

DIARY

Book 606

February 1 - 7, 1943

	Book	Page
Bernstein, Bernard		
See Occupied Territories: North Africa		
Board of Economic Warfare		
Minutes of meeting held January 14, 1943; discussion of shipping situation and gold mining industry - 2/2/43...	606	26
Bread		
See Inflation		
Buffalo, New York		
See Inflation		

Correspondence		
Mrs. Forbush's mail report - 2/5/43.....		120
Cuba		
See Latin America		

Farms		
See Financing, Government: War Savings Bonds .		
Financing, Government		
Federal Reserve operations in Government securities - 2/6/43.....		174
War Savings Bonds:		
Navy agrees to placing plaques in vessels to signalize purchase of bonds by States, counties, and cities - 2/2/43.....		25
Farm advertisements - 2/3/43.....		34
National Grange proposes bond repayable, principal and interest, in quarterly sums throughout life of bond; would further war effort and would be usable for mortgages, etc., at one and the same time - 2/4/43....		48
Pickens, William: "Who's Who" provided for Congress in connection with Dies Committee - 2/4/43.....		52
a) Discussed at group meeting - 2/8/43: See Book 607, page 1		
b) Speaker Rayburn-HMJr conversation: Book 607, page 23		
c) Sullivan conversation with Illinois Congressional delegation - 8/3/43: Book 607, page 186		
Payroll Savings Plan: Analysis as of January 30, 1943 - 2/5/43.....		113
Sales for first 5 days of December, January, and February - 2/6/43.....		172
Foreign Relief and Rehabilitation Operations, Office of		
North African purchases, January 25-31, 1943 - 2/1/43....		16
a) February 1-7, 1943: See Book 607, page 129		
b) February 8-14, 1943: Book 609, page 127		
c) February 15-21, 1943: Book 611, page 104		
France		
See Occupied Territories: North Africa (French Naval Mission in United States)		

Gold

See Board of Economic Warfare
" Occupied Territories

Inflation

See also Book 601

"Reduction of Excessive Profits in Fixing Price Ceilings" - Mikesell (Monetary Research) memorandum - 2/3/43.....	606	45-A
"Reduction of Prices and Profits" - Office of Price Administration memorandum - 2/4/43.....		45-C
Bread - how to lower price of: Haas memorandum - 2/4/43..		54
Likert report on Buffalo Survey - 2/6/43.....		128
Internal Revenue, Bureau of See Revenue Revision		

Latin America

Cuba: Wooden surface craft - construction of - memoranda and pictures concerning - 2/6/43.....		180
a) Welles-HMJr conversation concerning construction - 2/12/43: See Book 608, page 348 (See also Book 609, page 397)		
b) Nelson Rockefeller--HMJr conversation - 2/27/43: Book 612, page 178		

Lend-Lease

Report on operations, March 11, 1941--December 31, 1942 - 2/1/43.....		14
Report for week ending January 30, 1943 - 2/2/43.....		30
a) Report for week ending February 6, 1943 - 2/9/43: See Book 607, page 201		
Netherlands: Financial position discussed by representatives of Treasury and Netherlands Embassy - 2/1/43.....		18
Likert, Dr. See Inflation		

Military Reports

British operations - 2/1/43, etc.....		22, 33, 99, 101, 127, 202, 203
Office of War Information report (1/29/43).....		24

National Grange

See Financing, Government: War Savings Bonds

Navy Department

See Financing, Government: War Savings Bonds

Netherlands
See Lend-Lease
New York, Buffalo
See Inflation
North Africa
See Occupied Territories

- 0 -

Occupied Territories

Gold coin - use of: Correspondence between Oscar Cox and Treasury - 2/1/43.....	606	12
North Africa:		
FDR describes trip at Cabinet meeting - Bell memorandum - 2/5/43.....		102
a) Rate of exchange simplified by FDR himself		
1) Discussed by Treasury group: See Book 607, page 6		
Bernstein discusses situation with Stimson and McCloy (War Department) - 2/5/43.....		107
Bernstein's conference with Lehman reported in memorandum - 2/5/43.....		111
Bernstein reports on conference with Wallace - 2/5/43..		112
French Naval Mission in United States: Funds for discussed in draft of memorandum to FDR - 2/5/43.....		176
a) Knox-HMJr conversation - 2/11/43: See Book 608, page 89		
b) Bell memorandum after State Department conversation: Book 608, page 92		
c) Bullitt-HMJr conversation - 2/12/43: Book 608, page 299		
d) Bell-HMJr conversation: Book 608, page 301		
e) Conference; present: HMJr, Pehls, Heffelfinger, Bullitt, Luxford, General Bethouart, and Picot - 2/12/43: Book 608, page 309		
1) Heffelfinger memorandum for Bell: Book 608, page 324		
f) French North African authorities suggest using funds frozen in United States: Book 610, page 209		
Office of Economic Stabilization		
Minutes of Board meeting - 2/5/43.....		106-A
Office of Strategic Services		
Planning Group: First meeting set for February 11, 1943 - 2/5/43.....		178

- P -

Paul, Richard H. - Corporal
 See Ruml, Beardsley
Pickens, William
 See Financing, Government: War Savings Bonds
Plaques
 See Financing, Government: War Savings Bonds
Price Control
 See Inflation
Profits (Excess)
 See Inflation

- R -

	Book	Page
Rehabilitation		
See Foreign Relief and Rehabilitation Operations, Office of Research and Statistics, Division of Report for June 1942 - 2/4/43.....	606	68
Revenue Revision		
Internal Revenue Bureau publicity on income tax obligations - Sullivan memorandum - 2/1/43.....		3
Ruml, Beardsley		
Discusses his tax plan at the home of Corporal Richard H. Paul - 2/4/43.....		46

- S -

Shipping		
See Board of Economic Warfare		
Spain		
Policy of Combined Chiefs of Staff with regard to provision of supplies - 2/4/43.....		95
Stabilization Agreements		
Status on January 30, 1943 - 2/4/43.....		98
Stabilization Fund		
Gold transactions for January - 2/5/43.....		118
a) Quarterly reports in future instead of monthly.....		117

- T -

Taxation	
See Revenue Revision	

- U -

United Kingdom		
Chancellor of Exchequer's statement on reciprocal aid to be made in House of Commons submitted to Treasury for comment - 2/3/43.....		38

- W -

War Savings Bonds	
See Financing, Government	

February 1, 1943

Dear Mr. Secretary:

We had very satisfactory hearings last Friday morning in the House and Friday afternoon in the Senate for a period of about two hours each on the debt limitation. The Senate Committee voted the bill before we left the room, but in the House, Congressman Gearhart proposed an amendment to the debt bill which would repeal the \$25,000 limitation put on salaries by the President's Executive Order. It appears that he has enough votes in the Committee to approve such an amendment, so Chairman Doughton thought it would be well to delay the vote on the debt bill until possibly the end of this week or early next. Outside of this one amendment, there does not seem to be any opposition to the bill we submitted.

The sale of tax savings notes and United States Savings Bonds did not come up to expectations in January. We estimated that we would get \$800 million in tax savings notes, whereas we only got \$430 million; we estimated \$1,600,000,000 in savings bonds and we got \$1,240,000,000, of which \$815 million was for Series E, \$77 million for Series F and \$348 million for Series G. There were offsetting items on the expenditure side due to the fact that war expenditures, estimated at \$6,200,000,000 only reached \$5,946,000,000 and corporation expenditures estimated at \$385 million reached \$336,000,000. Receipts were up during the month approximately \$90 million, which together with other adjustments permitted us to close the month with a cash balance of slightly over \$6 billion as against our estimate of \$6,105,000,000.

I have already furnished you tentative figures on the \$2 billion certificate offering. We will get approximately \$2,211,000,000 in cash today from that offering and are redeeming \$1,588,000,000, giving us \$623 million of new money.

- 2 -

We are getting some publicity regarding the issuance of \$660 million Federal Reserve notes. Dr. Spahr, Secretary, Economists National Committee on Monetary Policy, issued a letter attacking the Treasury and Federal Reserve for having issued these notes, calling them illegal and inflationary and misrepresenting the situation all the way through the letter. He distributed a copy of this letter to every Congressman and Senator. I spent two hours before the Appropriations Committee week before last, a great deal of the time of which was taken up in discussing this subject, and I expected many questions on it from the Ways and Means and Senate Finance Committees. So far as the last two committees are concerned, I think they felt it was "much ado about nothing"; and they did not question me as much on it. We have had several letters on it, which we are now in process of answering. I think it is gradually dying a natural death.

I have called Secretary Stimson about your inspecting the airfield near Havana and he has had instructions sent to Colonel Lee Wade in Havana to contact you. This field is not completed, but is under construction with a Major Womack, Engineer Officer, in charge.

Paul is appearing before the Ways and Means Committee tomorrow to deliver his first tax statement. It covers the pay-as-you-go plan, and comments on the various ones that have been suggested. I am hoping that we can keep forced savings out of the picture. I believe he has discussed his statement with Eccles, Smith and at least Ben Cohen in Jimmie Byrnes' office. Jimmie hadn't gotten into it the last time I heard, but he may have passed on the final draft. Gaston has also been over the statement and has approved it.

Things here are moving along very nicely, except of course there is as usual too much work. Hope you have fully recovered.

Faithfully yours,

S/DAN

The Secretary,
Havana, Cuba.

DWB:NLE

MEMORANDUM

February 1, 1943.

TO: The Secretary
FROM: Mr. Sullivan

JLS

I am attaching hereto for your information and for your records an outline of the work the Bureau of Internal Revenue is doing this year to acquaint the taxpayers with their income tax obligations.

**MAILINGS TO OLD
TAXPAYERS**

On or about January 1, 1943, twenty-six million mailings were made, covering everybody who paid an income tax last year. These mailings included Form 1040 together with its pamphlet of instructions; and the Simplified Form 1040A. In this way, all old taxpayers were reminded of their forthcoming Income Tax obligation.

NEWSPAPER ARTICLES

Complete printed and bound pamphlets containing forty-three articles on every phase of Income and Victory Tax were sent to the 2,200 daily newspapers in the United States, together with a letter from the Commissioner of Internal Revenue to the managing editors of the newspapers suggesting that they use this material on a regular schedule as a service to the papers' readers. Millions of lines of this material have already appeared in the newspapers, and many more millions will appear before March 15th.

**WEEKLY NEWSPAPER
ARTICLES**

Nine special articles were prepared and mailed with a letter from the Commissioner to the editors of approximately 11,500 weekly newspapers. In these articles the tax explanations were put into non-technical language which would have a ready acceptance and understanding by ordinary taxpayers.

**ARTICLES FOR
LABOR PRESS**

The labor press, which consists of approximately 575 magazines and which covers practically the entire list of labor union members in the country, was supplied with two articles specially written from the labor viewpoint to be of interest to labor people. These labor papers also received nine other articles carefully selected for their labor interest from the forty-three articles appearing in the Bureau's pamphlet of press releases.

These labor paper articles were also accompanied by a letter from the Commissioner to the editors of the publications.

**ARTICLES FOR FARM
PUBLICATION**

Special stories were furnished to approximately 500 farm journals on the general subject of the Federal Income Tax especially as it affects the farmer.

- 2 -

**VICTORY TAX PRESS
RELEASES**

A number of special press releases on the subject of Victory Tax, discussing and clarifying various special questions arising from it, have been provided to the entire list of daily newspapers.

RADIO

The radio is certainly one of the most effective ways of reaching large masses of people quickly and effectively, and it has been and will be used very thoroughly in the Bureau's campaign of instructing people about the taxes due on March 15, 1943, and a year later.

Representatives of the Bureau of Internal Revenue are appearing in 15-minute programs on the Atlantic Network, which consists of twelve good stations between Boston and Washington. These programs have already begun and there will be five more of them before March 15th.

Mr. Sullivan made a 5-minute talk on the Victory Tax in connection with the Treasury Bond Wagon nation-wide hookup over the Mutual Network.

Mr. Sullivan made a 5-minute recording of a talk on the Victory Tax. These records were sent to approximately 925 radio stations all over the country. On the basis of last year's use of a similar record, it is probable that nearly 900 of these stations will use this talk sometime between now and the 15th of March, for a total of almost 75 hours on the air.

Toward the middle of February, there will be two or three mid-evening broadcasts on the nation-wide CBS hookup of 115 powerful top-rank stations. These programs will reach an estimated audience of 15 million people.

The Bureau of Internal Revenue has prepared and distributed sets of tax brevities and spot announcements which have been distributed to approximately 900 radio stations in all parts of the United States. In the aggregate, the time on the air given to these announcements will amount to many hours and the total audience will be in scores, and perhaps hundreds, of millions.

- 3 -

**INCREASE IN
COLLECTORS'
OFFICES**

To facilitate the filing of returns, the number of Collectors' offices and Division Offices has been increased from 94 to 448. The opening of these many new offices will relieve congestion and make first-hand and authoritative information more easily available to taxpayers.

**EXPANSION OF
BUREAU PERSONNEL**

The force of fully trained field deputy collectors of the Bureau has been increased from about 5600 to approximately 8000. During the filing period this expert staff is available to the general public, including taxpayers residing in both urban and rural areas. The revenue agent force of approximately 3700 is also available, making a total body of trained manpower of about 11,600 experts ready to give reliable, authoritative assistance to taxpayers.

**BUREAU EMPLOYEES
AT PLACES OF
EMPLOYMENT**

The various Collectors' offices will arrange with factories, and other places of employment which desire this service, to have competent and trained representatives on hand at certain specified and advertised times to help employees with their tax returns and to instruct them in tax matters. This same service will be available through banks. The great increase in the number of Collectors' offices and the Bureau's own trained personnel will make it possible greatly to increase this year this service to employees right at their place of employment.

The Bureau will arrange with Army Post Commandants for deputy collectors to assist military and naval personnel in the proper preparation of their returns.

In rural areas there will be travelling deputy collectors to provide authoritative tax help and their itineraries will be publicized through the daily and weekly papers and by notices posted in conspicuous places in post offices.

**OFFICES OPEN
AT NIGHT**

In accordance with its established practice, the Bureau will keep Collectors' offices open at night during the latter part of the filing period. This is a convenience to taxpayers which may especially benefit workers who are at work all during normal day-time office hours.

**SPECIAL RELEASES
ON VICTORY TAX**

To meet the large volume of inquiries occasioned by the novelty of the Victory Tax, the Bureau has already issued to the nation's newspapers four special releases discussing and explaining various phases of this tax. It is expected that additional news-column stories will be released for publication before March 15th.

**SPECIAL SERVICE
FOR ARMED FORCES**

To meet the many special problems that arise in connection with the armed forces, the Bureau has reviewed material prepared by the Army and Navy on the subject of Income Taxes to be distributed to their personnel.

**INSTRUCTION KITS
FOR LABOR UNIONS**

The Bureau has prepared sets or "kits" of official printed tax matter. These include the income tax Forms 1040 and 1040A; a poster describing the use of Form 1040A; printed matter explaining the Victory Tax; a folder telling what amount of tax is due on various amounts of income, depending on one's family status; other material pertinent to tax information; and suggested news releases.

These Kits are for distribution through the International Unions to all local unions in the United States. From early returns, it is estimated that approximately 30,000 of these kits will be put into the hands of local unions, for the instruction of union members by union officials, or persons designated by the unions for the duty of instructing their own members in their own union halls. These Kits were worked out with the collaboration of the Labor Management Division of the War Savings Staff.

**DIRECT MAIL
FOLDERS**

A folder, "Your New Income Tax" was prepared, showing the table of taxes payable on 1942 incomes, and weekly savings needed to meet them. It contained a message from Secretary Morgenthau, explaining the war-time necessity of these large taxes; an explanation of who must file an income tax return, and suggestions for regular saving so that payments may be met when due.

Approximately 53 million of these folders have been distributed in the United States. This included all employees of private industry in

- 5 -

firms employing eight or more; employees of States and school districts all over the United States; practically all Federal employees, municipal employees and county employees in the United States.

This folder was also distributed through the Victory Fund Committee to banks for the use of their depositors and customers. It has been distributed also through Credit Unions, Unions, and other organizations of many different kinds.

**INSTRUCTION BY
EDUCATORS**

The Bureau compiled a kit of tax-instruction material on the Income and Victory Taxes. This consists of official publications of the Treasury Department and Internal Revenue Bureau, and of specially prepared instructions, suggestions and newspaper releases. These kits were sent out to about 61,000 teachers and school superintendents in 38,500 schools in all parts of America. With them went the request that these schools establish tax clinics to which they were especially urged to invite taxpayers of the lower income brackets, so that they might be instructed in their tax responsibility and be given helpful advice about making out their returns.

The news releases enclosed with these kits, which will be distributed to local newspapers everywhere, will probably run into millions of lines of news space, all of it tending to inform taxpayers about their tax situation.

**PUBLICITY ON THE
SIMPLIFIED FORM**

The Bureau of Internal Revenue has sent out approximately 13,000 mailings whose purpose is to inform people through publications of various kinds about the use of the time-saving Simplified Form 1040A.

These mailings consist of a complete newspaper or magazine story about this form, explaining who may use it and how it saves its filers time, bother and perhaps money.

Also included in each mailing is a four-column mat. This can be used in practically any newspaper or magazine in the country. It explains at a glance the simplicity of this Form 1040A.

- 6 -

This mailing is to these publications:

Daily newspapers	1560
Weekly newspapers	7500
Labor papers	575
Business papers	800
House organs	2400

Judging by the enthusiasm with which a similar story was used last year, even when free mats were not furnished, it seems safe to believe that the printed tax stories derived from this source will be seen by scores of millions of people in the United States.

VICTORY TAX
CIRCULARS

The Bureau furnished every employer in the United States a printed circular containing a complete story of the employer's duty and responsibility in connection with the Victory Tax under the provisions of the Revenue Act of 1942.

VICTORY TAX POSTER
FOR BULLETIN
BOARDS

The Bureau of Internal Revenue has printed and distributed several million posters entitled "The Victory Tax - Notice to Employees". This explains the withholding of Victory Tax under the provisions of the Act, in such terms that the employees can understand it. There are probably more than a million of these now posted on factory and office bulletin boards, and considering the public interest in this tax, it is a reasonable assumption that each poster has been read by many workers and potential taxpayers.

BULLETIN BOARD
POSTER ON
FORM 1040A

There are now being distributed, to employers of eight or more, approximately 350,000 large, striking red-and-black posters showing the use of the Simplified Form 1040A. It makes absolutely clear, by the use of red ink, the ease with which this form can be filled out.

This poster starts with the words, "IF YOU EARN \$10 PER WEEK OR MORE YOU MAY HAVE TO PAY A FEDERAL INCOME TAX". It is hard to believe that any employees, where it is posted, will fail to see this poster and learn its story.

- 7 -

BILL-BOARDS

Through the generosity of Outdoor Advertising, Inc., the Treasury has been given a month's free use of 16,000 24-sheet poster panels (full-size bill-boards), covering every major market, in the United States.

A colorful and exciting poster will appear on these 16,000 boards. Its message is, "SMASH THE AXIS, PAY YOUR TAXES. Income Taxes due March 15th. File Early!"

Last year a similar showing of posters was estimated to have been seen daily 81,000,000 times, or during the period the posters were on the boards, a total of 2,028,000,000 times. While road traffic is considerably curtailed this year, still we have requested that these posters appear as much as possible on urban boards and at well-travelled points, and it is probable that this tax-reminder poster will be seen at least a thousand million times while it is on the boards.

MOVING PICTURES

Walt Disney has prepared for the Treasury a new version of last year's very popular Donald Duck picture, entitled "The Spirit of '43". This is in Technicolor, and is based exclusively on the necessity of paying taxes. It is planned to distribute it to perhaps 10,000 theaters, where it will be seen by an estimated audience of perhaps 20 to 30 million people.

LOCAL PUBLICITY

The Bureau knows from experience that during the weeks preceding March 15th, the Collectors and Deputy Collectors are besieged by local Chambers of Commerce, church groups, luncheon clubs, radio stations and newspapers for speeches and interviews about the Income Tax. The Bureau has provided its local officers with four specially prepared articles which can be used for these various occasions. A very considerable sum total of publicity is thus locally obtained.

GENERAL PUBLICITY

In addition to all the above special efforts, there has been and will continue to be a vast amount of general publicity, the result of which will be to make people of the United States tax conscious.

- 8 -

There have been and will continue to be millions upon millions of lines of news stories, editorials, feature articles, columns, boiler-plate releases, cartoons, brevities and boxes, all of them relating to the Income Tax. Congressional debate on tax measures; tax statements and arguments by individuals in public and private life; private discussion — all these have made taxes a matter of widespread public interest and discussion and have helped make our population acutely Income-Tax conscious. As a result of all the above, it seems probable that practically everybody who reads the newspaper, a labor journal, a farm paper or house organ — everyone who listens to a radio or goes to the movies, or sees bill-boards — who is publicly or privately employed — all these people will be pretty sure to be exposed several or many times to information about the Income and Victory taxes.

February 1, 1943.

Dear Mr. Cox:

This is in reply to your letter of December 21, 1942, addressed to Secretary Morgenthau, concerning the use of gold coin in occupied territories.

The coinage of United States gold coin and its use in occupied territories raises certain legal problems in view of section 5 of the Gold Reserve Act of 1934 (U.S.C. title 31, sec. 315b). However, we believe that there is legal authority for such action if it should be determined to be desirable as a matter of policy and that the use of United States gold coin in such areas will facilitate military operations.

It is our view that on the whole it is economically undesirable to use gold coin in occupied areas. As your letter implies dollar currency is held in the same high esteem and is as acceptable as gold coin. More important, the use of dollar currency is easier to control than gold coin in areas in which enemy influence may not have been completely eradicated. There is little danger from paper currency that may fall into enemy hands because of its ready identification. Gold coins, however, would be valuable to the enemy.

Our experience with dollar currency in North Africa justifies the conclusion that it is well-suited for use by American forces operating in occupied territories. There may, of course, be limited uses for gold coin for strategic purposes, particularly in the early stages of occupation, but its general use should not be encouraged where currency can serve equally well.

It should not be overlooked that gold coins are not allowed to circulate in this country, and we might be faced with severe criticism for providing a "better currency" for invaded areas than for the United States.

If you wish, we shall be glad to send you a memorandum discussing in greater detail the advantages and disadvantages of the use of gold coin in occupied territories.

Sincerely yours,

(Sgd) D. W. BELL

Under Secretary of the Treasury.

Mr. Oscar Cox,
The Assistant Solicitor General,
Washington, D.C.

EMB/JWG/grs
1/21/43

THE ASSISTANT SOLICITOR GENERAL
WASHINGTON

December 21, 1942

Dear Secretary Morgenthau:

If it has not already been done, what about the idea of the Treasury's minting some gold coins for use in occupied territories? American gold pieces used now and in the near future may have some interesting implications in the conduct of the war and after.

For the course of the war, the advantages of gold coin are obvious. If Europe should get to a common currency after the war, it may well be that it ought to be tied to the dollar. The people of Europe know the dollar and would doubtless rather have it than any other form of currency.

Sincerely yours,



The Honorable

The Secretary of the Treasury.

February 1, 1943.

Dear Mr. Stettinius:

In the absence of the Secretary, I am acknowledging the copy of your Report to the Congress on Lend-Lease Operations. I know that Mr. Morgenthau will be glad to have this publication and will bring it to his attention immediately on his return to Washington.

Sincerely yours,

(Signed) H. S. Klotz

nmc

H. S. Klotz,
Private Secretary.

Honorable Edward R. Stettinius, Jr.,
Administrator, Lend-Lease
Administration,
Washington, D. C.

GEF/dbs

Mr. Edward R. Stettinius, junior

**REPORT TO THE 78TH CONGRESS
ON LEND-LEASE OPERATIONS**

**From the Passage of the Act,
March 11, 1941, to December 31, 1942**

Submitted by
Edward R. Stettinius, Jr.
Lend-Lease Administrator

REPORT TO THE 78TH CONGRESS
ON LEND-LEASE OPERATIONS

From the Passage of the Act,
March 11, 1941, to December 31, 1942

Submitted by
Edward R. Stettinius, Jr.
Lend-Lease Administrator

CONTENTS

Chapter	Page
Letter of Transmittal.....	5
1. The Strategy of Lend-Lease.....	7
2. The Lend-Lease Program to Date.....	15
3. Lend-Lease and the War Fronts.....	34
4. Lend-Lease and Food.....	42
5. Reciprocal Aid.....	48
Appendix	
I. Lend-Lease Act.....	56
II. Public Law 23, 77th Congress, Section 3.....	59
III. Public Law 282, 77th Congress, Section 102... ..	60
IV. Public Law 474, 77th Congress, Section 303... ..	60
V. Public Law 763, 77th Congress, Title II.....	60
VI. Amounts of Lend-Lease Aid Authorized.....	61
VII. Executive Order Establishing Office of Lend- Lease Administration.....	64
VIII. Combined Boards.....	66
IX. Russian Master Agreement.....	70
X. Declaration by United Nations.....	74
XI. Reciprocal Aid Agreements.....	76
XII. British White Paper of September 10, 1941....	84
Index.....	87

CONTENTS

Chapter	Page
Letter of Transmittal.....	5
1. The Strategy of Lend-Lease.....	7
2. The Lend-Lease Program to Date.....	15
3. Lend-Lease and the War Fronts.....	34
4. Lend-Lease and Food.....	42
5. Reciprocal Aid.....	48
 Appendix	
I. Lend-Lease Act.....	56
II. Public Law 23, 77th Congress, Section 3.....	59
III. Public Law 282, 77th Congress, Section 102....	60
IV. Public Law 474, 77th Congress, Section 303....	60
V. Public Law 763, 77th Congress, Title II.....	60
VI. Amounts of Lend-Lease Aid Authorized.....	61
VII. Executive Order Establishing Office of Lend- Lease Administration.....	64
VIII. Combined Boards.....	66
IX. Russian Master Agreement.....	70
X. Declaration by United Nations.....	74
XI. Reciprocal Aid Agreements.....	76
XII. British White Paper of September 10, 1941....	84
Index.....	87

LETTER OF TRANSMITTAL

TO THE CONGRESS OF THE UNITED STATES OF AMERICA:

Under the authority vested in me by the Executive Order of October 28, 1941, and pursuant to the direction of the President, I am submitting herewith to the Seventy-eighth Congress, a report on operations under the Lend-Lease Act, from the passage of the Act, March 11, 1941, to December 31, 1942.

EDWARD R. STETTINIUS, JR.,
Lend-Lease Administrator.

WASHINGTON, D. C.,
January 25, 1943

Chapter 1
THE STRATEGY OF LEND-LEASE
THE LEND-LEASE ACT

The Lend-Lease Act was enacted by the Congress as a measure of national defense on March 11, 1941, nine months before the threat of Axis attack upon us materialized at Pearl Harbor. Full and lengthy public hearings and debates on the issues preceded passage of the law.

Recognizing the threat against us, the United States in substance affirmed that:

(a) It was essential to our security that all possible material assistance be furnished to those nations then fighting or threatened by the Axis.

(b) It was in our interest that the flow of weapons and other supplies furnished to promote the defense of the United States should not be interrupted by a lack of dollar exchange.

(c) Since aid was being furnished in our own defense and it was important to avoid the international debt experience of the last war, payment might be in kind or property or other benefits, rather than in dollars.

The name under which the Act has become known is derived from its wording, which authorizes the President "to sell, transfer title to, exchange, lease, lend, or otherwise dispose of" defense articles. Its statutory title is "An Act to Promote the Defense of the United States."

Under the Act, the President is authorized by Congress "in the interest of national defense" to procure and provide "defense articles" and "defense information" for the government of any country whose defense he deems "vital to the defense of the United States." Defense articles and defense

Chapter 1
THE STRATEGY OF LEND-LEASE
THE LEND-LEASE ACT

The Lend-Lease Act was enacted by the Congress as a measure of national defense on March 11, 1941, nine months before the threat of Axis attack upon us materialized at Pearl Harbor. Full and lengthy public hearings and debates on the issues preceded passage of the law.

Recognizing the threat against us, the United States in substance affirmed that:

(a) It was essential to our security that all possible material assistance be furnished to those nations then fighting or threatened by the Axis.

(b) It was in our interest that the flow of weapons and other supplies furnished to promote the defense of the United States should not be interrupted by a lack of dollar exchange.

(c) Since aid was being furnished in our own defense and it was important to avoid the international debt experience of the last war, payment might be in kind or property or other benefits, rather than in dollars.

The name under which the Act has become known is derived from its wording, which authorizes the President "to sell, transfer title to, exchange, lease, lend, or otherwise dispose of" defense articles. Its statutory title is "An Act to Promote the Defense of the United States."

Under the Act, the President is authorized by Congress "in the interest of national defense" to procure and provide "defense articles" and "defense information" for the government of any country whose defense he deems "vital to the defense of the United States." Defense articles and defense

information are defined to include all types of goods and services necessary for the waging of total war. The Act provides that "the terms and conditions under which any such foreign government receives any aid . . . shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory."

