	<u>5,200,795</u>	*	*
(4) Subtotal - large firms.....	20,106,740	*	*
(5) Firms with less than 100 employees.....	<u>2,770,187</u>	*	*
(6) Total business organizations.....	22,876,927	30,000,000 ^{1/}	76
II. Governmental organizations			
(1) Federal Government.....	1,551,186	2,200,000 ^{1/}	71
(2) State and local governments.....	<u>1,217,189</u>	<u>2,700,000</u>	<u>45</u>
(3) Total governmental organizations.....	<u>2,768,375</u>	<u>4,900,000</u>	<u>56</u>
III. Grand total.....	<u>25,645,302</u>	<u>34,900,000 ^{1/}</u>	<u>73</u>

September 11, 1942.

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

Analysis of Exposure to Payroll Savings Plans

September 5, 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.....	484	487	99
(2) Firms with 500 to 4,999 employees.....	5,308	6,100	87
(3) Firms with 100 to 499 employees.....	<u>22,585</u>	<u>27,262</u>	<u>83</u>
(4) Subtotal - large firms.....	28,375	33,849	84
(5) Firms with less than 100 employees.....	<u>110,366</u>	*	*
(6) Total business organizations.....	138,741	*	*
II. Governmental organizations.....	*	*	*
III. Grand total.....	<u>138,741</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed			
I. Business organizations			
(1) Firms with 5,000 employees or more.....	7,854,262	*	*
(2) Firms with 500 to 4,999 employees.....	7,051,683	*	*
(3) Firms with 100 to 499 employees.....	<u>5,200,795</u>	*	*
(4) Subtotal - large firms.....	20,106,740	*	*
(5) Firms with less than 100 employees.....	<u>2,770,187</u>	*	*
(6) Total business organizations.....	22,876,927	30,000,000 1/	76
II. Governmental organizations			
(1) Federal Government.....	1,551,186	2,200,000 1/	71
(2) State and local governments.....	<u>1,217,189</u>	<u>2,700,000</u>	<u>45</u>
(3) Total governmental organizations.....	<u>2,768,375</u>	<u>4,900,000</u>	<u>56</u>
III. Grand total.....	<u>25,645,302</u>	<u>34,900,000 1/</u>	<u>73</u>

September 11, 1942.

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

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. 29	Sept. 5		Apr. 18	Aug. 29	Sept. 5
Alabama.....	149	250	250*	285	52	88	88
Arizona.....	43	67	67	67	64	100	100
Arkansas.....	44	55	55*	142	31	39	39
Northern California.....	512	657	658	658	78	99	100
Southern California.....	756	993	1,001	1,178	64	84	85
Colorado.....	113	134	135	135	84	99	100
Connecticut.....	277	436	452	622	45	70	73
Delaware.....	21	55	55	87	24	63	63
District of Columbia.....	52	128	134	152	34	84	88
Florida.....	147	196	198	198	74	99	100
Georgia.....	133	388	389	417	32	93	93
Idaho.....	51	31	32	34	91	91	94
Illinois.....	1,300	1,829	1,847	2,253	58	81	82
Indiana.....	415	624	625	625	66	99	100
Iowa.....	165	204	204*	272	61	75	75
Kansas.....	276	285	286	286	97	99	100
Kentucky.....	136	187	187	313	43	60	60
Louisiana.....	179	272	273	385	46	71	71
Maine.....	60	152	159	198	30	77	80
Maryland.....	177	271	275	405	44	67	68
Massachusetts.....	639	928	942	1,532	42	61	61
Michigan.....	689	908	914	1,030	67	88	89
Minnesota.....	376	435	436	436	86	99	100
Mississippi.....	59	74	78	110	54	67	71
Missouri.....	472	661	661*	664	71	99	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	135	136	145	61	93	94
New Jersey.....	463	894	911	911	51	98	100
New Mexico.....	33	39	39	42	79	93	93
New York.....	2,060	3,444	3,478	4,257	48	81	82
North Carolina.....	282	436	441	499	57	87	88
North Dakota.....	14	19	19	19	74	100	100
Ohio.....	1,126	1,475	1,484	1,740	65	85	85
Oklahoma.....	166	289	289*	349	48	83	83
Oregon.....	211	281	283	283	75	99	100
Pennsylvania.....	1,682	2,096	2,111	2,111	86	99	100
Rhode Island.....	154	251	253	335	46	75	76
South Carolina.....	71	149	150	178	40	84	84
South Dakota.....	21	25	25	25	84	100	100
Tennessee.....	199	330	334	444	44	73	74
Texas.....	326	576	589	1,378	24	42	43
Utah.....	36	44	44	44	82	100	100
Vermont.....	59	61	61*	63	94	97	97
Virginia.....	281	384	387	387	73	99	100
Washington.....	234	348	348*	348	67	100	100
West Virginia.....	134	192	199	272	49	71	73
Wisconsin.....	278	436	437	680	41	64	64
Wyoming.....	17	21	21	21	81	100	100
Alaska.....	2	2	2*	2	100	100	100
Railroads.....	49	49	49	52	94	94	94
Total.....	15,565	22,376	22,583	27,262	56	82	83

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

September 11, 1942.

* Data are for August 29, inasmuch as no September 5 report was received.

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. 29	Sept. 5		Apr. 18	Aug. 29	Sept. 5
Alabama.....	41	65	65*	85	49	78	78
Arizona.....	9	14	14	14	64	100	100
Arkansas.....	16	17	17*	22	73	77	77
Northern California.....	122	134	136	175	70	77	78
Southern California.....	121	143	144	146	83	98	99
Colorado.....	25	31	31	31	81	100	100
Connecticut.....	114	138	142	158	72	87	90
Delaware.....	15	18	18	22	68	82	82
District of Columbia.....	32	42	42	42	76	100	100
Florida.....	28	36	39	43	65	84	91
Georgia.....	86	123	123	123	70	100	100
Idaho.....	11	11	11	11	100	100	100
Illinois.....	391	459	463	559	70	82	83
Indiana.....	88	132	132	165	53	80	80
Iowa.....	22	29	29*	39	56	74	74
Kansas.....	23	24	24	24	96	100	100
Kentucky.....	38	48	48	71	54	68	68
Louisiana.....	29	44	45	76	38	58	59
Maine.....	48	57	57	60	80	95	95
Maryland.....	84	99	101	106	80	94	96
Massachusetts.....	237	301	305	338	70	89	90
Michigan.....	265	281	281	303	87	93	93
Minnesota.....	79	81	81	82	96	99	99
Mississippi.....	26	32	33	33	79	99	100
Missouri.....	103	128	128*	142	73	90	90
Montana.....	3	4	4	4	75	100	100
Nebraska.....	25	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	182	182	211	67	86	86
New Mexico.....	5	5	5	5	100	100	100
New York.....	759	869	872	1,087	70	80	80
North Carolina.....	103	132	132	139	74	95	95
North Dakota.....	0	0	0	0	-	-	-
Ohio.....	412	447	449	499	83	90	90
Oklahoma.....	31	51	51*	51	61	100	100
Oregon.....	48	54	54	54	89	100	100
Pennsylvania.....	551	590	594	629	88	94	94
Rhode Island.....	61	76	76	97	63	78	78
South Carolina.....	84	97	97	99	85	98	98
South Dakota.....	5	5	5	5	100	100	100
Tennessee.....	50	70	73	115	43	61	63
Texas.....	63	100	104	104	61	96	100
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	68	70	70	51	97	100
Wisconsin.....	127	142	143	154	82	92	93
Wyoming.....	1	4	4	4	25	100	100
Alaska.....	3	3	3*	3	100	100	100
Railroads.....	109	109	109	115	95	95	95
Total.....	4,864	5,751	5,792	6,587	74	87	88

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

September 11, 1942.

* Data are for August 29, inasmuch as no September 5 report was received.

UNITED STATES SAVINGS BONDS - SERIES B

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

(At issue price in thousands of dollars)

Date	September daily sales	Cumulative sales by business days			
		September	August	July	September as percent of August
September 1942					
1	\$ 11,634	\$ 11,634	\$ 14,044	\$ 15,821	82.8
2	14,748	26,381	36,222	30,701	72.8
3	18,305	44,687	50,797	47,523	88.0
4	17,804	62,491	63,783	77,320	98.0
5	19,166	81,657	86,789	95,044	94.1
8	49,400	131,057	111,748	116,643	117.3
9	13,295	144,352	128,176	139,390	112.6
10	16,430	160,781	154,981	164,161	103.7

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

September 11, 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 September sales to date with sales during the same number of business days in August and July 1942

(At issue price in thousands of dollars)

Date	September :		Cumulative sales by business days			September as percent of August
	daily sales :	September :	August :	July :	September as percent of August	
September 1942						
1	\$ 7,528	\$ 7,528	\$ 12,222	\$ 12,597		61.6%
2	9,811	17,339	28,810	21,986		60.2
3	9,397	26,735	41,258	32,441		64.8
4	16,678	37,414	54,105	49,175		69.2
5	10,713	48,127	71,552	62,561		67.3
8	18,550	66,678	84,777	84,413		78.7
9	6,072	72,749	92,566	101,585		78.6
10	6,279	79,029	106,782	124,568		74.0

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

September 11, 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 - TOTAL

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

(At issue price in thousands of dollars)

Date	September	Cumulative sales by business days			
	daily sales	September	August	July	September as percent of August
September 1942					
1	\$ 19,162	\$ 19,162	\$ 26,267	\$ 28,418	73.0%
2	24,558	43,720	65,032	52,687	67.2
3	27,702	71,422	92,055	79,964	77.6
4	28,482	99,904	117,890	126,495	84.7
5	29,880	129,784	158,341	157,605	82.0
8	67,950	197,734	196,524	201,056	100.6
9	19,367	217,101	220,742	240,974	98.4
10	22,709	239,810	261,763	288,729	91.6

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

September 11, 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 ¹³⁷
 September 1 through September 10, 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	Sales	Actual sales		Quota	Sales	Actual sales		Quota	Sales
	Daily	Sept. 1 to date	Sept. 1 to date	to date as % of quota	Daily	Sept. 1 to date	Sept. 1 to date	to date as % of quota	Daily	Sept. 1 to date	Sept. 1 to date	to date as % of quota
1	\$ 11.6	\$ 11.6	\$ 14.9	77.9%	\$ 7.5	\$ 7.5	\$ 6.9	108.7%	\$ 19.2	\$ 19.2	\$ 21.8	88.1%
2	14.7	26.4	34.5	76.5	9.8	17.3	16.6	104.2	24.6	43.7	51.1	85.5
3	18.3	44.7	55.5	80.5	9.4	26.7	26.4	101.1	27.7	71.4	81.9	87.2
4	17.8	62.5	81.0	77.2	10.7	37.4	35.6	105.1	28.5	99.9	116.6	85.7
5	19.2	81.7	98.3	83.1	10.7	48.1	42.2	114.0	29.9	129.8	140.5	92.4
8	49.4	131.1	143.3	91.5	18.6	66.7	58.1	114.8	67.9	197.7	201.4	98.2
9	13.3	144.4	168.8	85.5	6.1	72.7	67.8	107.2	19.4	217.1	236.6	91.8
10	16.4	160.8	193.4	83.1	6.3	79.0	76.7	103.0	22.7	239.8	270.1	88.8
11			220.6				84.4				305.0	
12			239.2				90.1				329.3	
14			272.7				99.7				372.4	
15			288.2				105.0				393.2	
16			307.6				112.1				419.7	
17			327.2				119.2				446.4	
18			350.1				125.7				475.8	
19			365.4				130.5				495.9	
21			399.6				141.0				540.6	
22			415.7				147.0				562.7	
23			436.2				155.2				591.4	
24			457.1				163.4				620.5	
25			481.4				171.0				652.4	
26			497.4				176.6				674.0	
28			532.7				188.7				721.4	
29			549.2				195.5				744.7	
30			570.0				205.0				775.0	

September 11, 1942.

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

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.

Sales of United States savings bonds ¹³⁷
 September 1 through September 10, 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		Sales		Quota		Actual sales		Quota		Sales	
	Daily	Sept. 1 to date	Sept. 1 to date	to date as % of quota	Daily	Sept. 1 to date	Sept. 1 to date	to date as % of quota	Daily	Sept. 1 to date	Sept. 1 to date	to date as % of quota		
1	\$ 11.6	\$ 11.6	\$ 14.9	77.9%	\$ 7.5	\$ 7.5	\$ 6.9	108.7%	\$ 19.2	\$ 19.2	\$ 21.8	88.1%		
2	14.7	26.4	34.5	76.5	9.8	17.3	16.6	104.2	24.6	43.7	51.1	85.5		
3	18.3	44.7	55.5	80.5	9.4	26.7	26.4	101.1	27.7	71.4	81.9	87.2		
4	17.8	62.5	81.0	77.2	10.7	37.4	35.6	105.1	28.5	99.9	116.6	85.7		
5	19.2	81.7	98.3	83.1	10.7	48.1	42.2	114.0	29.9	129.8	140.5	92.4		
6	49.4	131.1	143.3	91.5	18.6	66.7	58.1	114.8	67.9	197.7	201.4	98.2		
9	13.3	144.4	168.8	85.5	6.1	72.7	67.8	107.2	19.4	217.1	236.6	91.8		
10	16.4	160.8	193.4	83.1	6.3	79.0	76.7	103.0	22.7	239.8	270.1	88.8		
11			220.6				84.4				305.0			
12			239.2				90.1				329.3			
14			272.7				99.7				372.4			
15			288.2				105.0				393.2			
16			307.6				112.1				419.7			
17			327.2				119.2				446.4			
18			350.1				125.7				475.8			
19			365.4				130.5				495.9			
21			399.6				141.0				540.6			
22			415.7				147.0				562.7			
23			436.2				155.2				591.4			
24			457.1				163.4				620.5			
25			481.4				171.0				652.4			
26			497.4				176.6				674.0			
28			532.7				188.7				721.4			
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TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE SEPTEMBER 11, 1942.

TO SECRETARY MORGENTHAU
FROM MR. SULLIVAN

TJS

SUBJECT: Whether a "materialman" is comprehended in the term "subcontractor" within the meaning of the Vinson Act and within the meaning of the Sixth Supplemental National Defense Appropriation Act of 1942 authorizing renegotiation of contracts to eliminate excessive profits.

TIME: 2:30 P.M., September 10, 1942.

PRESENT: Judge Patterson
Julius Amberg,
War Department

H. I. Hensel
John Kenney,
Navy Department

R. E. Anderson
F. B. Guertner
F. M. Bradley
Lt. Com. Rystrom,
Maritime Commission

Mr. Wenchel
Mr. Leming,
Chief Counsel's Office,
Bureau of Internal Revenue

The conference was arranged because of the interest of the other Departments and the Maritime Commission in what action the Commissioner's office might take concerning a recent decision of the Board of Tax Appeals in the case of Aluminum Company of America. In that case the Commissioner determined

-2-

deficiencies in excess profits liability under the Vinson Act on the ground the Company was a "subcontractor". The Company argued that by all recognized standards of definition, custom and law, it was a materialman in the particular circumstances of that case and could not be charged with excess profits liability. The Board agreed with the Company.

The main concern of the other Departments is the probable effect of this decision upon the administration of Section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942, which authorizes renegotiation of war contracts. The definition of a "subcontractor" laid down by the Board of Tax Appeals is somewhat broader than the definition contained in Treasury regulations. The War Department favors the broader definition established by the Board because it will cut down the number of contracts to be renegotiated. The Maritime Commission, on the other hand, favors a narrower definition. The personal views of the Navy representatives in conference were substantially with the Maritime Commission, but they said they had their instructions to go along with the views of the War Department. It was suggested on the part of the Treasury that if the War and Navy Departments and the Maritime Commission could agree upon a definition of a "subcontractor", the Treasury would acquiesce or nonacquiesce in the decision of the Board according to what definition was so agreed upon, because the Vinson Act is the least important angle of the problem at this time. It was apparent they could not get together, and I suggested they arrange a conference with Congressional leaders looking to adoption of a joint resolution to clarify the kind of contracts they are to renegotiate; more particularly, the distinction between a materialman and a subcontractor. This suggestion met with favor and the conference adjourned with the understanding that would be done. In the meantime, we are to take no action in the way of acquiescing or nonacquiescing in the decision of the Board of Tax Appeals.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE September 11, 1942

to Secretary Morgenthau

FROM Mr. Savington Crampton

Re: Tax Notes

1. New Series A tax notes open a mass market to this type of government security.
2. New Series C notes appeal to a specialized financial market, will chiefly interest corporations and similar investors.
3. "Tap" issues and other government securities have a broader market but appeal mostly to large investors.

1. Series A Notes:

The general public should be made thoroughly familiar with these tax notes and their advantages by the time the new tax bill is passed. They fill the need for what might be described as a "short-term War Bond" that can be used to pay taxes.

The first recommendation would be to change the name "Tax Savings Notes" in order to dramatize the importance of tax saving and to give the notes some "box-office" appeal to the public.

The new name could be "Victory Tax Notes," in line with the "Victory Tax" proposed by the Senate Finance Committee, or if a different name from the tax is desirable, "Liberty Tax Notes."

This new name should be incorporated in the circular now being prepared for release on September 14th.

News stories should be sent out immediately to the press and radio describing these more liberal Series A notes as the Treasury's effort to help tax-payers save for the greatly increased taxes they must pay.

If possible, this should be followed up by getting a well known magazine writer like Jack Alexander, Walter Davenport or Milton MacKaye, to do an article on this theme for Collier's, to be condensed afterwards for Reader's Digest.

Meanwhile, for the promotional job on Series A notes we should go to the Advertising Council for all the professional help we can get. The Council should analyze the appeal of these notes to the self-interest of tax-payers -- "New, Easy Way to Pay Taxes" -- and make a recommendation.

Sponsored advertising on Series A notes in run-of-paper position is a possibility. For this job R. O. P. position is preferable to financial pages.

Special folders and circulars directed to the general public (like the "Know Your Taxes" folder) should be prepared for banks, building and loan associations, and labor and fraternal organizations.

Envelope stuffers should be put in every pay envelope and clipped to salary and dividend checks.

The door should not be closed on paid advertising, but if it is used at all it should be reserved for 1943.

All the foregoing supplements the run-of-the-mine job to be done through the regular promotional channels of the financial community. This job should be left in the hands of the specialists in that field, and until the tax bill is passed this is the most important part of the tax note promotion.

The moment the tax bill is passed, we should release a previously prepared movie short, directed by a top-flight director, featuring a tax discussion by the Secretary with Chairmen George and Doughton.

The Secretary should make a radio speech emphasizing the magnitude of the Treasury's job in collecting wartime taxes and of the individual's problem in paying them. This ought to represent the Treasury not as a "tax policeman" but as a public agent trying to help the public with a difficult job. Series A notes would be presented as an effort by the Treasury to make tax saving as painless as possible.

The revised version of the 1942 Walt Disney "Pay Your Taxes" movie, or even an entirely new picture, should be prepared and released in 1943.

In January 1943 the radio set-up now being used for War Bond commercials should be temporarily transferred to the "Pay Your Taxes" message, featuring Series A notes as a simple, practical way to save for taxes. This should be followed up by a billboard campaign, and during the first two weeks of March by a nation-wide spot radio campaign.

Special drives, with publicity, circulars and sponsored advertising, should be directed at labor organizations and publications, and the Army and the Navy. Display cards should be prepared for Paymasters' offices, Ship's Service Stores and Post Exchanges.

Special appeals should be made to women as bosses of the home budget -- through the General Federation of Women's Clubs, etc., and the women's magazines such as Ladies Home Journal, McCalls, etc.

2. Series C notes:

The best way to promote these notes is to call in a specialized financial advertising agency to work under the direction of the Victory Fund Committee.

Sponsored advertising by banks and financial houses should be secured for the financial pages of newspapers and for the business and financial weeklies like Forbes, Barron's, and Sales Management. Also Fortune, Time and Newsweek. A personal letter from the Secretary could be sent to a list of presidents of large corporations, life insurance companies, and labor and fraternal organizations. Letters could also be sent to governors of states and mayors of cities with funds to invest.

Special letters might be sent from the president of the National Association of Manufacturers to all members, following up the Secretary's letter.

Publicity should be supplied to house organs of corporations and trade associations.

The Victory Fund Committee would merchandise the notes and follow up individual prospects.

3. "Tap" Issues and Similar Securities:

This is a broader financial field, offering the opportunity to do public relations job on behalf of Government credit in general, but it is still a financial market and promotion should be run by

the specialists. Again, the Victory Fund Committee provides a ready-made organization for the actual work of direction, selling and merchandising.

Any promotion should build a back-log of confidence in Government securities generally. Sponsored ads could tell this story in the quality group of magazines, such as Harpers, Atlantic Monthly, New Yorker, Fortune, Town and Country -- maybe even Vogue.

A direct mail campaign showing special advantages of the many different types of Government securities might be sent to treasurers of labor and fraternal organizations, building and loan associations, charitable institutions and colleges. Circulars should go to churches, together with letters from high churchmen.

To many of these groups who are not financially sophisticated, a travelling display exhibit might be sent to illustrate the diversity of the Government securities and to show that there is a Government security to fit anybody's financial needs. This display exhibit would be a miniature "Futurama of Finance" and should show actual samples of each type of security.

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Miss Chauncey

Mr. Sullivan says it relates to having one unit of the Board of Tax Appeals set up in Washington to hear in Washington alone appeals for relief because of abnormality from excess profits tax provisions.

kb

From MR. SULLIVAN

MEMORANDUM

September 11, 1942.

TO: The Secretary
FROM: Mr. Sullivan

JWS

Since receipt of the memorandum from Commissioner Helvering regarding the effect of the relief provisions upon decentralization, Messrs. Paul, Tarleau and Surrey have met with Mr. Canna and Deputy Commissioner Marrs of the Bureau. As a result of that conference the Bureau is preparing a further memorandum to be submitted to Mr. Paul tomorrow.

The Bureau feels strongly that this provision would have a very damaging effect upon our decentralized organization and states that Chairman Murdock of the Board of Tax Appeals is in accord with the Bureau's views.

*Please to meet with Mr. Paul
and Mr. Tarleau - 2-11-42*

SEP 11 1942

Dear Eleanor:

This is in reply to your letter of September 8, 1942, enclosing letters from Mrs. Alma Clayburgh protesting against the provisions in the pending revenue bill which would tax a divorced wife upon the alimony she receives.

I agree with you that the proposed provisions are fair ones. You will understand, I know, that the matter is a complicated one and that it has been carefully studied by the Department. The proposal to tax a wife who is divorced or legally separated from her husband upon the alimony she receives appears to be the most equitable solution of the problem and the one most in accord with the sound principle of taxation that taxes should be imposed in accordance with ability to pay.

I am returning herewith your enclosures.

Affectionately,

Mrs. Eleanor Roosevelt

(Signed) Henry

The White House.

Enclosures.

HC/fn
9/10/42

Sent by Secret Service
12:30 9/11/42

SEP 11 1942

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(Signed) Henry

The White House.

Enclosures.

HC/fn
9/10/42

Rewritten

Dear Eleanor:

This is in reply to your letter of September 8, 1942, enclosing letters from Mrs. Alma Clayburgh protesting against the provisions in the pending revenue bill which would tax a divorced wife upon the alimony she receives.

I think we must all recognize that in cases of divorce it is impossible to adjust tax consequences according to which spouse is to be blamed for the break-up of the marriage. The spouse who is granted the decree may not necessarily be the injured party. Although in many cases such as Mrs. Clayburgh's the husband may have been at fault, there are probably just as many cases in which the wife is at fault. The question must, therefore, be resolved by regarding only the respective abilities of the ex-husband and ex-wife to pay taxes.

Under the present law, a husband is given no deduction for alimony payments to an ex-wife. This

- 2 -

has resulted in many cases of undue hardship, particularly where the husband has remarried and must now support a second family. If no deduction for alimony is allowed in the case of a man having an income of \$30,000, who must pay his former wife \$12,000 a year, his tax will, under the rates adopted in the House bill, be about \$13,300, thus leaving him only about \$4,700 with which to support himself and a second wife. In very extreme cases, mostly involving irrevocable trusts established to pay alimony, the income tax of an ex-husband may actually exceed the income which he has free for his own use.