Lend-lease is not a loan of money. Nor has it ever been an act of charity. The lend-lease program of providing goods and services to nations resisting the Axis aggressors was undertaken for the defense of this country and has been carried out in the interests of the people of the United States. We have aided other peoples under lend-lease because their interests coincided with our interests.

LEND-LEASE BEFORE PEARL HARBOR

When the Lend-Lease Act was passed, there was still the possibility that by putting the full weight of our economic resources behind those countries fighting the Axis, the defeat of the aggressors might be secured before we ourselves were attacked. Pearl Harbor ended that possibility. The Axis attack upon us vindicated the wisdom of lend-lease policy.

By beginning the lend-lease program when we did, we greatly strengthened ourselves. We strengthened the nations whose fight was keeping Axis aggression from this hemisphere. We strengthened our inner defenses as well.

Great Britain, then standing alone, was assured of a continuous and mounting flow of arms and food from the United States. China, then in its fourth year of heroic resistance to Japan, was assured more American supplies over the Burma road. After the Soviet Union was attacked, lend-lease support was assured the Red armies then battling desperately before Moscow.

The process of industrial mobilization in this country was greatly speeded by operations under the Act. Lend-lease con-

tracts as well as lend-lease expenditures started the construction of many new factories and the conversion of existing facilities to war purposes. They furthered the expansion of our shipyards and stimulated the production of machine tools and munitions of all kinds.

Before December 7, 1941, over \$7,265,000,000 of lend-lease funds had been allocated for the manufacture of arms and ships, and nearly \$800,000,000 for new facilities. This stimulus to United States war production was in addition to British, French and Dutch munitions orders placed before the passage of the Act and totalling over \$3,000,000,000, paid for in cash. These orders in most cases called for the expansion or conversion of plants and shipyards. As a result of the lend-lease and cash orders, this country's capacity to produce arms on December 7 was far greater than it would otherwise have been. Factories and shipyards so built have since been turning out planes, guns, and ships for our own forces as well as for our allies.

LEND-LEASE AFTER DECEMBER 7



Strengthening the United Nations



Since December 7, lend-lease has become a still more important instrument for defeating the Axis.

The basic war strategy of the United Nations is to combine all their material and manpower resources in such a way as will achieve the maximum possible impact upon the enemy in the shortest possible time. Lend-lease is a principal means by which the United States combines a share of its material strength with the material strength and manpower of our allies in order to carry out this strategy.

When a General Sherman tank smashes through an Axis emplacement, the enemy is hurt just as much, whether the action is before Stalingrad or on the Axis flanks in Libya and Tunisia. An American-made fighter plane strikes effectively in the cause of the United Nations whether it is strafing the Japanese in occupied China or the Nazis in occupied France.

STATUS OF NATIONS (LEND-LEASE COUNTRIES AND UNITED NATIONS)

 UNITED NATIONS
DECLARATION SIGNED
 ELIGIBLE FOR
LEND-LEASE AID

 LEND-LEASE AGREEMENT
SIGNED
 RECIPROCAL LEND-LEASE
AGREEMENT SIGNED

ARGENTINA					INDIA				
AUSTRALIA					IRAN				
BELGIUM					IRAQ				
BOLIVIA					LIBERIA				
BRAZIL					LUXEMBOURG				
CANADA					MEXICO				
CHILE					NETHERLANDS				
CHINA					NEW ZEALAND				
COLOMBIA					NICARAGUA				
COSTA RICA					NORWAY				
CUBA					PANAMA				
CZECHOSLOVAKIA					PARAGUAY				
DOMINICAN REPUBLIC					PERU				
ECUADOR					PHILIPPINES				
EGYPT					POLAND				
EL SALVADOR					SOUTH AFRICA				
ETHIOPIA					TURKEY				
FIGHTING FRANCE					UNITED KINGDOM				
GREECE					UNITED STATES				
GUATEMALA					U.S.S.R.				
HAITI					URUGUAY				
HONDURAS					VENEZUELA				
ICELAND					YUGOSLAVIA				

The Declaration by United Nations, together with the original signatories, is printed in Appendix X. The Master Agreement signed with the U. S. S. R. is contained in Appendix IX. Lend-lease agreements with the following countries are identical with the Russian agreement: Great Britain, Belgium, Poland, Netherlands, Greece, Czechoslovakia, Norway, and Yugoslavia. In addition, Australia and New Zealand have accepted the same principles. Canada agreed to the principles set forth in Article VII of the Master Agreements in an exchange of notes with the United States, dated November 30, 1942.

American steel shaped by British machine tools into 25-pounder guns at a factory in the English Midlands adds to the total fire power of the armies fighting the Axis. The same is true of American tools machining Indian steel into shells in a factory in the Central Provinces of India.

American foods shipped abroad bring the day of victory closer by providing the calories necessary to sustain the energy and strength of those fighting our enemies, whether it be a Soviet soldier from Tiflis pushing forward against the Nazis through snow and ice—or a dockyard worker who went through the London blitz and is now unloading supplies for United States forces in Britain—or a British mother whose children are entrusted to a day nursery while she takes a man's place at a lathe in a shell-making plant.

Lend-lease supplies in the hands of the other United Nations serve the war effort of the United States.

War Effort of the United Nations

The United States is a major producer of arms and food for the United Nations. We have now the highest war production rate and our factories and farms are the most secure from seizure or destruction by the enemy. Nevertheless, only a small part of the weapons used up to now against the Axis have been of American make.



Until last spring, Great Britain, with one-third of our population and industrial capacity, was producing more armaments than we were. At the same time Britain also produced most of the arms required in the British Isles themselves. Soviet armies engaged in the greatest land fighting in this war have been supplied for 18 months chiefly with Russian-produced arms. More Nazi soldiers have been killed by Russian-made weapons since the beginning of the war than on all the other war fronts combined.



Canada, Australia, and India are also important United Nations war production centers, and many other countries provide great quantities of essential raw materials.

The supplies furnished so far by the United States have been important and in some cases decisive, but they have formed



STATUS OF NATIONS (LEND-LEASE COUNTRIES AND UNITED NATIONS)

 UNITED NATIONS
DECLARATION SIGNED
 ELIGIBLE FOR
LEND-LEASE AID

 LEND-LEASE AGREEMENT
SIGNED
 RECIPROCAL LEND-LEASE
AGREEMENT SIGNED

ARGENTINA						INDIA				
AUSTRALIA						IRAN				
BELGIUM						IRAQ				
BOLIVIA						LIBERIA				
BRAZIL						LUXEMBOURG				
CANADA						MEXICO				
CHILE						NETHERLANDS				
CHINA						NEW ZEALAND				
COLOMBIA						NICARAGUA				
COSTA RICA						NORWAY				
CUBA						PANAMA				
CZECHOSLOVAKIA						PARAGUAY				
DOMINICAN REPUBLIC						PERU				
EQUADOR						PHILIPPINES				
EGYPT						POLAND				
EL SALVADOR						SOUTH AFRICA				
ETHIOPIA						TURKEY				
FIGHTING FRANCE						UNITED KINGDOM				
GREECE						UNITED STATES				
GUATEMALA						U. S. S. R.				
HAITI						URUGUAY				
HONDURAS						VENEZUELA				
ICELAND						YUGOSLAVIA				

The Declaration by United Nations, together with the original signatories, is printed in Appendix X. The Master Agreement signed with the U. S. S. R. is contained in Appendix IX. Lend-lease agreements with the following countries are identical with the Russian agreement: Great Britain, Belgium, Poland, Netherlands, Greece, Czechoslovakia, Norway, and Yugoslavia. In addition, Australia and New Zealand have accepted the same principles. Canada agreed to the principles set forth in Article VII of the Master Agreements in an exchange of notes with the United States, dated November 30, 1942.

American steel shaped by British machine tools into 25-pounder guns at a factory in the English Midlands adds to the total fire power of the armies fighting the Axis. The same is true of American tools machining Indian steel into shells in a factory in the Central Provinces of India.

American foods shipped abroad bring the day of victory closer by providing the calories necessary to sustain the energy and strength of those fighting our enemies, whether it be a Soviet soldier from Tiflis pushing forward against the Nazis through snow and ice—or a dockyard worker who went through the London blitz and is now unloading supplies for United States forces in Britain—or a British mother whose children are entrusted to a day nursery while she takes a man's place at a lathe in a shell-making plant.

Lend-lease supplies in the hands of the other United Nations serve the war effort of the United States.

War Effort of the United Nations

The United States is a major producer of arms and food for the United Nations. We have now the highest war production rate and our factories and farms are the most secure from seizure or destruction by the enemy. Nevertheless, only a small part of the weapons used up to now against the Axis have been of American make.



Until last spring, Great Britain, with one-third of our population and industrial capacity, was producing more armaments than we were. At the same time Britain also produced most of the arms required in the British Isles themselves. Soviet armies engaged in the greatest land fighting in this war have been supplied for 18 months chiefly with Russian-produced arms. More Nazi soldiers have been killed by Russian-made weapons since the beginning of the war than on all the other war fronts combined.



Canada, Australia, and India are also important United Nations war production centers, and many other countries provide great quantities of essential raw materials.

The supplies furnished so far by the United States have been important and in some cases decisive, but they have formed



STATUS OF NATIONS (LEND-LEASE COUNTRIES AND UNITED NATIONS)

 UNITED NATIONS
DECLARATION SIGNED
 ELIGIBLE FOR
LEND-LEASE AID

 LEND-LEASE AGREEMENT
SIGNED
 RECIPROCAL LEND-LEASE
AGREEMENT SIGNED

ARGENTINA						INDIA				
AUSTRALIA						IRAN				
BELGIUM						IRAQ				
BOLIVIA						LIBERIA				
BRAZIL						LUXEMBOURG				
CANADA						MEXICO				
CHILE						NETHERLANDS				
CHINA						NEW ZEALAND				
COLOMBIA						NICARAGUA				
COSTA RICA						NORWAY				
CUBA						PANAMA				
CZECHOSLOVAKIA						PARAGUAY				
DOMINICAN REPUBLIC						PERU				
ECUADOR						PHILIPPINES				
EGYPT						POLAND				
EL SALVADOR						SOUTH AFRICA				
ETHIOPIA						TURKEY				
FIGHTING FRANCE						UNITED KINGDOM				
GREECE						UNITED STATES				
GUATEMALA						U. S. S. R.				
HAITI						URUGUAY				
HONDURAS						VENEZUELA				
ICELAND						YUGOSLAVIA				

The Declaration by United Nations, together with the original signatories, is printed in Appendix X. The Master Agreement signed with the U. S. S. R. is contained in Appendix IX. Lend-lease agreements with the following countries are identical with the Russian agreement: Great Britain, Belgium, Poland, Netherlands, Greece, Czechoslovakia, Norway, and Yugoslavia. In addition, Australia and New Zealand have accepted the same principles. Canada agreed to the principles set forth in Article VII of the Master Agreements in an exchange of notes with the United States, dated November 30, 1942.

American steel shaped by British machine tools into 25-pounder guns at a factory in the English Midlands adds to the total fire power of the armies fighting the Axis. The same is true of American tools machining Indian steel into shells in a factory in the Central Provinces of India.

American foods shipped abroad bring the day of victory closer by providing the calories necessary to sustain the energy and strength of those fighting our enemies, whether it be a Soviet soldier from Tiflis pushing forward against the Nazis through snow and ice—or a dockyard worker who went through the London blitz and is now unloading supplies for United States forces in Britain—or a British mother whose children are entrusted to a day nursery while she takes a man's place at a lathe in a shell-making plant.

Lend-lease supplies in the hands of the other United Nations serve the war effort of the United States.

War Effort of the United Nations

The United States is a major producer of arms and food for the United Nations. We have now the highest war production rate and our factories and farms are the most secure from seizure or destruction by the enemy. Nevertheless, only a small part of the weapons used up to now against the Axis have been of American make.

Until last spring, Great Britain, with one-third of our population and industrial capacity, was producing more armaments than we were. At the same time Britain also produced most of the arms required in the British Isles themselves. Soviet armies engaged in the greatest land fighting in this war have been supplied for 18 months chiefly with Russian-produced arms. More Nazi soldiers have been killed by Russian-made weapons since the beginning of the war than on all the other war fronts combined.

Canada, Australia, and India are also important United Nations war production centers, and many other countries provide great quantities of essential raw materials.

The supplies furnished so far by the United States have been important and in some cases decisive, but they have formed

only one of many streams flowing into the pool of United Nations resources. This year they will have a much greater effect. The goal of this country is to double its war production in 1943. Only in that way can the forces of the United Nations, including the United States, have arms in the quantities necessary for victory.

Mutual Aid

Lend-lease has never been a one-way affair. Our allies are not only supplying us with many of our needs; they are using this method increasingly in supplying each other.

The United Kingdom has lend-leased to the Soviet Union thousands of planes and tanks and other military supplies. The United Kingdom has also provided under lend-lease equipment for the forces of many of the governments in exile fighting with the British armies. Great Britain has also been furnishing pay and other supplies on a lend-lease basis, as well as munitions, to Chinese troops operating in Burma and India. Canada is furnishing the United Kingdom with over a billion dollars worth of war production without payment. In relation to population this commitment would be the equivalent of 12 billion dollars worth of supplies from the United States.

Furthermore, through reciprocal lend-lease aid, our allies on the battle fronts have matched the spirit of our lend-lease aid by supplying the U. S. armed forces with great quantities of food, medical supplies, equipment and services on a lend-lease basis, and without the payment of cash. This aid has already saved the United States many hundreds of millions of dollars in maintenance and transportation costs of our forces overseas. Our allies have also freely contributed from their technical and other war experience to United States home defenses and techniques of war production.

R. A. F. pilots fly United States Martin bombers in the Middle East, U. S. pilots fly British Spitfires over France and North Africa, British barrage balloons are used to protect our West coast, Australians operate American planes and MacArthur's soldiers eat Australian food. Such mutual aid is of

rapidly growing importance in the pooling of United Nations' skills, materials, and weapons. It saves shipping—one of our shortest war weapons. In this and in other ways it helps to mobilize the greatest possible combined force for use against the enemy.

Other Methods of Combining Resources

Besides using the lend-lease method, the United Nations pool many of their resources through the normal processes of purchase and international exchange. Cash exports, not including lend-lease, from the United States to the British Commonwealth of Nations, have exceeded \$7,000,000,000 since the beginning of the war in 1939. This is considerably more than our lend-lease aid to the British up to December 31, 1942. The United States, in turn, has continued to buy many raw materials from the British Empire and the British are continuing to use dollars to make cash purchases from us outside the lend-lease program. Most of our exchanges with Latin-American countries remain on a purchase, rather than a lend-lease basis, in both directions. Lend-lease steps in whenever difficulties of international exchange might otherwise prevent the free flow of mutual help, or when, as generally is the case with military items, lend-lease methods can get the best war results more quickly and effectively. Whether exchanges are made by lend-lease methods or by purchase, the principle is the same—to multiply the combined strength of the United Nations by the most efficient possible pooling of all our resources under coordinated global direction.

Benefits to the United States

Reciprocal lend-lease is only one of several benefits received by the United States in return for the supplies and services provided under the Lend-Lease Act. What the other United Nations do to bring about the defeat of the Axis is obviously a vital contribution "to the defense of the United States." This is a benefit which cannot be measured in figures. There

is no standard of values by which the loss of a thousand Russian lives, for instance, can be compared with a thousand fighter planes. Those who have died fighting in Britain, in China and in Russia, in Africa and in Asia, died in defense of their own countries. But these peoples have fought and they fight now against enemies that are ours as well as theirs. Their sacrifices are saving American lives. China's five-year struggle against Japan, the terrible toll taken of the Nazis by the Red Army, the defense of Britain and the destruction of German production centers by England's R. A. F., and the protection of vital sea lanes by the British Navy—all have combined to save the United States from invasion, to preserve to us the means of victory and to speed its coming.

This is one of the benefits set forth in Article II of the master lend-lease agreements* that have been concluded with the United Kingdom, U. S. S. R., China and seven other United Nations. Article II of each agreement provides that the government concerned "will continue to contribute to the defense of the United States of America and the strengthening thereof," in addition to providing "such articles, services, facilities, or information as it may be in a position to supply."

Article V of the master agreements provides for the return to the United States after the war of such articles as have not been "destroyed, lost or consumed," and as are useful to the defense of the United States and the Western Hemisphere. We may require the return of tanks, ships, cargo planes and other equipment if we think it to be in our interest to do so.

Article VII of each agreement provides that in the final settlement the terms shall be such as to promote the economic objectives of the Atlantic Charter. It pledges each of the signatories to work with all other countries of like mind, for "the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples."

* The master agreements are discussed in Chapter 3 of the Fifth Report to Congress on Lend-Lease Operations, June 11, 1942.

Chapter 2

THE LEND-LEASE PROGRAM TO DATE

Lend-Lease Appropriations.

The first \$7,000,000,000 was appropriated for lend-lease on March 27, 1941. Another \$5,985,000,000 was appropriated on October 28, 1941. These appropriations were made directly to the President. They included provision for military as well as non-military supplies. A third appropriation for supplies and services other than finished munitions, totalling \$5,425,000,000, became law March 5, 1942, making the total direct appropriations \$18,410,000,000.

Since Pearl Harbor there have been no direct lend-lease appropriations for military items, or for merchant ships. Instead, authorizations for the transfer under lend-lease of articles and services up to a stated value have been included in regular Army, Navy, and Maritime Commission appropriation acts and estimates for these measures have included provision for lend-lease requirements. Lend-lease transfers have been authorized of goods and services procured from regular Army, Navy, and Maritime Commission appropriations up to a maximum value of \$35,970,000,000. This figure does not include the value of certain types of merchant and naval ships, which may be leased but not otherwise transferred to lend-lease countries. The munitions procured with these funds may be transferred to our allies or they may be retained for our own forces. By this arrangement Congress has provided for a far-sighted flexibility in the allocation of munitions.



ALLOCATIONS AND OBLIGATIONS*

Out of Lend-Lease Appropriations of \$18,410,000,000
to the President, Cumulative to December 31, 1942

Millions of Dollars

BY PROCURING AGENCY		
Procuring Agency	Allocations	Obligations
War Department.....	5,963	5,507
Navy Department.....	3,163	2,278
Maritime Commission and War Shipping Administration.....	1,859	1,442
Treasury Department.....	2,718	1,855
Department of Agriculture.....	2,961	1,793
Other.....	14	12
Total.....	16,678	12,887

BY APPROPRIATION CATEGORY		
Category	Allocations	Obligations
Ordnance and Ordnance Stores.....	1,844	1,622
Aircraft and Aeronautical Material.....	2,708	2,597
Tanks and Other Vehicles.....	791	662
Vessels and Other Watercraft.....	2,209	1,737
Miscellaneous Military Equipment.....	362	328
Production Facilities in U. S.....	1,147	1,024
Agricultural and Industrial Commodities.....	6,641	4,356
Servicing and Repair of Ships, etc.....	515	331
Services and Expenses.....	445	216
Administrative Expenses.....	16	14
Total.....	16,678	12,887

*Obligations are that part of the allocated funds which have been contracted or committed for the production or purchase of supplies and services.

Who Is Eligible for Lend-Lease Aid?

The President has so far declared 31 nations, at war with one or more of the Axis powers, to be eligible for lend-lease aid. In addition all the other republics of the western hemisphere, whether or not they are at war with the Axis, have been declared eligible. So, too, have Liberia, Egypt, Turkey, Iceland, and Iran. The total number of eligible nations is 43. Not all of these countries have actually received lend-lease aid as yet. (See chart on page 10.)

Office of Lend-Lease Administration

The Division of Defense Aid Reports was established by Executive Order on May 2, 1941 to administer the Lend-Lease Act. Major General James H. Burns was appointed Executive Director of the Division on May 6, 1941. The Division of Defense Aid Reports was succeeded by the Office of Lend-Lease Administration. This office was created by Executive Order on October 24, 1941. E. R. Stettinius, Jr., was named by the President as Administrator. Under this Order the President directed the Administrator "to exercise any power or authority conferred upon the President" by the Lend-Lease Act and the appropriations made under it, in accordance with the policies prescribed by the President.

The principal functions of the Office of Lend-Lease Administration are to:

- (1) Cooperate with lend-lease nations and other Government agencies in formulating programs for lend-lease aid;
- (2) Translate these programs into statements of requirements for critical materials and other articles in short supply and present them with adequate supporting data to the appropriate committees of the War Production Board for allocation;
- (3) Approve or disapprove requests of lend-lease nations for defense articles and services, except finished munitions and ships allocated from supplies procured under Army, Navy and Maritime Commission Appropriation bills;



(4) Issue procurement instructions to the appropriate government departments and make the necessary funds available;

(5) Assist in obtaining the necessary priorities;

(6) Expedite the storage and transportation of lend-lease articles ready for shipment;

(7) Assist in obtaining the most effective use of lend-lease material abroad;

(8) Keep detailed records of all lend-lease transactions; and

(9) Arrange, in consultation with the appropriate agencies of the United States and foreign governments, to obtain supplies and services for the United States on a reciprocal lend-lease basis.

Allocation of U. S. Supplies

Most United States production is used to supply our own armed forces and civilian population. Many United States departments and agencies, together with the Combined Boards, participate in making the decisions which govern the allocation of American supplies as between our own needs and those of our allies.

Allocation of American munitions is made in accordance with requirements of military strategy as determined by the military, naval, and air commanders on the United States Joint Chiefs of Staff and the Combined Chiefs of Staff. All United States munitions production, both for our own forces and our allies, is planned, controlled, and scheduled by the War and Navy Departments and War Production Board in accordance with this strategy. Assignments of finished munitions are made by the Munitions Assignment Board under directives issued by the Combined Chiefs of Staff. In London a coordinate Combined Board performs the same function for British munitions production.

Supplies of food and raw materials are allocated as among the United Nations by the Combined Raw Materials Board and the Combined Food Board. In making such allocations the Combined Boards frequently include recommendations as to the requirements of various United Nations. These

recommendations, insofar as they affect the United States, are referred to the American Requirements Committee or to the Food Administration of the Department of Agriculture.

Allocations of industrial materials and products available to the United States are made by the Requirements Committee of the War Production Board to various claimant agencies represented on this Committee. This Committee consists of specialists in the field of industrial materials. The Office of Lend-Lease Administration is one of these claimant agencies and presents the case for countries and areas for which it is responsible. Broadly speaking, these are the United Nations. Similarly, decisions on food allocations are made by the Food Administration of the Department of Agriculture after consultation with the Food Advisory Committee. This Committee consists of the food experts representing Army, Navy, Lend-Lease, and other claimant agencies.

The Combined Production and Resources Board acts to integrate the war production programs of the United States, United Kingdom, and Canada and to allocate responsibilities for the most efficient combined production in the light of military strategy, shipping, and other factors. Thus the joint decisions of this Board and the Combined Chiefs of Staff, determine in the last analysis the war production programs of these three countries and the division of the output among themselves and the other United Nations.

The production and leasing of merchant ships for lend-lease countries is controlled by the Maritime Commission. Assignment of shipping to carry United States supplies to our allies is determined by the shipping experts on the Combined Shipping Adjustment Board and the Chiefs of Staff. The Shipping Board coordinates the American and British merchant shipping pools. These are operated respectively by the United States War Shipping Administration and the British Ministry of War Transport.

The Combined Boards are Anglo-American with the exception of the Combined Production and Resources Board, of which Canada is a full member, together with the United States and the United Kingdom. In addition, combined mu-



nitions assignment committees have recently been set up in Canada and Australia for the allocation of munitions produced by these two countries.

The Combined Boards consult with representatives of Russia, China and other United Nations before making recommendations on matters which are of interest to these other countries. The Combined Boards are primarily coordinating and planning agencies. Their staffs are small. Their recommendations are left for execution to the operating departments and agencies of the governments concerned. The boards act only upon unanimous agreement. With the exception of the Combined Chiefs of Staff and Munitions Assignments Board, all the boards have one member only for each country.*

Lend-Lease and Other Agencies

The Department of State, in addition to negotiating the lend-lease agreements, is consulted on questions of foreign policy involved in lend-lease operations. The Board of Economic Warfare is consulted on lend-lease transactions within its sphere of operation.

The Treasury and State Departments are consulted on the financial position of countries eligible for lend-lease and on other related factors bearing upon the extent of aid to be furnished.

To prevent duplication and to get necessary standardization, procurement of lend-lease articles and services is carried out by the Departments of War, Navy, Treasury and Agriculture and the Maritime Commission and War Shipping Administration.

Overseas Missions

Lend-lease representatives abroad check on allied requirements at first-hand, observe the use to which lend-lease supplies are put, expedite reciprocal aid, and assist in working out distribution and supply problems as they arise.

Lend-lease representatives are now stationed in ten countries. The largest missions are in London and Moscow.

*See Appendix for complete lists of members of the Combined Boards and their powers and functions as defined by President Roosevelt and Prime Minister Churchill.

656/830

There are also lend-lease representatives in China, Australia, New Zealand, Egypt, Iran, Turkey, North Africa, and Iceland. Additional missions will be sent shortly to other areas.

Lend-Lease Aid

Lend-lease aid consists of *goods transferred* and *services rendered*.

Goods transferred include military items, industrial materials, and agricultural products which have been transferred to the governments of the lend-lease countries. Transfers generally have been made before the goods leave this country.

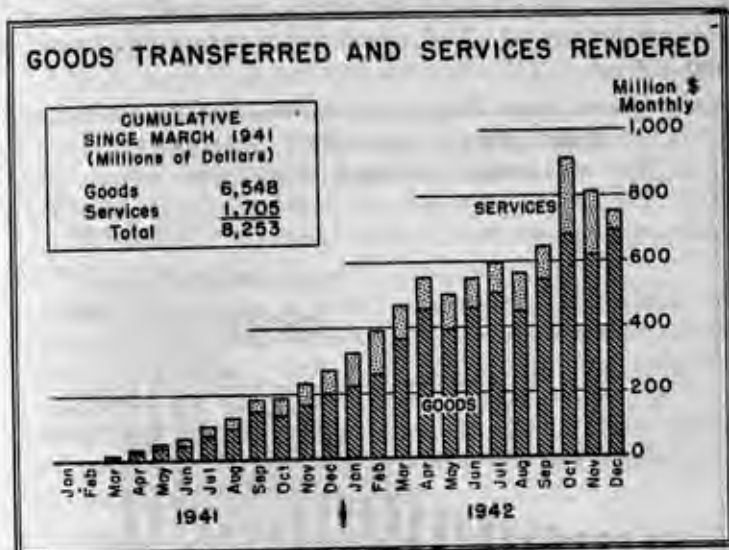


Chart No. 1

Military items include such classifications as aircraft of all types, together with spare engines, propellers, and other parts; tanks, tank destroyers, trucks, jeeps; auxiliary naval vessels and naval equipment; supply ships; ordnance stores such as ammunition and bombs of all types, small arms, anti-aircraft and anti-tank guns, naval guns and other artillery, mines and torpedoes, etc.; medical, signal, chemical warfare and miscellaneous equipment.

Industrial materials include such items as steel, copper, aluminum, zinc, various steel alloys, petroleum products; machine tools, and other machinery for munitions factories; road-building and airfield construction equipment; railroad equipment; farm tools and machinery.

Agricultural commodities consist chiefly of foodstuffs, especially those in dried and concentrated forms, such as evaporated milk, dried skim and whole milk, cheese, canned and dried fruits and vegetables, concentrated fruit juices, dried eggs, canned and dehydrated pork and other meat products, canned fish, flour and high vitamin cereals, lard and other fats, sugar, some butter; and a few non-foodstuffs, principally cotton, and tobacco for use by allied armed forces and people living in war zones.

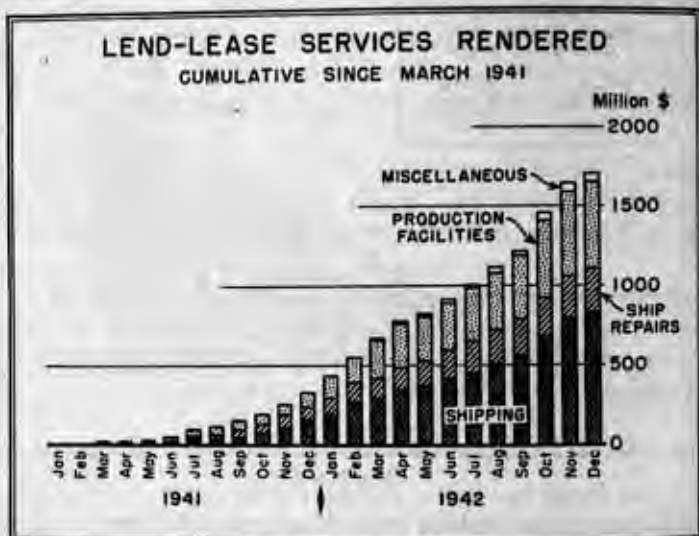


Chart No. 2

Services rendered consist of shipping and supply services, including the rental and charter of ships, transportation and storage, the development and operation of air ferry routes and supply bases abroad; repair services for damaged allied

warships, merchant ships, and other equipment; production facilities—factories and shipyards built in the United States with lend-lease funds to manufacture war goods; and miscellaneous services such as the air training program for pilots of allied countries.

1941 Totals

The dollar value of goods transferred under lend-lease in 1941 was \$910,000,000. Services rendered totalled \$334,000,000. The 1941 lend-lease total of \$1,244,000,000 represented about 11 percent of our total war spending in that period. There was a steady acceleration in the monthly totals of lend-lease transfers and services in 1941: they rose from a low of \$10,000,000 in March, to a high of \$274,000,000 in December. In the early months, a very small proportion of the supplies furnished represented arms and other military items. This rose as the program developed but considerably more than half of all lend-lease supplies exported up to January 1, 1942, were food, raw materials, machinery, and related essential but non-military items.

Of the total value of goods exported in 1941, which was \$790,000,000, 35 percent represented military items, 21 percent industrial materials, and 44 percent agricultural products. During the year \$11,327,000,000 of lend-lease funds had been allocated for the production of munitions and ships, for the building of factories in this country and the purchase of industrial and agricultural supplies.

1942 Totals

The total value of lend-lease aid in 1942 amounted to \$7,009,000,000, consisting of goods transferred in an amount of \$5,637,000,000, and services rendered in an amount of \$1,372,000,000. This was more than five times the total for 1941. In the last three months of 1942 alone, the value of lend-lease aid was \$2,482,000,000, twice the total for all of 1941.

The cumulative value of lend-lease aid from March 11, 1941, to December 31, 1942, was \$8,253,000,000. Of this amount 79 percent was for goods transferred and 21 percent for services rendered.

LEND-LEASE AID—MONTHLY AND CUMULATIVE
 Value of Goods Transferred and Services Rendered
 Millions of Dollars

	Monthly		Cumulative	
	1941	1942	1941	1942
Jan.....	0	322	0	1,566
Feb.....	0	388	0	1,954
Mar.....	10	468	10	2,422
Apr.....	28	554	388	2,976
May.....	45	449	83	3,425
June.....	63	548	146	3,973
July.....	101	595	247	4,568
Aug.....	126	560	373	5,128
Sept.....	181	643	554	5,771
Oct.....	182	915	736	6,686
Nov.....	234	810	970	7,496
Dec.....	274	757	1,244	8,253

Lend-Lease Exports

About 90 percent of goods transferred to the governments of lend-lease countries have been exported. The balance is awaiting shipment. Total lend-lease exports from March 11, 1941 to December 31, 1942 were valued at \$5,959,000,000.

Military items exported under lend-lease from March 11, 1941, to December 31, 1942, were valued at \$3,300,000,000 or 55 percent of all lend-lease exports. Of this amount 8 percent was exported in 1941 and 92 percent in 1942.

While all lend-lease exports were much greater in 1942 than in 1941, exports of military items rose more in proportion than non-military items. In October, November and December

LEND-LEASE AID—MONTHLY AND CUMULATIVE
 Detail of Goods Transferred and Services Rendered
 Millions of Dollars

MONTHLY

	1941			1942		
	Goods Transferred	Services Rendered	Total Aid	Goods Transferred	Services Rendered	Total Aid
Jan.....				220	102	322
Feb.....				260	128	388
Mar.....	6	4	10	362	106	468
Apr.....	20	8	28	455	99	554
May.....	35	10	45	394	55	449
Jun.....	41	22	63	459	89	548
Jul.....	73	28	101	504	91	595
Aug.....	95	31	126	446	114	560
Sep.....	144	37	181	544	99	643
Oct.....	132	50	182	680	235	915
Nov.....	164	70	234	620	190	810
Dec.....	200	74	274	694	63	757

CUMULATIVE

	1941			1942		
	Goods Transferred	Services Rendered	Total Aid	Goods Transferred	Services Rendered	Total Aid
Jan.....				1,130	436	1,566
Feb.....				1,390	564	1,954
Mar.....	6	4	10	1,752	670	2,422
Apr.....	26	12	38	2,207	769	2,976
May.....	61	22	83	2,601	824	3,425
Jun.....	102	44	146	3,060	913	3,973
Jul.....	175	72	247	3,564	1,004	4,568
Aug.....	270	103	373	4,010	1,118	5,128
Sep.....	414	140	554	4,554	1,217	5,771
Oct.....	546	190	736	5,234	1,452	6,686
Nov.....	710	260	970	5,854	1,642	7,496
Dec.....	910	334	1,244	6,548	1,705	8,253

BUY
 UNITED STATES
 DEFENSE
 BONDS
 AND
 STAMPS

1942, all lend-lease exports totalled \$1,840,000,000, compared to \$462,000,000 in the corresponding months of 1941. While lend-lease exports of non-military items in these months were twice those of the year before, exports of planes, tanks, and guns, etc., rose nine times.

This great increase reflects in part the tremendous rise in United States war production since December 7. However, United States munitions production has increased still more rapidly than shipments of munitions to our allies. We have been supplying our own forces here and overseas. As a result, the percentage of our total munitions production furnished to other United Nations has been less in 1942 than in 1941, although the quantities sent have been much greater.

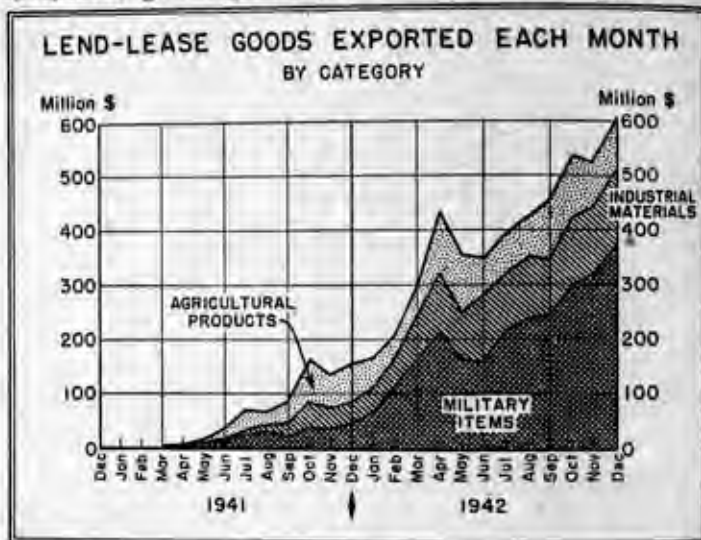


Chart No. 3

Industrial materials and equipment exported under lend-lease from March 11, 1941, to December 31, 1942, were valued at \$1,330,000,000 or 22 percent of all lend-lease exports. Most of this was for raw materials and the balance for machinery, tools, and miscellaneous equipment.

Agricultural products, mostly foodstuffs, exported under lend-lease since the beginning of the program were valued at

\$1,329,000,000, or 22 percent of all lend-lease exports to December 31, 1942.

Services Rendered

Services rendered since March 11, 1941 total \$1,705,000,000. Of this amount 80 percent was rendered in 1942. In dollar value, services are about one-fifth of all lend-lease aid. In terms of making our aid effective, their relative importance is considerably greater. (See Chart 2)

About 50 percent of all such expenditures, or \$835,000,000 to date, has been for the rental and charter of ships and the development and operation of air ferry routes, supply bases, and supply lines abroad.

Another 35 percent, or \$554,000,000 to date, has been used in building up America's industrial plant. The remaining 15 percent, or \$316,000,000, has been used for repairing allied warships and merchant vessels, for storage and loading facilities in this country, and for such other purposes as air pilot training.

Exports Other than Lend-Lease

Munitions and other supplies sent under lend-lease have been by no means all that we have sent to the other United Nations since March 11, 1941. Deliveries of munitions on direct purchase orders, placed prior to the Lend-Lease Act, and paid for in cash by our allies, were much greater in 1941 than lend-lease munitions deliveries.

From March 1941 to December 31, 1942, the value of all supplies exported under lend-lease was \$5,959,000,000. The value of exports to lend-lease countries, paid for in cash by these countries, amounted to \$6,900,000,000. Many of these direct cash exports were supplies other than munitions, but they were supplies essential either to the war effort or to maintain the minimum civilian economy of our allies.

It is only since March 1942 that monthly lend-lease exports have been exceeding non-lend-lease exports. This trend is continuing as more and more United States exports consist of



lend-lease goods. In the last three months of 1942, more than two-thirds of total U. S. exports were lend-lease.

None of the export figures include the arms and other supplies sent to our own armed forces abroad.

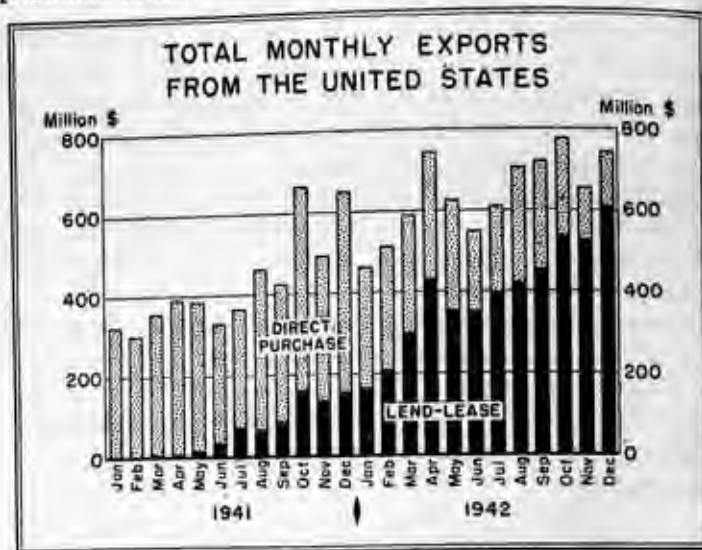


Chart No. 4

Lend-Lease in Relation to the Total U. S. War Effort

Measured in terms of money spent, lend-lease represents about one-eighth of the total United States war effort. This country spent for all war purposes \$63,408,000,000 from March 1, 1941, to December 31, 1942. The value of lend-lease aid during the same period was \$8,253,000,000 or 13 percent.

1942 munitions exports, including both those made under lend-lease and those by direct purchase, were 19 percent of total United States munitions production. For the last six months these exports have been running at about 15 percent of production.

We have sent considerably more than 19 percent of certain combat weapons to the other United Nations. Of our 1942 production of tanks and combat planes, excluding cargo

planes, trainers, etc., we have shipped, both under lend-lease and by direct cash purchase, about one out of every three to our allies. These weapons were most urgently needed on the battle fronts of 1942. On the other hand we have sent less than 15 percent, or none at all, of many other items.



Chart No. 5

Industrial Materials

Raw materials sent to our allies represent a relatively small proportion of our total supplies, but these shipments are vital to the war-production programs in Russia, the United Kingdom, the Dominions and India. By sending raw materials we not only increase the power of our allies to produce arms, we also save on vital shipping.

In 1942, we exported under lend-lease the following percentages of our new supply of raw materials (current production plus imports in each case). Data for the last quarter are partially estimated.



**LEND-LEASE EXPORTS
IN PERCENT OF UNITED STATES NEW SUPPLY
YEAR 1942**

	Percent		Percent
Aluminum.....	3.5	Petroleum Products....	6.3
Copper.....	7.2	Steel.....	7.3
Crude Rubber.....	0.0	Tin.....	0.1
Molybdenum.....	19.6	Tungsten.....	0.9
Nickel.....	1.0	Zinc.....	12.0

If our stock piles were taken into account, the export percentages would be smaller.

At the same time, we were dependent upon imports from our allies and friendly countries for the following percentages of our new supply of certain strategic materials essential for our own production of war weapons:

**IMPORTS IN PERCENT OF U. S. NEW SUPPLY
Year 1942**

Material	Percent	Material	Percent
Bauxite.....	25	Mica (splittings).....	98
Chromite.....	89	Nickel.....	100
Crude Rubber.....	100	Tin Ore.....	99
Manganese Ore.....	88	Tungsten.....	62
Mercury.....	44	Wool.....	74

Machine tools, machinery, and miscellaneous industrial equipment shipped to our allies under lend-lease from March 11, 1941 to December 31, 1942, had a total value of \$317,000,-

000. These shipments have saved hundreds of thousands of tons of shipping space that would otherwise have been required for finished munitions. They have enabled our allies to produce more planes and guns, ships and food, and to build airfields and roads now used by our own forces as well as by theirs.

Lend-lease exports of machine tools alone totaled \$137,000,000 up to December 31, 1942. In addition we have made cash purchase exports of machine tools to the United Kingdom, Australia, and the U. S. S. R. totaling another \$125,000,000.



Chart No. 6

Exports of machine tools in the first three quarters of 1942 were 12.4 percent of United States production during that period, divided as follows: 6.1 percent to United Kingdom, 2.3 percent to Russia, 1.5 percent to all others under lend-lease, and 2.5 percent to Canada by direct purchase.

Exports of farm machinery (excluding crawler tractors for agricultural use) and farm tools under lend-lease totaled \$14,000,000 from March 11, 1941 to December 31, 1942. Every piece of farm machinery exported saved valuable shipping



space and reduced the amounts of food needed by our allies from us. One pound of machinery can produce eight times its weight in food in one year.

Agricultural Products

Agricultural products, most of them foods, exported under the lend-lease program from March 11, 1941, to November 30, 1942, were valued at \$1,329,000,000. Lend-lease food shipments increased during 1942, but were a small percentage of our total 1942 food supply. Our record 1942 food production exceeded 1941 production by an amount greater than was shipped under lend-lease. Thus, after lend-lease shipments were deducted, there remained more food for our own armed forces and civilians in 1942 than in 1941.*

Lend-Lease and the United States Economy

Virtually all lend-lease money is spent in the United States. A large part of it is paid to American farmers for the lend-lease food they raise, to workers in war factories turning out lend-lease goods, and to miners extracting metal ores.

For each lend-lease dollar invested in factory equipment and machine tools sent abroad, several lend-lease dollars have been invested in such equipment here at home. More than \$550,000,000 of lend-lease funds have already been spent for thus building up the American industrial plant.

Over \$50,000,000 in lend-lease funds were allocated to the expansion of the Ford tank and aircraft engine factories at Dearborn and Highland Park, and another \$10,000,000 went into the plant at Willow Run. Other substantial lend-lease investments were made in the Chrysler tank arsenal, in the Boeing, Douglas, Bell Aircraft, and General Motors and Sperry Gyroscope war plants; in the certain merchant shipyards and in Navy shipways for building convoy escort vessels; in facilities for the manufacture of smokeless powder, howitzers, incendiary bombs, etc. In many cases lend-lease funds

*Additional information on the lend-lease food program will be found in the chapter, "Lend-Lease and Food," on page 42.

represented 40 percent of the total for building such facilities. Lend-lease money has gone into the construction of war plants and storage depots located in 32 of the 48 States.

Special Projects

Lend-lease funds have been used in the development of a number of special projects relating to the transportation and delivery of lend-lease goods. One such project is the development of the type of cargo vessel originally known as the Sea Otter, now redesigned and rechristened the Seamobile. A full-scale test model of the Seamobile is under construction. The possibilities of this type of craft are being fully explored.

Lend-lease has also played an important part in the development of improved processes for dehydrating, processing and packaging foods in order to save shipping space. It is due in large part to the lend-lease program that we have learned: how to ship the food equivalent of millions of dozens of fresh eggs in the form of small packets of egg powder; how to make milk powder which preserves the full butterfat content of whole milk; how to produce palatable and nutritious dehydrated pork and beef. These are processes which are proving of immense value—in view of the shortage of shipping—not only to our allies, but to our own forces overseas. Dehydrated and concentrated foods are helping to shorten the war by making more shipping space available for tanks and guns.



Chapter 3

LEND-LEASE AND THE WAR FRONTS

Lend-lease supplies sent to our allies during 1942 included many thousand planes and tanks and more than 150,000 trucks, jeeps, and other motor vehicles. Many additional thousands of planes, tanks, and trucks were sent either to our own forces abroad or exported to our allies in fulfillment of direct-purchase contracts.

Weapons for Offense

We have made great strides this year in supplying combat equipment to the Soviet Union, although we have not been able to send as much as we should like or the Red Army needs, and part of what we have shipped has been lost on the way.

Up to January 1, 1943, the United States had shipped to the Soviet Union under lend-lease more than 3,200 tanks, almost 2,600 planes and 81,000 trucks, jeeps, and other military motor vehicles. This is more than we have sent to the United Kingdom or any other military theatre under lend-lease since the beginning of the lend-lease program in March 1941, although lend-lease aid to Russia did not begin until October 1941—eight months later.

This year we also concentrated on sending combat weapons to Egypt, India, Australia, and New Zealand. Most of our lend-lease planes, tanks, and trucks, outside those sent to Russia, went to these critical combat areas.

At the same time the United Kingdom has lend-leased to the U. S. S. R. more than 2,600 tanks and more than 2,000 planes, almost all of them produced in British factories. In addition the United Kingdom sent great quantities of munitions to Egypt and later to North Africa, to India, and other areas of the Middle East.

The British Eighth Army was equipped for its drive from Egypt across Libya with weapons principally produced in the United Kingdom. However, the 1,000 planes, 500 medium tanks, and many anti-tank guns mounted on M-3 tank chassis, that we exported to the British in Egypt between February and November 1942, combined with United States air force squadrons operating on this front, gave the United Nations' forces their decisive edge in air power, armor, and fire power. Incidentally, the General Sherman tanks that proved so successful in this campaign owed their design to the close

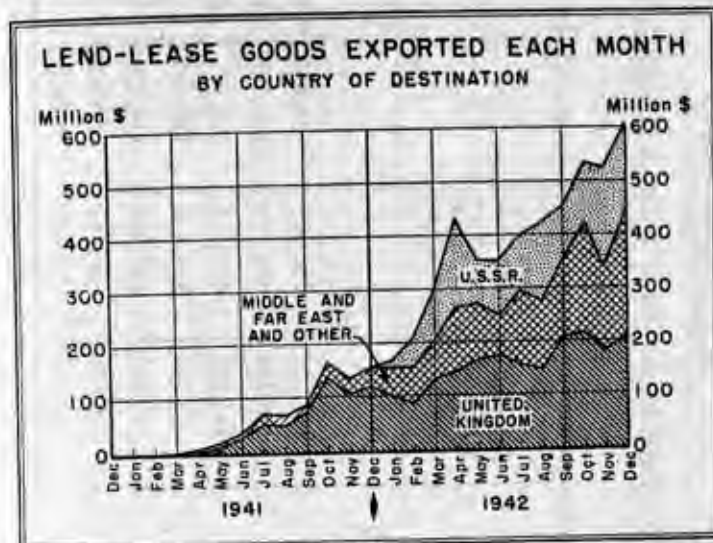


Chart No. 7

collaboration of British and American tank experts, using the benefit of battle experience gained from earlier models.

American and British forces began the North African campaign a month after the drive from Egypt was launched. This action, too, has been from the beginning a combined operation in which lend-lease and reciprocal aid have played their part. Great Britain provided two-thirds of the warships and transports employed in the original landing operations. Sixty percent of the ground forces were American

LEND-LEASE AID
Cumulative From March 1941 Through December 31, 1942

Thousands of Dollars

TYPE OF AID	UNITED KINGDOM	AUSTRALIA, NEW ZEALAND, INDIA, OTHER BRITISH TERRITORIES, EGYPT	U. S. S. R.	CHINA	OTHER	TOTAL
GOODS TRANSFERRED						
MILITARY ITEMS:						
Ordnance.....	147,534	130,307	39,639	14,661	41,867	374,008
Ammunition.....	196,288	303,172	148,288	19,491	14,783	682,022
Aircraft and Parts.....	344,188	483,188	318,969	37,336	15,119	1,198,800
Tanks and Parts.....	60,298	255,400	210,305	922	8,790	535,715
Motor Vehicles.....	55,465	127,588	139,136	25,453	6,664	354,306
Watercraft and Parts.....	285,112	90,035	15,549	447	6,651	397,794
Miscellaneous.....	82,773	30,926	39,816	7,025	6,281	166,821
TOTAL.....	1,171,658	1,420,616	911,702	105,335	100,155	3,709,466
INDUSTRIAL MATERIALS:						
Machinery.....	141,369	74,792	62,001	3,603	183	281,948
Metals.....	251,673	131,390	113,909	8,975	617	506,564
Petroleum Products.....	252,862	62,427	14,806	3,237	5	333,337
Miscellaneous.....	269,676	100,758	56,224	5,110	17,043	448,811
TOTAL.....	915,580	369,367	246,940	20,925	17,848	1,570,660
AGRICULTURAL PRODUCTS:						
Foodstuffs.....	880,891	56,227	101,869	1,553	1,040,540
Miscellaneous.....	211,778	14,722	513	227,013
TOTAL.....	1,092,669	70,949	102,382	1,553	1,267,553
TOTAL GOODS.....	3,179,907	1,860,932	1,261,024	126,260	119,556	6,547,679
SERVICES RENDERED						
Ship Repairs, Etc.....	152,975	80,932	27,656	951	3,383	265,897
Shipping.....	429,785	227,379	106,160	13,057	59,098	835,479
Production Facilities.....	175,085	212,206	136,300	15,514	14,960	554,065
Miscellaneous.....	22,198	11,744	1,090	956	13,625	49,613
TOTAL SERVICES.....	780,043	532,261	271,206	30,478	91,066	1,705,054
TOTAL LEND-LEASE AID...	3,959,950	2,393,193	1,532,230	156,738	210,622	8,252,733

Certain transfer totals include small amounts of goods diverted to United States armed forces after lend-lease transfer, but subject to future replacement.

and the air forces were equally divided. Of the landing craft employed most were American-built. Some had been lend-leased to Britain and were manned by British crews, United States fighter squadrons, on the other hand, flew 160 Spitfires provided by Great Britain under reciprocal aid. Most of the equipment used by United States forces came from American factories, but supplies lend-leased by Britain to our armed forces included such items as 100 miles of portable airfield runways, more than half a million anti-tank mines and grenades, 130 reconnaissance boats, four complete 1,000-bed field hospitals, and medical supplies for 100,000 men. One United States division was completely equipped with British 25-pounders.

On the Russian front combat weapons lend-leased from the United States and Great Britain are playing an increasingly important role in the Soviet's winter offensive, although Soviet-produced weapons continue to make up by far the major part of the Red Army's equipment.

Aid to Soviet Production

We have also sent to the U. S. S. R. machinery, machine tools, and raw materials such as copper for the production of weapons. These shipments have helped the Soviet Union to maintain its war production in spite of the loss of great industrial areas to the enemy. In some instances, machines and tools have been shipped under lend-lease to replace vital pieces of equipment lost or destroyed when machinery was moved out of the Donets industrial areas ahead of the Nazis to new production centers behind the Urals.

The industrial-equipment program for Russia also includes a small amount of used machinery, such as the Ford tire equipment recently purchased for shipment. This part of the program involves a total cost of only a few million dollars but it will help to fill important gaps in Russian war production. It will also put to effective use in the war effort machinery that, for one reason or another, was largely standing idle in this country.

Food as a Weapon of War

We were not able to ship much food to the Soviet Union until the very end of 1942 because the limited shipping space available was used principally for munitions. However, the food needs of the Soviet Union have grown progressively more acute and we have now begun shipping much greater quantities of food to the U. S. S. R. We sent more food in December 1942 to the Soviet Union than to the United Kingdom. It is expected that the rate of food shipments to the U. S. S. R. will continue to be higher than to any other country.

Nearly half of all lend-lease shipments to the United Kingdom have been food and other agricultural products. These had a value of a billion dollars up to November 30, 1942. Industrial materials and equipment have also been sent in important quantities. Most lend-lease munitions shipments have gone to British forces in Africa, the Middle and Far East. So far we have shipped twice as many planes and other armaments to the United Kingdom under direct cash purchase as under lend-lease. These represented deliveries on the large cash orders placed here by the United Kingdom in 1939, 1940, and early 1941.

Our food shipments have been only about 10 percent of Britain's total food supply in terms of volume. These food shipments, however, have represented a considerably higher percentage of the proteins and vitamins in the British diet.

Our shipments of industrial materials and equipment have aided the United Kingdom to maintain a volume of war production that is still considerably greater than ours in proportion to population.

Aid to China

Lend-lease aid to China in 1941 was aimed especially at improving transport over the Burma Road. It resulted in more than doubling monthly tonnage carried over the route. Even then, however, transportation difficulties kept total shipments



comparatively small. Following the loss of Burma, shipments to China were reduced to a trickle, carried principally by cargo planes from India. We have now taken measures which are considerably increasing these plane shipments and we shall also find other means to get to China the arms she needs. Lend-lease shipments to China since the beginning of the lend-lease program include some planes, most of them fighters and trainers, several thousand trucks and some ordnance, ammunition, gasoline, medical and miscellaneous supplies.

Aid to Other Lend-Lease Countries

About two-thirds of our lend-lease shipments to India have been military supplies, in addition to long-range bombers ferried direct by air. We have also sent India considerable quantities of iron and steel, machinery for its munitions factories and for the construction of airfields and roads.

The majority of lend-lease shipments to Australia, New Zealand and South Africa have been planes, guns, tanks, and other war weapons. These have been in addition to the arms supplied to our own forces.

Lend-lease aid has also been provided to the forces of the Governments in exile—the Netherlands, Norway, Greece, Yugoslavia, Belgium, Poland, and Czechoslovakia—and to Fighting France, Iceland, Turkey, Iran, Iraq, Egypt. Lend-lease services and stores have helped to keep in operation for the United Nations the large Norwegian and Greek merchant fleets.

Aid to the other American republics is partly on a cash reimbursement basis. Brazil has received the largest amount but total lend-lease exports to the American republics have been small, with a value of \$24,000,000 to date. By far the larger part of our exports to Latin America have been direct cash purchase exports.

Supply Routes and Bases

One of the most important services performed under lend-lease has been the development and operation of supply routes

and supply bases abroad. Lend-lease played a part in the development of the air ferry route to England in 1941 and later in the ferry route to the Middle East and Russia via the bulge of Brazil, the South Atlantic and across the jungles and deserts of Africa. The African section of this southern route was pioneered by the British as early as 1936. It has been greatly developed in the past 18 months by Great Britain and the United States, working together, with the help of Fighting France. American participation in this enterprise was financed in important measure by lend-lease funds, as well as by army funds. Over this route thousands of planes have been flown to Egypt or North Africa; to Iran, and thence to Russia or to India.

In addition, lend-lease funds helped finance the development of docks, warehouses, supply depots, assembly and repair shops throughout the Red Sea-Persian Gulf area; the building of pipe lines to carry oil to naval and air bases; the shipment of road-building equipment to develop highways and trucks to carry supplies over them, and rails, freight cars, and locomotives to expand the capacity of primitive railroads. This work is continuing. Facilities built with the aid of lend-lease funds throughout this area are now being used by United States Air Force planes, American ships, and American troops.



Chapter 4

LEND-LEASE AND FOOD

Food has an important place in the lend-lease program. Food is a weapon of war. In its way it is as essential to winning the war as planes or guns. Germany's unrestricted submarine campaign in the war of 1914-18 was primarily an attempt to knock out England by cutting off her food supply. And food shortages in Germany and Austria resulting from the successful British blockade played a large part in the Allied victory then.

In this war England is again vulnerable on the food front because it must import a large percentage of its food. The United Kingdom has made intensive efforts to increase its agricultural production. It now raises about 60 percent of its total food supply, compared to 40 percent before the war. Much of the rest of its food is being supplied by the Dominions, Colonies, and other areas. The balance comes from the United States under lend-lease.

Strict rationing was introduced early in the war which reduced average British consumption of fats, meat, fish and many other foods to two thirds of the pre-war level. The British people have been limited to a dull diet which affords little choice or variety but which has a minimum nutritive standard high enough in calories to maintain the intensive British war effort. This result has been achieved, in spite of the sharp reduction in quantity and variety, because of lend-lease shipments of dried and concentrated foods from the United States. These bulked small in terms of shipping space, but large in proteins and vitamins.

Increased Shipments to Russia

Lend-lease food is now also being shipped to the Soviet Union in sharply increased quantities. In 1942, most lend-

lease food exports went to the United Kingdom. In December, however, we provided more food to the Soviet Union than to Great Britain, and this year we expect that more than half of all lend-lease food shipments will go to the U. S. S. R.

The Russian people have long been on iron rations far more limited even than Great Britain's. The Soviet Union has lost its best agricultural areas to the invader and has now passed through two growing seasons in which most of the adult population has been engaged in the desperate struggle against the Nazis, whether at the front or behind the lines. Meanwhile, established lines of transportation have been interrupted or strained to the limit and great numbers have been driven from their homes. Millions of the Soviet people are threatened with starvation, and the Soviet army needs food as well as tanks. Lend-lease food shipments in 1943 are of number one importance in the Soviet's great battle against the Nazi war machine.

The United States is helping to meet these food requirements of its allies by producing and sharing a total food supply that is the largest in the history of our country. We should be able to meet their needs without difficulty were it not for two other factors: first, food for our own forces (a soldier eats 25 percent more than a civilian); second, a great increase in civilian demand for food caused by higher purchasing power. As a result of the combination of these factors there is not enough of some foods to go around at home without rationing, even with record food production.