Turning to the situation of the ex-wife, it is hard to see in what respect she is less able to pay tax upon the alimony income which she receives than are other unmarried women receiving income from other sources. A widow with several children to support, having income from her own earnings or from such property as may have been left her by her husband, must pay income tax although she is in no better position to pay than is a woman in the situation of Mrs. Clayburgh.

- 2 -

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- 3 -

It might even be said that the widow's position is more precarious because she must rely entirely upon her own resources without outside assistance.

For the above reasons, it appears to me that the proposal to tax alimony payments to the ex-wife and to give the ex-husband a deduction for such payments is eminently justifiable.

I am returning herewith your enclosures.

Affectionately,

Mrs. Eleanor Roosevelt,
The White House.

Enclosures.

gms
RBE:hdr / 9-10-42

Exclusion 151

THE WHITE HOUSE
WASHINGTON

September 8, 1942.

Dear Henry:

What is your opinion about
this law? It would seem fair to me,
but I may be wrong.

Affectionately,



COPY

MOUNTAIN VIEW HOUSE

In the White Mountains
Whitefield, New Hampshire

September 4, 1942

Dear Lady--

I want to call your attention to the Amendment now before the Senate Committee--imposing the income tax upon periodic payments received by the wife--in discharge of legal obligations of the husband under written separation agreements; the husband being permitted to deduct the amount taxable--the wife having to pay same.

In my case, as in many others, the separation was forced by my husband. I want to call your attention to the unfairness of changing the method of taxation upon those - who have entered into such instruments-- under the Government policy imposing a tax upon the husband.

To change this tax with respect to separation instruments heretofore entered into -- imposes a great hardship upon the wife. I have many obligations: my daughter, my family, my country. I have to spend a great deal of money on medical attention because of ill health and lameness--and any reduction of income would be fatal. I have no way of earning money, but spend a great deal of my income and my time in welfare and war work.

Do you think that when a great war is being fought it is wife to harrass the women who are working for the war effort -- with this added burden?

Please do what you can to fight this issue, and believe me, with best wishes,

Gratefully yours

Alma Clayburgh /s/

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Please do what you can to fight this issue, and believe me, with best wishes,

Gratefully yours

Alma Clayburgh /s/

COPY

Mountain View House
Whitefield, New Hampshire
Friday - Sept. 4th, 1942

Dear Mrs. Roosevelt:

Do read the enclosed paragraphs--and do what you can--and I am sure--your voice--would do a great deal to change this unfair bill. There are many women--who have sued their husbands--and "gold diggers" (to use a) but there are serious women--whose whole life has been changed and ruined by mean who want a "change of wife" and give as little as the law allows. I had to sign a separation agreement--was forced to, and now that I have made a new life--this bill comes to change it all again. It isn't as though we were to give this money to our country, no indeed. It will cost the country over 10 million dollars! All it does is to relieve some rich men of their obligations and harrass the women who so gladly take in any war effort possible.

I work--though ill-- and lame. You know the fine things I have worked stand for. I think I deserve to have my voice heard. Don't you?

I am not divorced, but hold a separation agreement and must help my young Grens--in many ways-- as Jim has only a small income and there are many demands on me. (The children (Alma & Jim) have gone to be with the Grens in Canada. While I have my beautiful granddaughter and nurse with me)--Again I did this at great expense so that Alma and Jim could get a rest and a real vacation--away from all responsibility. I have a brother to support and as I say in my "little " I have my country-- and I have put every cent possible in war bonds.

Do help and forgive me for writing you so much. However, you are generous! With warm thanks and regards and begging you to use me when you need me, I am

Faithfully

Alma Clayburgh /s/

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TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE September 11, 1942.

TO Secretary Morgenthau
FROM Mr. Paul

There is attached a photostat of the Raleigh News and Observer clipping which you gave me yesterday. The original has been given to Colonel Halsey. He is going to ask some Senator whose views are in accord with the editorial to put it in Monday's Record.

R&P

The News and Observer
EST. 1858
Published Every Day in The Year by
THE NEWS AND OBSERVER
PUBLISHING COMPANY
Joseph H. Smith, President



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BY CARRIER IN TOWNS
Daily and Sunday Daily Only 30
Sun 20 1 week 20

ONE RATE ON RFD ROUTES
This paper is mailed six days a week
and delivered on Sunday by Special Car-

rier.
Daily and Sunday 1.50
Sun 20
First change address please give old
address as well as new.

General Advertising Representative
THE BRANHAM COMPANY
Columbus, N. C., Charlotte, Atlanta,
Raleigh, Durham, Kansas City, Detroit,
San Francisco, Los Angeles, Seattle.

Printed at the Postoffice at Raleigh,
North Carolina as Second Class Matter

Has the Little Fellow a Chance?

From the day that the Secretary of the Treasury submitted to Congress an estimate of the unprecedented sum which must be raised by taxation for the prosecution of the war, there has been a clear line of division of the seekers after Privilege and those who wished the main taxes levied on those best able to bear the burdens, with exceptions to no individual able to help pay the tremendous cost of the war. The Treasury Department presented recommendations which would raise the required sum, lowering the exemptions on incomes without resort to a sales tax, the most iniquitous and indefensible and unjustifiable tax the ingenuity of the privileged caste has ever been able to devise. Day by day, night by night, the highly paid lobbyists and attorneys of Privilege by the use of every species of propaganda known to Big Business have been seeking in open and secretive ways to give escape from just taxation to the Big Boys by saddling the taxes on the Little Man. They began their campaign of scuttling and sabotage by sending big-wigs from the National Chamber of Commerce and the Manufacturers' Association who told the committee that they were ready and happy to pay heavy taxes for the successful conduct of the war. They spoke so patriotically and unselfishly that they received high commendation for changing their attitude of seeking favoritism for the rich. They waited to get the accolades and then, again proffering unselfish patriotism, came forward with the proposal that taxes on wealth (proposed by Morgenthau) be reduced, taxes on wages and small incomes be increased, and that the big cost of the war be levied upon consumption by means of a sales tax, but always protested that they were not asking for a sales tax because they wished it but only as a "last resort." But all their exemptions and reductions and pleas for favoritism were introduced with but one purpose: To pull the wool over the eyes of the legislators and public, but all designed and proposed to make a sales tax "the last resort."

Any intelligent man who has followed the dubious and zig-zag course of the making of the tax bill has seen from the first that the ingenious plan has been to bring about a situation that would enable those who long have wished a sales tax, but unwilling to avow it, to say: "We do not wish a sales tax, but we will take it as a 'last resort.'" Nine out of ten of the men who are now unctuously proclaiming their personal opposition to the sales tax, but saying with crocodile tears in their eyes, "We must take it as a last resort," would have been no danger

from this ingenious and deceptive plea if the framers of the measure in its successive stages of preparation had sternly sat down upon all exemptions and favors for the rich and followed in spirit—and mostly in letter—the early recommendations of the Treasury Department. The "last resort" argument is an indictment of the first resort of favors to Privilege. The committee hardly gave decent treatment to President Roosevelt's suggestion of a ceiling of \$28,000 on the income of any person or corporation, and lent a favoring ear to the voices of Privilege, "Pray have me excused."

And now as the time comes for final consideration every friend and attorney and lobbyist of Privilege, and some others who have not seen the sinuous paths made in the months of hearings and drafting, tell us that "as a last resort we must take the sales tax."

Fitzpatrick has made a cartoon which tells the whole story. It is so good it is being reprinted on this page. He depicts the antagonists who have been waging the real battle—the big, puffy and powerful fellow labeled "Tax Exempt Bonds," and the little man "Loaf of Bread." One must win. In the first round the Little Man thought he would be given justice when the House enacted the tax bill with no sales tax provision. But, having rejected the recommendation of the Treasury and granted exemptions and reductions to special interests, the bill fell short of raising the required sum by something like three billion dollars. The Little Man (whose family needs the loaf of bread for subsistence) breathed easier when he saw the House bill contained no sales tax. But the advocates of Privilege considered it a pyrrhic victory when they observed that the tax bill lacked three billion dollars of the necessary revenue. Where was that three billion dollars to come from? Then the drive on the Senate began with all the armies of Favoritism mobilized. First, the advocates and lobbyists of favors urged additional exemptions for the big interests. Every one granted was intended to reduce the revenue and make stronger the argument for "a sales tax as a last resort." And now Senators are repeating the old, newly furnished slogan, "We don't want a sales tax—never if it could be helped—but as a last resort it seems the only way to get enough money to wage the war successfully."

The whole tortuous writing of the tax bill in the past six months, so far as the forces of Privilege are concerned, has been for the purpose of imposing a sales tax as the last resort.

Will Privilege win?
Has the Little Man a chance?

'What You Need Is A Federal Sales Tax'



Has The Little Man A Chance?

Today's Bible Thought

Where wast thou when I laid the foundations of the earth? Declare if thou hast understanding.—Job 38:4

Morning Tonic

(Walt Whitman)

I say discuss all and expose all—I am
in every topic open to me. I say there can
be no salvation by These States with-
out innovations—without free tongues,
and ears willing to hear the tongue.
And I announce as a glory of These
States that they respectfully listen to
opinions, reforms, fresh views and
criticisms from successions of men and
times,
Each age with its own growth.

Be An American—First

Plans and programs to win
the war and to win the peace
must grow out of our common
national purpose and with demo-
cratic participation in plan-
ning by all of us. Through ef-
forts to state our objectives and
public discussion of their merits,
we play our parts as free citi-
zens.—President Roosevelt.

This is total war. The proposal
that tobacco curing barns be con-
verted into dehydration plants for
drying vegetables to be shipped
abroad brings the war close to East-
ern North Carolina.

The suggestion appears to be a
highly practical one. For the most
part, tobacco is not cured by scien-
tists. But the process of curing to-
bacco is a scientific one and requires
careful training. North Carolinians
ought the process to Georgians and
others living to the south of us.
They have acted as

The People's Forum

Readers are invited to contribute to this column of
opinion. The letter containing news items
should be brief. No letter containing news items
except over the name of the writer will be
published. The News and Observer reserves the
right to edit and to use material in any
form.

COUNTERFEIT MONEY.

To the Editor: Improved counterfeit
money may become our latest
and greatest instrument of war. During
the Russo-Japanese War, the Japs got up
a hundred thousand dollar plant to
counterfeit Chinese money. The Japs
did well with this money, as they bought
about eighty million dollars worth of
war materials that caused a panic in
Asia financial exchanges. The Treas-
ury Department thinks it possible the
Germany and Japan may try to
great quantities of counterfeit
perhaps causing a money panic
impossibility to duplicate.
States currency, simply
grevins is hand-work
takes two months
The machinery is
several types coo
and dollars each
counterfeiter can
like it. Let
pen with
skilled w
counterfe
even pr
With
United

Today's N. C. Poem

A CHILL FOR BILL

I used to envy Bill a lot
That that lie-burner
Don't have to
Joe's Bill
It

SEP 11 1942

Dear Eleanor:

This is in reply to your letter of September 5th, introducing Mr. Donald Delvin, who has called and left a very favorable impression with members of my administrative staff. I am pleased to inform you that Mr. Delvin has been offered a position ^{in the Treasury} in the field of business management, which he has indicated a willingness to accept effective October 10th.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
The White House.

P.S. He wanted time to go back to Canada to wind up his affairs before starting with us.

CSB:em
9-11-42

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE September 11, 1942

TO Secretary Morgenthau
FROM Mr. Thompson

Delvin's disability which prevents him from getting into the armed forces is a rheumatic heart condition. However, he is quite able to work, and I plan to use him on our field survey operations in pooling our typewriters and other equipment, space assignments, etc. He is very pleased with this prospect and wanted to go back to Canada to wind up his affairs before starting in, and plans to be back on October 10th.

Am

THE WHITE HOUSE
WASHINGTON

September 5, 1942

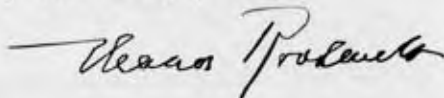
My dear Mr. Secretary:

I am giving this letter of introduction to Mr. Donald Delvin, who has lived in Canada for a number of years with his parents. They are American citizens and so is he.

Mr. Devlin has tried to enlist in both the Army and Navy and has been turned down. His preparation has been in economics and business management and he has had some practical experience.

Is there any place where you could use him? He wants to feel that he is of some use in the war effort. If you have no place available, would you be good enough to make any suggestions to him which might help him?

Very cordially yours,



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

MEMORANDUM FOR THE SECRETARY.

September 11, 1942.

Mail Report

This is the second week in which the subject of taxes has been paramount among those discussed by correspondents.

The Ruml Plan has somewhat receded from public interest, with the spending tax much more in the foreground of the public mind. Of the letters alluding to the Ruml Plan, 6 have been in approval, 1 opposed. Others have discussed the withholding tax in general.

The proportion of letters mentioning the spending tax shows 5 favorable to 6 unfavorable. The so-called "Victory Tax" was mentioned in a few letters the very end of the week, and they were equally divided between protest and approval. There have been 16 letters opposing increase in personal taxes to 2 approving such increase. We are now receiving many letters from wage earners and their wives giving detailed budgets as proof of the family's inability to pay more taxes. There were also letters from those with small incomes obtained through investments protesting high tax rates imposed on corporations. Exemptions have been asked for bond investments, insurance premiums, and alimony payments.

There has been a great increase in letters approving the sales tax, the ratio being 24 pro and 13 anti out of each 37 letters mentioning this method of raising revenue. There have also been a great many letters suggesting variations of a savings sales tax and other letters telling how the tax has worked or failed to work when applied locally.

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Five letters have endorsed a gross income tax, 6 have urged an excess profits tax on individuals, and many have given the usual varied suggestions for additional revenue through taxation of advertising, slot machines, radios, checks, labor unions, etc.

Bond mail took second place this week with both complaints and suggestions falling off. There were 10 or 12 allusions to the remark "You will have to ask the American public that". Three mentioned Government extravagance, 3 labor racketeering, and the others criticized the form of bonds or gave a number of different reasons. Compulsory savings through Bond purchase were favored by 4 and opposed by 1, while suggestions included the issuance of annuity bonds, the payment of dividends in bonds, and the conversion of frozen funds of Axis nations into Government securities. Only a few letters reported cashing of bonds at the expiration of the 60-day period.

Out of 14 complaints, 11 related to delays in delivery or redemption. The Friday morning mail brought about 50 letters and telegrams replying to the wire inquiring about delays in issuing bonds on payroll deductions. Three-fourths of the replies state that delivery is made immediately after the last payroll deduction, and the others explained why some delay is necessary. The general tone of these communications is excellent.

In the miscellaneous mail have been many letters dwelling on the two subjects most frequently appearing in the unfavorable mail of the past months--resentment of labor policies and practices and the need for Government economy. Inflation was the subject of 25 or 30 more. Most of them protested that it was not a "threat" but an actuality. There were 5 letters referred from Congressmen whose constituents asked the release of silver for commercial use.

Labuelle E. Forbush

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General Comments

W. W. Housewright, Vice President, The San Benito Bank & Trust Co., San Benito, Texas. We hand you herewith original and two copies of application of Mrs. Rosa Gomez Vda de Garza, requesting the return of \$1.00, taken from her at the International Bridge at Brownsville, Texas. It occurs to us that in cases like this one, some way could be devised to comply with the intent of the law, and yet not cause a poor old ignorant Mexican woman, 58 years of age, the trouble of trying to recover a measly \$1.00 bill. To her \$1.00 is considerable money. In fact, it was all that she had. In addition to the trouble caused her, we are often requested to fill out applications for parties from whom money has been taken away, causing us considerable more time and trouble than the \$1.00 is worth. * * *

Miss Jeanette M. Jonkman, Grand Rapids, Mich. * * * I am returning herewith a letter from your Detroit office addressed to Miss Alice Yonkman. Miss Yonkman is out of the country and I am giving you her latest address: Miss Alice Yonkman, c/o American Red Cross, Hotel Hanscrescent, London, England. Now as to the complaint. Your well-meaning but ill-tempered subordinates have in the past, from time to time, threatened the mother of Miss Yonkman with dire things over the telephone if she did not tell them the whereabouts of her daughter. Miss Yonkman's work during the past five years has taken her often from one state to another, and her mother spoke truthfully when she stated that she did not always know. Mrs. Yonkman is a lady; she is 82 years old and does not hear too well. But she tried to assure your very badly mannered representatives that they could rest assured the letters would be forwarded. They always were, Mr. Secretary - government mail is always important. Hence, my prompt answer regarding the enclosed. (Notice from Collector of Internal Revenue, Detroit, Mich.) I trust you will see to it that the sloppy technique of obtaining information, if possible, by threatening an old lady over the telephone regarding something so simple as a forwarding address be discontinued.

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Christine Verschuur, Oak Park, Ill. Having the good of my country at heart i would like to go to work. But my husband says i cant because he would loose his exemption on me on his income tax. Is this so/ You want us to win this war. think of the wemon you are keeping out of industry. the money i would earn would go into war bonds and my husband would never see a cent of it, so why not be patrotic and for the duration lift this burden from the people and give us a chance to do something. dont tell me to knitt for the red cross or serve at a canteen . because it would cost me forty cents care fare and as my husband only makes sixty a week. and we are paying for our home i just couldnt afford it.

Benjamin Mosckowitz, S 2/c, Camp Allen, Norfolk, Va. I am near on to fifty years old, and with no dependents. Made a comfortable living for myself in civilian life. Enlisted in the U. S. Navy, asking for no rating. All I want to do is my bit for my adopted country. On the 21st of June was sent to the Navy Hospital to be operated on. Was in hospital for a period of forty days. Will draw my first pay Sept. 5th, 1942, and see where they pay me for the forty days spent in hospital. I enlisted in the Navy to help my adopted country and don't think I am entitled to pay for this time. Am getting salary of fifty-four dollars per month and enclosed you will find money order for seventy-two dollars for the remittance for money paid me forty days. Hope that this will be kept on the quiet.

Henry L. Stimson, Secretary of War. I enclose a check for \$10,680.24, which represents funds raised by the Portuguese Fraternal Societies of California for the purchase of two 37mm anti-aircraft guns. A copy of the letter of acknowledgment sent to the President of the Societies is attached.

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Dr. Philip Sher, Omaha, Nebraska. Enclosed please find check for \$31.00 which will bring my contribution to the amount of \$300.00 since Pearl Harbor. I consider it a great privilege to assist our country to purchase equipments for our brave boys to fight our war for democracy. I cannot comprehend why you should have to appeal and urge our people to buy war bonds. They ought to know by this time the war we are waging is a war of win or vanish.

L. A. Lecher, Lawyer, Milwaukee, Wis. I am writing you in support of the resolution adopted by the Section of Taxation of the American Bar Association at its recent Detroit convention urging upon Congress that the Processing Tax Board of Review be abolished and its jurisdiction transferred to the Board of Tax Appeals. I can add nothing to the statement made by Mr. William A. Sutherland before the Senate Finance Committee on this matter. I want you to know that many members of the bar familiar with tax practice, including my humble self, will be squarely behind you in your efforts to secure the abolition of the Processing Tax Board of Review, both in the interest of economy and also in the interest of efficiency.

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Favorable Comments on Bonds

Mrs. Stella Lieberman, Chicago, Ill. I hope this line will reach you personally, and in good health, so that you will see the honest, earnest opinion of a sixty-year old, heartbroken, bereaved woman who has not heard from the 6 brothers, 2 sisters, and their precious families in Prague. I am, Thanks to God, for the past 26 years a proud American citizen, obeying the laws of this our beloved land, for which I would die if it be so ordered by our beloved President. * * * Mr. Morgenthau, we are poor but are 10% buyers of U. S. War Bonds, but if we could buy for \$5 a \$5 Bond, and for \$10 buy a \$10 Bond, and so on, we would not look for profit, already this money would be our security, and to lend Uncle Sam without profit, that is the real thing, and so you would not have to figure out taxes and taxes again - perhaps sooner, but not so many, thus saving help, etc. What you say, Mr. Morgenthau? May God bless you and keep you, we are proud of you - your honor is honor for us.

Wm. A. Hill, Montpelier, Vermont. No words of mine can express regret that I feel that I must write this letter. (1) I am going into the red faster proportionately than our U. S. A. and (2) if I have not got any money I cannot lend any to my good old U. S. A., as much as I would like too, anything and everything I have got belongs to my America, and all you will have to do is ask for it and, our U. S. A., it is yours, for the asking. * * * If you stop to think you will understand why a good business would have to fold up here under war-time conditions. Our principle industries are agriculture and granite. * * * My business depended indirectly upon the stone industry, you will understand that we do not need stone to mop up Tojo with, although I assure you that I would be willing to give my life to be able to drop a stone on his head, and it would not need to be finish granite. Of course you may ask why don't you fold up entirely and go where there are

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things doing? My answer is, I built up this business (motor transfer) after 1918, (for I was considered an expert mechanic in those days and plenty fell on me) at my age and physical condition I could never do it again.

Harold Bell Wood, Crane, Texas, (Addressed to Senator Tom Connally). I am an average West Texan that does not understand everything that goes on in this great democratic government of ours and I would like some authoritative information from you. * * * This morning while I was standing in line at my local U. S. Post Office, two persons ahead of me cashed their War Bonds in. Why does the U. S. Post Offices buy back War Bonds 60 days after purchase? What good would it do for all of us to buy War Bonds if the Government will buy them back. It looks to me like the Government would loose the war if every Tom, Dick, and Harry turns his bonds back to the Government. I have several neighbors that does not keep their bonds any longer than they have to before cashing them in.

Michael Telech, Lopez, Pa. I served eighteen months of a five to ten year sentence and was paroled at the end of the stated period referred to. Since my parole I served as lineman for the Sullivan R. E. A. and have a letter of recommendation from the Board of Directors of that organization. I have been working at the White Deer Ordnance Plant. Today I was relieved of my position as lineman because of my prison record. I have purchased \$450.00 worth of war bonds. I would like the opportunity to earn more to put in U. S. War Bonds, but am unable to see how to do it when I am turned down for something that happened a long time ago. * * * I am enclosing the \$450.00 worth of War Bonds and would like the cash for them inasmuch as the Government I purchased them from will not permit me to work on their Ordnance plant. This Government was perfectly willing to accept my cash but I wasn't good enough to work for them. In case you are interested to interfere in this case I will buy War Bonds until it hurts like hell, providing I can work to earn the money to buy them.

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Herbert C. de Bruyn, Illinois Bell Telephone Co., Chicago, Ill. I attach a clipping from a recent newspaper article which speaks of a Mrs. Tillie Stark who is investing 28% of her salary in War Bonds. My clerk, Mrs. Theresa Kurrasch (nee Theresa Rochetto) has the following patriotic record: 1. Following Pearl Harbor she took her life savings (\$1800) and invested them in Series E Bonds. Serial numbers will be furnished upon request for verification. 2. She is investing 25.3% of her present salary in Defense Bonds. Verification can be had through the Treasurer's Office of the Illinois Bell Telephone Company. Mrs. Kurrasch has a record of 22 years service with the Telephone Company, and her patriotic purchase of War Bonds I believe merits some consideration toward granting her a citation.

Ralph C. Hubert, War Production Board, Evansville, Ind. On the evening of September 7th I listened to a radio program sponsored by the Treasury Department, entitled "Mr. Jones and George Washington." I found the program very entertaining, informative and well produced. * * * Purely in the nature, however, of constructive criticism, I would like to offer a suggestion. * * * I firmly believe that economically war bonds represent the best long-time investment on the bond market today. * * * For this reason, I think that in your bond selling campaign more emphasis should be placed upon the economic advantages of war bonds, as represented by the interest rate, rather than dwelling entirely upon an appeal to the purchaser's patriotism or his altruism. * * * In the program I heard last evening, no mention was made of the interest rate as a selling argument. It seems to me that most people are inherently selfish and for that reason anything that appeals to their innate selfishness will produce more sales than an appeal made strictly to their idealism. I feel that your bond selling campaign should be designed partially to appeal to the thrift of the purchaser in order, for example, that he may visualize for himself an old-age pension in 1952, provided by his 1942 bond purchases. * * *

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Mr. George L. Googe, War Savings Staff, Atlanta, Ga., encloses copy of letter written by Mr. Manuel G. Saldana, Brotherhood of Maintenance of Way Employees, Kent, Texas, as follows: In reply to your request of July 9, I wish to notify that, Immediately I call for a meeting at Van Horn, but I really get desappointed as only Three members shows up, so I decide to make another call for another meetting on July 26th, and you will be surprised as I had the same results, so then I decide to make trip over the line. In that trip I inquired the reason for not come to the meettings and every body claims thy do not have no Tires their Automobils and so they cant go no where. any way am mighty glad to find out how much bonds they buying now, and here with you will find a list of every Foreman and Sec laborers between Sierra Blanca and San Martien Sec, a Trritey of 85 Miles which I covered in one day. Am mighty glad to do all I can to help en this Program, as I know we all have to pull together, to win this war, but tellin you the truth, my Tires are as bad as any body else's so if You dont mind to give some Certificate or some thing to show to the Rubber Rationing Local Board here in Van Horn. * * * Some of the boys over the line, promise me they may be able buy doble the price they buying now, en the next Therty days, am afraid if no one insist en em, they fegeret and keep buying the same amount, so it depends on you, because Ill tell you the truth, right now I cant hardly go to town to get my mail but once a week, and am still afraid am may be steek en the road as am not even have a spar tire now.