Lend-Lease Food Shipments in 1942

Allocation of the total United States food supply as between the American people and our allies is determined on the basis of first providing for our own armed forces and assuring a supply for the civilian population sufficient to fulfill satisfactory nutrition standards. Once these needs have been met, we are, as a matter of military necessity, aiding our allies as far as we can to meet their pressing food requirements which they cannot fill elsewhere under present war conditions.

In the lend-lease food program we have been concentrating on foods that can be shipped anywhere and that will store well.



Lard, cheese, dried milk, concentrated canned goods are examples. Thus we shall be prepared for military developments as they affect the food situation in any part of the world.

Actually, lend-lease requirements last year had little to do with the food shortages that developed in this country. Lend-lease food exports in 1942 represented a small percentage of our total food supply. Of our total supply of beef we exported under lend-lease only one-tenth of one percent. We exported two-tenths of one percent of our veal, lamb, and mutton. Of the five meats now under voluntary rationing, pork was the only one of which we shipped considerable quantities. About 10 percent of our pork supply was exported under lend-lease.

We exported under lend-lease less than 1 percent of our canned vegetables, less than 2 percent of our canned fruits, less than 1 percent of our butter, and less than a tenth of 1 percent of our coffee. The United States armed forces took much larger percentages of the supply of all these items than lend-lease. Greatly increased consumer demand and purchasing power has been the major cause of our shortages of these foods.

Lend-lease shipments of cheese were 23 percent of the total cheese supply. We lend-leased over 20 percent of our dried milk. Nevertheless, lend-lease shipments of all milk products—in terms of fluid milk equivalent—were less than 4 percent of our total milk supply. Cheese is particularly important in lend-lease food shipments, because it supplements the highly restricted meat rations of our allies.

Our production of eggs in 1942 was 4,414,000,000 dozen, which was by far the greatest on record and 15 percent above 1941 production. We shipped 10 percent of our total egg supply, mostly in the form of dried eggs, but less than half of 1 percent of our supply of corn and corn products and wheat and wheat products.

Lend-lease food shipments have been generally small in relation to total United States supply. But their value to the peoples who received them was far greater than the lend-lease percentages of United States supply would indicate.

The following table shows the quantities of major food-

stuffs shipped under lend-lease in 1942, in relation to total United States supply:

LEND-LEASE FOOD EXPORTS IN RELATION TO SUPPLY
Year Ended December 31, 1942
Millions of Pounds

	Lend- Lease Exports	Supply	Exports in Percent of Supply
All Meats.....	1,134	22,742	5.0
Beef.....	18	9,155	0.1
Veal.....	0	1,110	0.0
Lamb and Mutton.....	4	1,068	0.4
Pork.....	1,112	11,409	9.8
All Milk Products (expressed in terms of fluid milk equivalent).....	4,272	125,466	3.4
Dry Whole Milk†.....	4	66	6.1
Dry Skim Milk†.....	135	586	23.0
Condensed and Evaporated Milk†.....	347	4,842	7.2
Butter†.....	17	*2,294	0.7
Cheese†.....	312	1,352	23.1
Fats and Oils.....	723	5,470	13.2
Eggs.....	†684	6,819	10.0
Fish (frozen and canned).....	156	2,189	7.1
Canned Vegetables.....	51	*6,630	0.8
Canned Fruits and Juices.....	89	*5,150	1.7
Corn and Corn Products.....	415	300,048	0.1
Wheat Products.....	393	118,020	0.3

* Production.

† Included in "All Milk Products."

‡ Dried eggs expressed in terms of fresh egg equivalent.

The 1943 Lend-Lease Food Program

The lend-lease food program for 1943 will take a much bigger share of many of these products than it did in 1942. In addition to the pressing requirements for the Soviet army and the Soviet people, we must be prepared to meet the new demands that will come when United Nations forces liberate areas now held by the Axis. The food deficiencies of North Africa, urgent as they are until this year's harvest is in, are



small compared with those of most of oppressed and starving Europe. It is vitally important for the winning of the war that we be prepared to move in rapidly with food in the wake of any military developments that open these areas to the United Nations. Our troops cannot take the offensive successfully in the midst of famine and pestilence, riots and revolution. The British are collaborating in providing supplies for relief purposes, and have already assisted in North Africa by shipping food for the use of the civilian population.

British Food Rations

In the United Kingdom nearly all foods are rationed. The only exceptions of importance are bread, potatoes, and fresh vegetables. Fresh fruit and fresh fish are not rationed because the supply is too small to justify rationing. Some foods are rationed by quantities on a weekly basis and others are under point rationing.

The sugar ration is 8 ounces a week and the butter ration 2 ounces a week. Fresh meats are limited to 24 cents worth a week, or about 18 ounces, depending on the quality of the cut. The bacon ration is 4 ounces, the cheese ration 6 ounces. Chocolate and other sweets are rationed at the rate of 3 ounces a week.

The ration of some food items, including fresh eggs and fluid milk, varies considerably with changes in seasonal supplies. The average for fresh eggs is three per person per month. Dried eggs are rationed at a rate equivalent to four eggs per person per month. Fresh milk is rationed at present at two pints per week per person. During the flush season considerably more milk is available. In addition dried milk is rationed at the rate of one ounce a week. Nursing mothers, children and invalids get special allowances of both milk and eggs.

A variety of foods are under the points rationing scheme. Since last July, 20 points have been allowed per person every four weeks for the purchase of a choice of such foods. Each food product has a fixed point value per pound.

A pound of canned sliced luncheon meat, for instance, is worth 16 points, while a pound can of baked beans with tomato sauce is worth 4 points. Purchase of these two items would use up all the points available for one person over a four weeks' period. Similarly, a housewife who bought a No. 2 size can of pears (12 points) and four eight-ounce packages of puffed wheat (2 points each) would use up all her own points, or her husband's, for four weeks.

Foods under points rationing in Great Britain include canned salmon and other canned fish, various canned meats, rice and tapioca, dried peas and beans, dried fruits, all imported canned fruits, condensed milk, breakfast cereals, syrup and biscuits, canned peas, beans and tomatoes.

The sale of all other canned vegetables has been prohibited since December 1, 1942, in order to build up a reserve for rationing when fresh vegetables are less plentiful.

adb\238



Chapter 5

RECIPROCAL AID

Through outgoing lend-lease the United States seeks to put a share of its material resources to most effective use against the enemy. Through incoming lend-lease, our allies are similarly contributing to our strength.

We have been receiving reciprocal lend-lease aid from our allies since the beginning of the lend-lease program.

Formal provision for reciprocal aid was first made in the Master Agreement concluded with Great Britain February 23, 1942, and in similar agreements subsequently signed with the U. S. S. R., China, the Netherlands, Norway, Poland, Yugoslavia, Czechoslovakia, Greece, and Belgium.

In all of these agreements the signatory governments pledge to strengthen each other's defenses and to contribute thereto such articles, services, facilities and information as they may be able to make available. In each case the agreements state that in the final determination of lend-lease benefits full cognizance shall be taken of all such aid and other benefits provided to the United States by the other government.

These broad principles were reiterated and procedures developed for the provision of reciprocal aid to our armed forces abroad on September 3, 1942, in an exchange of notes between this country and the United Kingdom, Australia, New Zealand, and Fighting France. Other agreements are now under discussion with Belgium, China, and the Netherlands.

The principle followed is to provide mutual aid in such a way as to prevent complications of international exchange from interfering with the most effective possible use of combined United Nations' resources for the common war effort.

Our forces abroad are being provided without dollar payment on our part with most of the supplies and services

furnished to them by our allies. Millions of tons of shipping space and hundreds of millions of dollars have already been saved in this way.

This aid to us is rapidly mounting in value—both in military value and in monetary value. The savings in shipping enable us to build up more rapidly and effectively our offensive strength abroad. The savings in dollars multiply as more of our forces move overseas.

It is not yet possible to estimate how great these savings will be when the fighting ends. We do know that in the last war, the U. S. War Department alone spent more than \$2,000,000,000 in Great Britain and France for supplies, equipment, and services for our troops of the kind that are being provided in this war as reciprocal aid.

In addition, we have received in the United States under reciprocal aid important assistance to our home defenses and much technical and highly secret data on the specifications of certain war weapons which have proved invaluable to our own armed forces.

Most reciprocal aid has been furnished so far by the United Kingdom, Australia, and New Zealand. Aid has also been furnished our forces by the British in India, Egypt, and many parts of the British Colonial Empire, by the Fighting French in New Caledonia, by Belgium in the Congo and by China and South Africa.

United Kingdom

Reciprocal aid for our forces in the British Isles begins before they leave American ports, for many American troops and U. S. Army supplies bound for the United Kingdom are carried in British transports and are convoyed a large part of the way by the British Navy. In addition United States warships and merchant ships in British ports in many parts of the world are provided with fuel, services, supplies and repairs under reciprocal aid without payment by us.

In the United Kingdom all accommodations and facilities for our troops, including headquarters office space, are furnished without dollar payment on our part. Two-thirds of all



the British Army and civilian labor force available for military construction has been engaged in building hundreds of barracks, airfields, hospitals, supply depots, roads, and other facilities for our forces. The British Government is paying \$240,000 a week in wages for civilian workers in the direct employ of United States forces.

In addition, many existing facilities have been turned over to our use. Maintenance costs of airfields alone run into the tens of millions of dollars and these are paid by the British (the total cost to the British Treasury of new construction for U. S. forces in Britain is estimated by the British to be in excess of half a billion dollars).

The British Government also pays the transportation cost of moving American troops and army supplies within the British Isles.

Supplies other than construction materials furnished as reciprocal aid to our forces in the six months from May to November would have taken 1,200,000 ship-tons if transported from the United States. This is more than the tonnage of supplies we sent to our own forces from the United States during that period.

All British-produced arms requested by our armed forces are supplied without cost as mutual aid. Most of our arms are American-made, but we have received quantities of miscellaneous war supplies. In addition to several hundred Spitfire planes and many field guns and howitzers, the United Kingdom has provided us with 1,450,000 square yards of portable airfield runways and is furnishing several million more. We have received such supplies as 15,000 bombs ranging from 250-pound incendiaries to 2,000-pound block-busters; 70,000 rounds of 6-inch shells; many millions of rounds of small arms ammunition; more than 250,000 anti-tank mines; electric batteries at the rate of 500,000 a month; 500,000 hand grenades; and more than 1,000 parachutes.

The British are in the process of providing us with more than 300,000 camouflage nets. They have agreed to supply our forces in the United Kingdom with 2,000,000 blankets, 2,000,000 sets of underwear, and 4,000,000 pairs of wool socks.

In return we have agreed to provide similar quantities to British and Dominion forces in the Middle and Far East.

U. S. Army engineers have received 1,500 miles of pipe. Several score new hospitals of semi-permanent construction with a bed capacity of 89,000 have been provided. We have received 20,000 one-hundred-pound reels of barbed wire, and millions of sandbags.

Most United States troops receive American Army food rations in Britain, but these are supplemented from the limited British food stocks by fresh vegetables, tea, chocolate, sugar, cereals, and other items. Almost all the bread for our soldiers is now made from the whole-meal "national flour" furnished from British Government stocks under reciprocal lend-lease. Between June 1 and December 31, the British provided our troops with over 38,000,000 pounds of flour, potatoes, fruits, and vegetables and mixed rations. In 1943 the British have agreed to supply more than 290,000,000 pounds of food, including sugar, syrup, jam, and salt in addition to the above items. Canteen supplies are also lend-leased by the British for American troops. Cigarettes are an exception. Our men prefer to smoke American brands.

Australia.

Australia's aid to us began at Bataan a year ago when she sent shiploads of food to the beleaguered American forces. Some of it got through and helped sustain resistance.

Australia now supplies the greater part of the food rations of our armed forces there. Our men are receiving under reciprocal aid, milk, beef, pork, lamb, fresh fruits and vegetables, most of their field rations, and their canned meats and canned vegetables. They have received 26,900,000 pounds of Australian beef and veal, lamb, mutton and pork, 20,000,000 pounds of potatoes, 1,800,000 dozen eggs, and 5,464,000 quarts of milk among other foodstuffs. These supplies are taking a sizable share of the total food production of a country of only 7,000,000 inhabitants. The Australian people are going short of many things to supply our troops. Civilians were almost unable to obtain potatoes for several months, and



practically the entire supply of pork, canned meats, vegetables, and citrus fruits has been directed to the Allied armed forces. Australia is also undertaking to expand greatly its food production and processing program in order to supply our forces in the Solomons, New Guinea, New Caledonia, and the New Hebrides.

In addition to food we are receiving from Australia as reciprocal aid many facilities such as barracks and airfields. Thousands of trucks and other vehicles have been provided and new roads have been built. Uniforms for United States soldiers and nurses are being made in Australian mills and furnished under incoming lend-lease.

The following list shows the quantities of some of the foods supplied as reciprocal aid by Australia in 1942:

Beef and veal	15,370,027 lbs.
Lamb and mutton	3,247,000 lbs.
Pork, ham and bacon	8,310,628 lbs.
Potatoes	20,030,992 lbs.
Other vegetables and fruits	25,337,328 lbs.
Eggs	1,800,000 dozen.
Butter	3,944,777 lbs.
Milk	5,464,116 qts.

New Zealand

New Zealand also is providing as reciprocal aid most of the food for United States armed forces stationed there. Our men have received, for example, 16,000,000 pounds of New Zealand beef, pork, veal, lamb, and mutton, 2,000,000 pounds of butter, 3,000,000 pounds of sugar, 1,400,000 dozen eggs. As in Australia, the people of New Zealand have gone without in order to provide these supplies. Civilian shortages of eggs, milk, potatoes, flour, fresh fruit, and cereals have been reported as particularly severe. New Zealand is expanding its capacity for dehydrating foods, has already furnished some clothing and blankets for our troops, and has a program under way to manufacture 400,000 army boots.

Labor and construction resources have also been strained

severely in a country of less than 2,000,000 people in order to carry out work for the United States forces. For a time all cement supplies were reserved for defense work and a great part of the lumber supply as well. Most of these materials went into the construction of facilities for our men. Storage accommodations on a large scale have been constructed and airdromes and naval base facilities extended and improved.

Last August after a severe earthquake had hit Wellington (and it was wintertime there) damage was left unrepaired and rubble remained in the streets for weeks because the New Zealand Government declined to release workers employed on construction projects for United States forces.

The following list shows the quantities of some of the foods supplied as reciprocal aid by New Zealand in 1942:

Beef	10,279,000 lbs.
Mutton	1,721,000 lbs.
Bacon, ham, and pork	4,054,000 lbs.
Potatoes	4,787,000 lbs.
Eggs	1,407,000 dozen.
Butter	2,032,000 lbs.
Sugar	3,320,000 lbs.

China

A reciprocal aid agreement with China is now under negotiation, but without waiting for the agreement China is already furnishing part of the supplies of the United States Air Forces there out of its reserve stocks and has offered to turn back to the United States as reciprocal aid the famous P-40 fighter planes used by the "Flying Tigers" of the American Volunteer Group and originally obtained by purchase from the United States.

Other Areas

American forces in New Caledonia are receiving reciprocal aid from the Fighting French whenever supplies and services can be provided locally. We are getting important reciprocal aid in India where the manufacture of uniforms for our troops

has started. South Africa has provided naval supplies under reciprocal aid. Reciprocal aid has also been furnished to our troops by the British in Egypt, North Africa, the Middle East, the Fiji Islands, and in Iceland.

Our Home Defense

Soon after Pearl Harbor, Great Britain rushed thousands of barrage balloons to the United States under reciprocal aid which were sent to the west coast for defense against possible Japanese air attack. A considerable number of British anti-aircraft guns are stationed alongside our own in many American cities and they also help to defend the Panama Canal. We have received machine tools for our shipyards and benzol, of which we were short, for aviation gasoline.

Great Britain furnished us with all the specifications for its system of aircraft detection developed during many months of intensive air war, together with much apparatus as well. These have aided our own production of such equipment greatly. In addition there is a constant exchange of full information on the development of new and highly secret weapons.

The best scientific brains of the United States and United Kingdom have been mobilized by the Office of Scientific Research and Development in Washington and its counterpart in London. Through the close collaboration of the two Offices literally thousands of scientists and inventors in both countries have been organized into a single team, although they work separately in many laboratories scattered throughout the United States and United Kingdom. They are engaged on secret assignments, testing, experimenting and developing weapons and techniques for increasing our offensive power and for saving lives through new discoveries in military medicine. The results of their work are freely pooled because the principles of lend-lease working in both directions have been applied to the laboratory as well as to the tank arsenal. In this exchange the United States has been receiving the full benefit of the lessons learned from Britain's hard-won battle experience, which began more than two years before

ours. For instance, predictors and fire control gear are now being manufactured on a large scale in the United States from British design.

Great Britain has also aided us in anti-submarine warfare off the Atlantic coast. We have received a number of corvettes and smaller craft under reciprocal aid which are manned by American crews.

Since the resources of the United States available for lend-lease purposes are far greater than those of any of our allies, the dollar value of reciprocal lend-lease aid should not be compared with, nor expected to approach, the dollar value of outgoing lend-lease, even if it could be accurately measured on the same basis. This is not possible in many circumstances. Reciprocal aid is provided to our forces at points scattered all over the world and much of it is provided in combat areas, whereas outgoing lend-lease comes from a central source and can be readily recorded. Nevertheless, even on the basis of records that are likely to remain incomplete, it is already evident that reciprocal aid is a very important benefit to the United States, and an increasingly vital factor in the combined war effort of the United Nations.



APPENDICES

NOTE: There are included in this section for purposes of convenience most of the principal laws and documents relating to lend-lease. Some of these documents have been included in previous reports, several of which are out of print.

Appendix I LEND-LEASE ACT

Further to promote the defense of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "An Act to Promote the Defense of the United States."

Section 2.

As used in this Act—

(a) The term "defense article" means—

- (1) Any weapon, munition, aircraft, vessel, or boat;
- (2) Any machinery, facility, tool, material, or supply necessary for the manufacture, production, processing, repair, servicing, or operation of any article described in this subsection;
- (3) Any component material or part of or equipment for any article described in this subsection;
- (4) Any agricultural, industrial or other commodity or article for defense.

Such term "defense article" includes any article described in this subsection manufactured or procured pursuant to section 3, or to which the United States or any foreign government has or hereafter acquires title, possession, or control.

(b) The term "defense information" means any plan, specification, design, prototype, or information pertaining to any defense article.

Section 3.

(a) Notwithstanding the provisions of any other law, the President may, from time to time, when he deems it in the interest of national defense,

authorize the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government—

(1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for the government of any country whose defense the President deems vital to the defense of the United States.

(2) To sell, transfer title to, exchange, lease, lend, or otherwise dispose of, to any such government any defense article, but no defense article not manufactured or procured under paragraph (1) shall in any way be disposed of under this paragraph, except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both. The value of defense articles disposed of in any way under authority of this paragraph, and procured from funds heretofore appropriated, shall not exceed \$1,300,000,000. The value of such defense articles shall be determined by the head of the department or agency concerned or such other department, agency, or officer as shall be designated in the manner provided in the rules and regulations issued hereunder. Defense articles procured from funds hereafter appropriated to any department or agency of the Government, other than from funds authorized to be appropriated under this Act, shall not be disposed of in any way under authority of this paragraph except to the extent hereafter authorized by the Congress in the Acts appropriating such funds or otherwise.

(3) To test, inspect, prove, repair, outfit, recondition, or otherwise to place in good working order, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress or both, any defense article for any such government, or to procure any or all such services by private contract.

(4) To communicate to any such government any defense information, pertaining to any defense article furnished to such government under paragraph (2) of this subsection.

(5) To release for export any defense article disposed of in any way under this subsection to any such government.

(b) The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory.

(c) After June 30, 1943, or after the passage of a concurrent resolution by the two Houses before June 30, 1943, which declares that the powers conferred by or pursuant to subsection (a) are no longer necessary to promote the defense of the United States, neither the President nor the head of any department or agency shall exercise any of the powers conferred by or pursuant to subsection (a); except that until July 1, 1946, any of such powers may be exercised to the extent necessary to carry out a contract or agree-



ment with such a foreign government made before July 1, 1943, or before the passage of such concurrent resolution, whichever is the earlier.

(d) Nothing in this Act shall be construed to authorize or to permit the authorization of convoying vessels by naval vessels of the United States.

(e) Nothing in this Act shall be construed to authorize or to permit the authorization of the entry of any American vessel into a combat area in violation of section 3 of the Neutrality Act of 1939.

Section 4.

All contracts or agreements made for the disposition of any defense article or defense information pursuant to section 3 shall contain a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense article or defense information by gift, sale, or otherwise, or permit its use by anyone not an officer, employee, or agent of such foreign government.

Section 5.

(a) The Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government involved shall, when any such defense article or defense information is exported, immediately inform the department or agency designated by the President to administer section 6 of the Act of July 2, 1940 (54 Stat. 714), of the quantities, character, value, terms of disposition, and destination of the article and information so exported.

(b) The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose. Reports provided for under this subsection shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

Section 6

(a) There is hereby authorized to be appropriated from time to time, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions and accomplish the purposes of this Act.

(b) All money and all property which is converted into money received under section 3 from any government shall, with the approval of the Director of the Budget, revert to the respective appropriation or appropriations out of which funds were expended with respect to the defense article or defense information for which such consideration is received, and shall be available for expenditure for the purpose for which such expended funds were appropriated by law, during the fiscal year in which such funds are received and the ensuing fiscal year; but in no event shall any funds so received be available for expenditure after June 30, 1946.

Section 7

The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall in all contracts or agreements for the disposition of any defense article or defense information fully protect the rights of all citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owner and holders of such patents.

Section 8.

The Secretaries of War and of the Navy are hereby authorized to purchase or otherwise acquire arms, ammunition, and implements of war produced within the jurisdiction of any country to which section 3 is applicable, whenever the President deems such purchase or acquisition to be necessary in the interests of the defense of the United States.

Section 9.

The President may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred on him by this Act through such department, agency, or officer as he shall direct.

Section 10.

Nothing in this Act shall be construed to change existing law relating to the use of the land and naval forces of the United States, except insofar as such use relates to the manufacture, procurement, and repair of defense articles, the communication of information and other noncombatant purposes enumerated in this Act.

Section 11.

If any provision of this Act or the application of such provision to any circumstance shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances shall not be affected thereby.

APPROVED, March 11, 1941.

Appendix II

PUBLIC LAW 23—77th CONGRESS

Chapter 30—1st Session

SEC. 3. Any defense article procured from an appropriation made by this Act shall be retained by or transferred to and for the use of such department or agency of the United States as the President may determine, in lieu of being disposed of to a foreign government whenever in the judgment of the President the defense of the United States will be best served thereby.



Appendix III
PUBLIC LAW 282—77th CONGRESS
Chapter 460—1st Session

Sec. 102. The President may, from time to time, when he deems it in the interest of national defense, authorize the head of any department or agency of the Government to enter into contracts for the procurement of defense articles, information, or services for the government of any country whose defense the President deems vital to the defense of the United States, to the extent that such government agrees to pay the United States for such defense articles, information, or services prior to the receipt thereof and to make such payments from time to time as the President may require to protect the interests of the United States; and, upon payment of the full cost, the President may dispose of such articles, information, or services to such government: *Provided*, That the total amount of the outstanding contracts under this section, less the amounts which have been paid to the United States under such contracts, shall at no time exceed \$600,000,000.

Appendix IV
PUBLIC LAW 474—77th CONGRESS
Chapter 141—2d Session

Sec. 303. The term "defense article" as used in section 102 of the Third Supplemental National Defense Appropriation Act, 1942, approved December 17, 1941 (Public Law 353), in section 102 of the Fourth Supplemental National Defense Appropriation Act, 1942, approved January 30, 1942 (Public Law 422), in section 301 of the Act of February 7, 1942 (Public Law 441), and in section 102 of this Act shall be deemed to include defense information and services, and the expenses in connection with the procurement or supplying of defense articles, information, and services.

Appendix V
PUBLIC LAW 763—77th CONGRESS
Chapter 629—2d Session
TITLE II—DEFENSE AID

The funds appropriated in section 1 (d) of the Defense Aid Supplemental Appropriation Act, 1941 (Public Law 23), in section 101 (c) of the Defense Aid Supplemental Appropriation Act, 1942 (Public Law 282), and in section 301 (c) of the Second Defense Aid Supplemental Appropriation Act,

1942 (Public Law 474), shall be deemed to be available retroactively as well as prospectively for the procurement, disposition, or furnishing of any defense information or defense service under the Act entitled "An Act to Promote the Defense of the United States," approved March 11, 1941 (Public Law 11), whether or not such information or service is necessary to or connected with the procurement or disposition of any defense article, and the authority to dispose of defense articles granted in section 102 of the Third Supplemental National Defense Appropriation Act, 1942 (Public Law 353), in section 102 of the Fourth Supplemental National Defense Appropriation Act, 1942 (Public Law 422), in section 301 of the Act of February 7, 1942 (Public Law 441), in sections 102 and 303 of the Fifth Supplemental National Defense Appropriation Act, 1942 (Public Law 474), in section 201 of the Sixth Supplemental National Defense Appropriation Act, 1942 (Public Law 528), in section 103 of this Act, and in any other appropriation Act for the same purpose, shall be deemed to include the authority to procure, dispose of, or furnish any defense information or defense service under said Act of March 11, 1941, whether or not such information or service is necessary to or connected with the procurement or disposition of any defense article.

Appendix VI
AMOUNTS OF LEND-LEASE AID AUTHORIZED
Lend-Lease Act—March 11, 1941

This Act appropriated no money, but empowered the President to transfer a maximum of \$1,300,000,000 of defense articles, obtained with funds appropriated prior to the date of the Act.

First Lend-Lease Appropriation Act—March 27, 1941

This Act appropriated \$7,000,000,000 for lend-lease, of which \$13,000,000 was transferred to the Treasury Department to cover the cost of 10 Coast Guard cutters turned over to Great Britain.

First Supplemental Nat'l Defense Approp. Act—August 25, 1941

Title III of this Act added \$1,296,650,000 in appropriated funds and contract authorizations to the Maritime Commission's general funds, established by the 1936 Merchant Marine Act, for ship and facilities construction, and empowered the President to lease vessels constructed or acquired with funds appropriated by this title.

Second Lend-Lease Appropriation Act—October 28, 1941

Title I of this Act appropriated \$5,985,000,000 for the procurement of defense articles, information and services under the Lend-Lease Act. In addition, it authorized the President to enter into contracts for the procure-



ment of defense articles, information or services for the government of any country whose defense has been deemed vital to the defense of the United States upon the agreement of such country to pay for the same, and also authorized the President to dispose of such articles, information, and services upon payment of the full cost thereof. This authority to contract is limited by the provision that the total amounts remaining to be paid under outstanding contracts shall not exceed \$600,000,000 at any one time.

Third Supplemental Nat'l Defense Approp. Act—Dec. 17, 1941

Title I of this Act appropriated money to the War Department and changed the provisions of the Lend-Lease Act in regard to the transfer of defense articles. The President was empowered to transfer War Department articles procured from funds appropriated prior to or since March 11, 1941, to the value of \$2,000,000,000. The limitation of \$1,300,000,000, which applied to goods obtained from appropriations made prior to March 11, 1941, was reduced to \$800,000,000, and this new limitation was made to apply only to articles other than War Department articles.

Fourth Supplemental Nat'l Defense Approp. Act—Jan. 30, 1942

Title I of this Act appropriated money to the War Department and empowered the President to lend-lease War Department articles procured from funds appropriated in this title to the value of \$4,000,000,000. These articles will come principally from the aircraft category and to a lesser extent from ordnance and other categories.

Naval Appropriation Act—February 7, 1942

Title III of this Act empowered the President to lease, for a period of time not exceeding the duration of the existing emergency, ships to be constructed at a cost not to exceed \$3,900,000,000, and to transfer defense articles procured from funds appropriated by this Act to the value of \$2,500,000,000.

Fifth Supplemental Nat'l Defense Approp. Act—March 5, 1942

Title I of this Act appropriated money to the War Department and empowered the President to lend-lease defense articles procured from funds appropriated in this title to the value of \$11,250,000,000. These articles will come principally from the ordnance category and to a lesser extent from other categories.

Title II of this Act appropriated to the Maritime Commission additional funds and authorized contracts totaling \$3,850,000,000 for construction of ships and facilities, and empowered the President to lease ships authorized in this title.

Title III of this Act appropriated directly to the President \$5,425,000,000 for lend-lease.

Sixth Supplemental Nat'l Defense Approp. Act—April 28, 1942

Title I of this Act appropriated money to the War Department and empowered the President to lend-lease defense articles procured from funds therein appropriated up to the value of \$2,220,000,000, and defined "defense article" to include defense information and services, and the expenses incurred in connection with the procurement of defense articles, information and services.

Military Appropriation Act, 1943—July 2, 1942

This Act appropriated money to the War Department and empowered the President to lend-lease defense articles procured from funds therein appropriated up to the value of \$12,700,000,000, and defined "defense article" to include defense information and services, and the expenses incurred in connection with the procurement of defense articles, information and services.