Pearl I Young, Hampton, Va., enclosing copy of letter to Postmaster, Norfolk, Va., as follows: I heard a very constructive suggestion yesterday from one of the petty officers at the Naval Air Station and I am passing it on to you. * * * He said, "You would think to hear them talk and read the paper that they wanted everybody to buy bonds. Then they raise the pay of the enlisted personnel and when we want to put the new money into bonds they make it so difficult that we can't ever get them. It is practically impossible to

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get one at the Naval Air Station. I have bought three now but I am going to give up and put the rest of my money in the bank at home. The main post office at the Base is so far from the station that the only time we can get there is by going during our noon hour. * * * It is never open before we go to work or after we quit. I went down one noon and paid my money but nobody had time to type my name on the bond; I had to go back three days later to get it. Most of us are young and unmarried and there is nothing we would like better than to soak our extra money in Bonds to redeem after the war and start up a little business. * * * There is an awful nice boy in our group. He is an orphan and never had any training in thrift. The other day he got \$75 in back sea pay. I gave him a talking to just like a father. He gave me the money and I started out in my lunch period to get him a \$50 bond and a \$25 one. The bus was twenty minutes late and I could not make it down and back. I had to give him the money back and that night he went down and squandered \$20. They ought to have someone in every barracks or near the air station when we get paid off. Most of the boys would buy bonds and be glad to do it.

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Unfavorable Comments on Bonds

William C. Hare, Suffern, N.Y. * * * I went "all out" for War Bonds and invested every dollar that I had in Government War Bonds. Having become necessary to obtain funds for my living expenses, I instructed the Federal Reserve Bank of New York to withdraw one bond on July 22, 1942, for the purpose of redemption. To this writing I have not received a Treasury check for this Bond, and no word from the Federal Reserve Bank, though I again wrote them August 20. I have had to borrow from my local bank funds for my living expenses, at a cost of 6%; I have had to let my taxes wait at a cost of 8%; my automobile insurance is overdue and may lapse, all because of the delay in cashing this Government Bond. * * *

Bernard Weiss, Counselor at Law, N.Y.C. I should like to point out that one obstacle to the purchase of War Bonds is the minimum balance requirements of most banks. * * * Only this morning my own bank informed me that my special account would have to be brought up to the minimum requirement, to wit, \$500. In other words, to avoid a penalty of \$48 a year for maintaining checking accounts which are essential to the practice of my profession, it is necessary for me to freeze \$1,000 in cash. Multiply this by the number of checking accounts in New York City alone, with some banks demanding as much as \$1,000 minimum balances, and most demanding \$500, and one need not be a mathematical genius to figure out how many War Bonds are not being bought which might otherwise be purchased. Since all the banks are so patriotically displaying posters urging their customers to buy War Bonds, it might be a good idea if the banks themselves practiced a little patriotism right at home by lifting their minimum balance restrictions. * * *

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Horace W. Shepard, Shepard & Morse Lumber Co., Boston, Mass. * * * Quite a few of our employees have allowed deductions, and as time goes along, we think there will be more, but let me draw to your attention one or two things. If this Government would only cooperate a little bit more with individuals, I think they would get along better. They keep throwing out hints and suggestions that they are going to make this compulsory. Suppose some of these employees have taken out Bonds, and then the Government comes along, and makes compulsory another demand for more Bonds, it is going to crimp some of the employees very badly. I think it is up to the Government either to say they are going to put in a compulsory 10% demand, or they are not going to, and to "stop sitting on the fence", to get on one side or the other. * * * About all the Government can seem to do today is to help out labor, and penalize everybody else - still they turn around to the other people and ask them to please contribute. * * * If you want people to help the Government out and work with them, then the Government should work with the people, and not just one block of people in the United States. * * *

C. H. Kemler, Postmaster, Marshalltown, Iowa. I realize fully that a postmaster, when the holder of Series E, U. S. Savings Bond requests the payment of same and we are ~~not~~ satisfied as to identity of the person making such request, there is nothing to be done but certify same. However, the writer has for a considerable period of time, and especially today, been severely distressed by the number of requests for payment of these Bonds by working people, and especially employees of the local factories who have encouraged the payroll deduction plan on the part of their employees. One firm in particular, namely the Marshalltown Manufacturing Company, engaged primarily in defense work, purchased as of June 30, 1942, better than \$20,000 maturity value Bonds. These Bonds were given to their employees by way of bonuses and today, exactly at the termination of the sixty-day period, we have had almost a steady stream

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of their employees requesting payment. * * * Perhaps it is because the writer has a son in the Army Air Corps, and because I have personally been buying these Bonds greatly in excess of any 10% quota, even though I am personally obligated on bank notes and mortgages, and further, because I am completely sold on that idea that if war is to be brought to a successful termination, every citizen should do everything in his power to further the war effort, that this thing has gotten so completely under my hide. * * *

Aubrey Maddock, (Real Estate-Insurance), Hartford, Conn. Yesterday I was in a local bank. I asked if I could buy some U. S. War Bonds. "Yes, how many do you want?" I said I wanted one \$25 Bond and two \$50 Bonds. The assistant treasurer said he couldn't sell them that way, that I must take one \$100 Bond and one \$25 Bond, explaining that "regulations" required selling the fewest possible "pieces". Why cannot I buy Bonds as I want them? Must I take such denominations as the selling bank requires? I realize that I could have bought a \$25 and a \$50 and gone back five minutes later for another \$50 -- but that isn't the question.

H. W. Tomlinson, Agricultural Insurance Company, Watertown, N.Y. Immediately following Pearl Harbor this Company put in a regular payroll deduction plan for the purchase of War Savings Bonds. We have reported to you every month the amount of the subscriptions, and were, therefore, rather startled yesterday to receive a voluminous amount of literature urging us to adopt a payroll allotment plan. * * * I happen to be a member of the Executive Committee of the Jefferson County War Savings Bonds Committee, and it is certainly discouraging to think that our dollars which are being paid in taxes and loaned to the Government through the purchase of these Bonds are not used in more productive effort than any such needless literature as this.

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Mrs. W. J. Klessig, Badger, Minn. You told reporters to "ask the American public" why the August sale of War Bonds was down. I am glad you did so, for it gives the American public a chance to tell their Government what they have felt for some time. Today I have spent all the time I could spare mending grain sacks so old and worn that one required nine patches. * * * Every cent I save that way, and every cent I make picking berries, growing more garden than I can possibly use, or washing and mending for bachelor neighbors, is mine and goes into my "war fund" for U.S.O., Red Cross and Stamps or Bonds. When I had enough to buy a Bond, events were in such confusion I didn't want to; I didn't know whether my money was going to help our boys, or whether it was going to profiteers in Government agencies, or to the furthering of Churchill's aims to hold India. * * * So I kept my money in the hope that President Roosevelt will soon crack down on profiteering and Churchill imperialism. If he doesn't, I shall divide my earnings between U.S.O. and the Red Cross. * * * My attitude is typical of that of most people around here. In our discussion groups, and our township women's club, organized for war work, we have been uneasy about Mr. Roosevelt's attitude. We know he has the power, the courage and the iron will to do what should be done to handle these two problems. * * * Get Mr. Roosevelt back on the air to tell us definitely what he is doing or going to do. We could go any place with him - through the depression and through the war. But we must know that he will be on the job again. It looks now as though he were not. * * * Mr. Roosevelt promised that our purpose should be the four freedoms for the world, the result of which would be a lasting peace. Has he decided that is impossible? Or became worn out? Or frightened? We have to know the answer before we know where we are. * * *

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Mrs. Margaret F. Clark, Merchantville, N.J. I realize this is presumptuous of me, but I just had to take this liberty. I'm plain mad inside. Every week I go to the Post Office in either Camden, or Philadelphia, to buy Defense Stamps. I see people turning back their Bonds, and collecting their money. * * * Our boys in the armed forces cannot turn back. They keep pushing ahead, some of them give their lives, while a gang of selfish individuals buy Bonds, and then turn them in for cash. * * * Yesterday was the limit. Five people, all of them looking as though they were financially able to carry on, were turning back Bonds and collecting. If I had dared, I would certainly have opened this big mouth of mine and told them some of the things that were in my mind and heart. * * * I take \$5 each week from my table allowance to buy Stamps. Mr. Clark is permitting his firm to take out 10% of his salary for Bonds. He is putting in 11 hours each night in a 100% war plant in Philadelphia. We are paying \$50 a month on our home in the hands of the H.O.L.C. Understand the Home Loan hasn't demanded that much from us, but when they first started to help distressed homeowners, we couldn't pay. They went along with us. I will never forget their kindness. Now that Mr. Clark is working, I am trying to pay up for the time when I fell down on our obligation. * * * Both Mr. Clark's parents and my parents came from Europe over 60 years ago. Why? Because they didn't like what they saw over there. Why did they stay over here and marry and have their children over here? Well, you know the answer to that one too. * * * Thank you and God bless our President Roosevelt, our Mr. Morgenthau and all the men who are doing so much for us. I feel very humble when I think of you all - that's why I'm so mad deep down inside of me when I see how ungrateful people really are. * * * You wrote and thanked me when I bought our first Bond. Do you realize what a wonderful privilege it is to be able to buy these Bonds?

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Karl Sax, Arnold Arboretum, Jamaica Plain, Mass.
You wonder why the American people have not bought more bonds. Perhaps my own reaction is typical. I bought several hundred dollars worth of bonds last spring. Then came the question of taxes for next year. I am in complete accord with your tax program - but what can we plan for? Taxes doubled of course; perhaps a ten percent withholding tax; talk of deductions for next year's tax while we are paying this year's tax - and so on. There is no merit in buying bonds if one has to sell them next year to pay taxes, so I am simply building up a reserve. * * * If we ever learn what taxes are likely to be, then we can plan a rational bond buying program.

S. Gwyn Scanlan, President, Scanlan-Morris Co., Madison, Wis. Ref: Payroll Savings Plan. Your letter relative to same. We do not approve of the payroll savings plan, the deducting from an employee's wages a certain percent of those wages each week. We do not approve irrespective of how it may be termed. In the end it is compulsory, not voluntary, and being compulsory will create a large amount of dissatisfaction. The Scanlan-Morris Company and the Scanlan Laboratories are participating 100% in the sale of defense stamps and defense bonds. Once a week the treasurer of the Scanlan-Morris Company Welfare Association solicits every employee in the office, in the shop, and in the laboratory, and the response has been voluntary and 100%. That is, all employees in the office, in the shop, and in the laboratory once a week buy defense stamps and bonds. We believe the plan that we are using makes for permanency in the sale of defense stamps and defense bonds inasmuch as it is voluntary. We are writing to you frankly as we do not believe that management has any right to make deductions from payroll checks except those deductions that have become a law through Act of Congress.

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J. A. Boice, Attorney, Lansing, Michigan. I have noticed that bond sales have not been up to expectations. * * * As one of the public, I should like to give you at least a partial answer. Your merchandise does not have sufficient variety. Beginning some time ago, at my instigation, every loose dollar in my family has gone into your bonds but I am beginning to feel the need of a little more variety. * * * As an example, I handle a small trust fund. Sometime back, in order to invest this money in your bonds, I borrowed from the trust fund and then bought some of the original series. This was quite awkward. I have also bought some of the series which is now open to trust funds. In my absence, the Federal bank made so much trouble over the form of my signature of my name as a trustee that these bonds were finally bought in my own name. All this seems to indicate that we should have coupon bonds which are transferrable. I am so hopeful that this will occur in the near future that I am holding small sums of money for the purpose of purchasing these bonds. * * *

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Favorable Comments on Taxation

William Siemon, Cincinnati, Ohio. I have read a good deal about the Ruml Plan and it seems to me that the placing of taxpayers on what is practically a pay-as-you-go basis is one of the finest things that could be done for individual taxpayers in particular. It is well known that the average American has been accustomed to spend as he has earned. * * * There is no denying the advantage both to the Government, as well as taxpayers of proceeding in accordance with the Ruml Plan for all the years to come.

Thomas Y. Lawson, Jr., Baltimore, Md. I have been in the Martin Plant since last November 3rd. I bought an income tax book and figured to save four dollars, five cents a week, which I have done. I have over one hundred ten dollars ready for income tax next November. I make about \$184.00 a month; if four dollars a week is not enough to save, let me know. Suppose you and Congress keep changing the law and raise the taxes, and I don't have enough saved to meet requirements next November, what then? How am I to know how much to save? How about me paying a half a year's income tax now, this hundred dollars is just laying idle, it is not even banked. I just kept saving for income tax. Please let me know what to expect next November. I am in inspection department here, and will keep on the alert for sabotage and espionage.

Thomas D. Patton, Carthage, Tenn. I have carefully watched your consistent fight to protect the poor in the passing of tax bills; you have fought a good fight and I hope nothing will ever cause you to falter or waver from your stand. * * * Income taxes, profits taxes, inheritance taxes and the "spending tax" are all allowable as they do not add to the poverty of the very poor. Thousands of families are struggling to live on five or six hundred dollars per year.

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R. M. Richardson, Bloomfield, N. J. I believe I am expressing the opinion of thousands of angry Americans, and there is plenty room for our annoyance. We of the American Public, are not as dumb as the Congress and the House thinks. What are they trying to do? Commit financial suicide? The answer is simple, to the tax situation, and what are they doing, everything but the only decent thing that should have been done, a few months after the country was attacked. Tax the people where they don't mind being taxed, where it won't hurt their health. That is all the people except the slackers that are trying to get rich from this War. I KNOW WHAT I AM TALKING ABOUT, I am working in a Defense Plant and can see where the money is spent, thrown away, wasted and also saved. Ten percent War Bonds, for every war worker, or job must be given to one who will pledge as long as working in war work. Many don't give a cent as yet.

Robert L. Lasley, Charleston, W. Va. (Enclosing copy of letter to House Ways and Means Committee). Your arbitrary unconsidered, and responsibility-dodging act yesterday in throwing aside the carefully studied plan of a spending tax struck me like a sickening bombshell. More appalling was your vote to recommend a general sales tax. I need not go into the economic, as well as the moral and equitable viciousness of a general sales tax. You know that as well as I do.

You, according to press and radio reports, brushed brusquely, and even discourteously aside the help brought you by the Treasury Department. * * * What is the use of trying under such leadership as you? Hitler is at least using the keenest and most competent expert knowledge available in a nation of world-leading scientists. We must use every scrap of such knowledge as we have. As it is you have done the nation more damage than if you had blown up a dozen of our battleships.

- 18 -

Louis R. Jones, Philadelphia, Pa. In the near future Congress will enact a revenue bill imposing taxes upon the citizenry so that the government may carry on during 1943. Everyone is fully aware that of necessity this measure will greatly increase his payment over any previous year. Everyone hopes that the increase will be fair to all alike. Among my neighbors are three splendid couples of about my age and having, presumably, about the same income. None of these couples had any children. I have a son who is now a student in one of the local universities. The course he is taking (electrical engineering) has been accelerated on the request of the Administration so that he will be available for induction into the army as soon as possible. This has resulted in a 50% increase in educational expenses to me with a loss of some earning capacity of the boy had he been able to work during the summer months. He is now 18 so that I can no longer claim a deduction for him on my tax, if the existing provisions are retained. My father served in the Union Army during the Civil War. I served in our A.E.F. during 1917-1918. My son is certainly headed for similar service. All of this has, or will, serve to protect my neighbors and their property. Do you think that it would be just for me to be taxed on the same basis as the aforementioned neighbors, without sons and without military service themselves?

R. C. Hoiles, Newspaper Publisher, Santa Ana, Calif. Allow me to commend you for introducing the idea of a graduated tax on spending. I have seldom agreed with the policies of the Administration. This suggestion, however, I can heartily agree with. The only possible way we can stop inflation is to put a tax on spending and not on investing.

- 19 -

A. L. Eastcott, Evanston, Ill. Should the "Ruml" plan by any remote chance be adopted, taxpayer should be required to make tax returns and purchase War Bonds equal to the amount of tax which would have been paid. (outlines own ideas) * * * This proposal may be thrown in the waste basket without hurting my feelings and any plans as finally made into law will be cheerfully acceptable to me. Just sincerely trying to help the nation.

J. P. Roach, Bayside, N. Y. You are in a position where you have got to see that money is raised and at the same time, justly so, you want purchases curtailed. Why can't the Treasury Department quit beating the devil around the bush and back an honest pay-as-you-go sales tax that can be made to accomplish both these needs? Nobody, under normal conditions, relishes paying taxes, but the people of whom the politicians seem afraid are now willing to make greater sacrifices than is realized. A great majority of the people would welcome the Ruml Plan, under which income tax would be paid out of current receipts, but, I suppose that is too much to hope for. However, you have shown a happy faculty for being able to change your mind and may, it is hoped, do so again.

- 20 -

Unfavorable Comments on Taxation

J. C. Morehead, Emeritus Professor of Graphics, Carnegie Institute of Technology, Pittsburgh, Pa. As the father of a First Lieutenant in the Field Artillery of the U.S.A., and as a retired teacher and mathematician with special training in the theory of finance, I wish to urge that everything possible be done to prevent adoption of the Ruml Plan, or any similar tax scheme whereby one year's income taxes would be "forgiven". The Plan means loss of income taxes for a "fat" year, in this period of high national income; while the Government needs, and will continue to need for years to come, all the money it can justly obtain from income taxes. On the other hand, a "pay-as-you-go" income tax plan is logical and sound, provided its introduction is gradual, and provided a year's income taxes are not sacrificed in order to introduce the plan. * * * (Outlines own suggestion.)

James Cameron, Chicago, Ill. You are young, have a good job and no doubt extra income to fall back upon. How about the hundreds of thousands of old Single men who cannot get into Army work and are not wanted in any organization yet, account the age limit? These men are existing now earning a small income - about enough to hold the bones and tissues together. How can they pay any tax and do anything to help the War effort. If you tax them you will have them all in Jail for being unable to pay any income tax - they will have to be supported, so where is the net gain. * * * Old people have to have Medical attention, buy clothes, pay rent, eat out (expensive now for Single men) more so, in proportion than for the Married man whose wife will cook for him. * * * Have you ever taken a census of the Old Single men who live in cheap hotels, yet are doing the best they can. They, after all are doing their best, paying rent, helping out best they can, hoping for a break for better things. Why crucify them? * * * Why not tax according to ability to pay - not just on a cut and dried system? You are not helping the War effort, the President or anything this way. * * *

- 21 -

Anonymous - Mailed from Los Angeles, Calif. I am a simple citizen, no politician, never was. This morning's paper carried two items about you that really gave me pause. As you well know this nation is worried about YOU. Item one was your extraordinary idea of invading the personal life of America with a sumptuary tax that can only result in the most widespread and persistent unrest and dissatisfaction, and in the end, react on its sponsors as all such legislation has always done for thousands of years. * * * The nation of course needs a sales tax - that's what this thing is all about - that's why it is sprung. A glance at California will show the NEW DEAL, WHICH NEW YORK, TEXAS AND CALIFORNIA HAVE JUST GIVEN THE GATE TO, is all wrong. A Sales Tax works - the people don't vote against its sponsors, won't vote against the NEW DEAL if it is passed. * * * I have a high regard for you, Mr. Morgenthau. You are as good and well may be a better American than I. * * * You, Mr. Morgenthau, are a patriot - spurn the company of these pale, sleezy fellows of the world of theory and book that have never shed blood or slept in swampy puddles, or even really earned their living. DON'T LISTEN TO THEM WHILE THE WAR LASTS. If you don't, you may be one of the few that will aid the New Deal to save some shreds of its efforts (some which are good) when the nation smites it to the ground, as it already shows signs of doing. Pardon my frankness, accept my estimate of you, you are ALL RIGHT.

J. Senic, Chicago, Ill. How in the heaven can a single man live in a big city like Chicago on a salary of \$15.00 per week and pay enormous income tax of about \$50.00 a year, according to the proposed bill in the Federal legislature. * * * Here is the exemple of the lowest living cost in Chicago for a single person per week: A small room with heat, \$4.00; Three meals a day, very poor, \$7.00; Laundry, street car fare, small insurance, \$2.00; Clothing, medicine, doctor, shoe repair, etc., \$2.00. There are hundreds of thousands of persons of 50 years of age or more, who work for

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such a small compensation without any chance for a raise or a change for better work. They are usually glad of what they have in their age. There are many of these who had some money saved or little business and lost everything during the last depression. They have no reserve to pay the income tax. Nor do they have credit to loan such enormous sum of \$50.00. * * * Such law would drive the poor man into impossibility. It compels him to break the law one way or the other: to get the money illegally or not be able to pay the taxes.

September 11, 1942

Dear Mr. Nelson:

This is in reply to your letter of September 2, 1942, regarding the disposition of approximately 5 million ounces of Silver Ordinary held by the Treasury.

Representatives of the Treasury discussed this matter in full with representatives of the War Production Board and the Metals Reserve Company. It was agreed that this silver could be made available for use most expeditiously directly by the Treasury. Accordingly, the Treasury is prepared to make this silver available to firms holding high priorities for silver for war production purposes as soon as such a list is submitted by the War Production Board.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Donald M. Nelson,
Chairman, War Production Board,
Washington, D. C.

DMJ/jm
9/10/42

By messenger 9/10/42
Thames
11 a.m.

WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

September 2, 1942

Dear Mr. Secretary:

I am in receipt of your letter of August 26 enclosing a photostatic copy of a letter from a member of our Miscellaneous Minerals Branch to Dr. D.W. Bell of your office.

I had understood that representatives of our office have been conferring with representatives of the Treasury Department with a view to seeing if it is possible for the Treasury to release any of its silver for industrial uses in connection with the war. I had not known that any suggestion had actually been made to the Treasury with reference to the release of any silver.

It is my present understanding that the Treasury does have approximately 5,000,000 ounces of so-called "Silver Ordinary" which I am told, your counsel considers may legally be released for industrial uses. Also, I understand your representatives and ours have considered the possibility of the Treasury selling this silver to the Metals Reserve Company to be made available for such industrial war uses.

Accordingly, I should now like formally to request that the Treasury Department arrange for the release in such manner as it deems appropriate for industrial uses in connection with the war, of the approximately 5,000,000 ounces of "Silver Ordinary" held by it. This request is made on the assumption that such silver can legally be released by the Treasury Department at this time.

Sincerely,


Donald M. Nelson

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



Original to
Mr White
9/14/42
per Acq

18
OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 224 STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

September 11, 1942

Honorable Henry Morgenthau, Jr.
Secretary of Treasury
WASHINGTON, D. C.

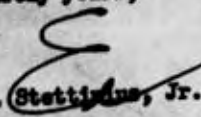
Dear Henry,

Thank you very much for your letter of September 9 advising that the Treasury is in accord with the directive contained in the draft cable to London on the subject of bookkeeping procedures for reciprocal lend-lease.

As you know, the State Department is in accord and I am now awaiting final word on this question from Jack McGloy of the War Department.

With best wishes,

Sincerely yours,


E. R. Stettinius, Jr.

SEP 11 1942

My dear Mr. Secretary:

I have received unofficial information that arrangements are being made for the exchange of United States officials in the Philippine Islands.

I shall be glad if you would inform me as soon as an exchange has been arranged, and if you would give me your assurance that the Treasury personnel in the Philippine Islands, indicated on the enclosed list, will be included among the American officials to be exchanged.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable
Cordell Hull,
Secretary of State.

Enclosure.

By Mess: Sturges 4:30
9/14/42

ISB/efs
9/10/42

Return to Secretary's office

Treasury Personnel in the Philippine Islands

<u>Name</u>	<u>Title</u>	<u>Service</u>	<u>Nationality</u>
R. Maxwell Anderson	Attorney	General Counsel	U. S. Citizen
William L. Hebbard	Economic Analyst	Monetary Research	U. S. Citizen
Thomas Page Nelson	Commercial Spec.	Foreign Funds	U. S. Citizen
Reynolds B. North	National Bank Examiner	Comptroller of the Currency	U. S. Citizen
Albert E. Price	National Bank Examiner	Comptroller of the Currency	U. S. Citizen

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Sept. 11, 1942

TO Secretary Morgenthau
FROM Mr. Hoflich
Subject: Shipment of Planes to British Forces

1. During the two-week period ending September 1, 1942, 255 planes of all types, including 184 combat planes, were sent from the United States to British forces.

2. Of this number, 101 planes were shipped to the Middle East, and 77 went to the United Kingdom.

3. Thirty-three Northrop Vengeance dive bombers were sent to India during the two weeks, making a total of 126 dive bombers to India since June 1, 1942.

Table I-A

Shipments by Area

	Week Ending Aug. 25, 1942	Total shipped in 1942 to date	Total shipped since Jan. 1, 1942
<u>the United Kingdom</u>			
Light and medium bombers	0	544	1,705
Heavy bombers	0	142	246
Naval patrol bombers	11	38	140
Pursuit	6	882	1,193
Army Cooperation	0	107	138
Trainers	0	0	24
Total to the United Kingdom	17	1,713	3,446
<u>the Middle East</u>			
Light and medium bombers	9	484	814
Heavy bombers	0	0	5
Naval patrol bombers	0	6	6
Pursuit	20	454	1,302
Army Cooperation	0	30	30
Trainers	4	12	154
Total to the Middle East	33	986	2,311
<u>the Canadian Forces</u>			
Light and medium bombers	0	59	227
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	9	597	1,838
Total to Canadian Forces	9	710	2,169
<u>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>the British Indian Forces</u>			
Light and medium bombers	16	109	109
Pursuit	0	40	40
Trainers	13	13	13
Total to Indian Forces	29	162	162
<u>Totals</u>			
Light and medium bombers	25	1,341	3,100
Heavy bombers	0	143	252
Naval patrol bombers	11	67	204
Pursuit	26	1,606	2,970
Army Cooperation	0	137	168
Trainers	26	622	2,134
Grand Total	88	3,916	8,828

Table I-B
Shipments by Types

	Week Ending <u>Aug. 25, 1942</u>	Total Shipped in 1942 to date	Total Shipped since <u>Jan. 1, 1941</u>
Bell Airacobra	0	315	469
Boeing B-17	0	42	62
Boston III	0	15	39
Brewster Buffalo	0	0	168
Cessna Crane I-A (AT-17)	0	97	97
T-50	0	86	700
Consolidated Catalina PBY-5B	11	67	204
Liberator	0	101	190
Curtiss Kittyhawk	20	685	1,067
Tomahawk	0	0	544
Douglas Boston I, II, III	0	1	493
Fairchild 24 R-9	0	100	122
PT-26 Cornell	9	71	71
Glenn Martin B-26A (Marauder)	4	40	40
Baltimore	0	276	344
Maryland	0	0	150
Grumman Martlett II	0	57	98
Martlett IV	6	6	6
Lockheed A-29A (AC-151)	0	1	1
Hudson	1	488	1,458
Lightning	0	3	3
Ventura I	0	12	12
Ventura bomber	4	286	286
North American B-25	0	110	110
Harvard II	17	71	968
Mustang	0	535	615
Northrop Vengeance	16	77	77
Pitcairn Autogiro	0	0	5
Stearman PT-27	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	88	3,916	8,828

Table D - 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
August 18, 1942	60	3	7	20	0	11	101
August 25, 1942	25	0	11	26	0	26	88
Total shipments since Jan. 1, 1941 to date. ^{1/}	3,100	252	204	2,970	168	2,134	8,828

^{1/} Total includes planes shipped in 1942 prior to March 17 which are not included in the weekly totals up to that date.

Table II-A - Shipments by Area

	Week Ending Sept. 1, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	5	549	1,710
Heavy bombers	0	142	246
Naval patrol bombers	8	46	148
Pursuit	35	917	1,228
Army Cooperation	12	119	150
Trainers	0	0	24
Total to United Kingdom	60	1,773	3,506
<u>To the Middle East</u>			
Light and medium bombers	11	495	825
Heavy bombers	0	0	5
Naval patrol bombers	0	6	6
Pursuit	46	500	1,348
Army Cooperation	5	35	35
Trainers	6	18	160
Total to Middle East	68	1,054	2,379
<u>To the Canadian Forces</u>			
Light and medium bombers	0	59	227
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	10	607	1,848
Total to Canadian Forces	10	720	2,179
<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	12	12	117
Total to Pacific Forces	12	357	752
<u>To the British Indian Forces</u>			
Light and medium bombers	17	126	126
Pursuit	0	40	40
Trainers	0	13	13
Total to Indian Forces	17	179	179
<u>Totals</u>			
Light and medium bombers	33	1,374	3,133
Heavy bombers	0	143	252
Naval patrol bombers	8	75	212
Pursuit	81	1,687	3,051
Army Cooperation	17	154	185
Trainers	28	650	2,162
Grand Total	167	4,083	8,995

Table II-B - Shipments by Types

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	Week Ending Sept. 1, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
Bell Airacobra	0	315	469
Boeing B-17	0	42	62
Boston III	0	15	39
Brewster Buffalo	0	0	168
Bermuda	1	1	1
Cessna Crane I-A (AT-17)	0	97	97
T-50	0	86	700
Consolidated Catalina PBV-5B	8	75	212
Liberator	0	101	190
Curtiss Kittyhawk	46	731	1,113
Tomahawk	0	0	544
Douglas Boston I, II, III	0	1	493
Fairchild 24 R-9	17	117	139
PT-26 Cornell	10	81	81
Glenn Martin B-26A Marauder	5	45	45
Baltimore	0	276	344
Baltimore III	4	4	4
Maryland	0	0	150
Grumman Martlett II	0	57	98
Martlett IV	34	40	40
Lockheed A-29A (AC-151)	0	1	1
Hudson	1	489	1,459
Lightning	0	3	3
Ventura I	0	12	12
Ventura bomber	5	291	291
North American B-25	0	110	110
Harvard II	18	89	986
Mustang	1	536	616
Northrop Vengeance	17	94	94
Northrop Vengeance		0	5
Northrop Autogiro	0	0	5
Northrop Vengeance		297	298
Northrop Vengeance	0	0	50
Northrop Vengeance	0	27	27
Northrop Vengeance	0	0	50
Northrop Vengeance	0	27	27
Northrop Vengeance	0	10	14
Northrop Vengeance	0	40	40
Northrop Vengeance	0	40	40
Grand Total-All Types	167	4,083	8,995

<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
August 18, 1942	60	3	7	20	0	11	101
August 25, 1942	25	0	11	26	0	26	88
September 1, 1942	33	0	8	81	17	28	167
Total shipments since Jan. 1, 1941 to date ^{1/}	3,133	252	212	3,051	185	2,162	8,995

^{1/} Total includes planes shipped in 1942 prior to March 17 which are not included in the weekly totals up to that date.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET

U.S. SECRET

OPTEL No. 316

MADAGASCAR. 2.55 p.m. 11th. First phase of operation carried out according to plan and surprise achieved. Initial landing north of MAJUNGA unopposed, but advance slow owing to difficult terrain; second landing south of MAJUNGA slightly opposed, slight casualties both sides. W/T Station captured intact. No Naval casualties and no bombardment necessary from any ship. Excellent Naval-Military Co-operation, resulting in speed and efficiency of operation, probably prevented heavy casualties since some French showed signs of good fighting value. Operations are continuing satisfactorily. Our forces in the Central sector have reached the bridge over the BETSABOKA RIVER 80 miles southeast of MAJUNGA, while our Forces in the North, although delayed by destroyed bridges, are now 20 miles south of BIRMANJA. The attitude of the civil population is friendly although somewhat indifferent. The aerodrome at MAJUNGA is now in use by our aircraft.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

197

DATE Sept. 11, 1942

TO Secretary Morgenthau
FROM Mr. Hoflich
Subject: Summary of Military Reports

Size of Japanese Army

A recent British estimate indicates the surprisingly small number of troops in the Japanese Army. According to this estimate, the Japanese Army consists of 85 divisions, or approximately 1,275,000 men. This number includes 16 divisions (about 240,000 troops) stationed in Japan. It should be noted that, of these 16 divisions in Japan, 10 divisions (about 150,000 men) are believed to have been organized last December and to be ready for service overseas.

(British Operations Report, Aug. 27-Sept. 3, 1942)

Season favorable for Japanese attack on Siberia

Climatic conditions are favorable for a Japanese attack on Siberia in the near future. In the Manchurian-Siberian area, the summer rainy season has ended and the dry harvesting season is at hand. Operations begun now could be continued during the winter, which is severe but marked by only a light snowfall. Furthermore, the frozen ground and rivers facilitate transportation in the winter months.

(Institute of Pacific Relations, Far Eastern Survey, August 24, 1942)

United Nations vs. Axis Tank Production

The War Production Board estimates that in June the United Nations produced about seven tanks for every four built by the Axis. The United States produced about half of the United Nations' total. Germany accounted for about 80 percent of the Axis production, France and Czechoslovakia 10 percent and Japan 10 percent.

Germany, however, began building up tank reserves early in 1934. Despite Germany's heavy losses, her usable tanks are reputed to exceed in number the total British and American output of the past two years. W.P.B. believes that the Nazi lead will soon be overcome, since (1) United States output will be rising steadily and (2) German output, due to bombings and shortages of materials and manpower, has passed its peak.

(W.P.B., "War Progress", July 31, 1942)

9-11-42

INTELLIGENCE REPORT

TRENDS IN AMERICAN PUBLIC OPINION SINCE PEARL HARBOR

CONFIDENTIAL

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

OFFICE OF
WAR INFORMATION
BUREAU OF
INTELLIGENCE

COPY No. 33

Ferdinand Kuhn, Jr.

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INTRODUCTION

"Above all, the executive official knows that a policy which does not conform to the will of the people affected creates overwhelming difficulties in its administration. Real efficiency comes not only from good organization and smooth procedures but also to an even greater extent from the willingness of the citizens to accept the policy and to share in its administration."

Henry A. Wallace and James L. McCamy,
Public Opinion Quarterly, June 1940.

Nine months have passed since the Japanese attack on Pearl Harbor. As the war has progressed, bringing with it the necessity for making quick and drastic policy decisions, one of the big problems facing government officials has been to understand the public mind. As Vice President Henry Wallace has pointed out, public acceptance of policy is vital to swift and effective administration. Even more important, high public morale is a crucial factor in any war effort, and of inestimable military value.

For the first time in history systematic gauging of the public reactions to policies and events has been possible during war-time. To provide such information, the Bureau of Intelligence of the Office of War Information has, since the outbreak of war, made polls of opinion among cross-sections of the people. It has studied their views on a wide range of military, economic and other domestic matters.

On many of the most important issues, repeated soundings have been taken at periodic intervals. They reveal a pattern of American thought developing under the hammer blows of historic military and political events, reacting to drastic changes in our domestic life. Certain long-term trend questions used by Dr. Hadley Cantril of the Office of Public Opinion Research, Princeton University, have also contributed to this analysis of U. S. attitudes since Pearl Harbor.*

While in no sense a complete profile of sentiment in this country toward the myriad problems of the past few months, the trends shown here do present a picture of developing opinion on many of the larger war issues. And such a guide serves to bring into focus the important motivations that affect American views, while offering some guide to the directions public opinion will take in the months ahead.

*The results of these questions are property of Office of Public Opinion Research and have been made available to OWI for administrative use only. They are not to be quoted or published in any way without the permission of OPOR.

SUMMARY

In the nine months since Pearl Harbor, American opinion has been extremely responsive to news from the fighting fronts, and on many issues has fluctuated sharply with the military reports of the moment. There are some encouraging signs that public attitudes have gravitated toward a more realistic view of the war, although soft spots in the people's thinking are still apparent.

For example, people have demanded concentration of our efforts against that member of the Axis which is on the attack. Last spring they wanted to hit hardest at Japan. But the summer campaign brought back into better perspective the menace of Nazi power. And Americans are now convinced that we should turn most of our strength on Germany.

Opinion on length of the war shows that Americans went through a period of pessimism after the fall of Singapore, but their spirits rose very high in early June after the Coral Sea and Midway battles and the Cologne bombing, only to fall when news of summer reverses poured in. Although the present trend is toward a soberer and more realistic view of the situation, there is still a great deal of optimistic insistence that this war will be a relatively short one.

Despite ups and downs of opinion regarding the length of the war, however, there has been relatively little variation from the steadfast majority conviction that we will both win and dictate the peace. At times this confidence has raised a presumption of complacency on the part of a large part of the population.

Public appraisal of the progress of production has tended to grow more critical in recent weeks. Bad news this summer from both the battle and factory fronts evoked attitudes which sent satisfaction with production tumbling downward.

This same growing disapprobation has been registered toward the overall war effort of the nation. A majority have always said this country "is doing all it possibly can to win the war", but this majority dropped from 81 per cent in June to 61 per cent in July. It is notable that while this trend was accompanied by declining satisfaction with British effort, over the same period of time there was rising recognition of Russia as the country trying hardest to win the war.

Perhaps most encouraging of all the developments in American thinking since the outbreak of war is the strengthening American unity with our Allies. This comes out in the overwhelming belief that we cannot win this war alone, and in the demand for a second front, in the belief that we should continue to send lend-lease supplies abroad.

Closely related to these opinions is the strong sentiment for sending our forces abroad to fight the enemy wherever he may be instead of keeping them at home. Also significant are the many evidences that Americans want this country to take a more active role in international affairs after the war.

Nevertheless, Americans have not accepted the motives and fighting contributions of these countries without serious reservations. They have criticized our main Allies — England and Russia — on different grounds. While Americans take their hats off to Russia's fighting contribution, a great many of them continue to suspect that she may make a separate peace with Hitler, or that she will not cooperate with us after the war.

The American estimate of England is exactly the reverse. Confidence in her determination not to negotiate a separate peace with Germany and in her willingness to cooperate with us after the war is very high. But her contribution in battle is discounted, and a third of the people think she will let us do her fighting.

China appears to be taken for granted. Confidence in her continued resistance and her desire to work with us has always been very high, but she is given little recognition for her part in the fighting.

Finally, there is little disposition on the part of the American public to accept a negotiated peace on any terms which would leave the Axis with its winnings to date. It should be borne in mind, however, that this peace sentiment has been measured at a time when the average American has felt the impact of war very little, when United States casualties have been relatively light, and while confidence in victory has remained constantly high.

CONCLUSIONS

It is clear from the evidence presented here that the American public has been moving steadily toward a more sober view of the war. The fact that many opinions fluctuate so sharply in response to news of the moment indicates, however, that a completely realistic evaluation has not yet been attained. Also, there are many factors which are constantly turning the people's thinking down blind alleys. These include traditional prejudices against our Allies, a lack of a complete understanding of the implications of global war, and cocksureness arising out of the fact that the United States has never been defeated. There remains an informational task of strengthening the realization that in more complete union with our Allies there is strength, and in countering the dangerous assumption that because our ancestors have never lost a war victory in this one is assured.

FOREIGN TIME TABLE

<u>Date</u>	<u>Event</u>
Dec. 7	Pearl Harbor
Dec. 25	Fall of Hongkong
Dec. 31	Russians recapture Kerch
Jan. 2	Fall of Manila
Jan. 2	United Nations Declaration
Jan. 20	Russians take Mozhaik
Jan. 23	Battle of Macassar Straits
Feb. 15	Fall of Singapore
Feb. 25	Staraya Russa surrounded by Russians
Mar. 9	Fall of Java
Mar. 17	Appointment of MacArthur
Apr. 8	General Marshall in London for conferences
Apr. 9	Fall of Bataan
Apr. 17	Bombing of Tokyo
Apr. 26	Hitler's speech requesting additional power to stamp out treason, sabotage, etc.
May 4	Beginning of Coral Sea Battle
May 5	Announcement of Madagascar attack
May 5	Russians attack Kharkov (Note: Russians were advancing until May 10 or 15th)
May 6	Fall of Corregidor
May 12	Germans launch Kerch offensive
May 19	Germans claim Kerch occupied
May 28	Heydrich wounded
May 28	General Arnold and General Somervell in London
May 31	1000-plane attack by RAF on Cologne
June 4	Beginning of Midway Battle
June 4	Aleutian landing
June 10	German offensive around Kharkov beginning
June 10	Razing of Lidice
June 12	Molotoff's visit announced
June 13	A.E.F. landing in Ireland announced
June 22	Fall of Tobruk
June 26	Eisenhower named Chief of United States operations in Europe
July 1	British stand at El Alamein
July 4	Sevastopol falls
July 8	Germans reach Voronezh
July 28	Announcement of fall of Rostov
Aug. 7	United States-Australian offensive against Solomons announcement
Aug. 8	Arrest of Gandhi
Aug. 17	Churchill-Stalin conference announced
Aug. 19	Raid on Dieppe
Aug. 22	Brazil declares war on Germany
Aug. 23	Large convoy of A.E.F. arrives in Ireland
Aug. 23	Nazis cross Don River elbow
Aug. 26	Japs attack Milne Bay
Aug. 30	Jap defeat at Milne Bay announced
Aug. 30	Grew's speech on Japan
Sept. 1	Rommel launches offensive at British Egyptian line
Sept. 7	Complete repulse of Rommel announced

FOREIGN TIME TABLE

Date	Event
Sept. 7	Complete repulse of Rommel announced
Sept. 1	Rommel launches offensive at British Egyptian line
Aug. 30	Grew's speech on Japan
Aug. 30	Jap defeat at Mine Bay announced
Aug. 26	Japs attack Mine Bay
Aug. 23	Nazis cross Don River elbow
Aug. 23	Large convoy of A.R.F. arrives in Ireland
Aug. 22	Brazil declares war on Germany
Aug. 19	Raid on Dieppe
Aug. 17	Churchill-Stalin conference announced
Aug. 8	Arrest of Gandhi
Aug. 7	United States-Australian offensive against Solomons announcement
July 28	Announcement of fall of Rostov
July 8	German teach Voronezh
July 4	Sovietland falls
July 1	Hitler's visit to M. Stalin
June 26	Stalin's speech on United States operations in Europe
June 26	Fall of Tokyo
June 15	A. E. W. Windsor in London announced
June 12	Hitler's visit announced
June 10	Attack on Berlin
June 10	German offensive against Britain beginning
June 7	Albanian landing
June 4	Retreat of Italian forces
May 27	1000-plane attack by RAF on Cologne
May 26	General Arnold and General Marshall in London
May 25	Hitler's speech
May 19	German attack on Soviet Union
May 12	German attack on Soviet Union
May 8	Fall of Fort Mifflin
May 7	(Note: British war anniversary held May 10 or 15th)
May 7	Hitler's speech
May 7	Announcement of Japanese attack
May 7	Attack on Pearl Harbor
May 2	Hitler's speech requesting additional power to stamp out
May 1	Hitler's speech
May 1	Fall of Warsaw
May 1	General Marshall's dispatch for conference
May 1	Appointment of Marshall
May 1	Fall of Java
May 1	Starva Island surrounded by Russians
Feb. 15	Fall of Singapore
Jan. 23	Battle of Macassar Straits
Jan. 20	Russians take Moshaisk
Jan. 8	United Nations Declaration
Jan. 5	Fall of Manila
Dec. 31	Russians recapture Kerch
Dec. 28	Fall of Hongkong
Dec. 7	Pearl Harbor

DOMESTIC TIME TABLE

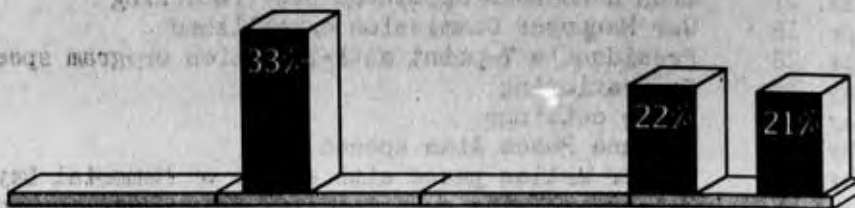
<u>Date</u>	<u>Event</u>
Jan. 12	W.L.B. created
Jan. 13	Donald Nelson appointed Chief of Production
Jan. 27	Leon Henderson appointed over rationing
Apr. 18	War Manpower Commission established
Apr. 28	President's 7-point anti-inflation program speech
May 15	Gas rationing
May 18	Price ceilings
May 18	Wallace Peace Aims speech
May 30	Sumner Welles peace aims speech on Memorial Day
June 7	Nelson acclaims auto industry as production pacemaker
June 10	Nelson declares nation has done impossible in war output
June 11	Oliver Lyttleton says United States production ahead of British
June 16	Nelson reports war output at almost two billion dollars
June 16)	
July 10)	Rubber salvage drive
June 26	New York Times story reporting that rivalry to secure materials thwarting the war effort
June 26	Nelson plans more scrap drives
June 27	Production Communique
June 28	Arrest of saboteurs announced
July 9	Andrew May's announcement that war will end in 1942
July 9	Trial of saboteurs begins
July 11	Nelson says war output to be forty billion dollars
July 14	Non-stop campaign for collecting scrap begins
July 18	Higgins ship contract cancelled
July 23	Meat shortage in the East reported
July 24	Chief Justice Stone appointed to survey rubber
July 24	Rayburn blocks move to stay Higgins contract cancellation
Aug. 1	Nelson gives tentative backing to Kaiser plane plan
Aug. 8	Saboteurs executed
Aug. 20	President says he's not "blue" over production
Sept. 1	Announcement that meat will be rationed
Sept. 7	President's message to Congress and fireside chat demanding anti-inflation legislation
Sept. 7	One hundred and seventy-four ships launched.

Note: Production news was optimistic from first of June until about July 10 to 15. (Pessimistic from July 15 till end of August)

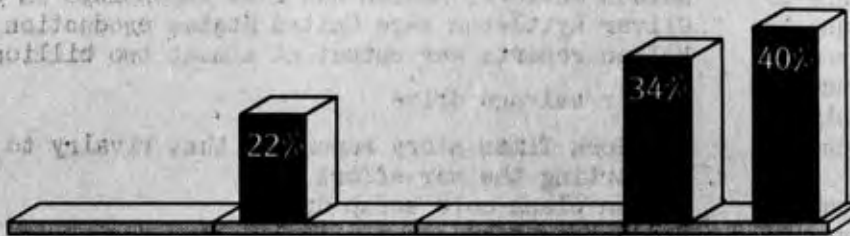
SHOULD WE NOW CONCENTRATE ON GERMANY OR JAPAN?