Second Suppl. Nat'l Defense Approp. Act, 1943—Oct. 26, 1942

Title I of this Act empowered the President to lend-lease defense articles, information, and services procured from any funds appropriated to the Navy Department subsequent to March 11, 1941 up to a value of \$3,000,000,000 for defense articles (other than ships), information and services, and authorized the leasing of ships without limitation as to amount—the \$3,000,000,000 limitation on the lend-lease of defense articles, information and services replacing the \$2,500,000,000 limitation imposed by the Naval Appropriation Act of February 7, 1942.

Title II of this Act expressly provided that funds appropriated for lend-lease purposes shall be available retroactively as well as prospectively for the procurement, disposition or furnishing of defense information or defense services whether or not such information or services are necessary to or connected with the procurement or disposition of any defense article.

[For recapitulation of foregoing appropriation acts, see following page.]



RECAPITULATION OF AID AUTHORIZED

The amount of lend-lease aid that may be provided under the various acts is summarized as follows:

Lend-Lease Appropriations to the President	
First Lend-Lease Appropriation.....	\$7,000,000,000
Second Lend-Lease Appropriation.....	5,985,000,000
Third Lend-Lease Appropriation (Fifth Supp. 1942).....	5,425,000,000
Total.....	18,410,000,000
Transfers Authorized From Other Appropriations	
War Department—Third Supplemental, 1942.....	\$2,000,000,000
War Department—Fourth Supplemental, 1942.....	4,000,000,000
War Department—Fifth Supplemental, 1942.....	11,250,000,000
War Department—Sixth Supplemental, 1942.....	2,220,000,000
War Department—Military Appropriation Act, 1943.....	12,700,000,000
Navy Department—Second Supplemental, 1943.....	3,000,000,000
Departments other than War—Third Supplemental, 1942.....	800,000,000
Total.....	35,970,000,000

Value of Ships Which May Be Leased	
Maritime Commission—First Supplemental, 1942.....	1,296,650,000
Maritime Commission—Fifth Supplemental, 1942.....	3,850,000,000
Navy Department—Naval Appropriation Act, 1942.....	(no limitation as to amount)

NOTE—Title III of the Naval Appropriation Act of February 7, 1942, authorized the leasing of specified naval ships to be constructed at a cost not exceeding \$3,900,000,000. Under Title I of the Second Supplemental National Defense Appropriation Act, 1943, however, naval ships may be leased, but not otherwise disposed of, without limitation as to amount.

In previous reports, the value of ships which may be leased was included in the table of transfers authorized. It is more accurate to separate this item since the appropriation acts provide that the ships may only be leased.

Appendix VII

EXECUTIVE ORDER ESTABLISHING OFFICE OF LEND-LEASE ADMINISTRATION

By virtue of the authority vested in me by the Constitution and statutes of the United States, and particularly by the Act of March 11, 1941, entitled "An Act further to promote the defense of the United States and for other purposes" (hereafter referred to as the Act), and by the Defense Aid

Supplemental Appropriation Act, 1941, approved March 27, 1941, and acts amendatory or supplemental thereto, in order to define further the functions and duties of the Office for Emergency Management of the Executive Office of the President in respect to the national emergency as declared by the President on May 27, 1941, and in order to provide for the more effective administration of those Acts in the interests of national defense, it is hereby ordered as follows:

1. There shall be in the Office for Emergency Management of the Executive Office of the President an Office of Lend-Lease Administration, at the head of which shall be an Administrator, appointed by the President, who shall receive compensation at such rate as the President shall approve and, in addition, shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties.

2. Subject to such policies as the President may from time to time prescribe, the Administrator is hereby authorized and directed, pursuant to Section 9 of the Act, to exercise any power or authority conferred upon the President by the Act and by the Defense Aid Supplemental Appropriation Act, 1941 and any acts amendatory or supplemental thereto, with respect to any nation whose defense the President shall have found to be vital to the defense of the United States: *Provided*, That the master agreement with each nation receiving lend-lease aid, setting forth the general terms and conditions under which such nation is to receive such aid, shall be negotiated by the State Department, with the advice of the Economic Defense Board and the Office of Lend-Lease Administration.

3. The Administrator shall make appropriate arrangements with the Economic Defense Board for the review and clearance of lend-lease transactions which affect the economic defense of the United States as defined in Executive Order No. 8839 of July 30, 1941.

4. Within the limitation of such funds as may be made available for that purpose, the Administrator may appoint one or more Deputy or Assistant Administrators and other personnel, delegate to such Deputy or Assistant Administrators any power or authority conferred by these orders, and make provision for such supplies, facilities, and services as shall be necessary to carry out the provisions of this Order. In so far as practicable, the Office of Lend-Lease Administration shall use such general business services and facilities as may be made available to it through the Office for Emergency Management.

5. Executive Order No. 8751 of May 2, 1941, establishing the Division of Defense Aid Reports and defining its functions and duties, is hereby revoked.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
October 28, 1941.



Appendix VIII COMBINED BOARDS

Announcement of January 26, 1942

The powers and functions of the Combined Boards were defined by President Roosevelt and Prime Minister Churchill as follows:

Combined Raw Materials Board.

A planned and expeditious utilization of the raw material resources of the United Nations is necessary in the prosecution of the war. To obtain such a utilization of our raw material resources in the most efficient and speediest possible manner, we hereby create the "Combined Raw Materials Board."

This Board will:

(a) Be composed of a representative of the British Government and a representative of the United States Government. The British member will represent and act under the instruction of the Minister of Supply. The Board shall have power to appoint the staff necessary to carry out its responsibilities.

(b) Plan the best and speediest development, expansion and use of the raw material resources, under the jurisdiction or control of the two Governments, and make the recommendations necessary to execute such plans. Such recommendations shall be carried out by all parts of the respective Governments.

(c) In collaboration with others of the United Nations work toward the best utilization of their raw material resources, and, in collaboration with the interested nation or nations, formulate plans and recommendations for the development, expansion, purchase, or other effective use of their raw materials.

Munitions Assignments Board.

1. The entire munition resources of Great Britain and the United States will be deemed to be in a common pool, about which the fullest information will be interchanged.

2. Committees will be formed in Washington and London under the Combined Chiefs of Staff in a manner similar to the South-West Pacific Agreement. These Committees will advise on all assignments both in quantity and priority, whether to Great Britain and the United States or other of the United Nations in accordance with strategic needs.

3. In order that these Committees may be fully apprised of the policy of their respective Governments, the President will nominate a civil Chairman who will preside over the Committee in Washington, and the Prime Minister of Great Britain will make a similar nomination in respect of the Committee in London. In each case the Committee will be assisted by a

Secretariat capable of surveying every branch and keeping in touch with the work of every subcommittee as may be necessary.

4. The Civilian Chairmen in Washington and London may invite representatives of the State Department, the Foreign Office, or production ministries or agencies to attend meetings.

Combined Shipping Adjustment Board

1. In principle, the shipping resources of the two countries will be deemed to be pooled. The fullest information will be interchanged.

2. Owing to the military and physical facts of the situation around the British Isles, the entire movement of shipping now under the control of Great Britain will continue to be directed by the Ministry of War Transport.

3. Similarly, the appropriate Authority in the United States will continue to direct the movements and allocations of United States shipping, or shipping of other Powers under United States control.

4. In order to adjust and concert in one harmonious policy the work of the British Ministry of War Transport and the shipping authorities of the United States Government, there will be established forthwith in Washington a combined shipping adjustment board, consisting of a representative of the United States and a representative of the British Government, who will represent and act under the instructions of the British Minister of War Transport.

5. A similar adjustment board will be set up in London consisting of the Minister of War Transport and a representative of the United States Government.

6. In both cases the executive power will be exercised solely by the appropriate shipping agency in Washington and by the Minister of War Transport in London.

Announcements of June 9, 1942 and November 10, 1942

Combined Production and Resources Board.

The text of the joint statement issued by the President and the Prime Minister of June 9th, announcing the setting up of the Combined Production and Resources Board, was revised on November 10, 1942, to read as follows:

To complete the organization needed for the most effective use of the combined resources of North America (United States and Canada) and the United Kingdom, for the prosecution of the war, there is hereby established a Combined Production and Resources Board.

1. The Board shall consist of the Chairman of the War Production Board, representing the United States, the Minister of Production, representing the United Kingdom, and the Minister of Munitions and Supply, representing Canada.

2. The Board shall—

(a) Combine the Production programs of the United States, the United Kingdom and Canada, into a single integrated program, adjusted

855\538



to the strategic requirements of the war, as indicated to the Board by the Combined Chiefs of Staff, and to all relevant production factors. In this connection, the Board shall take account of the need for maximum utilization of the productive resources available to the United States, the British Commonwealth of Nations and the United Nations, the need to reduce demands on shipping to a minimum, and the essential needs of the civilian populations.

- (b) In close collaboration with the Combined Chiefs of Staff, assure the continuous adjustment of the combined production program to meet changing military requirements.

3. To this end, the Combined Chiefs of Staff and the Combined Munitions Assignment Board shall keep the Combined Production and Resources Board currently informed concerning military requirements, and the Combined Production and Resources Board shall keep the Combined Chiefs of Staff and the Combined Munitions Assignment Board currently informed concerning the facts and possibilities of production.

4. To facilitate continuous operation, the members of the Board shall each appoint a Deputy; and the Board shall form a combined staff. The Board shall arrange for such conferences among United States and United Kingdom and Canadian personnel as it may from time to time deem necessary or appropriate to study particular production needs; and utilize the Joint War Production Staff in London, the Combined Raw Materials Board, the Joint Aircraft Committee, and other existing combined or national agencies for war production in such manner and to such extent as it shall deem necessary.

Combined Food Board

By virtue of the authority vested in me by the Constitution and as President of the United States, and acting jointly and in full accord with the Prime Minister of Great Britain, I hereby authorize, on the part of the Government of the United States, the creation of a joint Great Britain-United States board to be known as the Combined Food Board.

In order to coordinate further the prosecution of the war effort by obtaining a planned and expeditious utilization of the food resources of the United Nations, there is hereby established a Combined Food Board.

The Board will be composed of the Secretary of Agriculture and of the Head of the British Food Mission who will represent and act under the instruction of the Minister of Food.

The duties of the Board shall be:

To consider, investigate, enquire into, and formulate plans with regard to any question in respect of which the Governments of the U. S. A. and the U. K. have, or may have, a common concern, relating to the supply, production, transportation, disposal, allocation or distribution, in or to any part of the world, of foods, agricultural materials from which foods are derived, and equipment and nonfood materials ancillary to the production of such foods and agricultural materials, and to make recommendations to the Governments of the U. S. A. and the U. K. in respect of any such question;

To work in collaboration with others of the United Nations toward the best utilization of their food resources, and, in collaboration with the interested nation or nations, to formulate plans and recommendations for the development, expansion, purchase, or other effective use of their food resources.

The Board shall be entitled to receive from any agency of the Government of the United States and any department of the Government of the United Kingdom any information available to such agency or department relating to any matter with regard to which the Board is competent to make recommendations to those Governments, and, in principle, the entire food resources of Great Britain and the United States will be deemed to be in a common pool, about which the fullest information will be interchanged.

Members of the Combined Boards

Combined Chiefs of Staff:

Members for United States: Admiral William D. Leahy
Gen. George C. Marshall
Admiral E. J. King
Lieut. Gen. H. H. Arnold

Members for the United Kingdom: Field Marshal Sir John Dill
Lieut. Gen. G. N. MacReady
Air Marshal D. C. S. Evill
Admiral Sir Percy Noble

Munitions Assignment Board:

Washington—Chairman: Harry L. Hopkins

Executive: Major General J. H. Burns

Members for the United States: Admiral J. M. Reeves
Lieut. Gen. B. B. Somervell
Major General Richard C. Moore
Major General G. E. Stratemyer

Members for the United Kingdom: Admiral Sir Percy Noble
Lieut. Gen. G. N. MacReady
Air Marshal D. C. S. Evill

London—Chairman: Captain Oliver Lyttelton, Minister of Production

Members for the United States: Captain T. A. Solberg
Major General J. K. Crain
Brigadier General A. J. Lyon
Colonel D. C. MacKeachie

Members for the United Kingdom: Rear Admiral R. R. McGrigor
Lieut. Gen. R. M. Weeks
Air Chief Marshal Sir Christopher L. Courtney



Combined Production and Resources Board:

Member for the United States: Donald M. Nelson

Member for the United Kingdom: Captain Oliver Lyttelton
(Sir Robert J. Sinclair, Deputy)

Member for Canada: C. D. Howe
(E. P. Taylor, Deputy)

Combined Raw Materials Board:

Member for the United States: William L. Batt
(Howard C. Sykes, Deputy—Executive Secretary)

Member for the United Kingdom: Sir Clive Baillieu
(George Archer, Executive Secretary)

Combined Food Board:

Member for the United States: Claude R. Wickard
(Leslie A. Wheeler, Executive Officer)

Member for the United Kingdom: Robert H. Brand
(Maurice I. Hutton, Executive Officer)

Combined Shipping Adjustment Board:

Washington:

Member for the United States: Rear Admiral Emory S. Land
(Lewis Douglas, Deputy)

Member for the United Kingdom: Sir Arthur Salter

London:

Member for the United States: W. Averell Harriman
Member for the United Kingdom: Lord Leathers

Appendix IX

RUSSIAN MASTER AGREEMENT

Agreement between the United States of America and the Union of Soviet Socialist Republics on the principles applying to mutual aid in the prosecution of the war against aggression.

Whereas the Governments of the United States of America and the Union of Soviet Socialist Republics declare that they are engaged in a cooperative undertaking, together with every other nation or people of like mind, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations;

And whereas the Governments of the United States of America and the Union of Soviet Socialist Republics, as signatories of the Declaration by United Nations of January 1, 1942, have subscribed to a common program of purposes and principles embodied in the Joint Declaration, known as the Atlantic Charter, made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland, the basic principles of which were adhered to by the Government of the Union of Soviet Socialist Republics on September 24, 1941;

And whereas the President of the United States of America has determined, pursuant to the act of Congress of March 11, 1941, that the defense of the Union of Soviet Socialist Republics against aggression is vital to the defense of the United States of America;

And whereas the United States of America has extended and is continuing to extend to the Union of Soviet Socialist Republics aid in resisting aggression;

And whereas it is expedient that the final determination of the terms and conditions upon which the Government of the Union of Soviet Socialist Republics receives such aid and of the benefits to be received by the United States of America in return therefor should be deferred until the extent of the defense aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States of America and the Union of Soviet Socialist Republics and will promote the establishment and maintenance of world peace;

And whereas the Governments of the United States of America and the Union of Soviet Socialist Republics are mutually desirous of concluding now a preliminary agreement in regard to the provision of defense aid and in regard to certain considerations which shall be taken into account in determining such terms and conditions and the making of such an agreement has been in all respects duly authorized, and all acts, conditions and formalities which it may have been necessary to perform, fulfill or execute prior to the making of such an agreement in conformity with the laws either of the United States of America or of the Union of Soviet Socialist Republics have been performed, fulfilled or executed as required;

The undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:

Article I

The Government of the United States of America will continue to supply the Government of the Union of Soviet Socialist Republics with such defense articles, defense services, and defense information as the President of the United States of America shall authorize to be transferred or provided.

Article II

The Government of the Union of Soviet Socialist Republics will continue to contribute to the defense of the United States of America and the



strengthening thereof and will provide such articles, services, facilities or information as it may be in a position to supply.

Article III

The Government of the Union of Soviet Socialist Republics will not without the consent of the President of the United States of America transfer title to, or possession of, any defense article or defense information transferred to it under the Act of March 11, 1941 of the Congress of the United States of America or permit the use thereof by anyone not an officer, employee, or agent of the Government of the Union of Soviet Socialist Republics.

Article IV

If, as a result of the transfer to the Government of the Union of Soviet Socialist Republics of any defense article or defense information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such defense article or information, the Government of the Union of Soviet Socialist Republics will take such action or make such payment when requested to do so by the President of the United States of America.

Article V

The Government of the Union of Soviet Socialist Republics will return to the United States of America at the end of the present emergency, as determined by the President of the United States of America, such defense articles transferred under this Agreement as shall not have been destroyed, lost or consumed and as shall be determined by the President to be useful in the defense of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America.

Article VI

In the final determination of the benefits to be provided to the United States of America by the Government of the Union of Soviet Socialist Republics full cognizance shall be taken of all property, services, information, facilities, or other benefits or considerations provided by the Government of the Union of Soviet Socialist Republics subsequent to March 11, 1941, and accepted or acknowledged by the President on behalf of the United States of America.

Article VII

In the final determination of the benefits to be provided to the United States of America by the Government of the Union of Soviet Socialist Republics in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of worldwide economic relations. To that end, they shall include provision for agreed

action by the United States of America and the Union of Soviet Socialist Republics, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom, the basic principles of which were adhered to by the Government of the Union of Soviet Socialist Republics on September 24, 1941.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

Article VIII

This Agreement shall take effect as from this day's date. It shall continue in force until a date to be agreed upon by the two Governments.

Signed and sealed at Washington in duplicate this eleventh day of June, 1942.

For the Government of the United States of America

CORDELL HULL,

Secretary of State of the United States of America.

For the Government of the Union of Soviet Socialist Republics

MAXIM LITVINOFF,

Ambassador of the Union of Soviet Socialist Republics at Washington.

The following is an exchange of notes between the Secretary of State and the Ambassador of the Union of Soviet Socialist Republics at Washington:

DEPARTMENT OF STATE,

Washington, June 11, 1942.

EXCELLENCY:

In connection with the signature on this date of the Agreement between our two Governments on the Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression, I have the honor to confirm our understanding that this Agreement replaces and renders inoperative the two prior arrangements on the same subject between our two Governments, the most recent of which was expressed in the exchange of communications between the President and Mr. Stalin dated respectively February 13, February 20, and February 23, 1942.

Accept, Excellency, the renewed assurances of my highest consideration.

CORDELL HULL,

Secretary of State of the United States of America.

His Excellency MAXIM LITVINOFF,

Ambassador of the Union of Soviet Socialist Republics.



JUNE 11, 1942.

EXCELLENCY:

In connection with the signature on this date of the Agreement between our two Governments on the Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression, I have the honor to confirm our understanding that this Agreement replaces and renders inoperative the two prior arrangements on the same subject between our two Governments, the most recent of which was expressed in the exchange of communications between the President and Mr. Stalin dated respectively February 13, February 20, and February 23, 1942.

Accept, Excellency, the renewed assurances of my highest consideration.

MAXIM LITVINOV,

Ambassador of the Union of Soviet Socialist Republics at Washington.

His Excellency CORDELL HULL,

*Secretary of State of the United States of America,
Washington, D. C.*

Appendix X

DECLARATION BY UNITED NATIONS

A Joint Declaration by the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Union of Soviet Socialist Republics, China, Australia, Belgium, Canada, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, El Salvador, Greece, Guatemala, Haiti, Honduras, India, Luxembourg, Netherlands, New Zealand, Nicaragua, Norway, Panama, Poland, South Africa, Yugoslavia.

The Governments signatory hereto,

Having subscribed to a common program of purposes and principles embodied in the Joint Declaration of the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland dated August 14, 1941, known as the Atlantic Charter,

Being convinced that complete victory over their enemies is essential to defend life, liberty, independence and religious freedom, and to preserve human rights and justice in their own lands as well as in other lands, and that they are now engaged in a common struggle against savage and brutal forces seeking to subjugate the world, DECLARE:

(1) Each Government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war.

(2) Each Government pledges itself to cooperate with the Governments signatory hereto and not to make a separate armistice or peace with the enemies.

The foregoing declaration may be adhered to by other nations which are, or which may be, rendering material assistance and contributions in the struggle for victory over Hitlerism.

Done at Washington

January First 1942

The Republic of Costa Rica

by Luis Fernandez

The Republic of Cuba

by Aurelio F. Concheso

Czechoslovak Republic

by V. S. Hurban

The Dominican Republic

by J. M. Troncoso

The Republic of El Salvador

by C. A. Alfaro

The Kingdom of Greece

by Cimon P. Diamantopoulos

The Republic of Guatemala

by Enrique Lopez-Herrarte

The United States of America

by Franklin D. Roosevelt

The United Kingdom of Great

Britain and Northern Ireland

by Winston Churchill

On behalf of the Government of the

Union of Soviet Socialist Republics

by Maxim Litvinoff,

Ambassador

National Government of the Re-

public of China

Tse Vung Soong,

Minister for Foreign Affairs

The Commonwealth of Australia

by R. G. Casey

The Kingdom of Belgium

by Cte. R. v. d. Sclaten

Canada

by Leighton McCarthy

The Grand Duchy of Luxembourg

by Hugues Le Gallais

The Kingdom of the Netherlands

by A. Loudon

Signed on behalf of the Govt. of the

Dominion of New Zealand

by Frank Langstone

The Republic of Nicaragua

by Leon DeBayle

The Kingdom of Norway

by W. Munthe de Morgen-
stierne

The Republic of Panama

by Jaen Guardia

The Republic of Poland

by Jan Ciechanowski

La Republique d'Haiti

par Fernand Dennis

The Republic of Honduras

by Julian R. Caceres

India

by Girja Shankar Bajpai

The Union of South Africa

by Ralph W. Close

The Kingdom of Yugoslavia

by Constantin A. Fotitch

NOTE: Mexico, The Commonwealth of the Philippines, and Ethiopia have since adhered to the Declaration of United Nations.



Appendix XI

RECIPROCAL-AID AGREEMENTS

Reciprocal-aid agreements with United Kingdom, Australia, New Zealand and Fighting France were concluded September 3, 1942, by the following exchanges of notes. The first three agreements were signed in Washington and the agreement with Fighting France was signed in London.

Agreement with United Kingdom

The Honorable CORDELL HULL,
*Secretary of State, United States Department of State,
Washington, D. C.*

SIR: In the United Nations declaration of January 1, 1942, the contracting governments pledged themselves to employ their full resources, military or economic, against those nations with which they are at war and in the Agreement of February 23, 1942, each contracting government undertook to provide the other with such articles, services, facilities or information useful in the prosecution of their common war undertaking as each may be in a position to supply. It is further the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that the general principle to be followed in providing mutual aid as set forth in the said Agreement of February 23, 1942, is that the war production and the war resources of both Nations should be used by the armed forces of each and of the other United Nations in ways which most effectively utilize the available materials, manpower, production facilities and shipping space.

With a view, therefore, to supplementing Article 2 and Article 6 of the Agreement of February 23, 1942, between our two Governments for the provision of reciprocal aid, I have the honour to set forth below the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland of the principles and procedures applicable to the provision of aid by the Government of the United Kingdom of Great Britain and Northern Ireland to the armed forces of the United States and the manner in which such aid will be correlated with the maintenance of those forces by the United States Government.

1. While each Government retains the right of final decision, in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

2. As to financing the provision of such aid, within the fields mentioned below, it is the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that the general principle to be applied, to the point at which the common war effort is most effective, is that as large a portion as possible of the articles and services which each Government may authorize to be provided to the other shall be in the form of reciprocal aid so that the need of each Government for the currency of the other may be reduced to a minimum.

It is accordingly the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that the United States Government will provide, in accordance with the provisions of, and to the extent authorized under, the Act of March 11, 1941, the share of its war production made available to the United Kingdom. The Government of the United Kingdom will provide on the same terms and as reciprocal aid so much of its war production made available to the United States as it authorizes in accordance with the Agreement of February 23, 1942.

3. The Government of the United Kingdom will provide the United States or its armed forces with the following types of assistance as such reciprocal aid, when it is found that they can most effectively be procured in the United Kingdom or in the British Colonial Empire:

(a) Military equipment, munitions, and military and naval stores.

(b) Other supplies, materials, facilities, and services for the United States forces, except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of the Government of the United Kingdom as specified in paragraph 4.

(c) Supplies, materials, and services needed in the construction of military projects, tasks and similar capital works required for the common war effort in the United Kingdom or in the British Colonial Empire, except for the wages and salaries of United States citizens.

(d) Supplies, materials and services needed in the construction of such military projects, tasks and capital works in territory other than the United Kingdom or the British Colonial Empire or territory of the United States to the extent that the United Kingdom or the British Colonial Empire is a more practicable source of supply than the United States or another of the United Nations.

4. The practical application of the principles formulated in this note, including the procedure by which requests for aid by either Government are made and acted upon, shall be worked out as occasion may require by agreement between the two Governments, acting when possible through their appropriate military or civilian administrative authorities. Requests by the United States Government for such aid will be presented by duly authorized authorities of the United States to official agencies of the United Kingdom which will be designated or established in London and in the areas where United States forces are located for the purpose of facilitating the provision of reciprocal aid.

5. It is the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that all such aid, as well as other aid, including information, received under Article 6 of the Agreement of February 23, 1942, accepted by the President of the United States or his authorized representatives from the Government of the United Kingdom will be received as a benefit to the United States under the Act of March 11, 1941. Insofar as circumstances will permit, appropriate record of aid received under this arrangement, except for miscellaneous facilities and services, will be kept by each Government.



If the Government of the United States concurs in the foregoing, I would suggest that the present note and your reply to that effect be regarded as placing on record the understanding of our two Governments in this matter.

I have the honour to be, with the highest consideration, Sir, your most obedient, humble servant,

HALIFAX.

His Excellency the Right Honorable The Viscount HALIFAX, K. G.,
British Ambassador.

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's note of today's date concerning the principles and procedures applicable to the provision of aid by the Government of the United Kingdom of Great Britain and Northern Ireland to the armed forces of the United States of America.

In reply I wish to inform you that the Government of the United States agrees with the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland as expressed in that note. In accordance with the suggestion contained therein, your note and this reply will be regarded as placing on record the understanding between our two Governments in this matter.

This further integration and strengthening of our common war effort gives me great satisfaction.

Accept, Sir, the renewed assurances of my highest consideration.

CORDELL HULL,

Secretary of State of the United States of America.

Agreement with Australia

The Honorable CORDELL HULL,
Secretary of State, Washington, D. C.

SIR: As contracting parties to the United Nations Declaration of January 1, 1942, the Governments of the United States of America and the Commonwealth of Australia pledged themselves to employ their full resources, military and economic, against those nations with which they are at war.

With regard to the arrangements for mutual aid between our two governments, I refer to the agreement signed at Washington on February 23, 1942, between the Governments of the United States of America and the United Kingdom on principles applying to mutual aid in the present war authorized and provided for by the Act of Congress of March 11, 1941, and have the honour to inform you that the Government of the Commonwealth of Australia accepts the principles therein contained as governing the provision of mutual aid between itself and the Government of the United States of America.

It is the understanding of the Government of the Commonwealth of Australia that the general principle to be followed in providing such aid is that the war production and war resources of both nations should be

used by the armed forces of each, in the ways which most effectively utilize available materials, manpower, production facilities and shipping space.

I now set forth the understanding of the Government of the Commonwealth of Australia of the principles and procedure applicable to the provision of aid by the Government of the Commonwealth of Australia to the armed forces of the United States and the manner in which such aid will be correlated with the maintenance of those forces by the United States Government.

1. While each Government retains the right of final decision, in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

2. As to financing the provision of such aid, within the fields mentioned below, it is my understanding that the general principles to be applied to the point at which the common war effort is most effective, is that as large a portion as possible of the articles and services which each Government may authorize to be provided to the other shall be in the form of reciprocal aid so that the need of each Government for the currency of the other may be reduced to a minimum.

It is accordingly my understanding that the United States Government will provide, in accordance with the provisions of, and to the extent authorized under, the Act of March 11, 1941, the share of its war production made available to Australia. The Government of Australia will provide on the same terms and as reciprocal aid so much of its war production made available to the United States as it authorizes in accordance with the principles enunciated in this note.

3. The Government of Australia will provide as reciprocal aid the following types of assistance to the armed forces of the United States in Australia or its territories and in such other cases as may be determined by common agreement in the light of the development of the war.

(a) Military equipment, ammunition and military and naval stores.

(b) Other supplies, materials, facilities and services for the United States forces except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of the Australian Government as specified in paragraph 4.

(c) Supplies, materials and services needed in the construction of military projects, tasks and similar capital works required for the common war effort in Australia and in such other places as may be determined, except for the wages and salaries of United States citizens.

4. The practical application of the principles formulated in this note, including the procedure by which requests for aid by either Government are made and acted upon, shall be worked out as occasion may require by agreement between the two Governments, acting when possible through their appropriate military or civilian administrative authorities. Requests by the United States Government for such aid will be presented by duly authorized authorities of the United States to official agencies of the Commonwealth of Australia which will be designated or established in Can-

berra and in the areas where United States forces are located for the purpose of facilitating the provision of reciprocal aid.

5. It is my understanding that all such aid accepted by the President of the United States or his authorized representatives from the Government of Australia will be received as a benefit to the United States under the Act of March 11, 1941. Insofar as circumstances will permit appropriate record of aid received under this arrangement, except for miscellaneous facilities and services, will be kept by each Government.

If the Government of the United States concurs in the foregoing, I would suggest that the present note and your reply to that effect be regarded as placing on record the understanding of our two Governments in this matter.