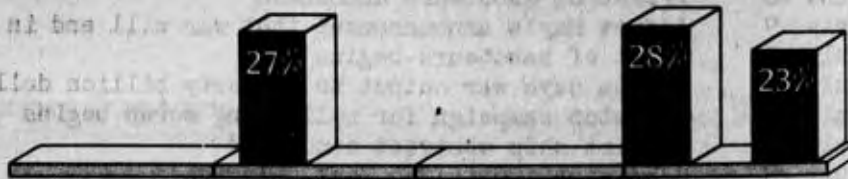
Concentrate on Japan



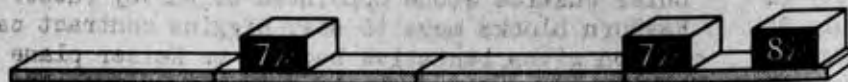
Concentrate on Germany



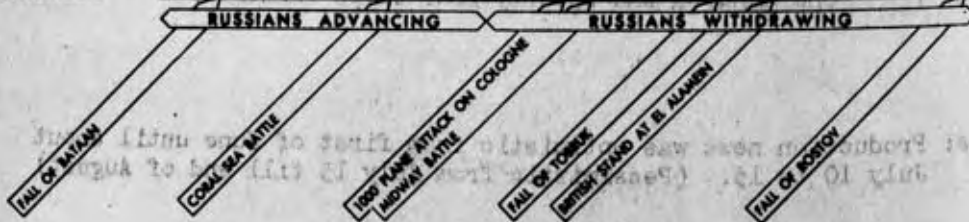
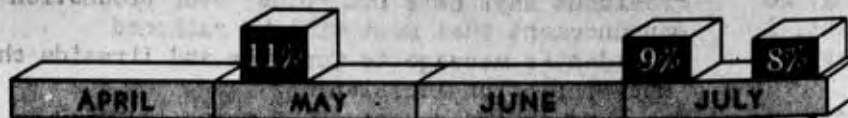
Concentrate on both



Withdraw to home



Not ascertainable



TRENDS IN AMERICAN PUBLIC OPINION SINCE PEARL HARBOR

Military events since the outbreak of war have had an enormous impact on the thinking of the American public. Since December 7th the people have fixed a good share of their attention on the changing fortunes of war. Their hopes and fears regarding the length and outcome of the war, their urge to concentrate our energies on Germany or Japan, their approval of the efforts of our Allies, even their satisfaction with war measures here at home — all have risen and fallen sharply with the shifting fields of battle all over the world.

CONCENTRATION OF EFFORT

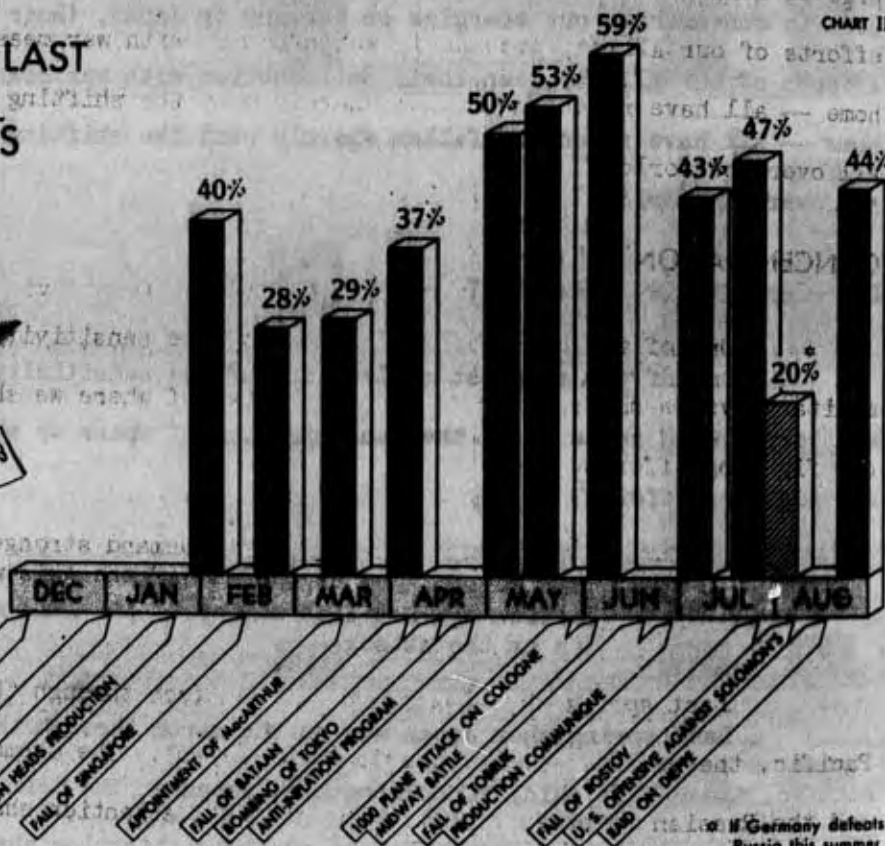
One of the clearest reflections of the sensitivity of opinion to military events shows up in the public's view of where we should concentrate our fighting efforts.

The people have tended to demand strongest action against that member of the Axis which is on the attack.

Last spring when Japan was on the march through the Southwest Pacific, the public said, "Concentrate on Japan". The German summer campaigns and the Russian reverses have brought people's attention sharply back to Europe. "Hit Germany," they are demanding, as a large section of the public clamors for a second front. (Chart I) But a strong resumption of the Japanese offensive may once again turn sentiment back toward a concentration in the Orient and away from the ultimate menace of Nazism. If this should happen while the threat of Germany remains great, it might well indicate a need for a greater information effort to clarify for Americans the full meanings of global warfare.

TRENDS IN AMERICAN PUBLIC OPINION SINCE FEAR HARBOR

WAR WILL LAST TWO YEARS OR LESS...



* If Germany defeats Russia this summer

THE LENGTH OF THE WAR

The public's estimate of the ultimate length of the war has, of course, also been very sensitive to military events. In general, people have tended to think in terms of a short war.

Thinking on this issue falls roughly into three periods over the past nine months. (Chart II)

1). In January, two-fifths were confident that two years or less would see an end to the war.* But the bad news from Malaya and the Philippines had a sobering effect, and the fall of Singapore deepened the gloom. until by late February only 28 per cent clung to the optimistic belief that the war would be over within two years.

2). Reports of Russian successes and German difficulties in occupied Europe again lifted American hopes, and in early June, after the Coral Sea and Midway Battles and the 1000-plane attacks on Germany, optimism soared to dangerous heights. At this time almost three-fifths saw the war ending in two years or less.

3). But the fall of Tobruk and German bludgeoning of Russia again deflated American optimism, and by July sentiment had descended to a point near that at the beginning of the war. There it remained through August: In spite of the passage of eight months, once more about two-fifths of the public were saying that the war would be over in two years or less.

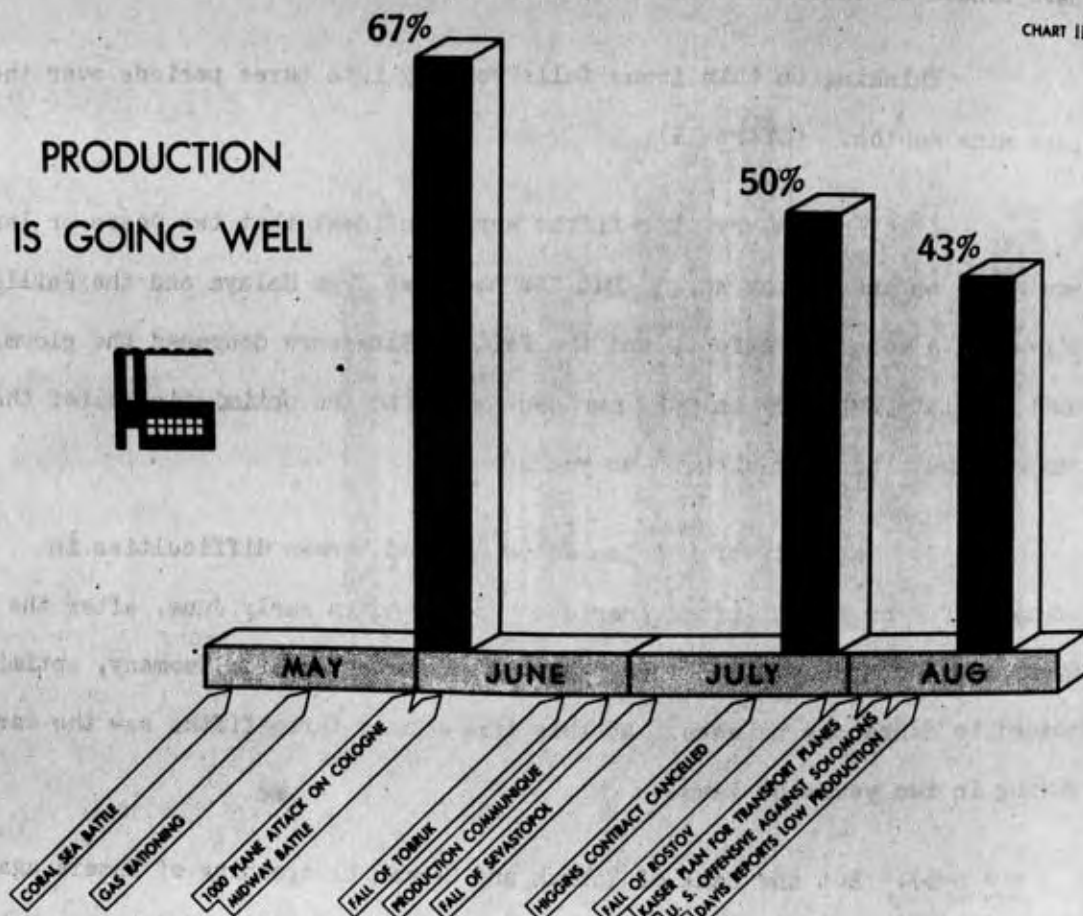
* Two earlier polls were made in December 1941, and early January 1942, in which slightly different phrasings of the question were used. Results were similar to those obtained on the late January poll.

THE LENGTH OF THE WAR

The public's estimate of the minimum length of the war has, of course, also been very sensitive to military events. In general, people have tended to think in terms of a short war.

CHART III

PRODUCTION IS GOING WELL



The earlier polls were made in December 1941, and early January 1942, in which slightly different phrasings of the question were used. Results were similar to those obtained on the late January poll.

These facts have important implications for an information and morale program. The shifts from optimism to pessimism and back again suggest that the public may distort the importance of individual military events.

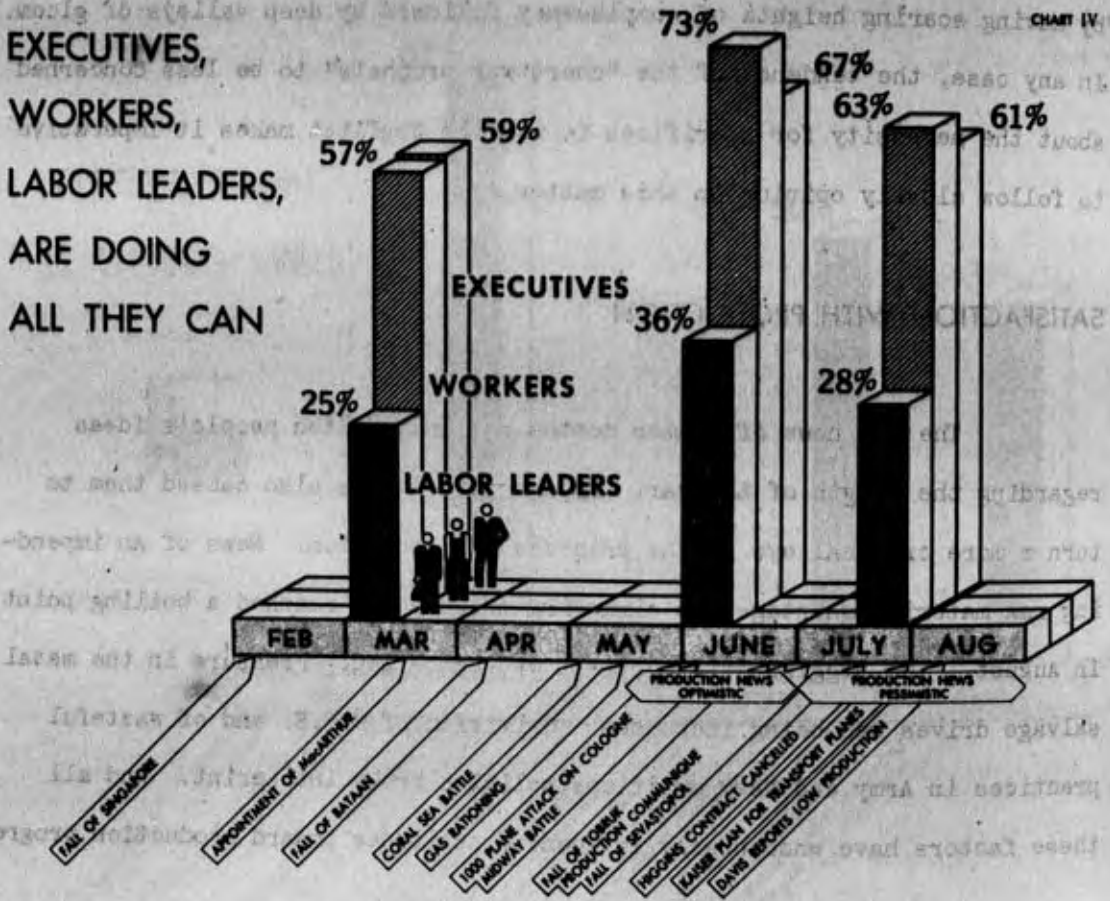
Also, the morale of a people at war will probably not be bettered by having soaring heights of complacency followed by deep valleys of gloom. In any case, the tendency of the "short-war prophets" to be less concerned about the necessity for sacrifices to win the conflict makes it imperative to follow closely opinion on this matter.

SATISFACTION WITH PRODUCTION

The bad news of summer months not only jolted people's ideas regarding the length of the war. Apparently, it has also caused them to turn a more critical eye on the progress of production. News of an impending raw material shortage was simmering in July and reached a boiling point in August. The Higgins ship contract was cancelled. Pressure in the metal salvage drives was being increased. Criticism of W.P.B. and of wasteful practices in Army and Navy munitions policies broke into print. And all these factors have undoubtedly influenced attitudes toward production progress.

Only a short-term trend is available, but the drop in satisfaction from early June to July was quite sharp, and the low level continued in August. (Chart III) Returns from a survey made in late August indicate virtually no change from the mid-August figure. It is likely that this drop in satisfaction was accelerated not only by Allied military reverses, but also by a growing volume of pessimistic reports regarding production.

**EXECUTIVES,
WORKERS,
LABOR LEADERS,
ARE DOING
ALL THEY CAN**



Only a short-term trend is available, but the drop in satisfaction from early June to July was quite sharp, and the low level continued in August. (Chart III) Reports from a survey made in late August indicate that the drop in satisfaction was accelerated not only by Allied military reverses, but also by a growing volume of pessimistic reports regarding production.

CRITICISM OF MANAGEMENT AND LABOR

Satisfaction with the three groups manning the production front — management, workers and labor leaders -- also paralleled the rise and fall of general optimism attributable to military events, and reflected in estimates of the length of the war. Satisfaction was down in March, up in early June, back down again in July. (Chart IV) Returns from a late August poll again show virtually no change from the July figures. On all tests approval of workers and executives almost doubled approval of labor leaders.

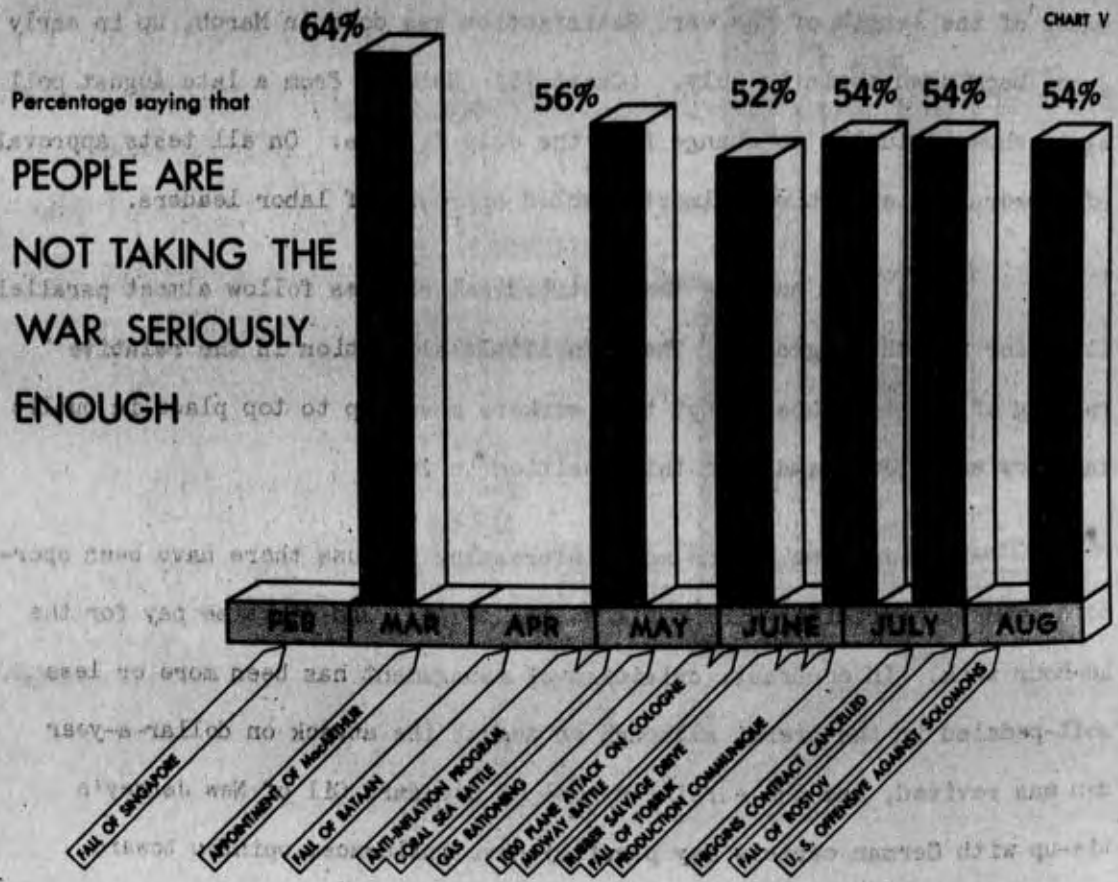
It is also notable that attitudinal changes follow almost parallel lines for all three groups. There is little alteration in the relative ranking of these groups except that workers moved up to top place in public favor by early June and held this position in July.

This finding is the more interesting because there have been sporadic newspaper criticisms of strikes, high wages, and overtime pay for the 48-hour week. In contrast, criticism of management has been more or less soft-pedaled in the press, although in August the attack on dollar-a-year men was revived, and the earlier exposé of Standard Oil of New Jersey's tie-up with German cartels may possibly have influenced opinion toward management to some extent.

CRITICISM OF PUBLIC ATTITUDES

Opinion on all the above issues has tended to fluctuate with the tenor of war news. Its general direction has been clear: in response to the most foreboding reports from summer battlefields, the people have gravi-

...with the... the production...
...and... the rise and fall...
...and reflected in...
...up in early...



CRITICISM OF PUBLIC ATTITUDES

Opinion on all the above issues has tended to fluctuate with the tenor of war news. Its general direction has been clear in response to the most foreboding reports from summer battlefields, the people have gravely...

tated steadily toward a more realistic view of the military situation and the task ahead. Attitudes on two other factors — belief in the seriousness of the public's view of the war, and confidence in our complete victory — have remained remarkably stable since spring, however, and in some cases probably still contain dangerous seeds of overconfidence.

First, a majority of the people have consistently stated that the people of this country are not taking the war seriously enough. This majority dropped, however, from 64 per cent in March to 56 per cent in April and remained barely above the 50 per cent mark throughout the summer. (Chart V) This can be considered a rise in complacency, since those criticizing public attitudes are probably not complacent and this interpretation is supported by correlation with other trend results.

Criticism of the public's attitude was highest in March, when most people were saying the war would be a long one. Criticism reached a low point in early June when the peak of optimism regarding the length of the war was attained.

dated steadily toward a more realistic view of the military situation and the task ahead. Attitudes on two other factors -- belief in the righteousness of the public's view of the war, and confidence in our complete victory -- have remained remarkably steady since spring, however, and in some cases probably still contain dangerous seeds of overconfidence.

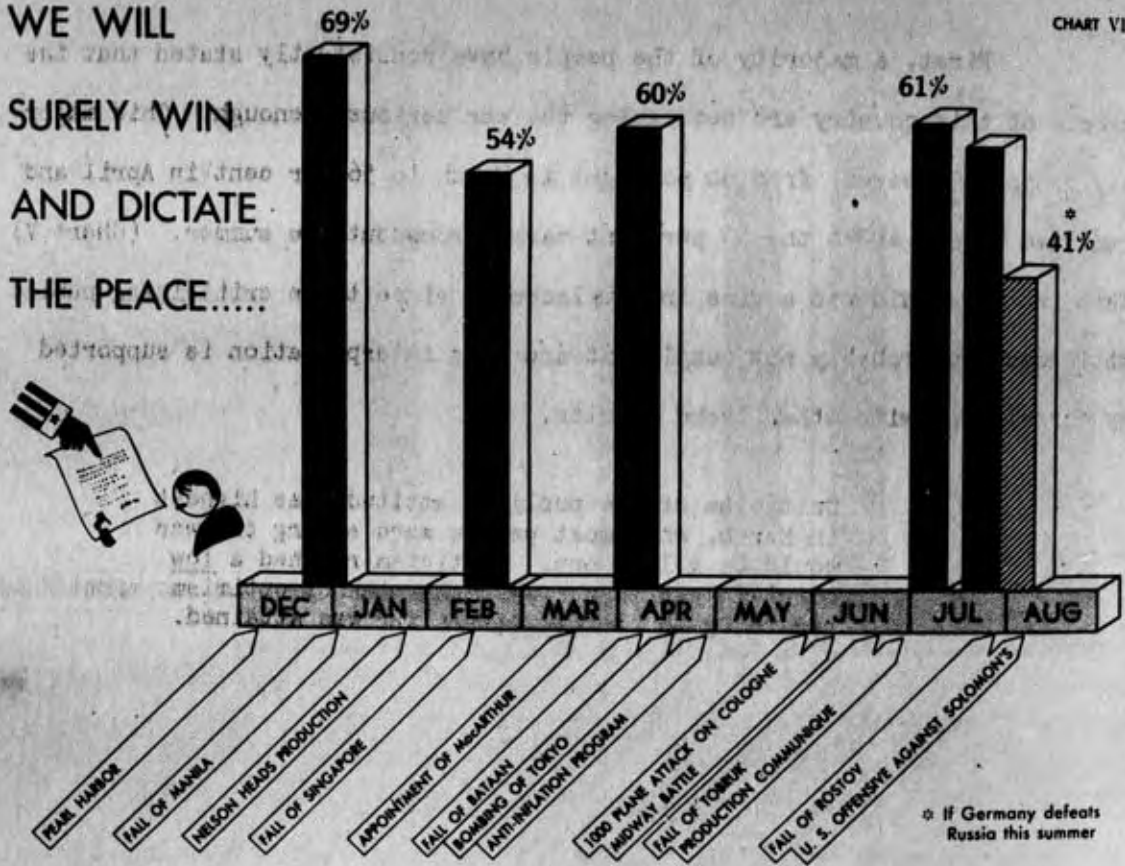
WE WILL

SURELY WIN

AND DICTATE

THE PEACE.....

CHART VI



OUTCOME OF THE WAR

Perhaps more important as a possible indicator of over-confidence is the fact that the ups-and-downs of allied military fortunes have done little to shake American faith in ultimate victory.

Only in February, after the capture of Manila and about the time of Singapore's fall, did conviction waver that the United States would both win the war and dictate the peace. (Chart VI) It dropped from a high 69 per cent in December to 54 per cent in late February, but it climbed back to 60 per cent in March, and has since persisted on an even keel, in spite of the trying news of British and Russian summer reverses.* About one-fourth of the public, however, have consistently indicated belief that our victory would not be complete. They have clung to the opinion that the Axis would be strong enough to wring major concessions from us at the end of the war.

The stability of results on this question, as compared with the fluctuating findings on others, probably indicates a deep-seated confidence in our ability to triumph despite recurring vicissitudes. It also indicates the persistence of the platitude that Americans can never lose a war because our ancestors have never lost a war in the past.

*These results were obtained on a four-part attitude scale, which ranged from absolute victory and domination of the peace to defeat. In the middle ground were "Victory for the Allies with certain concessions to the Axis," and a "Draw". About one-fourth of the people consistently chose the "Victory with concessions" alternative, giving an average of 84 per cent to 90 per cent at all times who were positive we would win.

OUTCOME OF THE WAR

Paraphrase from Roosevelt as a country's reputation of ever-confidence
as the fact that the present-day of almost all the nations have done

little to bring American back to its former glory
This is probably after the fashion of Lenin and about the time

of Eisenhower's fall, the world was never the same as it was
in the way and shape of the world. It changed from a high to
a low level of civilization. It is now a world of low civilization

to do our part in it, and in other ways, and in other ways, and in other ways
of the history of the world of the world of the world. About one
fourth of the world, however, was completely destroyed. That our

country will not be destroyed, even though it is a nation that the
world is a place enough to bring it back to its former glory at the end of the

The stability of the world is a question as compared with the
fluctuating nature of the world. It is a question of the world
in our ability to bring it back to its former glory. It is a question
the persistence of the world. It is a question of the world. It is a question
our ancestors have never lost a war in the past.

These results were obtained on a four-part attitude scale, which ranged from
absolute victory and domination of the peace to defeat. In the middle ground
were "Victory for the Allies with certain concessions to the Axis," and a
"Draw." About one-fourth of the people completely chose the "Victory with
concessions" alternative, giving an average of 50 per cent to 50 per cent at
all times who were positive we would win.

ATTITUDES TOWARDS OUR ALLIES

RUSSIA

Relatively few people were willing to believe that defeat of Russia meant the difference between Allied and Axis victory, but there was a precipitate (17%) drop in optimism as to the war's outcome when the public was presented with the hypothetical possibility of Russia's elimination from the war. (Chart II) Most of those who changed their opinions fell into the group thinking the outcome would be a draw, or those foreseeing victory with concessions to the Axis. Only a relatively small number believed that a Russian defeat would mean an Axis victory over us. Many, however, were unable to answer the hypothetical question.

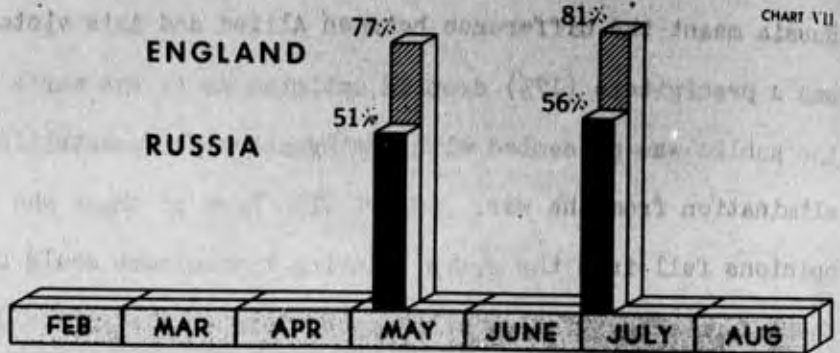
Quite naturally, the prospect of a Soviet defeat induced pessimism regarding the length of the war. Thus, 47 per cent thought the war would be over in two years or less under present circumstances, but only 20 per cent would be that optimistic if Germany defeated Russia this summer.

50 per cent thought the war would be longer if Russia lost this summer,
16 per cent estimated it would be the same length,
6 per cent thought it would be shorter, and
28 per cent gave no opinion.

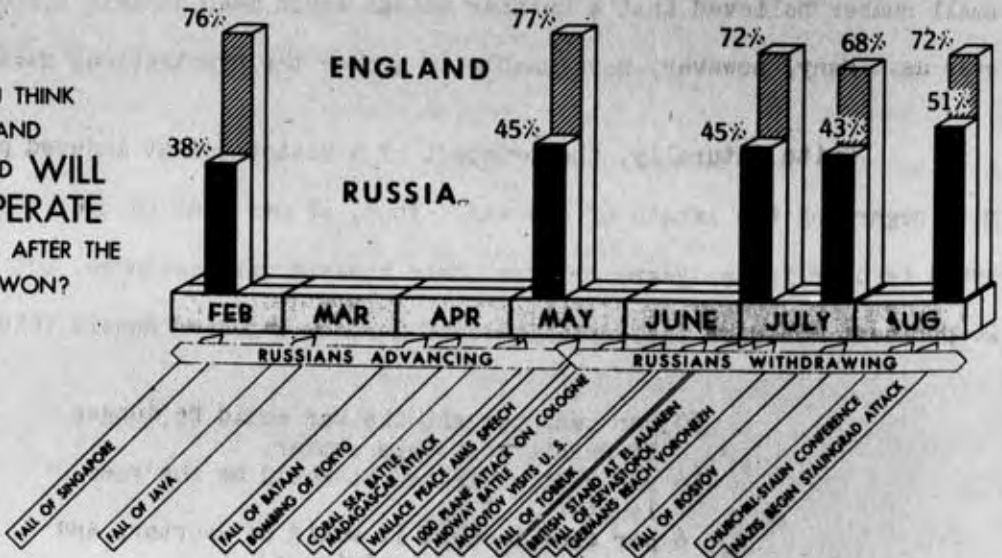
Interviewers reported, however, that many respondents simply could not conceive of Russia being knocked out of the war and wanted to argue the point rather than answer the questions on this issue.

RUSSIA

RUSSIA AND ENGLAND WILL NOT MAKE A SEPARATE PEACE



DO YOU THINK RUSSIA AND ENGLAND WILL COOPERATE WITH US AFTER THE WAR IS WON?



The fact that elimination of the Red Armies was utterly inconceivable to many people, plus the disinclination of the majority to see such a defeat as doing anything other than postpone the ultimate Allied victory, furnish clues to the difficult adjustments in public thinking which might be necessary should the Nazis knock Russia out of the war.

The findings just presented bring into sharp focus the extent of our reliance on Russia as an ally. But to understand American feeling about this alliance it is important to note that attitudes toward Russia during the first few months of our partnership with her though increasingly favorable, have been of an ambivalent character. The shock of the Russo-German pact and disapproval of the attack on Finland, added to a deep-seated and long-standing distrust of the Communistic experiment, have not been suddenly erased from the public mind by the fact that we are now fighting on Russia's side.

For the past three or four months polls have shown consistently that almost half of the population suspect that Russia might make a separate peace with Germany if the opportunity or necessity arose. On the other hand, eight out of ten were certain that we could depend on England not to negotiate separately with the Axis. (Chart VII)

Similarly, distrust of Russia's post-war behavior has been widespread. Until the end of summer, a minority of the public had confidence that she would cooperate with us after the war. But events of the last nine months have caused many Americans to re-examine their stereotypes of Russia. Confidence in her post-war cooperation climbed steadily from 38 per cent in March to 51 per cent in late August. Appreciation of Russia's

war effort, however, has never been low. The Red Armies have always been credited with "trying harder to win" than our other Allies. And there has been a steady increase in approbation of the all-out nature of the Russian war effort. (Chart VIII)

Thus, coupled with a strong but steadily declining, suspicion of Russia's reliability, there is definite evidence of America's appreciation of Russia's contribution to the war against the Axis.

ENGLAND

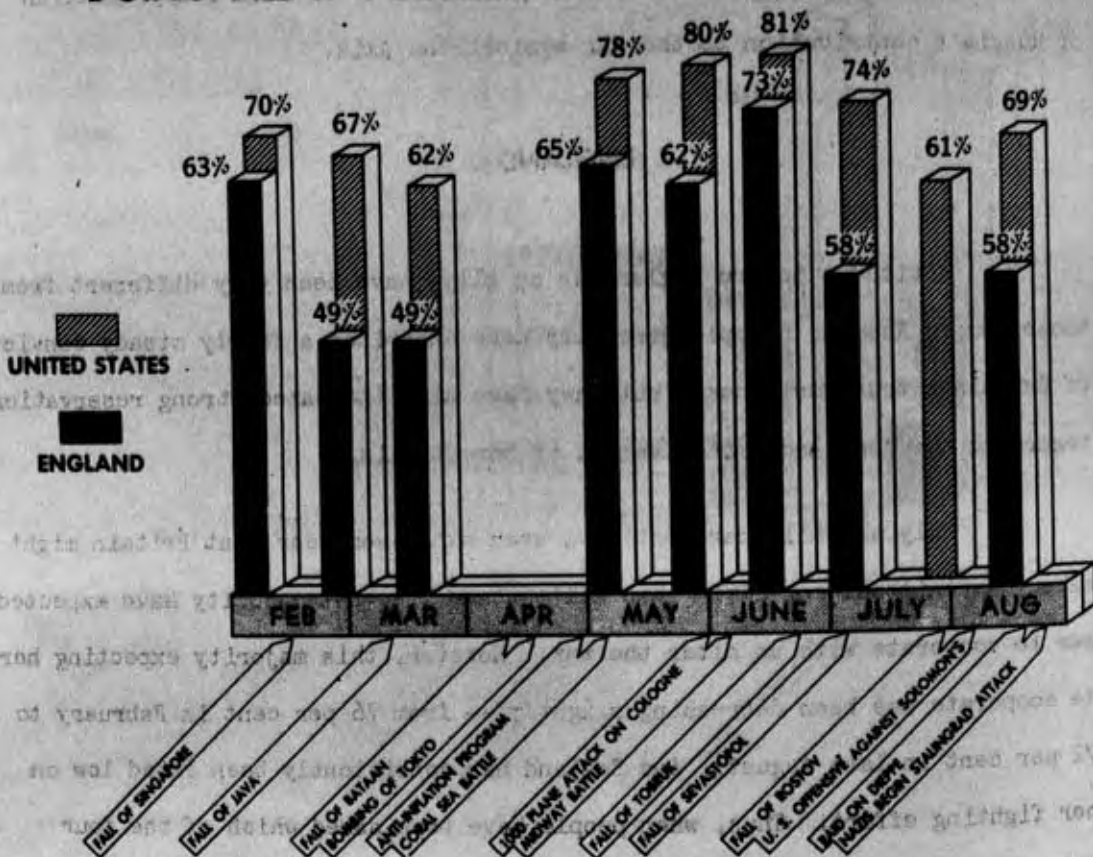
Attitudes toward England as an ally, have been very different from those toward Russia. People generally have exhibited a fairly steady conviction of Britain's trustworthiness, but they have also indicated strong reservations regarding the zeal and effectiveness of her fighting.

Only about 10 per cent have ever expressed fear that Britain might make peace without consulting her Allies, and the vast majority have expected her to cooperate with us after the war. However, this majority expecting her to cooperate has been decreasing slightly — from 76^{1/2} per cent in February to 72 per cent in late August. And England has consistently been rated low on her fighting effort. Thus, when people have been asked which of the four main Allies is doing the most to win the war, England has always ranked behind Russia, the United States, and even China.

Trend questions used by the Office of Public Opinion Research, Princeton University, since the beginning of the war give a more precise measurement of public satisfaction with the English war effort. Also, they

CHART LX

DO YOU THINK THE UNITED STATES (ENGLAND) IS DOING ALL IT POSSIBLY CAN TO WIN THE WAR?



furnish an interesting comparable measure of satisfaction with the United States' effort.* The following questions were used to test the attitudes toward each of these two countries:

"Do you think the United States is doing all it possibly can do to win the war?"

"Do you think the British are doing all they possibly can do to win the war?"

Public satisfaction with England's effort seems to follow closely British military fortunes. It was low in February and March, when Malaya, Java and the Solomons were being swallowed by the Japs. It rose to an all-time high in June, following the occupation of Madagascar and the 1000-plane raids on Germany, but dropped after the fall of Tobruk and the Russian reverses in the Caucasus and Crimea. During the summer while Britain made no striking contributions to the fighting, satisfaction with her effort remained at a low point through the middle of August. (Chart IX)

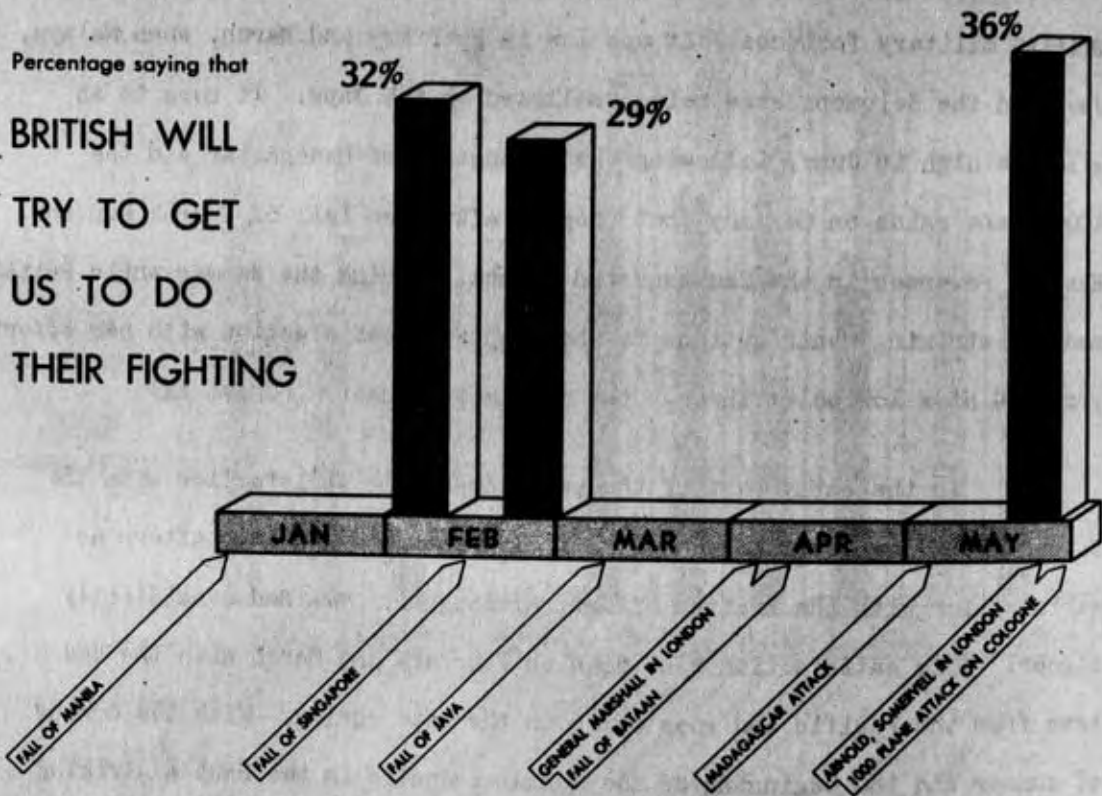
In the early part of the year comparable satisfaction with the United States' war effort tended to follow the same general pattern as satisfaction with the British effort, although it remained consistently higher. This satisfaction went down in February and March with the bad news from the Pacific and rose again in the late spring. With the coming of summer and the beginning of the German campaign in the East a striking change occurred. Satisfaction with our part in the war took a nose-dive of 20 percentage points from June 9th to July 14th. The result very probably harks back again to growing recognition of our reliance on Russia. Undoubtedly, impatience over our failure to open a second front, coupled

* (Note): The results on these and other O P O R questions are the property of the Office of Public Opinion Research, Princeton, New Jersey. They have been made available to the O W I for administrative use only and are not to be quoted or published further without permission of O P O R

CHART X

Percentage saying that

**BRITISH WILL
TRY TO GET
US TO DO
THEIR FIGHTING**



with concern over Russian reverses, are at the root of this increased skepticism concerning our efforts.

The Solomon Islands' offensive probably allayed some of the criticism, for satisfaction turned upward in August. However, if any catastrophe should befall the Russians, it is probable that the critical trend would be resumed.

Another trend followed by O P O R sought to determine how much dissatisfaction with the British was attributable to the belief that "Britain will fight to the last American". The following question was used:

"Do you think the English will try to get us to do most of the fighting for them in this war, or do you think they will do their fair share of fighting?"

This question does not seem to be influenced so directly by British military successes or defeats. (Chart X) Somewhat more than a third of those with opinions have consistently accepted the charge that the British will let us fight their war, and this proportion was slightly higher on the last test, made in the latter part of May. The stable results on this question suggest that the critical group probably includes a nucleus of persons with fairly strongly entrenched anti-British views. And the problem of converting them to a frame of mind more conducive to all-out cooperation presents an informational challenge of real magnitude.

RELIANCE ON OUR ALLIES

Further evidence of distrust of our Allies was found in the general doubt and skepticism with which people regarded the possibility of repayment for our lend-lease shipments. In February about a fourth were in doubt as to what Russia would do, and approximately a fifth did not know whether England would repay us. In both cases the remainder divided evenly between those who maintained we would and those who thought we would not be repaid for our lend-lease aid.

Most of those who doubted whether Russia would make restitution, however, thought she would not be able to pay and only a few commented that she could not be trusted. In the case of England, on the other hand, a majority tended to hold her default on her last war debt against her, and reasoned that because of this she would not pay this time either.

Nevertheless the hangover of emotional indignation caused by the renunciation of war debts from World War I seemed to be on the decline, for:

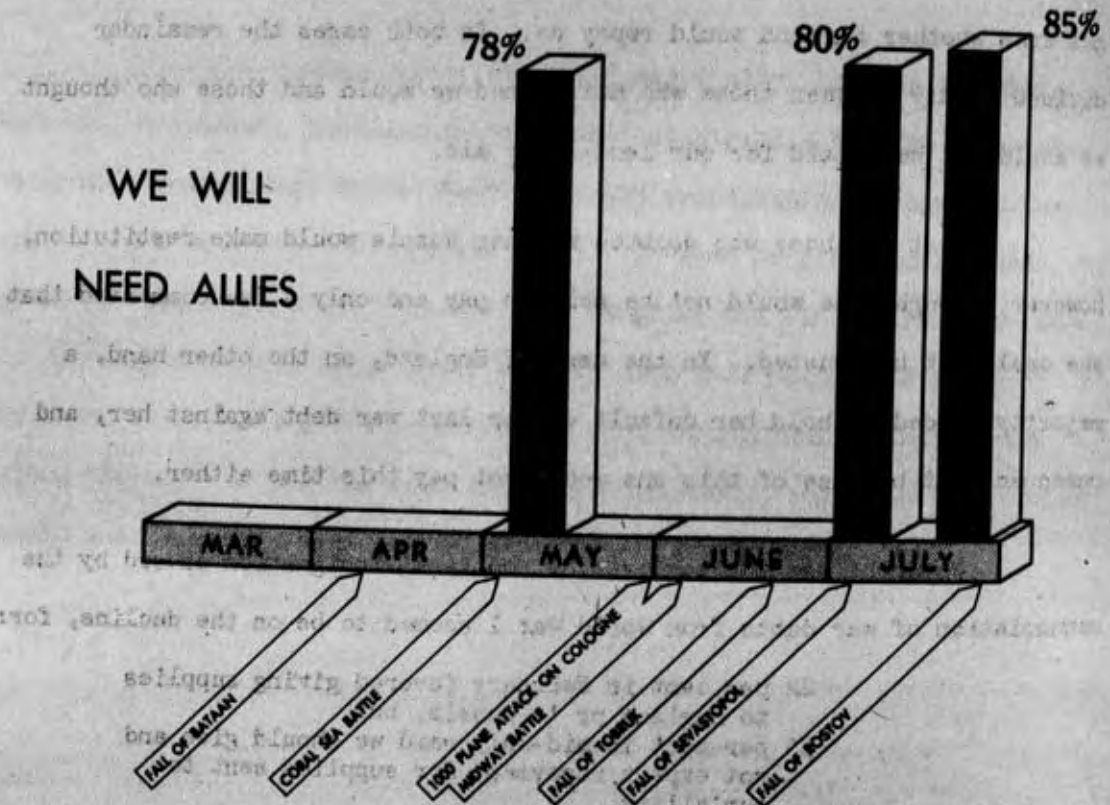
- 22 per cent in February favored giving supplies to England or to Russia, but
- 35 per cent in mid-July said we should give and not expect repayment for supplies sent to our allies.

In spite of considerable feeling that we might never be reimbursed for our war aid, most Americans favored maintaining a continuous flow of supplies to the countries manning the battle lines. After the outbreak of war in December, even when our own needs for an under-equipped army were

REMINISCE ON OUR ALLIES

Further evidence of the... of our allies was found in the... and... regarding the possibility... about a fourth... and approximately a fifth...

CHART XI



WE WILL
NEED ALLIES

In spite of... feeling that we might never be... for our war aid, most Americans favored maintaining a continuous flow of supplies to the countries... After the outbreak of war in December, even when our own needs for air... were...

urgent, 58 per cent thought we should send Britain and Russia at least as many supplies as we did before the war. Some of these even advocated increasing our shipments. Total favor for maintaining lend-lease at least on a par with shipments before the war had not increased by February. Actually, however, sentiment on the issue had grown more favorable, since the number who said we should send more supplies rose from 21 per cent in December to 28 per cent at this later date.

While American approval of individual allies has had both ups and downs, awareness of our need for allies has been keen from the start, and has been steadily increasing. In early May when this question was first asked, the majority were of the opinion that this country required the assistance of other countries to achieve victory and it had increased by late July when the issue was last put to the public. (Chart XI)

There is further wholesome evidence that most Americans conceive of the relationship with our allies as a give-and-take affair. As already reported, they have become increasingly aware of the contributions Russia and other allies are making to our cause. The polls also reveal that people realize the necessity of repaying these contributions in other than monetary ways.

Americans definitely favor opening a second front which will relieve pressure on the Russians.

Early in August 62 per cent of the public thought that "in the next two or three months, the Allies should try to land troops somewhere in Europe to attack Germany".

They favor this move to divert Nazi attention even though many hold grave doubts as to the success of such action.

46 per cent said the chances of success were very good,
26 per cent thought they were about 50-50,
13 per cent rated the chances of success as less than 50-50, and
15 per cent would not express an opinion.

A clue to the probable reason for the sentiment in favor of an invasion was found in a poll made later in August, which revealed that 42 per cent of the public doubted whether Russia could "hold out until this winter if she didn't get more help from the Allies than she's now getting".

OTHER STRATEGIC CONSIDERATIONS

There is further evidence that the public would welcome the institution of more offensive tactics on the part of the United Nations.

The public wants our armed forces to take the war to the enemy, and they favor the use of hard-hitting all-out tactics.

The isolationist argument that we should bring our forces back home and concentrate on guarding our own shores has never been accepted by the public since the war's outbreak. In March when the Japanese were reaching a high water mark of success in the Pacific, and domestic gloom was unusually heavy (only 28 per cent thought the war would be over in two years or less), the public overwhelmingly opposed any compromise or withdrawal. Only

- 1 per cent wanted to "withdraw from the Far East and make peace with Japan",
- 4 per cent wanted to "withdraw to Hawaii, Alaska and our own Pacific Coast and let the Japs carry the war to us",
- 88 per cent wanted to "keep fighting an all-out war against the Japs wherever we can possibly attack them", and
- 7 per cent were uncertain.

The four part question (see Page 1 and Chart 1) on where we should concentrate our efforts has also, since May, given people an opportunity to say that we should "pull our forces close to home and use them to protect our own shores". In choosing from the four alternatives presented, never more than 7 or 8 per cent have advocated this defensive policy — not in early June when the Midway Battle and the bombing of Cologne engendered high optimism, nor in mid-July when the public was sobered by bad news from Russia and Egypt.

Also, an OPOR question has drawn the issue sharply by presenting only two alternatives which forced a choice between offensive and defensive strategy. The following question was used:

"Which of these things do you think the United States should do? Send most of our Army abroad to fight the enemy wherever they are, or keep most of our Army at home to protect the United States?"