I have the honor to be with the highest consideration, Sir, your obedient servant,

OWEN DIXON.

The Honorable Sir OWEN DIXON, K. C. M. G.,
Minister of Australia.

SIR: I have the honor to acknowledge receipt of your note of today's date concerning the principles and procedures applicable to the provision of aid by the Government of the Commonwealth of Australia to the armed forces of the United States of America.

In reply I have the honor to inform you that the Government of the United States of America likewise accepts the principles contained in the agreement of February 23, 1942, between it and the Government of the United Kingdom as governing the provision of mutual aid between the Governments of the United States and of the Commonwealth of Australia. My Government agrees with the understanding of the Government of the Commonwealth of Australia as expressed in your note of today's date, and, in accordance with the suggestion contained therein, your note and this reply will be regarded as placing on record the understanding between our two Governments in this matter.

This further integration and strengthening of our common war effort gives me great satisfaction.

Accept, Sir, the renewed assurances of my highest consideration.

CORDELL HULL,
Secretary of State of the United States of America.

Agreement with New Zealand.

The Honorable CORDELL HULL,
*Secretary of State,
United States Department of State,
Washington, D. C.*

SIR: As contracting parties to the United Nations Declaration of January 1, 1942, the Governments of the United States of America and New Zealand pledged themselves to employ their full resources, military and economic, against those nations with which they are at war.

In the Agreement of February 23, 1942, between the Governments of the United Kingdom and of the United States of America, the provisions and principles of which the Government of New Zealand considers applicable to its relations with the Government of the United States, each contracting Government undertook to provide the other with such articles, services, facilities, or information useful in the prosecution of their common war undertaking as each may be in a position to supply.

It is the understanding of the Government of New Zealand that the general principle to be followed in providing such aid is that the war production and war resources of both nations should be used by each, in the ways which most effectively utilize available materials, manpower, production facilities and shipping space.

I now set forth the understanding of the Government of New Zealand of the principles and procedure applicable to the provision of aid by the Government of New Zealand to the armed forces of the United States and the manner in which such aid will be correlated with the maintenance of those forces by the United States Government.

1. While each Government retains the right of final decision, in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

2. As to financing the provision of such aid, within the fields mentioned below, it is my understanding that the general principle to be applied, to the point at which the common war effort is most effective, is that as large a portion as possible of the articles and services to be provided by each Government to the other shall be in the form of reciprocal aid so that the need of each Government for the currency of the other may be reduced to a minimum.

It is accordingly my understanding that the United States Government will provide, in accordance with the provisions of, and to the extent authorized under, the Act of March 11, 1941, the share of its production made available to New Zealand. The Government of New Zealand will provide on the same terms and as reciprocal aid so much of its production made available to the United States as it authorizes in accordance with the principles enunciated in this note.

3. The Government of New Zealand will provide the United States or its armed forces with the following types of assistance, as such reciprocal aid, when it is found that they can most effectively be procured in New Zealand.

(a) Military equipment, munitions and military and naval stores.

(b) Other supplies, materials, facilities and services for the United States forces, except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of the Government of New Zealand as specified in Paragraph 4.

(c) Supplies, materials and services needed in the construction of military projects, tasks and similar capital works required for the common war effort in New Zealand, except for the wages and salaries of United States citizens.

(d) Supplies, materials, and services needed in the construction of such military projects, tasks, and capital works in territory other than New Zealand or territory of the United States to the extent that New Zealand is a more practicable source of supply than the United States or another of the United Nations.

4. The practical application of the principles formulated in this note, including the procedure by which requests for aid by either Government are made and acted upon, shall be worked out as occasion may require by agreement between the two Governments, acting when possible through their appropriate military or civilian administrative authorities.

5. It is my understanding that all such aid accepted by the President of the United States or his authorized representatives from the Government of New Zealand will be received as a benefit to the United States under the Act of March 11, 1941. Insofar as circumstances will permit, appropriate record of aid received under this arrangement, except for miscellaneous facilities and services, will be kept by each Government.

If the Government of the United States concurs in the foregoing, I would suggest that the present note and your reply to that effect be regarded as placing on record the understanding of our two Governments in this matter.

I have the honour to be, Sir,
Your obedient servant,

WALTER NASH,
Minister of New Zealand.

The Honorable WALTER NASH,
Minister of New Zealand.

SIR: I have the honor to acknowledge receipt of your note of today's date concerning the principles and procedures applicable to the provision of aid by the Government of New Zealand to the armed forces of the United States of America.

In reply I have the honor to inform you that the Government of the United States of America likewise considers the provisions and principles contained in the agreement of February 23, 1942, between it and the Government of the United Kingdom as applicable to its relations with the Government of New Zealand. My Government agrees with the understanding of the Government of New Zealand as expressed in your note of today's date, and, in accordance with the suggestion contained therein, your note and this reply will be regarded as placing on record the understanding between our two Governments in this matter.

This further integration and strengthening of our common war effort gives me great satisfaction.

Accept, Sir, the renewed assurances of my highest consideration.

CORBELL HULL,
Secretary of State of the United States of America.

Agreement with French National Committee.

TEXT OF NOTE TO GENERAL DAHLQUIST FROM FRENCH NATIONAL COMMITTEE

The French National Committee sets forth below its understanding of the principles governing the provision of reciprocal aid by the United States of America to Fighting France and by Fighting France to the United States:

1. The United States of America will continue to supply Fighting France with such defense articles, defense services, and defense information as the President shall authorize to be transferred or provided.

2. Fighting France will continue to contribute to the defense of the United States of America and the strengthening thereof and will provide such articles, services, facilities, or information as it may be in a position to supply.

3. The fundamental principle to be followed in providing such aid is that the war production and war resources of Fighting France and of the United States of America should be used by the armed forces of each in the ways which most effectively utilize available materials, manpower, production facilities, and shipping space. While each retains the right of final decision, in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

4. As to financing the provision of such aid, within the fields mentioned below, it is the Committee's understanding that the general principle to be applied, to the point at which the common war effort is most effective, is that as large a portion as possible of the articles and services to be provided by each to the other shall be in the form of reciprocal aid.

It is accordingly the Committee's understanding that the United States Government will provide, in accordance with the provisions of, and to the extent authorized under, the Act of March 11, 1941, the share of its war production made available to Fighting France. Fighting France will provide on the same terms and as reciprocal aid so much of its war production made available to the United States as it authorizes in accordance with the principles enunciated in this note.

5. Within the territories under the control of Fighting France, or within the same theater of operations, the National Committee will provide the United States or its armed forces with the following types of assistance, as such reciprocal aid, when it is found that they can most effectively be procured in territory under the control of Fighting France:

(a) Military equipment, munitions, and military and naval stores.

(b) Other supplies, materials, facilities, and services for the United States forces, except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of Fighting France as specified in paragraph 6.

(c) Supplies, materials, and services, except for the wages and salaries of United States citizens, needed in the construction of military projects, tasks, and similar capital works required for the common war effort in territory under the control of Fighting France, or in the

same theater of operations, to the extent that such territory is the most practicable source of supply.

6. The practical application of the principles formulated in this note, including the procedure by which requests for aid are made and acted upon, shall be worked out by agreement as occasion may require through the appropriate military or civilian administrative authorities. Requests by the United States forces for such aid will be presented by their duly authorized authorities to official agencies of Fighting France which will be designated or established in the areas where United States forces are located for the purpose of facilitating the provision of reciprocal aid.

7. It is the Committee's understanding that all such aid accepted by the President of the United States of his authorized representatives from Fighting France will be received as a benefit to the United States under the Act of March 11, 1941. Insofar as circumstances will permit, appropriate record of aid received under this arrangement, except for miscellaneous facilities and services, will be kept by each.

If the Government of the United States concurs in the foregoing, the present note and a reply to that effect will be regarded as placing on record the understanding in this matter.

TEXT OF NOTE TO FRENCH NATIONAL COMMITTEE FROM GENERAL DAHLQUIST

The Government of the United States of America agrees with the understanding of the National Committee, as expressed in the English text of the Committee's note of today's date, concerning the principles and procedures applicable to the provisions of aid by Fighting France to the armed forces of the United States of America and, in accordance with the suggestion contained therein, that note and this reply will be regarded as placing on record the understanding in this matter.

Appendix XII

BRITISH WHITE PAPER OF SEPTEMBER 10, 1941

FOREIGN OFFICE, S. W. I.,
10th September, 1941.

MY DEAR AMBASSADOR: With reference to the conversations about lend-lease material which have recently taken place in London and in which you have participated, I enclose a memorandum on the policy of His Majesty's Government in the United Kingdom with regard to exports from this country and with regard to the distribution here of lend-lease material. I shall be glad if you will transmit it to your Government.

Yours sincerely,

ANTHONY EDEN.

His Excellency The Honourable John G. Winant.

Memorandum.

1. All materials which we obtain under the Lend-Lease Act are required for the prosecution of the war effort. This principle governs all questions of the distribution and use of such goods and His Majesty's Government have taken and will continue to take action to secure that these goods are not in any case diverted to the furtherance of private interests.

2. Lend-lease materials sent to this country have not been used for export and every effort will be made in the future to ensure that they are not used for export, subject to the principle that where complete physical segregation of lend-lease materials is impracticable domestic consumption of the material in question shall be at least equal to the amounts received under lend-lease.

3. His Majesty's Government have not applied and will not apply any materials similar to those supplied under lend-lease in such a way as to enable their exporters to enter new markets or to extend their export trade at the expense of United States exporters. Owing to the need to devote all available capacity and manpower to war production, the United Kingdom export trade is restricted to the irreducible minimum necessary to supply or obtain materials essential to the war effort.

4. For some time past, exports from the United Kingdom have been more and more confined to those essential (I) for the supply of vital requirements of overseas countries, particularly in the sterling empire; (II) for the acquisition of foreign exchange, particularly in the Western Hemisphere. His Majesty's Government have adopted the policy summarized below:

(I) No materials of a type the use of which is being restricted in the United States on the grounds of short supply and of which we obtain supplies from the United States either by payment or on lend-lease terms will be used in exports with the exception of the following special cases:

(a) Material which is needed overseas in connection with supplies essential to the war effort for ourselves and our Allies, and which cannot be obtained from the United States.

(b) Small quantities of such materials needed as minor though essential components of exports which otherwise are composed of materials not in short supply in the United States.

(c) Repair parts for British machinery and plant now in use, and machinery and plant needed to complete installations now under construction, so long as they have already been contracted for.

Steps have been taken to prevent the export (except to Empire and Allied territories) of such goods which do not come within the exceptions referred to in (a), (b), and (c) above.

(II) Materials similar to those being provided under lend-lease which are not in short supply in the United States will not be used for export in quantities greater than those which we ourselves produce or buy from any source.



5. The general principle followed in this matter is that the remuneration received by the distributors, whatever the method of distribution, is controlled and will be no more than a fair return for the services rendered in the work of distribution. The arrangements rigorously exclude any opportunity for a speculative profit by private interests from dealing in lend-leased goods. In most cases, lend-leased supplies will be distributed through organizations acting as agents of His Majesty's Government in the strict sense of the term and not as principals. Where for strong practical reasons this cannot be done a full explanation will be supplied to the United States administration and their concurrence sought beforehand in any alternative arrangements proposed. The justification for retaining existing channels of distribution operating under strict Government control, is that the creation of elaborate new organizations in their place would inevitably result in loss of efficiency and the wasteful use of manpower, and retard the war effort. In the distribution of lend-lease goods there will be no discrimination against United States firms.

6. Food is a special case. Only some 5 or 6 percent in tonnage of the total British food supply is coming from the United States and without great practical complications it would be impossible to have a separate system for the distribution of lend-leased food. Food distribution is carried out in the United Kingdom by wholesalers, to whom the Government sells food as principals. In fact, the Ministry of Food has established a close control over all distributive margins so that neither the wholesalers nor the retailers receive any greater remuneration than is adequate to cover the cost of the services performed. No food obtained on lend-lease terms is, or will be, sold at uncontrolled prices. Thus the general arrangements as regards the issue of lend-leased food fit into His Majesty's Government's policy of stabilizing the whole price level of foodstuffs, a policy to which the Government contributes £100 millions a year.

7. In some cases direct free distribution is practicable and will be adopted. For example, some milk products (including lend-leased supplies from the United States) are distributed direct and free of charge to children and others in need through schools, clinics, and hospitals. The distribution is undertaken by State agencies and the cost of the distribution is borne by the Government.

INDEX

	<i>Page</i>
Administrative expenses	16
Aeronautical material	16
Agricultural commodities:	
Exports of	26, 32
Transfers of	22
Agriculture, Department of	16, 20
Aircraft	16
Air ferry routes, development of	41
Allocations	16, 18
Aluminum	30
Appropriations:	
Army	15, 64
Lend-lease	15, 64
Maritime Commission	15, 64
Navy	15, 64
Article VII, of Master Agreements	14, 72
Australia	10
Reciprocal aid from	15
Bacon, received as reciprocal aid	52, 53
Bauxite	30
Beef and veal	44, 45
Received as reciprocal aid	52, 53
Benefits for lend-lease aid	8, 13
Board of Economic Warfare	20
Brazil, lend-lease aid to	40
British navy	14
Burma Road	39
Burns, Major General James H.	17
Butter	44, 45
Received as reciprocal aid	52, 53
Canada	10, 19
Canned goods	44, 45
Cash purchases	9, 13, 27
Cheese	44, 45
China	8, 14, 20
Lend-lease aid to	39
Reciprocal aid from	53
Chromite	30

	Page
Coffee.....	44
Combined Chiefs of Staff.....	18, 20, 69
Combined Food Board.....	18, 68, 70
Combined Production and Resources Board.....	19, 67, 70
Combined Raw Materials Board.....	18, 66, 70
Combined Shipping Adjustment Board.....	19, 67, 70
Copper.....	30
Corn and corn products.....	44
Crude rubber.....	30
Declaration, United Nations.....	74
Defense Aid Reports, Division of.....	17
Defense articles.....	7
Defense information.....	7
Defense of the United States, Act to Promote.....	7, 56
Dehydration.....	33
Eggs.....	44, 45, 46
Received as reciprocal aid.....	52, 53
Egypt.....	17
Campaign in.....	35
Eligibility for lend-lease aid.....	17
Executive Order establishing Office of Lend-Lease Administration..	64
Exports:	
Lend-lease.....	24
Other than lend-lease.....	27
Farm machinery.....	31
Fats and oils.....	45
Fighting French, reciprocal aid from.....	53
Fiji Islands, reciprocal aid in.....	54
Fish.....	45
Food:	
Allocation of.....	43
Exports of.....	31, 45
In relation to lend-lease.....	42
Increase of United Kingdom production.....	42
Program for 1943.....	45
Requirements of U. S. S. R.....	39, 42
Shipments to United Kingdom.....	39, 42
Shortages of, reasons for.....	43
Food Administration.....	19
Food Advisory Committee.....	19
Goods transferred.....	21
Dollar value of.....	21
Great Britain.....	8, 11, 49
Iceland.....	21

	Page
India.....	12
Lend-lease aid to.....	40
Reciprocal aid from.....	54
Industrial materials:	
Exports of.....	26
Transfers of.....	22, 29
Iran.....	21
Joint Chiefs of Staff.....	18
Lamb and mutton.....	44, 45
Received as reciprocal aid.....	52, 53
Leasing.....	15, 19
Lend-Lease Act.....	7, 17, 56
Related laws.....	59, et seq.
Lend-Lease Administration, Office of.....	17
Lend-Lease aid:	
Amounts authorized.....	61
Eligibility for.....	17
General discussion.....	21
Goals of.....	12
In 1941.....	23, 24, 25
In 1942.....	23, 24, 25
On the war fronts.....	34
Relative to total U. S. war effort.....	28
Relative to U. S. economy.....	32
Value of.....	36, 37
Lend-lease exports.....	24, 26
Lend-lease principle, use by other nations.....	12
Liberia.....	17
Machine tools.....	9
Manganese ore.....	30
Maritime Commission.....	19
Master Agreements.....	14, 48
With U. S. S. R.....	70
Mercury.....	30
Military items:	
Exports of.....	24
Transfers of.....	21, 28
Milk.....	44, 45
Received as reciprocal aid.....	52
Ministry of War Transport, British.....	19
Missions.....	20
Mobilization, industrial.....	8
Molybdenum.....	30
Munitions Assignment Board.....	18, 20, 66, 69



	Page
Mutual Aid.....	12, 48
Navy Department.....	15, 16, 19, 20
New Zealand, reciprocal aid from.....	52
Nickel.....	30
North African campaign.....	35
Lend-lease aid in.....	35
Reciprocal aid in.....	38
Obligations.....	16
Office of Lend-Lease Administration.....	17
Executive Order establishing.....	64
Ordnance.....	16
Pearl Harbor, lend-lease before.....	8
Petroleum products.....	30
Plants, expansion through lend-lease.....	32
Pork.....	44, 45
Received as reciprocal aid.....	52
Production facilities.....	32
Projects, special.....	33
Rationing.....	43
In United Kingdom.....	42
In United States, reasons for.....	43
Reciprocal lend-lease aid.....	12, 48
Agreements for.....	48, 76
From Australia.....	51, 78
From China.....	53
From New Zealand.....	52, 80
From United Kingdom.....	49, 76
In North African campaign.....	35, 38
Value of.....	55
Red Sea area, development of.....	41
Requirements Committee of War Production Board.....	19
Resources, combining of.....	11, 13, 19
Scamobile.....	33
Sea Otter.....	33
Services rendered.....	22, 27
Dollar value of.....	27
Ships, servicing and repair of.....	22, 27
Shipyards.....	9, 32
Soviet Union.....	8, 14
Extent of lend-lease aid to.....	38
Extent of aid by United Kingdom.....	12
Food needs.....	42
Master Agreement with.....	70

	Page
State, Department of.....	20
Steel.....	30
Stettinius, E. R., Jr.....	17
Strategic materials, imports of.....	30
Sugar, amount of supplied as reciprocal aid.....	53
Supply routes and supply bases, development of.....	40
Tanks.....	9, 21, 35
Tin.....	30
Treasury Department.....	20
Tungsten.....	30
Turkey.....	21
USSR.....	8, 14
Master Agreement with.....	70
United Kingdom.....	12, 14, 48
Lend-lease aid to.....	35
Reciprocal aid from.....	49
United Nations:	
Declaration by.....	74
Strengthening of.....	9
War effort of.....	11
Vessels.....	16
War Department.....	15, 18, 20
War Production Board.....	18, 19
Requirements Committee of.....	19
War Shipping Administration.....	20
Wheat and wheat products.....	44, 45
White Paper, British.....	84
Wool.....	30
Zinc.....	30

adb\110





TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

OFFICE OF THE DIRECTOR

February 1, 1948

MEMORANDUM TO THE SECRETARY:

Supplementing my report to you of January 25, 1943, the purchases against the North African Rehabilitation Program from January 25, 1943 to January 31, 1943, totaled \$2,656,808.78, or a total of purchases for the program thus far of \$12,623,435.14.

Attached is report giving status of shipping against these purchases.

Clifton E. Mack
Clifton E. Mack
Director of Procurement



SHIPPING REPORT AS OF JANUARY 30, 1943

<u>Commodity</u>	<u>Shipped to Date From U. S. A.</u>	<u>Under Load At Port</u>	<u>On Hand At NYC Waiting Vessels</u>	<u>En Route To Port</u>
New & used clothing	923 Tons	517 Tons	253 Tons	299 Tons
Cotton piece goods	1750 "	1285 "	217 "	1576 "
Shoes		86 "	134 "	
Refined sugar	4196.5 "			
Raw sugar	1545 "			
Powdered milk	119.5 "			
Tea	171.5 "			
Matches	188.75 "	177.75 "		
Copper sulphate	2488.5 "	1611.5 "		
Drugs	6.067 "			
Books & booklets	2 Tons			
Nails		100 "	4 "	
Lamp chimneys			17 "	
Newsprint	8.5 "	286.5 "	44 "	116 "
Printers ink	.045 Tons	.044 Tons		
Mach. finished book paper		2 Tons		
Cordage & twine	37.25 "	192.75 Tons	70 "	
Cotton thread	19 Tons	12 Tons	81 "	
Lactose	1 "	1 "		
Cotton hose		9.5 "	35.5 "	
Nipples, Nursing bottles & Eye cups			1 "	
Phonograph records			1000 Each	
Tooth brushes			.75 Tons	
Wash basins			7 Tons	
Totals	11,456.612	4,281.044	864.25	1,991

February 1, 1943

Memorandum of a conversation between Mr. White and Mr. Molekamp of the Netherlands Embassy, 11:00 a.m., February 1, 1943, in Mr. White's office

Mr. Molekamp stated that there was some difficulty in getting from his Government a statement of expected expenditures. The Netherlands Government in London has informed Mr. Molekamp that they are uncertain what these expenses will be in the future. Mr. Molekamp asked Mr. White to tell him more explicitly what he desired in the way of information.

Mr. White explained that in order to carry out the duties of the Treasury in connection with Lend-Lease, it was necessary to have a statement of the foreign exchange position of the Netherlands: gold and dollars in the United States, gold and Canadian dollars in Canada, gold and sterling in England, and gold and foreign exchange holdings elsewhere; and also of obligations against such gold and foreign exchange. In addition, the Treasury would like to have a prospective balance of payments for the next three or six months, showing expected foreign exchange receipts and payments. The two statements requested should include holdings of gold and foreign exchange in Dutch colonial areas and transactions for such areas. Mr. White added that he realized the difficulty of stating precisely what such transactions would be in the next few months but he believed that reasonably satisfactory estimates could be made.

In this connection, Mr. Molekamp stated that the Netherlands Minister of Finance (van den Broek) has asked that data be secured on Dutch assets in the United States. Mr. Molekamp went on to mention his discussion with Mr. Luxford on taking over private Dutch assets and the desire to invest Dutch funds in United States Government bonds. Mr. White explained the difficulty of making available the names and amounts of individual holdings of Dutch nationals. However, if Mr. Molekamp would send a letter requesting the Treasury to make available to him a summary of the assets held by Dutch nationals, the Treasury would provide such a summary statement. Mr. Molekamp indicated that such a summary statement would be adequate for the time being.

He then reverted to the data the Treasury requested for use in connection with the lend-lease operations of the Netherlands. He asked that a copy of a paper on the data desired previously given to Mr. Adams be sent to him. Mr. White said that this would be done.

- 2 -

Division of Monetary
Research

Mr. Molekamp then went on to say that when the Netherlands Minister of Finance was here he had toyed with the idea of a loan, and had asked Mr. Molekamp to inquire informally about the possibility of a dollar loan. Mr. White asked what the general purposes of such a loan would be and Mr. Molekamp explained that it was to meet the expenses of participation in the war and to defray general expenses. The types of expenditures that Mr. Molekamp mentioned after further inquiry were the cost of maintaining the fleet, the army in Curacao and Surinam, and the foreign service of the Netherlands Government. The amount that the Netherlands Government has in mind is about \$300 or \$400 million.

Mr. White suggested that the matter could most appropriately be brought forward in the form of a letter stating the amount of the loan that was desired, and what the funds were needed for. Mr. Molekamp said that he would telegraph back asking for full details which he would then put before the American authorities. Mr. White said that Mr. Molekamp could see the need for all of the facts before anything further could be done although he understood the reluctance of the Netherlands Government to make a full statement of their intentions without knowing more fully the views of this Government.

E. M. Bernstein


EMB

THE WHITE HOUSE
WASHINGTON

February 1, 1943

MEMORANDUM FOR THE SECRETARY OF THE TREASURY

I have discussed further with the Secretary of State the matter of the United States currency held by the Spanish Government. His views, in which I concur, are expressed in the attached memorandum.



MEMORANDUM FOR THE PRESIDENT

Reference is made to my previous memorandum concerning Ambassador Hayes' telegram 1817, November 17, requesting that the Spanish Government be permitted to import into this country approximately \$1,100,000 in United States currency for deposit in a regular blocked account. You concurred in my recommendation that this request be granted "upon the agreement of the Spanish Government to make available to us an equivalent amount of pesetas against a deposit by us of the countervalue in dollars in the regular blocked account of the Spanish Government". Ambassador Hayes was informed accordingly. He has now replied that the maximum benefits from our action would be obtained if it were not specifically conditioned upon a prior agreement by the Spanish to furnish a *quid pro quo*. Furthermore, since my previous memorandum, the Spanish Government has supplied us with the equivalent of \$8,000,000 in pesetas under an arrangement which facilitated our purchase program in Spain.

In view of the foregoing, I believe that it would be advisable to give the Ambassador some latitude in selecting the method for obtaining appropriate concessions from the Spanish. Accordingly, I propose to instruct him to inform the Spanish Government that our agreement to credit the value of the currency to a blocked account is an exception from our general policy and to state that in return it is expected that the Spanish Government will give sympathetic consideration to future requests for pesetas needed in connection with our purchase program in Spain. It is believed that this course is within the spirit of your concurrence to my previous recommendation, but, to expedite the handling of this matter, I am requesting your approval.

If you concur, it is suggested that you sign the attached memorandum from you to Secretary Morgenthau.

Will you please inform me of your disposition of this matter?

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 36

Information received up to 7 A.M., 1st February, 1943.

1. MILITARY

TUNISIA. 29th. French troops captured positions east of OUSSELMUA. On the following day minor enemy attacks north of PICHON were unsuccessful, but further south a German force which included 60/70 tanks penetrated French positions in the FAID Gap some 50-60 miles west of SFAX. The enemy captured FAID and have exploited towards SIDI BOUZID 10 miles south west. U.S. units are supporting the French and fighting is continuing.

2. AIR OPERATIONS

WESTERN FRONT.

HAMBURG. 30th/31st. 315 tons of bombs were dropped, several large fires were started near the marker flares which were well concentrated.

TUNISIA. 29th/30th. Wellingtons successfully attacked BIZERTA docks, releasing 25 tons. 30th. Escorted U.S. bombers started large fires in FERRYVILLE docks where shipping was hit while others bombed railway installations and warehouses. Enemy casualties 8, 4, nil. Allied, 4 missing.

MEDITERRANEAN. 30th. 2 ships of about 3,500 tons were hit in the Sicilian Channel. 30th/31st. Off PANTELLARIA a destroyer was torpedoed by a Malta Wellington and left listing badly.

SICILY. 29th/30th. MESSINA CATANIA airfield and AUGUST were bombed. 30th. MESSINA again attacked, train ferry terminus was hit.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

February 1, 1943.

TO Secretary Morgenthau

FROM Harold Mager *Hm*

Intelligence Report 60 (1-29-43) contains matter on the subject of taxes that should be of interest to you:-

There is widespread confusion regarding the payment of Federal income taxes. Uncertainty as to whether pay-as-you-go will be substituted for the present method of collection has created considerable bewilderment, especially in the Midwest. Expectation of pay-as-you-go has provided some people with a pretext for failing to make any provision for the income tax payments due March 15th. Reports indicate special confusion in Iowa. In that State a rumor has gained currency to the effect that "Internal Revenue employees say a man is a fool to pay his taxes." It is also reported that men in the armed forces are being advised to ask deferment of their taxes on the basis that Congress will exempt soldiers and sailors from taxation. Workers who have had new income during the last year are said to be especially confused. Reports indicate that they have made no provision for the tax due on March 15th and that they will be unable to pay it.

Bureau of Intelligence states that congressional clarification of the tax program would be highly desirable, and that an informational campaign seems needed to make it clear that the income levy under any system adopted by Congress will be steep and stiff. (Pages 17 and 18)

1-29-43

INTELLIGENCE REPORT **60**

CONFIDENTIAL

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

OFFICE OF
WAR INFORMATION
BUREAU OF
INTELLIGENCE

COPY No. 7

Henry Morgenthau Jr.

C O N T E N T S

	Page
EDITORIAL ATTITUDES	1
Exultation	1
Threat	3
Food	4
Optimism in the News	5
POPULAR REACTIONS	5
The President's Audience	5
The Vice President's Audience	9
DEVELOPING SITUATIONS	11
Recruitment of Women	11
Rumors	14
Uncertainty	17

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

The period covered by this report is the week of January 21 through January 27, except where otherwise specifically stated.

EDITORIAL ATTITUDES

EXULTATION

The dominant tone of the American press throughout the week has been one of triumph. Nazi reverses in Russia, Rommel's continued retreat in Africa and signs of weakened German and Japanese air potency combined to bolster the editorial sense that we now have the enemy on the run. Finally, the dramatic Roosevelt-Churchill meeting at Casablanca imparted a fresh feeling of purpose and direction to the United Nations war effort.

All appraisals of the Anglo-American conference concluded that important war plans had been worked out in detail by the military and naval chiefs. The rapprochement between Generals Giraud and De Gaulle was welcomed, of course — although with considerable skepticism as to its reality and depth. Commentators confessed disappointment that neither Stalin nor Chiang Kai-Shek attended the conclave; some had hoped for the announcement of a full-fledged United Nations high command. But they agreed that the close collaboration between British and American leaders was greatly heartening and would lead to new offensive action in southern and western Europe. Insistence on unconditional Axis surrender was enthusiastically applauded. The President was widely praised for his boldness and courage in making the trip.