The results showed that a somewhat larger percentage, but still a minority favored defensive strategy, and this minority has tended to decline in recent months. It was:

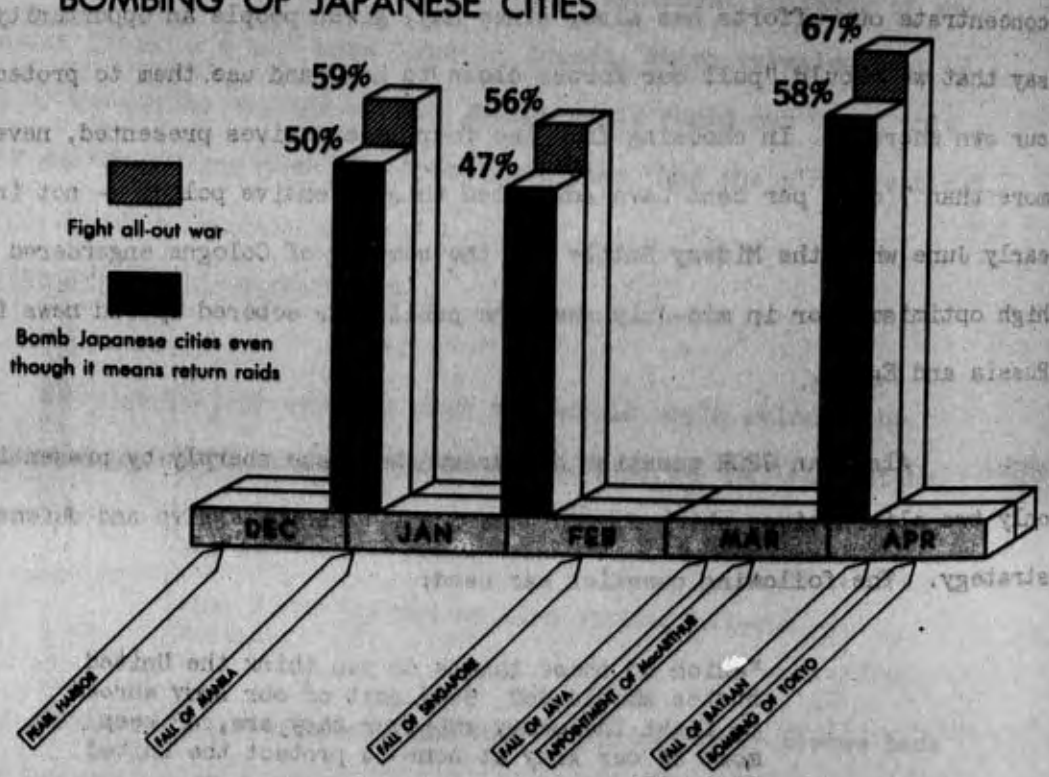
28 per cent in March
25 per cent in June
24 per cent in July

1 percent wanted to withdraw from the Far East and make peace with Japan.
 A percent wanted to withdraw to Hawaii, Alaska and our own Pacific Coast and let the Japs carry the war to us.
 88 percent wanted to keep fighting an all-out war against the Japs wherever we can possibly attack them, and 7 percent were uncertain.

Percentage saying

CHART XII

WE SHOULD FIGHT AN ALL-OUT WAR INCLUDING THE BOMBING OF JAPANESE CITIES



the results showed that a consistent larger percentage, but still a minority, favored this aggressive strategy, and this minority has tended to decline in recent months.

26 per cent in March
 22 per cent in June
 24 per cent in July

On the other hand, the percent who want to send most of our Army abroad has risen from 55 to 61 per cent in the same period. And of course, the minority included many who favored carrying the attack to the enemy even though they were unwilling to devote the major share of our forces to the task.

The public has also not advocated pulling our punches in the war against Japan, even though we might suffer hard blows in return. They have, in fact, grown belligerently more in favor of all-out tactics. (Chart III)

In December, immediately after the outbreak of war, 59 per cent said "fight an all-out war including bombing of Jap cities". In late January and early February support for this policy dropped slightly to 56 per cent. But with the fall of Singapore and Java, attitudes toward Japan toughened, and support for all-out tactics jumped to 67 per cent. On each of these polls the fact that such offensive tactics might bring reprisal bombings of our own cities did not deter more than 11 per cent from an all-out attitude.

One reason why the all-out policy won support, however, may be the fact that comparatively few people have ever been very worried about the prospect of attacks on our own cities. In December people saw only slight danger of extensive raids on our west coast and even less danger of raids on the east coast. Fears increased slightly by March, but even then a large majority continued to discount the possibility of raids, and the bulk of those who did expect such attacks believed they would be "few and far between".

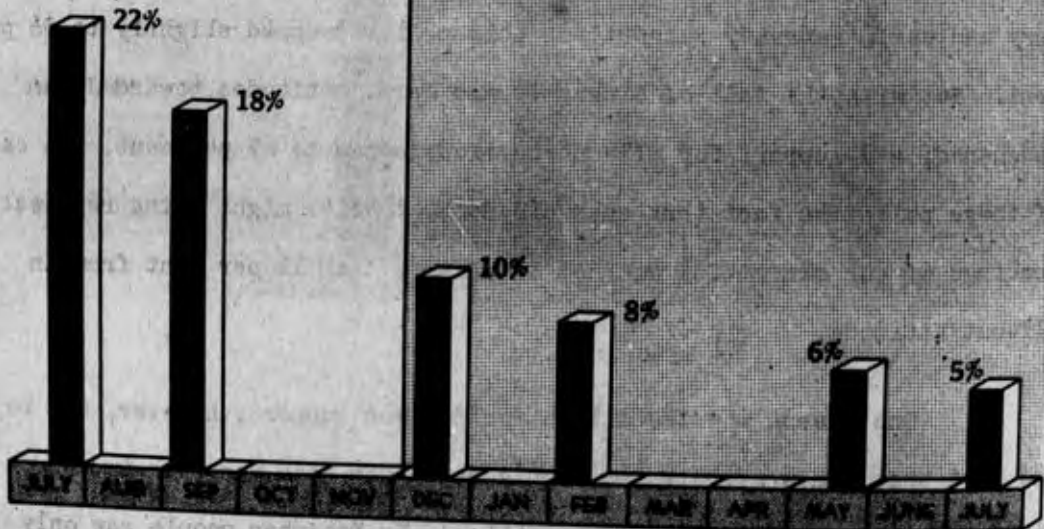
ARE YOU FOR A NEGOTIATED PEACE?

CHART XIII

BEFORE Pearl Harbor

QUESTION:

If peace could be obtained today on the basis of Germany holding the countries she has conquered so far, and Britain keeping the British Empire as it now stands, would you be in favor of such a peace?



	<u>On Pacific Coast</u>		<u>On Atlantic Coast</u>	
	<u>December</u>	<u>March</u>	<u>December</u>	<u>March</u>
Believes air raids are:				
Very probable	23%	25%	8%	12%
Only fairly probable	41	45	32	37
Not at all probable	25	18	48	37
Don't know	11	12	12	14

NEGOTIATED AND SEPARATE PEACE

Much of the foregoing evidence has indicated that the American people seem to be preoccupied mainly with the problem of how to fight a hard-hitting, winning war. They have apparently given little thought to the problem of how to make peace or come to terms with the enemy. Thus, during the last year — both before and after the outbreak of the war — American opposition to a negotiated peace has steadily stiffened. O P O R has used two different questions to measure this sentiment before and after the outbreak of war, but the general idea of the two seems close enough to allow qualified trend comparisons. These questions have been asked by O.P.O.R. over the past year.

(Before Pearl Harbor) "If peace could be obtained today on the basis of Germany holding the countries she has conquered so far, and Britain keeping the British Empire as it now stands, would you be in favor of such a peace?"

(After Pearl Harbor) "If Hitler offered peace now to all countries on the basis of not going any further, but of leaving matters as they are now, would you favor or oppose such a peace?"

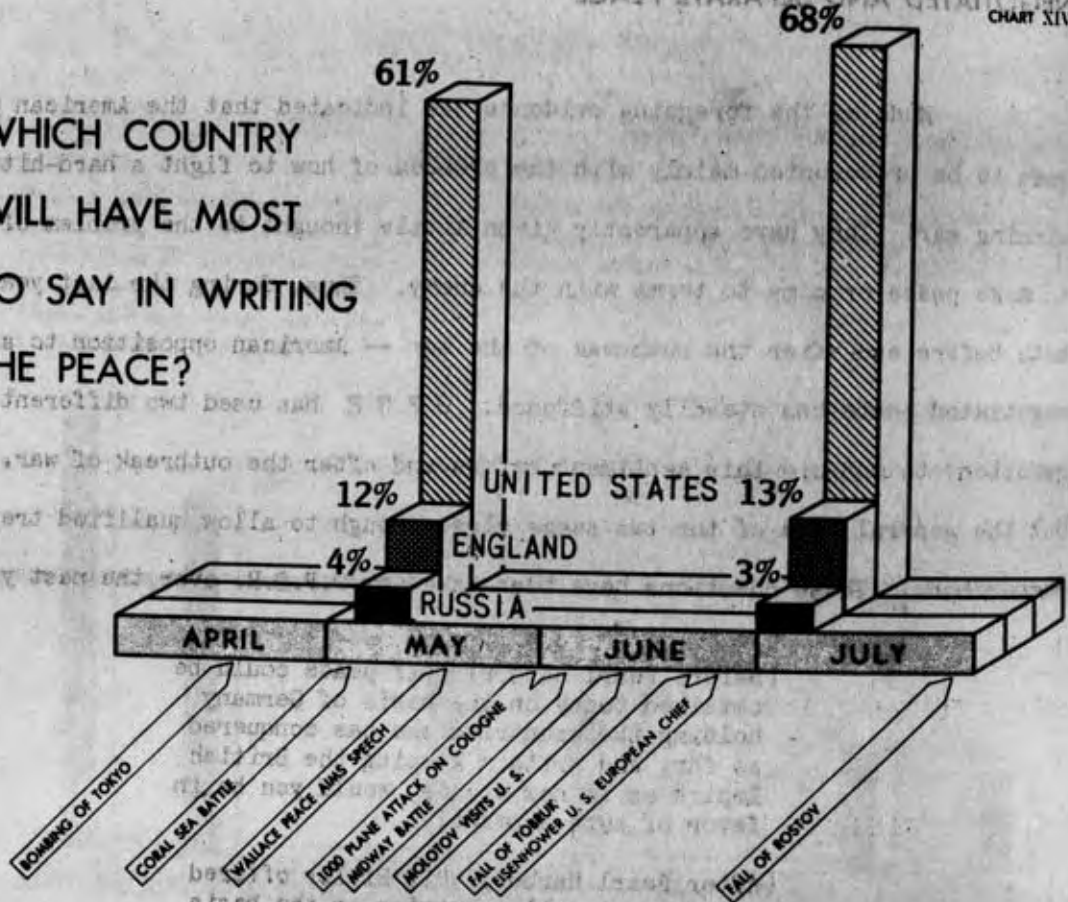
There was a continuous decline in sentiment for peace, from 21 per cent in July 1941, to 5 per cent in July 1942. (Chart XIII) These questions undoubtedly measure active, outspoken desire for peace at a fairly high price, rather than willingness to consider specious, plausible-sounding proposals

On Atlantic Coast		On Pacific Coast	
March	December	March	December
13%	8%	25%	23%
37	38	45	41
37	48	18	25
14	12	12	11

Believes Air Corps will
 Very probable
 Only fairly probable
 Not at all probable
 Don't know

NEGOTIATED AND SEPARATE PEACE
 CHART XIV

**WHICH COUNTRY
 WILL HAVE MOST
 TO SAY IN WRITING
 THE PEACE?**



There was a continuous decline in sentiment for peace, from 51 per cent in July 1941, to 5 per cent in July 1942. (Chart XIII) These questions undoubtedly measure active, outspoken desire for peace at a fairly high price, rather than willingness to consider specious, handsome-sounding proposals

with which the Nazis would surely clothe any peace offensive. But the drop in outspoken desire for peace at this high price has probably been accompanied also by a drop in willingness to consider proposals of any sort. It is also perhaps significant that other "trap" questions presenting such plausible-sounding peace proposals have rarely gained more than 10 or 15 per cent approval. Also interesting in this connection is the fact that in May 69 per cent of Americans believed that Germany would like to make peace with us on the basis of the status quo, which figure dropped to 55 per cent in July, after German summer campaigns had begun.

It should be realized, however, that this peace sentiment has been measured during a period when the average American has felt the impact of war very little, when U.S. casualties have been relatively light, and while confidence in the ultimate victory has been exceedingly high. Should Russia actually be forced to capitulate, or should some other catastrophe befall the Allies, it is conceivable that sentiment for a "negotiated victory" might increase.

The Peace Treaty and the Post-War World

When peace with victory does come, Americans think the United States will have the strongest voice in fixing the peace terms. (Chart XIV) In May a majority thought that this country would "have most to say in writing the peace treaty", and the vote increased in July. Those who did not mention the United States cited England more often than Russia as the country that would have the most to say.

Do you think the U.S. should have joined the League of Nations after the last war?

Since people's ideas regarding the length and difficulty of the war are changeable and uncertain, opinion concerning the kind of treaty to be made and the planning of the post-war world must be considered with much caution. Nevertheless, some current attitudes are worth noting.

There is evidence from polling in both February and July that while people differ widely in their recommendations for precise treatment of the Axis after an Allied victory, only about one-fourth of them would go so far as to advocate destroying them as nations.

The prospect of additional territory as a result of the war appealed to few Americans when they expressed themselves on this issue last February. A fifth thought we ought to get more territory than we had before the war if the Allies win, but most of these people wanted only strategically-located territories for military bases.

There are several indications that in the future the public wishes the United States to take a more active role in international affairs than it took before this war. In late August, 63 per cent of the public approved the idea of this country joining an organization of nations after the war.

Growing belief that we made a mistake by staying out of the League of Nations after the last war provides further evidence of the increase in internationalism among Americans. Almost exactly a year ago, Dr. Gallup's American Institute of Public Opinion, asked the following question. It was repeated by the Bureau of Intelligence on July 1st of this year, and again in late August. The group disapproving our past isolationism rose 10 per cent.

"Do you think the U.S. should have joined the League of Nations after the last war?"

	<u>July 30, 1941</u> (Gallup poll)	<u>July 1, 1942</u>	<u>Aug. 25, 1942</u>
Yes	37%	46%	47%
No	37	23	28
Don't know . .	26	31	25

Another measure of United States' willingness to participate more directly in world affairs in the post-war period has been obtained by the Office of Public Opinion Research at Princeton with a slightly different question:

"Which of these two things do you think the U.S. should try to do when the war is over: Stay out of world affairs as much as we can, or take an active part in world affairs?"

In January, and again in March, 72 per cent favored the United States taking an active role. This figure dropped slightly in mid-June (68%), but the majority in favor of international participation remained high.

September 12, 1942
9:29 a.m.

Randolph
Paul: Hello.

Operator: The Secretary's here now.

P: Hello.

Operator: Hello.

P: Hello.

HMJr: Hello, Randolph,

P: Yeah.

HMJr: Before you tell me anything - am I on the loud-speaker?

P: Do you want to be?

HMJr: Yeah.

P: All right, now. Stephens has just fixed it.

HMJr: Hello.

P: Yeah.

HMJr: Am I making a record?

P: He - he fixed the record.

HMJr: I had Harry Byrd for lunch yesterday.

P: Who?

HMJr: Byrd.

P: Yeah - yeah.

HMJr: Harry Byrd.

P: Yeah. He talked to me about it late yesterday afternoon.

HMJr: Now, there were two things that he made - points - that he may have told you. One was that the public has never been told that on the Rural plan they only got three votes from the committee.

-2-

P: Yeah.

HMJr: And those three votes were on - were the Subcommittee that heard him.

P: That's right.

HMJr: Well, why - why couldn't the public know that?

P: Well, I don't see why we revived the Ruml plan now - it's - it's completely dead as far as I can see.

HMJr: Well - well, why weren't they told that at the time of the vote?

P: They were. It was in - it was in the papers.

HMJr: What?

P: It was in the papers.

HMJr: I never saw it. Well, anyway, so much for that. Now, then he said, that plan that you tried to explain to me during the lunch hour

P: That's right.

HMJr: the fifteen per cent

P: That's right.

HMJr: and the reduction this year in taxes

P: Yeah.

HMJr: now he says, "You only lost out on that by one vote".

P: That's right. And the - we only lost at that because some of the people on that side that are against the gross tax, didn't get together.

HMJr: Right. And his plea was that you revive it.

P: Yeah. Well, he - he made that plea to me yesterday afternoon.

HMJr: Well, I just wanted to pass it along.

P: Yeah. Well, I think he's going to - he's going - he asked me how I thought it ought to be done,

- 3 -

and I said, "Well, just the way the 'depletion' boys got their job done. You ought to be in the back room a little bit with some of these fellows".

HMJr: (Laughs)

P: And he said, well he'd - he was going to do what he could over the week-end that way, and I said, "Well, I think you certainly better talk to Senator George about it, because you're - you're against his plan, and he's your Chairman, and - and certainly we wouldn't want to do anything to offend him".

HMJr: No. Well, he said it was the first time he ever voted against George.

P: That's right. And he'd said at the time that he felt badly about it, and I - I wanted him to be sure to go to George, because I didn't want to be in the position of plotting against George.

HMJr: No. Well, so much for that. Now, where are - who's all with you?

P: Well, ah, Roy and Griswold, and Danny Bell just came in the room.

HMJr: All right. Isn't - isn't Kuhn there?

P: No, Kuhn isn't here. Do you want me to send for him?

HMJr: Yeah. I - I thought that - yeah. I thought that Kuhn and Gaston were going to be there. I told them to be.

P: Well, I didn't hear anything about that, but we'll send for them.

HMJr: All right.

P: Any - anybody else?

HMJr: No. Now

P: (aside: Kuhn and Gaston)

HMJr: What?

P: I was telling Dan to get Gaston too.

HMJr: Mr. Griswold, have you got any ideas?

P: Well, Griswold's still thinking the thing over. Do you want to talk with him?

HMJr: Yeah. I'd like to.

Edwin M. Griswold: Mr. Secretary.

HMJr: Yes.

G: This is Griswold.

HMJr: Good morning.

G: Why - you - I - I'm still trying to think about this.

HMJr: Yeah.

G: And - it - my thought was that as far as I was concerned, it would help me to try and - and get something down on paper.

HMJr: Good.

G: And, I had had in mind, I'm going to be in - in Cambridge on Monday

HMJr: Yes.

G: I had had in mind trying to write you a - a short concise letter on Monday, in which I - I put down my thoughts. You'd have it Tuesday morning.

HMJr: Fair enough. Well - well, let's let it go that way.

G: All right, sir.

HMJr: Now, while I've got Paul there, I'd like to know where we stand on the tax bill, as of this morning.

Randolph Paul: Well, yesterday we - yesterday we renewed the fight on - on another aspect of - of depletion, or rather intangible drilling expense. The Committee had asked us before to see if we

- 5 -

couldn't eliminate the double deduction

HMJr:

Yeah.

P:

.... involved in that - that item, and we worked out a way, and Stam agreed with us, and we went up on it, and we got licked again 12 to 6. And then afterwards, we were very careful to put it out - put the story out, and I think he'll see it in the TIMES this morning that - that we were trying to eliminate a double deduction. And - but anyway, we were beaten on it - 12 to 6.

HMJr:

Yeah.

P:

Even Barkley voted against us on this, although we got six votes. We got George.

HMJr:

Double deduction on what, Randolph?

P:

Depletion and the drilling expense.

HMJr:

Oh, yes. That's right.

P:

They really constitute a double deduction. We pointed that out before and when we went up on depletion this time, that aspect of it somewhat interested the Committee, and they voted against us on depletion, but asked us to check into the possibility of eliminating this double deduction. We did so, and - and we got a way, and Stam - even Stam went along with us. But it was the same old Guffey-lead gang and they voted us down - 12 to 6. But I wanted to get it out to the press, that it - that's what they were doing - allowing a double deduction, and I think you'll find that - that's the way the story is told in this morning's paper.

HMJr:

Yeah.

P:

Then in the afternoon, we had - we had a lot of technical things, but the principal thing we dealt with was mining-company relief. And we had a - Senator Johnson had a bill which gave away the kitchen stove, and we - we had a counter proposition which - which was reasonably liberal, as we ought to be, in connection with strategic metals and things that are really a part of the war effort, but

- 6 -

HMJr: Hold the wire a minute. My dog's scratching the door. Hold the wire a minute.

P: Okay.

HMJr: Hello. He almost knocked the door down. Hello.

P: Yeah.

HMJr: Have Gaston and Kuhn come in?

P: Yeah.

HMJr: Tell them that when I'm through talking with you, I want to talk to them, and Graves on

P: Graves too?

HMJr: Yeah. They might be having Graves in there. It has nothing to do with

P: Yeah, all right. They'll send - they'll start getting Graves now.

HMJr: All right.

P: Well, anyway, on this mining relief, we - we pretty well beat them down, and we've got a sensible provision now, instead of the Johnson amendment.

HMJr: I see.

P: I - the other things done yesterday were pretty - pretty much technical amendments. A few - now, we're - we're having a session this morning and I don't know what we're going to accomplish at it, and we're about cleaned up, except for things the Senators will bring up.

HMJr: Well, what about

P: But, I haven't done anything on outdoor advertising yet, because I don't know what the devil to do.

HMJr: Well

P: I mean - I can't go up there and say the President wants this. The

- 7 -

HMJr: Tell George.

P: I did tell him.

HMJr: Well

P: But - but, and I - I hate to tell - it's such a bad tax, that I hate to put the President in that light, but I - I think it would be better for me to take

HMJr: Well, just do the best you can on it.

P: Well, okay. I'll try it either today or Monday.

HMJr: Now, when are we going to talk about the five billion dollars extra that George said he wanted us to find for him.

P: Well, we have to have a plan first. We probably will - Roy - you better talk with Roy about that. Roy and Harry White's offices are working on one together.

HMJr: Well, they'd better show it to me Monday.

P: You want them to show it to you Monday.

HMJr: Well, or if they've got something

P: Okay. We'll - they'll have something Monday.

HMJr: And, it will have to be in tune with the statement that I gave out last night, because I'm not going to give out any more statements.

P: In tune with the statement that you gave out last night?

HMJr: Yeah. I mean

P: Okay. Well, I think I - I think that - that's pretty general anyway, isn't it? As I read it.

HMJr: Well just remember that - I mean - I - it has got to be in tune with that.

P: Okay.

HMJr: What?

- P: Okay. Well, I don't think there's any trouble with being in tune with that, because that statement was fairly general, and that statement mostly concerned itself with the maintenance of the voluntary plan, which of course is - is - which of course any compulsory savings would want to do.
- HMJr: Well, would you please read it, and let Blough read it too?
- P: Yeah, well - yeah, okay. (aside: wants you to read the statement of this morning.) Okay.
- HMJr: And, if you're going to have a plan, let - let people like Gaston and Graves, White, and Kuhn have a look at it - before I see it.
- P: Yeah. Gaston and Graves, and White - well - White will be working on it, and Kuhn, and Danny Bell too.
- HMJr: And Danny Bell. I almost forgot Danny - he's so quiet.
- P: Yeah. Well, he - he certainly will get a look at it.
- HMJr: Okay. Before I see it though, but as I say, I - then I'll be down Monday.
- P: Well, I - they may not get it in shape to show it to these people until Monday morning, but I'll see.
- HMJr: Okay. Now
- P: Who do you want to talk with now?
- HMJr: Is Graves there?
- P: Yeah.
- HMJr: Well, I'll excuse you tax fellows, but I'd like Bell and Gaston and Kuhn and Graves - I want to talk to them about War Bonds.
- P: Okay. Just a second. (aside: he wants to talk to you four fellows - you three and)

Harold Graves: Good morning, sir. This is Graves.

HMJr: Hello, Harold. I've seen the N. Y. TRIBUNE

G: Yes.

HMJr: and they carried the statement on the front page.

G: Yes, I saw that.

HMJr: I can't find it in the TIMES.

G: Yes, it's in the TIMES - in the tax story.

HMJr: Oh - in full?

G: Your statement is in full in the TIMES.

HMJr: Good.

G: And also some parts of the Patterson statement which was carried in full in the TRIBUNE.

HMJr: Patterson?

G: Yes, Patterson made a statement, too.

HMJr: I see.

G: I thought we got pretty good - pretty good coverage on that.

HMJr: How did we do on the radio?

G: I - I don't know how we did on the radio.

HMJr: Check up and let me know, Monday?

G: I will.

HMJR: And - were you able to do any or all of those suggestions I made.

G: Every one.

HMJr: Good.

G: We - we sent the - we sent the administrators a full text of your statement, with the comments

- 10 -

as you suggested. We sent the full text of your statement to the Federal Reserve Banks - Mr. Bell did that. We have sent to the Government Printing Office - we sent it last night - the text of your statement to be reproduced on your letterhead over your facsimile signature, and I expect we may get delivery of that today or certainly not later than Monday. We did everything. Mr. Gamble has arranged with the motion picture people to have that - substantially the text of the statement - in the newsreel. As I understand it, Cagney is to talk it, as having a message which has been received from you.

HMJr: Uh - huh. All right.

G: Yes, I think it's very good.

HMJr: And to the FDIC banks?

G: Well, they will receive copies of this facsimile statement, you see?

HMJr: When will that come from the printer?

G: Well, as I said, either late today or Monday.

HMJr: I see.