German acknowledgement of losses on the eastern front has swept away most of the American doubts concerning the significance of the Russian offensive. With the lifting of the siege of Leningrad, the Nazi withdrawal from Voronezh

and the entrapment of German forces in Stalingrad, American commentators have begun to see visions of a real Hitler debacle. The Cincinnati Times Star, in a representative comment, observed that, "Lately things have been happening in Russia that make it seem not at all unlikely that the Germans are facing one of the greatest disasters of military history."

Only a few analysts continued to warn against overestimating the importance of Russian gains. They reminded readers that the German armies have not yet been thrust back to last year's winter line. Some suggested that Nazi admissions of defeat on the eastern front might be a psychological stratagem of Dr. Goebbels to promote American complacency.

The press was particularly warm in its tributes to the heroism of the Russian people. In a number of comments, the sufferings endured by the besieged citizens of Leningrad were compared with the trivial inconveniences to be accepted here in America. There seemed genuine friendliness and sympathy in the editorial admiration for Russian endurance and courage. The Des Moines Register, for example, said: "Let us remember that the magnificent performance of the Russian army has been matched, right straight through, by hardships and sacrifice and courage on the part of Russia's civilian population such as we can hardly imagine."

The extrusion of Rommel's battered army from Libya occasioned a host of sardonic comments on the end of Mussolini's dream of empire. "From the jungles of despot Ethiopia to the shores of Tripoli," remarked the Cleveland Plain Dealer, "the new Roman empire of Benito Mussolini lies in ruins. The smoke that rises above the charred coals of the last Fascist stronghold on the Mediterranean... marks the end of an era."

A number of editorials gave warning, however, that the consolidation of the Afrika Korps with the Axis troops in Tunisia would constitute a formidable problem for the allied forces in North Africa.

The bombing of Berlin gave the American press as much delight as an important military victory. Most of the commentators who appraised it felt certain that this RAF achievement must have dealt a seriously damaging blow to German morale. The prevailing judgment was expressed by the Indianapolis Star: "The heavy bombardments of Berlin by the RAF were so timed that they added greatly to the worries of Doc Goebbels... The devastating blows already dealt numerous German cities weakened confidence in the Nazi leadership and the raids on Berlin on two successive nights must have given the Aryans a decided jolt."

The German reprisal raids on London were commonly regarded as insignificant — additional proof of the RAF's great superiority over the Luftwaffe. And in the South Pacific, enemy air weakness was discerned in the diminished scale of Japanese attacks and the high ratio of Japanese to American losses. It is now assumed that we have an edge over the Japanese quantitatively, as well as qualitatively.

THREAT

The one circumstance which jarred all this ebullience was a dawning recognition of the seriousness of German U-boat activities in the Atlantic. The threat to our supply line was generally characterized as the worst peril in the path of United Nations strategy.

Much of the comment criticized the Government's information policy about submarine activities, first, for failure to admit the extent of the damage they had done and, second, for allegedly burying stories of our losses beneath good news. The Norfolk Virginian-Pilot declared, for example: "American officialdom... appears curiously loath to let the facts of submarine sinkings come out as news when it is fresh and, therefore, vivid... Whatever the other purposes of the American publicity policy, the net effect has been to belittle the toll the submarines are taking."

There was praise, however, for the candor of the statements made by Elmer Davis and Sir Percy Noble. A good deal of speculation suggested that the latter would be put in supreme charge of a rejuvenated Anglo-American anti-submarine campaign. And while the press exhibited some degree of real alarm over the situation, most newspapers agreed that this Hitler threat could be overcome.

FOOD

The farm problem continued as a major topic of editorial concern during the week, as the newspapers commented approvingly on ex-President Herbert Hoover's proposals for increased food production. They expressed anxiety about shortages of farm labor and machinery, urging that agriculture be recognized as one of the essential war industries. Dissatisfaction with Selective Service policies respecting exemption of farm workers continued to be widespread.

There was some approval of Mr. Hoover's suggestion that farm boys in the Army be furloughed back to the farms in order to get in next year's crops.

And a good many newspapers began to campaign vigorously for the planting of victory gardens. The bulk of the press was vehemently opposed, however, to permitting price rises as a means of promoting farm production.

OPTIMISM IN THE NEWS

The high level of optimism previously reported in newspaper headline treatment of war news has been even more strikingly apparent during the past week. A survey of 20 metropolitan newspapers, January 19 - 25, reveals that all of them singled out good news exclusively for their headlines about Russia. The news stories from Libya, New Guinea and the Solomons were headlined with just about equal cheeriness. The only important battle sector in which gains for the enemy were acknowledged was Tunisia.

The following table shows the ratio between good and bad news in the headlines of the 20 metropolitan dailies examined:

<u>Story</u>	<u>"Good News"</u>	<u>"Bad News"</u>	<u>Neutral</u>
Russia	99%	0%	1%
Libya	97	1	2
Tunisia	53	37	10
New Guinea	100	0	0
Solomons	73	0	27
European Bombings	60	30	10
Other Actions	65	25	10

POPULAR REACTIONS

THE PRESIDENT'S AUDIENCE

Some knowledge of the President's Message on the State of the Union reached about two-thirds of the American people. Four in ten of a national sample, interviewed by the Bureau of Intelligence immediately after the President's

message was broadcast, said that they heard it over the radio, although only half of these people claimed to have listened to the speech in its entirety. An additional three in ten said that they had read the speech or had heard talk about it.

The Message was displeasing to only a very small minority of the public. When asked if there was anything particular about it they did not like, only seven per cent of the sample responded affirmatively. These few objections referred, in the main, to post-war plans or to the cost of the war, as outlined later in the President's budget message.

To the majority who liked the speech, its tone of optimism and encouragement seemed most impressive. When asked to mention what things in the speech they liked best, a fourth of the sample spoke of the heartening facts Mr. Roosevelt gave about the progress of the war and the production program and of the hope he held out for victory in the next year or two.

A considerable portion of the public, about 12 per cent, said that they liked the speech best for its discussion of peace plans and post-war problems. In about equal numbers, they applauded the President's references to measures for insuring permanent peace and to a domestic program of social security. Other expressions of praise for the speech alluded to its attitude of cooperation with Congress and its emphasis on national unity.

A decided majority of the American people is now hopeful that we will win the peace, as well as the war. President Roosevelt's words may have lent some encouragement to this view. The Bureau posed the following question

to the national sample interviewed immediately after the President's Message:

DO YOU THINK THE CHANCES FOR MAKING A LASTING PEACE
AFTER THIS WAR WILL BE ANY BETTER THAN THEY WERE AFTER
THE LAST WAR?

Yes	62 6
No	24
Don't know	14

Rather interesting differences were evident in this connection between those who had listened to Mr. Roosevelt and those who had neither heard nor read his address.

68 per cent of the people who had heard the President's speech, but only

56 per cent of those who had neither heard nor read it... believed that the chances for a lasting peace will be better after this war than they were after the last war.

The difference may not, of course, be attributable to the impact of the President's ideas. People sympathetic to the President and to his program of international collaboration may have tended to listen to his address in greater numbers than those less friendly.

Interviewing indicated that the overwhelming approval expressed last fall for continued Lend-Lease shipments to our Allies has now grown to even greater proportions:

SHOULD WE CONTINUE TO SEND SUPPLIES TO OUR ALLIES EVEN
IF IT MEANS WE WILL HAVE SOME SHORTAGES HERE AT HOME?

	<u>October</u>	<u>January</u>
Send supplies	88%	94%
Do not send supplies	7	4
Don't know	5	2

Popular approval of American participation in some sort of post-war association of nations has also developed:

IN GENERAL, DO YOU APPROVE OR DISAPPROVE OF THE IDEA OF THE UNITED STATES JOINING AN ORGANIZATION OF NATIONS AFTER THE WAR?

	<u>November</u>	<u>January</u>
Approve	62%	72%
Disapprove	23	12
Don't know	15	16

Eighty-five per cent of those approving in January were in favor of having other countries besides the United Nations as members of the organization. Sixty-one per cent of these people were in favor of granting membership to the Axis countries.

The President's Message was delivered in an atmosphere predominantly sympathetic to the consideration of peace plans at the present time:

DO YOU THINK WE OUGHT TO BEGIN RIGHT NOW DECIDING WHAT THE PEACE TERMS AFTER THIS WAR SHOULD BE, OR DO YOU THINK THE PEACE PLANS OUGHT TO WAIT UNTIL LATER?

Make plans now	55%
Wait	37
Don't know	8

The objection most frequently advanced against the formulation of peace plans now was that the nature of the post-war settlement cannot be determined until the final outcome of the conflict is known. A sizeable group objected simply on the ground that winning the war should be considered our first and

most important job; their feeling, apparently, is that planning for the future may distract attention from the immediate objective.

Conversely, those who favored planning at the present time were prone to argue that the job requires much time and should, therefore, be undertaken as soon as possible. Some asserted that planning now is needed in order to have a clear statement of our war aims. Others suggested that we can think more clearly now than we will be able to at the end of the war and that we need a definite program to avoid the mistakes that followed the last war.

THE VICE PRESIDENT'S AUDIENCE

About a third of the American people said that they had some knowledge of Vice President Wallace's address of December 28; 15 per cent said they had listened to it over the air. Among those who had heard the speech, read it or talked about it, one-sixth voiced objections to Mr. Wallace's ideas — for the most part on the grounds that they were too vague, too radical or too impractical.

In the interviewing conducted in January, the Bureau sought public opinion in respect to several proposals suggested by the Vice President in the course of his address. Three-fourths of the American people registered agreement with him that we must physically disarm our enemies when we have won the war. Only half the country, however, went along with the Vice President's thesis that the aggressor nations must be psychologically disarmed as well.

SOME PEOPLE SAY THAT IN ORDER TO CHANGE PEOPLE'S WAY OF THINKING IN THE ENEMY COUNTRIES WE WILL HAVE TO TAKE CHARGE OF THEIR EDUCATION. DO YOU THINK WE OUGHT TO DO THIS?

Yes	49%
No	36
Don't know	15

The objections to such an undertaking were chiefly on the ground that it would be an unwarranted and undemocratic violation of human rights. These people, apparently, felt on principle that the United States should not interfere in the internal affairs of any other country. A smaller group argued that this sort of psychological disarmament was impractical. They felt that a system of education cannot be imposed by outsiders and that the surveillance involved would prove too formidable.

With the thesis advanced by both the President and the Vice President that economic opportunity should be assured to all after the war, there was virtually unanimous agreement among all the people interviewed. There was, moreover, extremely widespread confidence that such a program could be made effective and a prevailing belief that efforts in this direction should be commenced at once.

DO YOU THINK THAT ONE OF OUR AIMS SHOULD BE TO SEE THAT EVERYONE IN THIS COUNTRY HAS A CHANCE TO GET A JOB AFTER THE WAR?

Yes	99%
No	1

(Asked of those who answered "Yes")

(a) DO YOU THINK THAT THIS CAN ACTUALLY BE DONE?

Yes	68%
No	18
Don't know	13

(b) DO YOU THINK WE SHOULD START TO MAKE PLANS FOR THIS RIGHT NOW, OR DO YOU THINK THIS OUGHT TO WAIT TILL LATER?

Make plans now	72%
Wait till later	23
Don't know	4

DEVELOPING SITUATIONS

THE RECRUITMENT OF WOMEN

Mr. McNutt has estimated that 4,000,000 women will have to be added to the labor force within the next 12 months. Because most women in the employable age group are married, and because most single women are already employed, housewives constitute by far the most important source of additional workers. These facts indicate the significance of the views of husbands and of women themselves about women accepting wartime work.

A December poll of the American Institute of Public Opinion indicates that three men in ten are unqualifiedly willing to have their wives accept full-time jobs running machines in war plants:

WOULD YOU BE WILLING TO HAVE YOUR WIFE TAKE A FULL-TIME JOB RUNNING A MACHINE IN A WAR PLANT?

Yes	30%
Yes, if	11
No	54
Don't know	5

The "Yes, if" group includes those who said: "if the children could get proper care"; "if my wife could stand it physically"; "if she is capable of handling the job"; and "if she didn't have to leave the family."

Economic status and awareness of the manpower crisis significantly influenced views on this question. Thirty-five per cent of the men in the low income groups, but only 25 per cent of those better situated, were willing

to have their wives take jobs in war plants. Thirty-four per cent of those who felt that the crisis justified compulsory governmental mobilization of manpower, but only 29 per cent of those opposed to such a plan, expressed a willingness to have their wives go to work.

Four out of ten of the women in the sample were willing to take full-time war jobs. An equal number were unwilling. Seventeen per cent said they would accept jobs "if children could get proper care"; "if able to stand it physically"; "if capable of handling the job"; "if I didn't have to leave my family."

Economic status did not appear to affect women's willingness to go to work. But awareness of the manpower crisis did exert considerable influence. Forty-four per cent of the women who favored compulsory mobilization, as compared with 33 per cent of those opposed, were willing to take war jobs. Younger women, as might be expected, were far more interested in wartime employment than older ones.

It is to be noted that the American Institute questions specified "a full-time job running a machine in a war plant." Thus the replies may understate the willingness of men to have their wives take work of some kind and the willingness of women to enter the labor force. An investigation made early last year indicated that almost 3,000,000 women were willing to take half-time jobs. And a large number of the women entering the labor force on a full-time basis are taking clerical, sales and service jobs, thus releasing men for the often more arduous work in war plants.

The Institute questions did not distinguish between women with children

and childless women. Interviewing conducted by the Bureau of Intelligence in late October and early November indicates that the public distinguishes sharply between the two groups. Seventy-one per cent of the sample recognized the need for married women without children in war industry. But only 14 per cent believed that there was any need for mothers to go to work at that time.

On the part of the women themselves, there was a notable difference in willingness to accept employment between those who had children and those who did not:

42 per cent of the childless women in the sample
20 to 34 years of age, but only

16 per cent of the mothers in this age span...
were willing to take war jobs.

Similarly,

33 per cent of the childless women 35 to 54 years
of age, but only

19 per cent of the mothers... were willing to
take jobs.

The necessity for taking care of their children was, of course, the greatest obstacle to the employment of mothers. It is clear that if women with family responsibilities are to be recruited into the labor force in large numbers, adequate provision must be made for the day-care of young children. The importance of such provisions is underscored by the fact that mothers constitute a very large percentage of the women not now working.

Men workers in non-war jobs were reluctant to concede that even women without children were needed in war industry. Forty-nine per cent of those men, as compared with 30 per cent of the total sample, expressed the opinion that women were not needed.

A disproportionate number of these men opposed to women in industry were semi-skilled or unskilled workers. It may be surmised that many of them may have tried without success to land jobs in war plants. Or, even if they have not, they may have regarded the wide-scale employment of women as a threat to their prestige and security.

Thus an essential phase of the task of speeding the recruitment of women centers in industry itself. There is need for further informational material directed to workers on the necessity for recruiting women into the labor force if 1943 production goals are to be met. Measures are also indicated to appease the possible resentment of male workers who are left out of war industries in lower-paying jobs and to prevent friction where men begin working with women for the first time.

RUMORS

Previous Bureau of Intelligence reports have emphasized the basic impulses — such as hatred, anxiety, curiosity, wishful thinking — which account for the rise and spread of rumor. The subjects with which rumors deal also furnish valuable clues to the type of information needed to keep distorted versions of events from gaining currency.

The American Institute of Public Opinion recently made available to the

Bureau the rumors gathered by its field reporters in a December rumor survey. Though by no means a perfect scientific sample, the collection probably gives a fairly accurate impression of the rumors which were current.

In all, 457 rumors were gathered. These were analyzed and classified by the Bureau. The list below indicates their distribution by subject matter:

Rationing, conservation and salvage	116
War bonds, taxation, inflation	18
Price control	2
Special economic problems	3
Military matters	87
Duration of the war	40
Post-war problems	6
United Nations	12
Neutral nations	1
Lend-Lease	1
The enemy	14
U. S. Government and administrative personalities	56
Information policy	8
Minority groups	50
Civilian responsibilities	2
Welfare and health	2
Manpower	19
Production	11
Transportation	9

The rumors about rationing far outnumbered all others. Most of them reflected resistance to rationing. A large number indicated or implied that there was no real shortage in one or another of the commodities being rationed. Many went on to charge that rationing was being imposed on

people out of malice or a desire to arouse the public to the seriousness of the war.

Rumors about military matters, the second largest group, were of two chief types. One group gave the "inside dope" about where the United Nations would strike next. The other centered around misadministration within the Army. The waste of food was one favorite subject.

Rumors about the Government and administrative personalities were almost all hostile in character. Anti-Roosevelt stories and accusations of Government bungling predominated.

Minority group rumors also reflected strong hatreds. Negroes, Jews and Japanese interned in WRA camps were the targets of all the minority group rumors gathered in this particular survey.

Most of the rumors about the length of the war were clearly wishful in character. An overwhelming majority prophesied an early end of the conflict. In contrast, a few dealt with obstacles to peace and revealed a fear that the war would drag on indefinitely.

These rumors furnish at least rough clues to the areas about which additional information is needed. Of course, information cannot put a complete stop to rumors. War increases normal tensions and creates new ones. It focuses people's attention on some problems about which it is not easy to furnish simple and reassuring explanations. And it is not always possible to release all the information which might clarify a particular situation and relieve people's anxiety. But, if not a guaranteed

remedy, information — clear, complete, authentic news — is the best antidote yet discovered for the poison of rumors.

UNCERTAINTY

Field observers of the Bureau have reported a good deal of confusion regarding the payment of federal income taxes. Sentiment for the institution of a pay-as-you-go system is said to be extremely widespread. And uncertainty as to whether such a system will be substituted for the present method of income tax collection has created a considerable measure of bewilderment, especially in the Midwest.

Expectation of a pay-as-you-go plan, according to the field men in one or two areas, has provided some people with a pretext for failing to make any provision for the income tax payments due next March. In some cases, people take the attitude that taxes should not be paid until the last minute, and that in no case should more than a quarter be paid, whether the funds are available or not. The thought is that normal collection of taxes may be abandoned in favor of collection at source during the course of the year.

Reports indicate special confusion in Iowa. In that state a rumor has gained currency to the effect that "internal revenue employees say a man is a fool to pay his taxes." It is also reported that men in the armed services are being advised to ask deferment of their taxes on the belief that Congress will exempt soldiers and sailors from taxation. Working wives of men in the service are inquiring whether this means that they should file a joint return and defer their entire tax liability.

Workers who have had new incomes during the last year are said to be especially confused. Reports indicate that they have made no provision for the tax due on March 15 and that they will be unable to pay it.

Early congressional clarification of the tax program would be highly desirable. An informational campaign seems needed to make it clear that the income levy under any system adopted by Congress will be steep and stiff.

--- * * * ---

112 Higgins Ltr to Army Knox 12/1

THE SECRETARY OF THE NAVY
WASHINGTON

5012485

February 2, 1943

My dear Henry:

Your question about placing placques in Naval vessels for War Bond purchases by various organizations, has received careful attention and thought in the Navy Department.


It goes without saying that the Navy wishes to do everything possible to help in the War Bond campaigns so ably conducted by the Treasury Department. Provisions have been made for placing such placques in Naval vessels to signalize the purchase of bonds by states, counties and cities.

But I am afraid the extension of the program to embrace various miscellaneous groups would present problems that are insurmountable. No doubt you yourself can foresee the difficult ramifications into which it might lead.

I hope very much the allotment of placques to states, counties and cities for their bond purchases will prove to be an effective stimulus.

I am sorry a reply to your letter of December 1 was so long delayed but you can understand that this matter required extended study.

Sincerely yours,



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

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

FEB 2 1943

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

Enclosed are the minutes of the meeting of the Board of
Economic Warfare which was held on January 14, 1943.

If there are any corrections which you care to suggest,
please let me know.

Sincerely yours,


Executive Director

Enclosure

Minutes of the Meeting of the Board of Economic Warfare
Held January 14, 1943 at 10:00 a.m.

A meeting of the Board of Economic Warfare was held in the Vice President's office in the Capitol Building at 10:00 a.m. on January 14, 1943.

Those present:

The Vice President, Chairman of the Board
Mr. Dean Acheson, representing the Secretary of State
Mr. Harry White, representing the Secretary of the Treasury
Mr. R. F. Patterson, representing the Secretary of War
Mr. L. A. Wheeler, representing the Secretary of Agriculture
Mr. Wayne Taylor, representing the Secretary of Commerce
Mr. Nelson Rockefeller, Coordinator of Inter-American Affairs
Mr. William Batt, War Production Board
Mr. E. R. Stettinius, Jr., Lend Lease Administration

In addition, the following persons were present:

Mr. Emilio G. Collado, Department of State
Mr. Bernhard Knollenberg, Lend Lease Administration
Mr. W. L. Clayton, Commerce Department
Mr. J. M. Scribner, War Production Board
Mr. Ralph Bard, Navy Department
Mr. Harold H. Neff, War Department
Mr. John Lockwood, Office of Coordinator of Inter-American Affairs
Mr. John McClintock, Office of Coordinator of Inter-American Affairs
Mr. L. W. Douglas, War Shipping Administration
Mr. Hector Lazo, Board of Economic Warfare
Mr. Arthur Gardiner, Board of Economic Warfare
Mr. James B. Herzog, Board of Economic Warfare
Mr. Milo Marking, Board of Economic Warfare
Mr. E. W. Gaumnitz, Board of Economic Warfare
Mr. Herbert Feis, State Department

Shipping

The Vice President stated that he wished to lay before the Board a shipping situation which had impressed him during a visit to the Shipping Division of the Office of Exports of the Board. Citing Brazil as an example, he stated that a considerable volume of licensed materials, including critical and strategic materials allocated by W.P.B., was available for shipping, but that a relatively small volume was actually being shipped. Furthermore, of the relatively small volume being shipped a significant proportion was of "project" materials, most of which are necessary to increase imports of strategic materials. For the months of January and February 1943 a total of 196,000 tons of shipping had been allocated for Brazil.

Mr. Douglas stated that for January 180,000 tons had been allocated to the East Coast of South America, of which 68,000 tons were coal and rails, leaving 112,000 tons for other merchandise.

Mr. Perkins pointed out that the continuation of the present emphasis on the shipping of "project" materials, such as supplies for use in the Brazilian rubber project which at the peak months might total 20,000 tons per month or for the Itabira mining project, with total shipping remaining constant or being reduced, would probably cause repercussions in the producing country, particularly as they affect the civilian economy.

Mr. Douglas stated that the problem involved either getting more shipping, stopping projects, or redirecting shipping urgently needed in military areas. He stated that shipping was tight, and might be expected to become more so, listing such factors as increased use of convoys, loss of ships, and the reopening of certain supply lines involving increased tonnages.

Further discussion concerned the possibility of securing ships now idle at Martinique, more complete use of Argentinean ships, and the importance of the continued imports of such products as mica, quartz, rubber, mahogany, and balsa.

Mr. Perkins also pointed out the Board's expressed policy of making goods available to Latin American countries on a basis comparable to that for our domestic civilian population within the limitation of available shipping, and that export licensing had been on such a basis, but that licensed supplies were now sufficient to last 6 to 7 months at the rate of current shipping.

It was decided that a committee should be appointed, with Mr. Collado of the Department of State as chairman, and including representatives of Commerce, Reconstruction Finance Corporation, War Shipping Administration, the Coordinator's Office and Board of Economic Warfare to prepare a report on the shipping situation for an early meeting of the Board.

Gold

The gold report, "Recommendations on Export Policy as to Materials for the Gold Mining Industry" was next discussed. It was the consensus that the report should be more definitive, and that a more complete report should be prepared including more detailed data as to the conditions in each of the several countries with special emphasis to be placed upon methods for securing a greater net contribution to the war effort as well as upon assisting in the maintenance of the economies of the countries involved. It appeared that more emphasis had been placed upon political considerations than shipping and material considerations would warrant in the future.

Messrs. Acheson and Collado stated that the Department of State had explored the whole gold problem in great detail, that numerous conferences had been held, but that furnishing some equipment and supplies for gold mining purposes seemed the only sound procedure for handling the situation in such areas as Colombia and Nicaragua particularly. Attention was also directed to certain commitments which had been made by this government.

-3-

It was the consensus that the whole problem should be reexamined, attention being directed to means of increasing the net contribution to the war effort, and including such possibilities for maintaining country economy as road building and other means of providing employment not involving the shipment of critical and strategic materials, the possible direct subsidization of workers, and other means by which certain of the governments might secure revenue.

It was generally agreed that the real problem in wartime was not whether gold should be purchased, but rather whether materials and shipping should be expended for such a purpose when the materials and shipping were urgently needed elsewhere for direct war purposes. This view was emphasized in varying degrees by the Vice President and Messrs. White, Perkins, Patterson, Clayton, Rockefeller, Stettinius and Taylor.

It was also suggested that if the decision to maintain gold mining was based on political considerations, such fact should be stated clearly by memorandum.

A committee was appointed to prepare a further report with Mr. Lase as chairman and including representatives of State and the Coordinator's Office.

The meeting was adjourned at 11:50 a.m.

February 2, 1943

Photostats to: Mr. Bell
Mr. Gaston
Mr. Paul
Mr. Haas
Mr. White

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF ECONOMIC STABILIZATION
WASHINGTON, D. C.

February 2, 1943

JAMES F. BYRNES
Director

Dear Mr. Secretary:

The next meeting of the Economic Stabilization Board will be held on Friday, February 5th, at 11 A. M.

We shall discuss:

1. Reduction of excessive profits in fixing price ceilings (Mr. Brown).
2. A new rationing proposal (to be presented by the Director).

Sincerely yours,

James F. Byrnes
Director

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





OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

February 2, 1943

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended January 30, 1943.

The Lend-Lease appropriation hearing which was originally scheduled for last month has been postponed and the hearing date has not yet been determined.

Clinton E. Mack
Clinton E. Mack
Director of Procurement



LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF JANUARY 30, 1943
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$2693.3 (2735.7)	\$1377.6 (1353.2)	\$900.1 (889.6)	\$58.4 (58.4)	\$4.6 (3.7)	\$352.6 (430.8)
Purchase Authoriza- tions (Requisitions)	\$2235.9 (2227.0)	\$1273.1 (1270.9)	\$887.8 (882.6)	\$41.5 (41.3)	- -	\$ 33.5 (32.2)
Requisitions Cleared for Purchase	\$2114.7 (2092.2)	\$1237.9 (1224.4)	\$802.6 (795.6)	\$41.3 (41.2)	- -	\$ 32.9 (31.0)
Obligations (Purchases)	\$2002.8 (1972.2)	\$1171.8 (1152.0)	\$756.9 (748.1)	\$41.2 (41.2)	\$3.7 (3.6)	\$ 29.2 (27.3)
Deliveries to Foreign Governments at U. S. Ports*	\$ 855.5 (846.4)	\$ 666.4 (661.7)	\$160.7 (156.6)	\$20.3 (20.3)	- -	\$ 8.1 (7.8)

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

Note: Figures in parentheses are those shown on report of January 23, 1943.

EXPLANATION OF DECREASE.

=

THE DECREASE OF \$42,400,000 IN ALLOCATIONS IS
THE RESULT OF A WITHDRAWAL BY THE LEND LEASE
ADMINISTRATION.

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 37

Information received up to 7 A.M., 2nd February, 1943.

1. MILITARY

LIBYA. 31st. In the morning our forward troops occupied ZUARA without opposition and made contact with the enemy astride the road three miles further west. Patrols of Fourth Light Armoured Brigade reported NALUT unoccupied in afternoon.

TUNISIA. The enemy has established some strong points on the southern slopes of DJEBEL EL HALFA, a hill just south of EJEDEL BOU DABSUSS and on the northern slopes of DJEBEL OUSSELAU. Further south the French are still holding SIDI BOUZID.

RUSSIA. South of ROSTOV the Germans now hold only a strip of CAUCASIA some 60 to 90 miles flanking the SEA OF AZOV.

2. AIR OPERATIONS

SICILY. 31st. 18 U.S. Liberators were sent to attack the railway ferry installations at MESSINA. Bombs were dropped in the target area, one Liberator is missing and 3 M.E. 109's were probably destroyed. 31st/1st. 15 Wellingtons bombed CATANIA airfield, one is missing. Mosquitos shot down 2 German transport aircraft.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 2/3/43

TO Mr. Morgenthau

FROM Mr. Callahan

Attached is a portfolio of farm ads which we released some time ago to weekly newspapers through Western Newspaper Union. They were used by approximately 4,000 newspapers.

This is one of a series of messages from your U. S. Treasury Department and is published through the courtesy of

SPONSOR'S NAME HERE

MAKE EVERY MARKET DAY BOND DAY

You don't see it in this country. Landlords in the West, a wonderful harvest has developed in Denmark. The Danes were just about the first to get a third more than the rest. You get a third more than the rest. You get a third more than the rest. You get a third more than the rest. You get a third more than the rest.

This is one of a series of messages from your U. S. Treasury Department and is published through the courtesy of

SPONSOR'S NAME HERE

MAKE EVERY MARKET DAY BOND DAY

Don't, actually, need in your farm. Buying Bonds will not only help you get a third more than the rest. You get a third more than the rest. You get a third more than the rest. You get a third more than the rest.