G: We - at least, that's the promise I had last night. I haven't checked into it this morning. We intend to get an addition of about 350,000 and send them to all our committee people, as you suggested, and to the banks, and I think we might send it also to our list of corporations having the Payroll Savings Plan.

HMJr: Good. Good. You feel better this morning?

G: I feel fine, thank you. We spent the evening last night, until all hours, talking with Patterson and Nevil Ford and Bayard Pope about the New York situation.

HMJr: What's that - what's their trouble?

G: Well, they're still worried about this Victory Fund Committee thing, but I think we can straighten them out.

HMJr: Well, God, I've sent enough statements and telegrams

- 11 -

on that.

- G: (Laughs) Yeah. Yeah, I - I'm not worried about that. If there is any trouble there, it is only New York City. I mean, the rest of the country seems very complacent under the
- HMJr: Well, I think when you see Monday - the Victory Fund Committee go to work sending and selling these tax anticipation notes - they'll be busy.
- G: Yes. Yes.
- HMJr: That gives them a job that in no way concerns the War Savings Bonds, you see?
- G: Yes. Well, some day I'll tell you just what these great financiers of New York are talking about. It's nothing important.
- HMJr: What the great financiers are talking about?
- G: Yes.
- HMJr: Oh, I've listened to that for nine years.
- G: They don't have anything radical in mind, beyond abolishing the War Savings Staff and a few little details of that kind.
- HMJr: Well, ask Dan to tell you about this friend of his, Colonel Pope, who came in and was going to put three spies in my organization and tell me what to do.
- G: (Laughs) ~~---~~
- HMJr: Nobody was going to know that they were there.
- G: I suppose that's the brother of my Pope, isn't it?
- HMJr: I don't know.
- G: Yeah. I think it is.
- HMJr: They were going to put three fellows in there to tell Danny and me what to do - stay on the payroll of their companies, and they weren't to tell their employer what they were doing or anybody else, but just to tell me.

- 12 -

G: Yes. I think that would be wonderful.

HMJr: What?

G: I think that would be wonderful.

HMJr: (Laughs) What - I don't know - Danny sat there through the whole thing with a straight face. I don't know what he thought.

G: Well, he's smiling now.

HMJr: All right. Now, what else?

G: That's all I have. Mr. Gaston and Dan and Ferdie are here. Would you like to speak to any of them?

HMJr: Only if they've got some brilliant ideas.

G: They seem to me to be full of them.

HMJr: All right.

G: I think that - I think that they have nothing.

HMJr: We have sunshine troubles up here.

G: Oh, you do? Is the sun shining up there?

HMJr: Well, that's the trouble.

G: Oh, well, that's too bad. We're - we're fortunate down here. It seems to be on the verge of raining.

HMJr: Yeah. That's the trouble. We've got all the MacIntosh on the trees

G: Yeah. Dan says so we can work all day here.

HMJr: (Laughs) I see. All right. Well, I - there's nothing - nobody else? I - I think that was a good statement.

G: Why, it was a swell statement. I think it was fine.

HMJr: I - my only regret is, that it took - you fellows thought it would take six of you to sell it.

- 13 -

G: Yeah. Well, I feel awful bad about that, but

HMJr: Yes, the hell you do

G: (Laughs) Anyway, we've sold it, and maybe the end justified the means.

HMJr: I don't know. If - if that's the way to sell it, come in with a steam roller.

G: (Laughs) Yeah. Well, we feel very good down here today.

HMJr: Well, that's the main thing.

G: Yes, sir.

HMJr: You see, I'm such an easy fellow to sell something to.

G: Yes. Well, you had a lot of good salesmen yesterday.

HMJr: I can think of everything - because Callahan got it on the radio, and you might check up with him.

G: Yes, we're going to, and I'm - we'll let you know Monday.

HMJr: Right. Now if I could have my operator

G: Yes, sir.

Operator: Operator.

HMJr: George Buffington.

Operator: I'm sorry. I can't hear you, Mr. Morgenthau.

HMJr: George Buffington.

Operator: Yes, sir.

SEP 1 1942

SECRET**MEMORANDUM**

TO: James S. Knowlson
 Milo Perkins
 J. V. Forrestal
 E. R. Stettinius, Jr.
 H. L. Vickery
 R. F. Patterson

FROM: Hale T. Shenfield
 Executive Secretary

Attached you will find the following statistical reports for the Joint War Production Committee revised to September 1:

1. Contracts with War Supplies Limited by Months
2. War Supplies Limited Contracts Classified by Type of Munitions Ordered
3. The Value of Canadian Munitions Production
4. Analysis of Canadian Program by Type of Munition
5. Record of Deliveries: War Supplies Limited Contracts
7. Changes between August 1 and September 1 in the Canadian Munitions Production Program
6. Classification of Canadian Munitions Production by Country of Purchase

We do not have the figures as yet for report No. 6, but expect to have this report available very soon and will send it to you.

HTS *H28*

cc: Mr. Currie
 Brig. General Harrison
 Commander Straus
 Mr. Taub
 Mr. Coe

✓ Secretary Morgenthau
 Mr. White
 Mr. Nathan

Secret

REPORT NO. 1
(September 10, 1942)

Secret

CONTRACTS WITH WAR SUPPLIES LIMITED IN AUGUST, 1942

<u>Item</u>	<u>Quantity Ordered</u>	<u>Value</u>
Minesweepers, Algerine Class	15	\$19,125,000.00
Marine Engines	20	1,958,190.00
Nickel Matte	--	1,957,580.41
Shells, 2-Pdr. Q.F., H.E.	360,000	1,800,000.00
Fairmile Vessels	8	960,000.00
Coleman Lamp Parts	--	139,465.98
Miscellaneous Items & Corrections		<u>272,208.54</u>
<u>Total August Contracts</u>		<u>\$26,212,444.93</u>

SUMMARY OF REPORT NO. 1 TO AUGUST 31, 1942

1941: To June 30	\$28,005,168.55
July	31,508,048.67
August	82,792,761.99
September	16,752,199.25
October	57,993,118.96
November	6,429,056.99
December	<u>5,228,988.62</u>
<u>Total for 7 Months, June to December:</u>	<u>\$228,709,345.03</u>
1942: January	22,290,717.17
February	26,643,349.03
March	144,838,673.77
April	55,478,635.24
May	57,856,599.29
June	207,820,550.37
July	57,777,181.35
August	<u>26,212,444.93</u>
<u>Total for 8 Months, January to August:</u>	<u>\$608,918,151.15</u>
<u>GRAND TOTAL TO AUGUST 31, 1942</u>	<u>\$837,627,494.18</u>

Secret

REPORT NO. 2
(September 10, 1942)

Secret

WAR SUPPLIES LIMITED CONTRACTS DURING AUGUST CLASSIFIED
BY TYPE OF MUNITIONS ORDERED

<u>Summary</u>	
<u>Subcommittee</u>	<u>Total to August 31, 1942</u>
Mechanization & Mechanical Transport	77,600,619.28
Tank	527,500.00
Guns	111,218,696.96
Shell	146,623,557.80
Small Arms Ammunition	37,933,447.00
Chemicals & Explosives	10,575,153.50
Merchant Shipbuilding	160,101,655.88
Naval Shipbuilding	20,080,000.00
Airplane	172,331,877.84
Communications & Fire Control	67,333,324.65
Unclassified	33,270,711.27
<u>GRAND TOTAL TO DATE</u>	<u>3837,601,544.18</u>

Items Ordered in August, 1942

<u>Item</u>	<u>Value</u>
MECHANIZATION & MECHANICAL TRANSPORT TANK) No Contracts in August
<u>GUN:</u>	
<u>Revaluation on earlier contract:</u>	
2" Bomb Thrower, Mark II	<u>278,750.00</u>
<u>SHELL:</u>	
2-Pdr. Shells, Q.F., H.E.	<u>1,800,000.00</u>
<u>SMALL ARMS AMMUNITION:</u>	
Subtract Revaluation on Earlier Miscellaneous Contracts	<u>- 18,052.00</u>
<u>CHEMICALS & EXPLOSIVES:</u>	
Miscellaneous	<u>19,050.00</u>
<u>MERCHANT SHIPBUILDING:</u>	
Marine Engines	<u>1,958,190.00</u>

- 2 -

Item	Value
NAVAL SHIPBUILDING:	
Algerine Class Minesweepers	19,125,000.00
Fairmile Vessels	<u>960,000.00</u>
	<u>20,085,000.00</u>
AIRPLANE:	
<u>Subtract Revaluation on</u>	
PT-23, F.W., Link Trainers & Other Contracts	<u>- 213,405.10</u>
COMMUNICATION & FIRE CONTROL:	
Support Stands for Range Finders	53,418.00
Miscellaneous	<u>11.24</u>
Add Revaluation on Miscellaneous Contracts	53,429.24
	<u>225.00</u>
	<u>53,654.24</u>
UNCLASSIFIED:	
Coleman Lamp Parts	139,465.98
Nickel Matte	1,957,580.41
Miscellaneous	<u>84,448.75</u>
Add Revaluations on Miscellaneous Contracts	2,181,495.14
	<u>67,762.65</u>
	<u>2,249,257.79</u>
GRAND TOTAL -- August, 1942	<u>\$ 26,212,444.93</u>

- Joint War Production Committee -

Secret

REPORT NO. 3
(September 8, 1942)

Secret

THE VALUE OF MUNITIONS PRODUCTION IN CANADA AND THE UNITED STATES

Total Munitions Program (Unit - Million Dollars)

UNITED STATES

CANADA

Actual Schedule:

1941: First Quarter	1,200.	133.5
Second Quarter	1,530.	165.2
Third Quarter	1,910.	183.3
Fourth Quarter	2,740.	243.4
<u>Total 1941:</u>	<u>7,380.</u>	<u>725.4</u>
1942: First Quarter	4,613.	352.4
Second Quarter	7,594.*	449.6

Forecast Schedule:

Third Quarter	11,909.	569.1
Fourth Quarter	15,818.	653.4
<u>Total 1942:</u>	<u>39,934.</u>	<u>2,024.5</u>
1943: First Quarter	17,502.	703.7
Second Quarter	19,123.	753.0
Third Quarter	19,878.	790.5
Fourth Quarter	20,596.	812.9
<u>Total 1943:</u>	<u>77,099.</u>	<u>3,060.1</u>

* June is Forecast.

- Joint War Production Committee -

Secret

REPORT NO. 4
(September 10, 1943)

Secret

ANALYSIS OF CANADIAN PROGRAM BY TYPE OF MUNITION

Item	(Percentage of Total)				
	1941	1942		1943	
		First Half	Total	Fourth Quarter	Total
Merchant Vessels	4.1	7.1	7.5	6.2	6.6
Naval Vessels	7.2	4.7	4.1	22.7	2.8
Aircraft Production and Overhaul	12.9	13.3	11.9	17.8	15.1
Automotive Vehicles	25.5	19.6	17.8	12.9	15.8
Armored Fighting Vehicles	2.7	7.7	9.0	10.2	10.7
Guns (Field A.A. & Naval)	1.5	5.3	7.7	10.5	10.9
Machine Guns & Small Arms	1.2	1.9	2.4	2.7	2.7
Small Arms Ammunition	2.0	2.0	2.2	5.4	4.8
Shells, Cartridge Cases, Primers, Fuzes & Bombs	10.9	9.8	9.5	7.8	8.3
Chemicals, Explosives and Filling	6.8	5.8	4.9	3.6	3.8
Miscellaneous	25.2	22.8	23.	20.2	20.5
<u>Total</u>	100.0%	100.0%	100.0%	100.0%	100.0%
	(\$805.9)	(\$891.2)	(\$2249.5)	(\$903.2)	(\$3400.1)

Item	(Percentage of Total)			
	Canada		United States	
	1942	Fourth Quarter 1943	1942	Fourth Quarter 1943
Armored Fighting Vehicles	9.	10.2	7.1	9.0
Aircraft	11.9	17.8	23.2	33.2
Merchant Ships*	7.5	6.2	5.8	5.6
Naval Ships	4.1	2.7	15.2	9.0
Guns and Ammunition	21.8	26.4	30.3	30.3
Other	45.7	36.7	18.4**	12.9**

* Includes Army Transports

** Includes Signal Equipment, Motor Vehicles (non-Combat), and all other supplies.

Secret

REPORT NO. 5
(September 10, 1942)

Secret

RECORD OF DELIVERIES DURING AUGUST: WAR SUPPLIES LIMITED CONTRACTS

The value of deliveries on War Supplies Limited Contracts for the month of August 1942 is approximately \$29.0 million. This compares with a figure of roughly \$38.8 million in July, 1942.

Delivery of Selected Canadian Munitions Items to U.S. During August, 1942

<u>Item</u>	<u>Deliveries In August</u>	<u>Cumulative Deliveries to August 31</u>	<u>Total U. S. Orders</u>	<u>Percent of Order Delivered to August 31</u>
Universal Carrier	81	2,792	12,854	21.7%
40 mm Anti-Aircraft Barrels	724	4,312	18,798	22.9%
40 mm H. E. Shells		1,177,625*	3,000,000	39.2%
6 Pdr. A. P. Shot	140,111	360,377	4,000,000	9.0%
Harvard AT-16 Airplanes	70	150	800	18.8%
Link Trainers	46	197	250	78.8%
3.7" AA Shells	109,752	955,567	1,200,000	77.9%
75 Smoke Shell C/R	46,001	224,008	1,700,000	13.2%
#19 Radio Sets	1,839	7,270		
2" Bomb Throwers, Mk II	808	4,268	30,091	14.2%
3.7" AA Barrels	160	1,930	2,400	80.4%
Lee-Enfield Rifles, Mk I	18,500	39,402	100,000	39.4%
Boys Anti-Tank Rifle	912	2,167	34,000	6.4%
6-Pdr. 7 Cwt. Guns, Mk II	150	501	1,000	50.1%
6-Pdr. 7 Cwt. Carriage, Mk II	16	16	500	3.2%
37 mm. S.A.P. Shot	104,998	266,479	500,000	53.5%
2" Smoke Bombs	54,000	170,010	1,000,000	17.0%
Bren Machine Guns	0	5,904	16,800	35.1%
.303 Ammunition	31,733,888	110,576,098	405,120,000	27.3%
2-Pdr. A.T. Equipment	6	256	360	71.1%
4.5" H.E. Shells	116,445	344,363	852,000	40.4%
5.5" H.E. Machined Shells	1,400	3,000	3,000	100.0%
Universal Bomb Carriers	470	3,522	10,152	34.7%
Hexachlorethane	2,246,000	7,273,040	9,064,110	80.2%
2-Pdr. V.F. Cartridges	44,811	486,261	1,540,000	31.6%
Radar Equipments	20	45	45	100.0%
Boys A.P. Shot, .55 Calibre	4,960	4,960	57,013,500	**
.303 Tracer Shells, A.P.	179,712	179,712	75,180,000	**
6-Pdr. 7 Cwt. J.F. Shells	15,000	15,000	15,000	100.0%

* No Previous Figure Available.

** Negligible.

Secret

REPORT NO. 7
(September 10, 1942)

Secret

Changes between August 1st and September 1st in the Canadian
Munitions Production Program

Changes in the Canadian munitions program in the past month are recorded below. The most notable revisions have to do with the Bren Gun, the Sten Machine Carbine, and Boys Armor Piercing Shot. Otherwise, changes simply reflect delays in production.

Table A.

Selected Items for which Schedules have been Increased
Between August 1st and September 1st.

<u>Item</u>	<u>Production Schedule for 1943</u>	
	<u>August 1st</u>	<u>September 1st</u>
Bren Machine Gun	54,000	81,250
Sten Machine Carbine	30,000	114,000
G. L. Sets	720	864
5 $\frac{1}{8}$ " H. E. Shell (000's)	660	720
.55 A. P. Shot (000,000's)	38	66.5

Table B.

Selected Items for which Schedules have been Decreased
Between August 1st and September 1st

<u>Item</u>	<u>Production Schedule for 1943</u>	
	<u>August 1st</u>	<u>September 1st</u>
DH-98 Twin-Engine Fighter Bomber	1,028	903
Cornell Primary Trainer	1,700	1,440

- Joint War Production Committee

Secret

REPORT NO. 8
(September 10, 1942)

Secret

CLASSIFICATION OF CANADIAN MUNITIONS PRODUCTION BY COUNTRY OF PURCHASE
The Value of Canadian War Production Program, August 1942

.....Q u a r t e r s.....
First Second Third Fourth

Percentage of United States Orders to Total Program

To December 31, 1940 0

1941	0.	.1	2.8	4.6
1942	9.	18.1	22.3	22.4
1943	22.1	26.9	27.6	25.7

Percentage of Canadian Orders to Total Program

To December 31, 1940 53.4

1941	47.3	35.4	48.6	42.6
1942	38.7	35.3	38.5	41.8
1943	44.7	37.1	34.8	35.0

Percentage of United Kingdom and Other Orders
to Total Program

To December 31, 1940 46.6

1941	52.7	64.5	48.6	52.8
1942	52.3	46.6	39.2	35.6
1943	33.2	36.0	37.6	39.3

- Joint War Production Committee -



BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 8000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose Statement No. 50 - Aircraft Despatched
- for week ended September 8, 1942.

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

September 12, 1942.

MOST SECRET

STATEMENT NO. 50

AIRCRAFT DESPATCHED FROM THE UNITED STATES
WEEK ENDED SEPTEMBER 8th, 1942.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DEPT FOR USE IN CAN.
<u>CONSOLIDATED</u>					
P BY 5B	U.K.	Canada en route		13	
<u>FAIRCHILD</u>					
Gornell PT 26	Canada	Canada			6
<u>CURTISS</u>					
Kittyhawks	Middle East	Port Sudan		10	
<u>LOCKHEED</u>					
A 28 Hudson VI	U.K.	U.K.		7	
A 28 Hudson VIA	Middle East	Middle East		1	
Ventura	South Africa	South Africa		3	
Ventura	Canada	Canada			1
Ventura	U.K.	U.K.		4	
<u>GLENN MARTIN</u>					
B 26A Marauder	Middle East	Middle East		4	
<u>NORTH AMERICAN</u>					
Mustang	U.K.	U.K.		1	
<u>NORTHROP</u>					
Vengeance	India	Bombay		10	
TOTALS			21	32	7

BRITISH AIR COMMISSION
Sept. 12, 1942.

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

September 12, 1942

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

Dear Henry:

Attached is a memorandum of high-
lights of the latest British Ministry of Eco-
nomic Warfare meeting held September 11.

Sincerely,

WJ Donovan
William J. Donovan
Director

Highlights of the MEW Meeting of September 11

A reliable source who left Astrakhan on August 5, travelling from Vladivostock to Moscow, Kuibyshev, Stalingrad, Astrakhan and out through Persia, reports:

a. Volga shipping was being effectively bombed between Saratov and the Caspian and navigation was greatly reduced;

b. Machinery from important armament and industrial plants and damaged arms were being evacuated. Large quantities of oil which are stored at Stalingrad are being moved north on the river;

c. The trip by rail to Moscow from Vladivostock took 12 days and 38 hours from Moscow to Kuibyshev. There were no observations of congestion on the Trans-Siberian line.

In all, 18,000 motor vehicles were secured for Rommel by the German Commission for the Requisition of Motor Vehicles in North Africa, a large number of which came from France. The Commission has now completed its work.

Indications from aerial photographs are that Italian locomotives are being sent to Libya. Three German ships with cranes and hatches capable of handling locomotives are in the Mediterranean.

The Spaniards have yielded to German pressure for use of Bacchi ships in the Trieste-Piraeus run according to a C.X. report.

Flammkohle or Fettkohle are no longer to be used as fuel on Rhine barges in substantial numbers are being used on the Rhine for the transportation of coal.

Statements of two industrialists from the Cologne area agree:

a. That a claim for damages in the amount

SECRET

-2-

of 1.6 billion reichmarks resulting from the 1000 bomber raid has been accepted by the German Government.

b. 200,000 people in Cologne have been made homeless.

Shipments of iron ore to Germany from Sweden through July were 100,000 tons ahead of the shipments for the same period of 1941.

Additional material will follow with regard to this meeting.

SECRET

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL NO. 317

Information received up to 7 A.M., 12th
September, 1942.

1. NAVAL

NORWAY. Air reconnaissance 11th reported Pocket Battleship "VON SCHEER" and Cruisers "HIPPER" and "KOLN" in Altengfjord, West of North Cape. During night 10th to 11th our light forces had several engagements with enemy forces off the Dutch Coast during which a 2,000 ton merchant vessel was torpedoed and probably sunk. One of our motor gun boats was sunk and several sustained slight damage. The enemy suffered severe damage to an armed trawler and some E-Boats and R-Boats.

A Canadian Corvette was torpedoed in the mouth of the St. Lawrence River on the 11th.

2. MILITARY

MADAGASCAR: See OPTEL NO. 316.

3. AIR OPERATIONS

WESTERN FRONT. 10th to 11th. Dusseldorf. Amended casualty figures. 30 missing 5 crashed. 382 tons of H.E. and 318 tons of incendiaries were dropped, including 1,800 lbs. and 86 4,000 lbs. bombs. Good visibility and objective clearly indicated by well placed flares though observation of results was hampered by haze and smoke. A large part of the force successfully concentrated its attack and several very large fires were seen in the town. There were other scattered fires outside the target area. Intense searchlight activity and heavy A.A. fire around the objective which gradually diminished over the objective itself.

11th. A Wellington over the Bay of Biscay shot down one and damaged a second JU 88. A Spitfire which is missing probably destroyed a JU 88. One enemy

- 2 -

aircraft flew over Southern England at 46,000 feet and dropped a bomb at Parkstone, Dorset, killing five people.

EGYPT. 9th/10th. Tobruk Harbour was again bombed. A Wellington torpedoed a merchant vessel 50 miles off Derna.

RUSSIA. 9th/10th. Russian aircraft bombed Budapest, Berlin and Koenigsberg. 2 bombers are missing.

BRITISH MOST SECRET
U.S. SECRET

OPTTEL No. 318

Information received up to 7 A.M., 13th September, 1942.

1. NAVAL

ATTACKS ON SHIPPING. In the last three days (ninth to eleventh) ten ships were reported attacked by submarines. An outward bound convoy was attacked three times on 10th Sept. in the North Western Approaches, and two British ships (one a tanker), two Norwegian tankers and a Belgian ship were torpedoed. One British ship and two Greek ships in convoy were sunk in GULF OF ST. LAWRENCE on 7th. A Panamanian ship sunk in West Atlantic on 30th August and a Palestinian schooner shelled and sunk off the Coast of SYRIA on 7th September.

In home waters a British ship was damaged by aircraft in THAMES ESTUARY and a trawler was mined and sunk off East Coast.

2. MILITARY

MADAGASCAR. On the 11th the Ambanja Column was badly delayed by destroyed bridges. 11 were repaired during the day. The head of the column reached a point 20 miles north of AMBANJA. VOHEMAR was occupied without opposition. The column from MAJUNGA reached BETSIBOKA at 6 A.M. local time but found it damaged. Infantry crossed and secured a bridgehead, and the bridge is being repaired to take wheeled traffic. Operations continue satisfactorily.

RUSSIA. The Germans have reached the VOLGA south of STALINGRAD and now surround the city on its land side. In CAUCASIA the Russians are still resisting strongly on the line of the River TEREK though the Germans are making strenuous efforts to enlarge their bridgehead in the MOZDOK area.

3. AIR OPERATIONS

12th. A JU 86 was intercepted over WILTSHIRE by a Spitfire at 43,000 feet and was damaged. A JU 88 was shot down by a Beaufighter southwest of LANDS END.

RUSSIA. The German Air Force claim to have heavily bombed the STALINGRAD Front on the 10th and 11th.

EGYPT. 10th/11th. TOBRUK was bombed by 8 Halifaxes and 19 Wellingtons. 11th. Our fighters over the battle area shot down two enemy aircraft, probably destroyed two and damaged eight. Two of our fighters are missing. ME 109's machine gunned a landing ground and a military camp near CAIRO. Two of our aircraft were destroyed on the ground and 4 were damaged. One ME 109 was shot down.

BURMA. When our aircraft attacked AKYAB on the 9th strong Japanese fighter opposition was met. There had been no indications of enemy aircraft in this area for more than two months and it is evident that the Japanese are strengthening their air forces on the West Coast of BURMA and that greater activity may now be expected in this region.