THE ASS THAT STARVES WITH HIS MASTER



This is one of a series of messages from your U. S. Treasury Department and is published through the courtesy of

SPONSOR'S NAME HERE

MAKE EVERY MARKET DAY BOND DAY

There are farmers in India, as there are farmers in America. They are the greatest in the world. They are the greatest in the world. They are the greatest in the world. They are the greatest in the world.

THE GOAT THAT HIDES IN A CAVE



This is one of a series of messages from your U. S. Treasury Department and is published through the courtesy of

SPONSOR'S NAME HERE

MAKE EVERY MARKET DAY BOND DAY

Remember this story as you milk your good herd. Keep on remembering this story as you milk your good herd. Keep on remembering this story as you milk your good herd. Keep on remembering this story as you milk your good herd.

THE COW THAT DIDN'T GET MILKED





THE BULL THAT WILL NEVER GET TO AMERICA

His name is Bigh of Oaklands. Last we heard of him, he was on the island of Jersey, a little spot of land in the Channel between France and England.

He's a great bull and breeders over here wanted him. He probably would have been imported except that one day the devil that "Hell Hitler" gobbled up the Channel Islands. Where is the hell and the few Jersey cattle? Fate unknown. And the people—everything that they have labored for is in the hands of a devouring Germany.

This story repeats itself again.

and again in the wake of Axis conquest. We must remember it in the coming weeks and months in so many many ways. One of the ways is by buying U. S. War Bonds.

You buy Bonds today for two important reasons. First, to help your Government win this war. Second, to help yourself. For they are an investment that never depreciates in value. They increase in value every year up to maturity, when they pay a dividend more than original cost. And you can always cash them any time after sixty days if you want to. Buy Bonds—at your bank or post office.

MAKE EVERY MARKET DAY BOND DAY

This is one of a series of six messages from your U. S. Treasury Department and is published through the courtesy of SPONSOR'S NAME HERE



THE RAM THAT KNOWS THE RATTLE OF MACHINE GUNS

We take great pride in our livestock for we have some of the best to be found anywhere.

England also takes pride in its livestock. Many breeds of cattle, sheep and horses come from there.

We think farming has been hard this past season, with the shortage of labor and machinery. It has been harder elsewhere. In England, for example, feed is scarce, manure are needed badly by the people, and German aircraft machine gun the farm animals in the fields every where they get. We must remain

her that all the time—and buy U. S. Bonds—all that we possibly can.

There are two good reasons for buying War Bonds. The first is that it will give our boys the guns and planes and tanks they must have. The second is that War Bonds are a sound investment. They never depreciate in value. They return a third more than the original cost in ten years. You can cash them any time after sixty days. Buy Bonds now—to help your country and to help yourself—at your bank or post office.

MAKE EVERY MARKET DAY BOND DAY

This is one of a series of six messages from your U. S. Treasury Department and is published through the courtesy of SPONSOR'S NAME HERE

WAR SAVINGS STAFF

Treasury Department
Room 300 Bankers Title
103 W. Adams St., Chicago, Ill.

Questions:

Please send me, free of charge, the War Savings Staff Campaign of Spontaneous Farm Ads, as revised, in

- Please Mine, to be 15-cent columns 15-cent columns
- 12 cols. in 11"
- 12 cols. in 11"
- 12 cols. in 11"
- 12 cols. in 11"



Date.....

We are served by

Publisher.....

Send Will

PUBLISHERS:

The continuity of theme of this series of Sponsored War Bond Ads addressed to the Farmer suggests publication in six issues of your newspaper.

This series of advertisements is available to you without cost and will be supplied in grooved newspaper plates or in mat form through Western Newspaper Union for either 12 cm or 13 cm columns.

For economy in production and distribution, plates or mats are offered in complete sets only, of any of the three sizes shown. Simply fill out and mail the convenient reply card enclosed herewith—or see the order blank and mail it to War Savings Staff, Treasury Department, Room 300 Bankers Building, 103 W. Adams Street, Chicago, Illinois.

A Series of Sponsored Farm War Bond Ads

For Immediate Release



WAR SAVINGS STAFF

TREASURY DEPARTMENT
WASHINGTON

TO THE PUBLISHER:

One of the most important groups of Americans your Treasury Department desires to reach effectively in promoting the sale of War Bonds is the farmers. Farm income for the past year exceeds any previous year in history. And "Patriotism and self-interest combine to make an investment in War Bonds the best possible form of financial reserve for farm people." We need your help in obtaining a promotional campaign big enough to cultivate the largest farm market America has ever known.

The sponsored Farm War Bond Advertisements shown here are designed to run as a series in six issues of your newspaper. When so published these advertisements will tell a compelling story to farm readers and will surely stimulate their buying of War Bonds.

Since it is important that these advertisements be run as a series, grooved newspaper plates and mats have been prepared in three different sizes, one of which it is hoped will meet your requirements exactly.

May we again express our thanks for the exceptional contribution you are continuing to make to help win this war.

Sincerely,

United States Treasury Department
WAR SAVINGS STAFF



... to Keep the Farmer Buying!



The bull that will never get to America

A herd of Dutch-bred, registered Holsteins, by one of the best of breed, is now being offered for sale by the Holland American Cattle Co., 1000 Grand Central Station, New York City. The herd consists of 100 head, including 20 cows, 20 heifers, 20 calves, 20 yearlings, 20 bulls, 20 steers, and 20 calves. The herd is the finest of its kind in the world, and is being offered at a special price of \$1000.00 per head, including transportation and insurance to New York City. This is a rare opportunity to acquire a herd of the finest Dutch-bred cattle in the world. For more information, contact the Holland American Cattle Co. at the address above.

MAKE EVERY MARKET DAY BOND DAY

This is one of a series of 12 illustrated Farm Ads. U. S. Government Department of Agriculture, Bureau of Plant Industry, 1917.

THE HOG THAT WILL NEVER GO TO MARKET



THE HOG THAT NEVER GOES TO MARKET is a registered Duroc, by one of the best of breed, is now being offered for sale by the Holland American Cattle Co., 1000 Grand Central Station, New York City. The hog is the finest of its kind in the world, and is being offered at a special price of \$1000.00 per head, including transportation and insurance to New York City. This is a rare opportunity to acquire a hog of the finest Duroc breed in the world. For more information, contact the Holland American Cattle Co. at the address above.

MAKE EVERY MARKET DAY BOND DAY

This is one of a series of 12 illustrated Farm Ads. U. S. Government Department of Agriculture, Bureau of Plant Industry, 1917.



The Ram That Knows the Rattle of Guns

THE RAM THAT KNOWS THE RATTLE OF GUNS is a registered Rambouillet, by one of the best of breed, is now being offered for sale by the Holland American Cattle Co., 1000 Grand Central Station, New York City. The ram is the finest of its kind in the world, and is being offered at a special price of \$1000.00 per head, including transportation and insurance to New York City. This is a rare opportunity to acquire a ram of the finest Rambouillet breed in the world. For more information, contact the Holland American Cattle Co. at the address above.

MAKE EVERY MARKET DAY BOND DAY

This is one of a series of 12 illustrated Farm Ads. U. S. Government Department of Agriculture, Bureau of Plant Industry, 1917.



The Aes That Starves With His Master

THE AES THAT STARVES WITH HIS MASTER is a registered Aesop, by one of the best of breed, is now being offered for sale by the Holland American Cattle Co., 1000 Grand Central Station, New York City. The aes is the finest of its kind in the world, and is being offered at a special price of \$1000.00 per head, including transportation and insurance to New York City. This is a rare opportunity to acquire an aes of the finest Aesop breed in the world. For more information, contact the Holland American Cattle Co. at the address above.

MAKE EVERY MARKET DAY BOND DAY

This is one of a series of 12 illustrated Farm Ads. U. S. Government Department of Agriculture, Bureau of Plant Industry, 1917.



THE COW THAT DIDN'T GET MILKED

THE COW THAT DIDN'T GET MILKED is a registered Friesian, by one of the best of breed, is now being offered for sale by the Holland American Cattle Co., 1000 Grand Central Station, New York City. The cow is the finest of its kind in the world, and is being offered at a special price of \$1000.00 per head, including transportation and insurance to New York City. This is a rare opportunity to acquire a cow of the finest Friesian breed in the world. For more information, contact the Holland American Cattle Co. at the address above.

MAKE EVERY MARKET DAY BOND DAY

This is one of a series of 12 illustrated Farm Ads. U. S. Government Department of Agriculture, Bureau of Plant Industry, 1917.



THE GOAT THAT HIDES IN A CAVE

THE GOAT THAT HIDES IN A CAVE is a registered Alpine, by one of the best of breed, is now being offered for sale by the Holland American Cattle Co., 1000 Grand Central Station, New York City. The goat is the finest of its kind in the world, and is being offered at a special price of \$1000.00 per head, including transportation and insurance to New York City. This is a rare opportunity to acquire a goat of the finest Alpine breed in the world. For more information, contact the Holland American Cattle Co. at the address above.

MAKE EVERY MARKET DAY BOND DAY

This is one of a series of 12 illustrated Farm Ads. U. S. Government Department of Agriculture, Bureau of Plant Industry, 1917.

February 3, 1943

Dear Phillips:

I have your letter of January 29, 1943, enclosing a copy of the statement on reciprocal aid which the Chancellor of the Exchequer proposes to make in the near future in the House of Commons.

Thank you for submitting the draft of the statement to me. There is no comment we would wish to make.

Sincerely yours,

(Signed) D. W. BELL

Sir Frederick Phillips,
British Supply Council in North America,
Box 680, Benjamin Franklin Station,
Washington, D. C.

2/4/43 - Mailed from Mr. White's office

HDW :dmh
2/3/43.

February 2, 1943.

Dear Phillips:

I have your letter of January 29, 1943, enclosing a copy of the statement on reciprocal aid which the Chancellor of the Exchequer proposes to make in the near future in the House of Commons.

I have read over this statement and do not find anything in it which runs counter to any of the information which we have in the Treasury.

Sincerely yours,

Sir Frederick Phillips
British Supply Council in North America
Box 680 Benjamin Franklin Station
Washington, D. C.

DWB:ew

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE REPUBLIC 7860



BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

January 29, 1943.

My dear Bell,

The Chancellor of the Exchequer proposes to make a statement to the House of Commons on reciprocal aid in the near future. He hopes to make it on Tuesday next, February 2, but will defer it if by then Mr. Stettinius and Major Spiegelberg have not given their testimony, since he agrees with Mr. Stettinius' view that the first statement on reciprocal aid should be made to Congress.

I attach a copy of the draft statement, in the form in which I have just sent it to London. This incorporates some amendments suggested by Mr. Stettinius' who agrees to it in its present form.

As the statement contains a passage on our financial situation, I think you may care to see it. I would be grateful if you could let me know as soon as possible whether you wish to make any comments on it.

Yours sincerely,

A handwritten signature in cursive script that reads "F. Phillips".

(F. Phillips)

The Honourable D.W. Bell
Under Secretary
United States Treasury,
Washington, D.C.



DRAFT OF A STATEMENT ON RECIPROCAL AID TO BE MADE BY THE
CHANCELLOR OF THE EXCHEQUER IN THE HOUSE OF COMMONS.

It is not an easy matter to make any significant comparison between the scope and scale of lend-lease and of reciprocal aid. There is, first, a practical reason. Exact accounting on our side would have absorbed a larger amount of manpower than is available, and even if we had precise figures in pounds, shillings and pence, they would afford no exact basis of comparison with the dollar figures of lend-lease. The difference in price-levels in the two countries vitiates any comparison in terms of money, and some of the most important items which we give or receive, such as technical information, are impossible to price.

In any case, there is a more important reason why such comparisons are not significant. Lend-Lease and reciprocal aid are not intended to balance out. Each country gives the other what it needs, within the limits of its capacity. The strategical situation, the resources and industrial capacity of each country, and our joint plans for their best utilisation, and not any point of financial principle, determine the proportion between lend-lease and reciprocal aid.

Everyone in this country knows of the magnificent range and value of help the United States are giving us on lend-lease, and I am happy once again to express our appreciation of it. But I think it is not generally realised how much we have been able to do, since the United States entered the war, to benefit them in return.

As I have said, no exact figures are available but a broad statement is possible. We, and certain of the Dominions, are supplying without charge to the large American forces within

the areas for which we are responsible everything which they need and we are in a position to supply. The United States Government only furnishes the pay and allowances of their troops and what they import direct themselves. The cost of reciprocal aid is mounting up to a very large sum, and is far heavier I think than is yet generally realised. I say this ungrudgingly, in view of the vast help which we have received, but the fact should be known.

On a comparable basis, the reciprocal aid we give to the United States is at the moment running at a rate approaching 50% of the Lend-Lease we receive from her. If we bring the help we are giving to Russia and our other Allies into the picture, the total comes to three-quarters of what we are receiving. This is a comparison in absolute quantities; that is, the supplies are compared on a common price basis. Our reciprocal aid may not, of course, continue at the same high level, since a vast labour force, now engaged on the construction projects made necessary by the arrival of the U.S. Forces, will in due course be turned to other tasks, no less useful to the war effort. It is only fair to make this qualification, when speaking of the current rate of reciprocal aid. But I can safely say that, when one considers the relative size and resources of our two countries and the scale of our previous war effort, the burden of reciprocal aid on the British taxpayer is not less than the burden of lend-lease on America. This is a remarkable achievement which the American Government has fully recognised. On the generous criterion of equality of sacrifice laid down by President Roosevelt I think it can fairly be said that we are playing our full part in the financial sphere.

There is one further point of great importance. A comparison of lend-lease and reciprocal aid to American and British total war expenditure does not tell the whole story. Compared to each

-3-

country's productive resources, the picture is still more striking, since an important part of our expenditure is met not out of our current output but by the sale of our overseas assets and the accumulation of overseas debt. We alone of the United Nations are increasing overseas debts on a large scale. Against this I am glad to say we have managed recently in various ways to increase our reserves, but by a much smaller amount; and I regard this modest increment as an essential element in maintaining successfully our financial policy as a whole.

I welcome this opportunity to state the facts, as I believe there is a widespread misunderstanding of the magnitude of the burden which we carry and of the sacrifices we are making. I have reason to know that the United States Administration are more than satisfied both with the ready satisfaction of all their requests and with the strict economy of use of the lend-lease aid we receive by the efficient machinery that has now been built up.

Washington, D.C.,
January 29, 1943.

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

Chungking

Dated February 3, 1945

Rec'd 1:33 p.m.

Secretary of State,
Washington.

184, February 3, 9 a.m.

TO SECRETARY OF THE TREASURY FROM ADIER

TF-89 in accordance with article one (C) of
the Sino American agreement of April 1, 1941,
Board asks me to consult you of the desirability
of investing the United States \$2,000,000 in its
account with the Federal Reserve Bank in direct
obligations of the Government of the United States.
The Board is receiving sufficient United States
dollars from remittances to meet its out-payments
for the next few months with respect to both direct
applications for foreign exchange and to its
obligations to the Central Bank under the November 1
agreement without having to draw on the United
States \$2,000,000 in the Federal Reserve Bank.

GAUSS

MIC

NOT TO BE RETRANSMITTED

BRITISH MOST SECRET
U.S. SECRET

OPTEL 39

Information received up to seven A.M. third February 1945.

1. NAVAL

On the first one of H.M. Minlayers, was torpedoed and sunk 45 miles east of Tobruk, six officers and 112 ratings have been rescued.

2. MILITARY

Tunisia. On the first in the Northern Sector our patrols were active round Jefna. Further south the enemy launched an attack against our positions south east of Bou Arada but a prompt counter attack drove them back to their original positions, about 50 prisoners were taken. In Central Tunisia the enemy has slightly strengthened his positions on the crest of the Djebel Ousselat south east of Ousseltia. A U.S. Armoured Column is engaged in stiff fighting round Faid, some headway has been made but German Troops are strongly established along the pass through which runs the road to Sfax. In the Southern Sector another U.S. Column captured the village of Sened on the Gafsa-Sfax Road and is moving eastwards towards Maknassy. A third U.S. Column is moving down upon Maknassy from the Faid Area.

Burma. On first and second some progress was made in an infantry attack supported by tanks on a Japanese position at Donbaik in Arakan.

Russia. Striking in a south westerly direction from Starobvelsk the Russians have cut the more northerly of the two railway routes from Kharkov to Rostov. German counter attacks due east of Rostov in Area of the Don - Manich Confluence appear to have died down.

3. AIR OPERATIONS

2nd. 24 escorted Ventures attacked locomotive shed near Bruges and the Railway Centre at Abbeville.

2nd/3rd. 174 bombers were despatched - Cologne 161 heavy (5 missing) sea-mining 13. Preliminary reports indicate weather at Cologne dark with slight cloud. Attack considered successful.

Tunisia. 31st. Escorted Marauders effectively attacked Gabes Airfield many aircraft on the ground being set on fire. 12 Messerschmidts attacked Bone Airfield destroying two Spitfires on the ground.

First. Escorted U.S. Fortresses attacked Tunis Harbour where one ship was left burning. In these and other operations enemy casualties 30. 9. 16. Ours 9 missing.

Sicily. 31st/1st. 7 Halifaxes bombed the Train-Ferry Terminal at Messina and 13 Wellingtons effectively attacked Taormina Docks and Harbour.

Feb. 3, 1943

Mr. White

Mr. Winesell

Subject: Production of Excessive Profits in Fixing Price Ceilings

Certain difficulties are involved in combining the control of prices of specific products with general profits control in the same regulation. Where price control is the objective, control must be applied to specific products or groups of products; while the regulation of profits is necessarily directed toward the total operations of individual business units. Price control generally seeks uniform prices on a product basis while in the case of profits control prices must be set on the basis of specific costs and income from all productive operations of the individual firm. The problem of combining these two objectives is complicated not simply by the fact that producers and distributors of specific products or groups of products have different costs but also by the fact that industries are not well defined. Firms tend to produce or to distribute different combinations of commodities so that it is difficult to allocate over-all profits among specific products.

The objectives of price and profits control are by no means completely exclusive, however, so far as a given regulation is concerned. Fair profits standards should be applied in the fixing of prices, but if prices for specific products of a given grade are to be uniform, the criterion must be the profits of the industry rather than of the firm. Probably the most feasible criterion is the average profit earned in the base period, say 1936 to 1939. Where industries are not well defined it is necessary to adopt as a criterion the profit surplus of specific commodities in the base period so far as the joint consideration can be allocated. In using a profits standard as a criterion for price control, account should be taken of changes in volume. Base period profits should not be allowed where a substantial decline in volume has taken place because of war conditions.

There are two cases in which it is possible to combine the objectives of profits control for the individual firm and price control in a single regulation. One is the case where the government is the sole buyer and a differential pricing technique can be applied. The other case is where selective subsidies are employed. The latter involves paying a subsidy to high cost firms and either a smaller subsidy or no subsidy at all to more efficient firms. In any case the amount of the subsidies paid would be determined with reference to the profits of the individual firm.

For industry as a whole there is a substantial margin of excess profits which could be equessed out if 0% were to apply a rigorous profits standard in establishing its price schedules. (To date, so far as I have been able to discover, most price fixing before and after the DMPC has been largely a matter of price freezing with little attention paid to profits standards.) In 1939 the profits of all corporations before taxes were \$5.3 billion. This was an increase of 18 percent over the average for 1936 to 1939, the period selected by Congress as normal for purposes of calculating excess profits tax liability. Corporation profits before taxes in 1942 are estimated at about \$20 billion or nearly 300 percent above the 1939 level. For price control purposes profits before taxes should be the criterion since to permit prices to increase so as to cover losses and excess profits taxes levied on corporations would be to defeat the intention of Congress. Even so, in 1941, profits after losses and excess profits taxes were \$7.9 billion or nearly 100 percent above the \$4.05 billion total of 1939. For 1942, profits after taxes will remain at about the same level as in 1941.

Excessive profits in certain industries can be reduced by rigorous application of profits standards in establishing price schedules for specific commodities or groups of commodities. There will still remain excessive profits of individual corporations since all such profits cannot be wiped out without employing either (1) subsidies, (2) differential prices to the Government or (3) establishing a different price to the public for each firm based on its specific cost and income situation. The first two alternatives are desirable but are feasible only in a limited number of cases. The effect of the third alternative would be to take the general profits of an efficient corporation and turn the proceeds over to the particular buyer who happened to purchase the price-controlled products of the most efficient firm. There are alternatives (1) and (2) are not feasible it would be better to regulate so far as possible the profits of the industry in establishing a uniform price ceiling while leaving the remaining excessive profits of individual firms to the tax authorities.

OFFICE OF PRICE ADMINISTRATION
WASHINGTON, D. C.

February 4, 1943

CONFIDENTIAL

MEMORANDUM

To: Honorable James F. Byrnes
Director of Economic Stabilization

From: Prentiss M. Brown
Price Administrator

Subject: Reduction of Prices and Profits

Section 2 (a) of the Emergency Price Control Act of 1942 provides that maximum prices must be generally fair and equitable and that they shall effectuate the purposes of the Act. Among the purposes of the Act is the elimination and prevention of profiteering. The Amendment of October 2, 1942 empowers the President to provide for making adjustments with respect to prices to correct gross inequities. In Executive Order 9250, dated October 3, 1942, the President delegated this power to the Price Administrator. The Executive Order further directed the Administrator in fixing, reducing or increasing prices to determine ceilings in such manner that profits are prevented which in his judgment are unreasonable or exorbitant.

There are certain difficulties inherent in any attempt to achieve control of profits by fixing prices. Maximum prices under price ceilings are set on a product basis. Profits, however, are realized on a company basis. A single company may produce several products. It is frequently impossible, therefore, so to adjust product prices as to control company profits. In fixing the ceiling for any product, moreover, a single maximum or a series of maxima may be established. In either

the ceiling will be set at a level which is calculated to be generally fair and equitable, but the profits realized by the several producers who sell under such a ceiling may vary. It is impracticable, therefore, to attempt completely to eliminate unreasonable or exorbitant profits through the employment of existing techniques of pricing. In large part, however, such profits can be prevented through price action and through the renegotiation of contracts or they may be recovered through taxation.

The Executive Order clearly imposes upon the Office of Price Administration an affirmative obligation. Whenever the Office fixes, reduces or increases the maximum price of any product, it must set it at a level that is calculated to prevent firms producing the major part of the output from realizing profits that are unreasonable or exorbitant.

The Office has always taken profits into account in determining the fairness and equity of the levels at which maximum prices have initially been established, in determining whether maximum prices will be increased as costs rise, and in determining how large an increase will be granted. The changes in prices and profits that have occurred since the initiation of price control have been so great, however, and the variation in the movement of prices and profits between industries has been so large that it does not now appear to be practicable to employ the profit standard that has been used for those purposes in determining whether profits are to be deemed unreasonable or exorbitant.

It is possible for the Office to maintain a lower standard in refusing or granting increases in maximum prices than it can apply in

...ing unreasonableness or exorbitance. It is undesirable, on the other hand, to raise the level employed in the former case to the point which is practicable to establish in the latter case. The Office has therefore decided to establish a double standard of profits, with a lower level to be retained in determining whether prices will be raised, and if so how far, and a higher level for determining whether profits are unreasonable or exorbitant. It is proposed to say, in effect, that if profits are above the lower level the Office will not raise prices; that if they are below that level, it will raise prices only to the point which will re-establish profits at that level; but, finally, that when profits rise above the higher level, the Office will cut prices because such profits are unreasonable or exorbitant.

It is necessary, therefore, for the Office to define the level above which profits will be held to be unreasonable or exorbitant. The possible alternatives have been analyzed in considerable detail. A definition which would have been stated in terms of percentage return on investment or net worth was rejected because of the administrative difficulties which would be involved in computing the value of an investment in examining corporate financial structures, and in making allowance for differences in risk. A definition which would have employed aggregate dollar profits in a base period as the test was rejected because it would have made no allowance for the varying changes in volume of output which have occurred in different industries since the base period. A definition stated in terms of profits as a percentage of dollar sales was rejected because it would have amounted to a standard of costs plus

percentage of costs and would thus have guaranteed rising prices to cover increased overhead per unit as volume declined and would also provide for enormous increases in aggregate profits in many cases where Government purchases caused an expansion of output.

The Office proposes to adopt for internal use in defining unreasonable and exorbitant profits a standard which will be computed as follows: First, an industry's output in the current year will be compared with its output in the year 1941 (the accounting period closest to the year October 1, 1940 - October 1, 1941 which is specified in the Emergency Price Control Act) and the percentage of increase in output will be determined. Second, the industry's aggregate profits in 1941 will be ascertained and this figure will be increased by a percentage which is one-half as large as the percentage of increase in output. Third, to the sum thus obtained there will be added a return of 7% on additions to investment since 1941. Fourth, profits in excess of the resulting total will be held to be unreasonable and exorbitant.

This definition is a compromise between the extremely rigorous standard which would have been involved in defining unreasonable and exorbitant profits in terms of a fixed percentage on investment or a simple base period aggregate, on the one hand, and the extremely generous standard that would have been involved in defining such profits in terms of a percentage on sales, on the other hand. Its effect will be to permit industries to realize increasing aggregate profits and an increasing return on investment as volume expands, but it will not permit them to realize a constant margin on sales or an increase in profit which is

... to the increase in output. In short, it will eliminate any increase in profits which is attributable to an increase in price since it will reduce a part of the increase which is attributable to the increase in price occasioned by the growth of Government expenditures. It will combine increasing aggregate profits and an increasing return on investment with a declining margin on sales.

In some cases it may appear that profits in the base period of 1939 were themselves unreasonable or exorbitant. The Office is considering the feasibility in such cases of defining unreasonableness and exorbitance in terms of the extent to which the increase between 1939 and 1941 of an industry's profits as a percentage of sales exceeded the increase realized by industry in general. In order to bring the industry in question into line with industry as a whole, its 1941 profits would be deflated in making the computations described above.

The Office is now making a statistical analysis, industry by industry, of the movement of profits between 1941 and 1942 in order to determine the significance of these standards. This work will be completed within the next two weeks.

Whenever profits are found to be unreasonable or exorbitant, the maximum price of the commodity in question will be reduced to a point which is calculated, in the light of realized and probable future changes in output and in costs, to prevent producers in general from realizing profits before income and profits taxes which are in excess of the limits set forth above. It is recognized, of course, that there will be cases in which the standard of unreasonableness and exorbitance must

be modified in detail to fit the peculiar circumstances of a particular industry, and cases in which considerations other than those relating to profits must be taken into account.

The foregoing discussion relates to those cases in which prices will be reduced because profits are unreasonable or exorbitant. There may be other cases, however, in which prices will be reduced even though profits are not held to be unreasonable or exorbitant, if such action is calculated to contribute to the prevention of inflation. This may occur:

1. Where prices were caught by the General Maximum Price Regulation or initially set by a specific regulation at a level higher than that required for fairness and equity to producers and consumers.
2. Where a cut is required directly to relieve an undue squeeze at a later stage of the production or distribution of a particular commodity in order to maintain the price of that commodity at retail.
3. Where it is possible indirectly to relieve pressure on producers or distributors by reducing the prices of collateral cost items which are not themselves the subjects of a squeeze, thus assisting them to preserve the level of prices at retail.
4. Where a price cut at an earlier stage of production will be carried through by competition or can be carried through by OPA to the retail level, thus reducing the cost of living.
5. Where goods are sold to agencies of the Federal Government, so that a price cut will directly reduce public expenditures.
6. Where a price cut at an earlier stage of production will be

carried through by competition or by the cost-plus provisions of contracts at later stages or where it can be carried through by OPA or where it can be carried through by OPA or by the renegotiation of contracts so as indirectly to reduce public expenditures.

7. Where costs per unit of output have declined, as a consequence of expansion of output or a reduction in the costs of materials, while prices have remained stable or have failed to decline in proportion to the reduction in costs.

8. Where independent action at different dates has distorted the normal differential between the prices of related commodities and reduction of the higher prices will serve to restore the normal relationship.

In such cases, maximum prices may be set below the level which is required solely to prevent unreasonable or exorbitant profits. They must, however, be set at levels which are generally fair and equitable within the meaning of the Emergency Price Control Act of 1942.

To summarize: It is proposed to establish three areas with respect to the relationship of profits to maximum prices. Within the lower area, maximum prices may be increased because profits are held to be so low that prices are not generally fair and equitable. Within the upper area, maximum prices must be reduced because profits are unreasonable and exorbitant. In the middle area, prices are generally fair and equitable and profits are not held to be unreasonable or exorbitant. This area, however, is wide enough to permit the Office to reduce maximum prices for reasons other than the fact that profits are held to be unreasonable or exorbitant, as long as profits are high enough so that prices may be held to be generally fair and equitable.

MEMO & CONFIDENTIAL

From: Cpl. Richard H. Paul

To: Hon. Henry Morgenthau, Secretary of the Treasury

Subject: Meeting of Mr. Beardsley Ruml and Mr. Randolph Paul at the home of the latter on Thursday, February 4, 1943.

On the evening after the testimony of Mr. Ruml before the Ways and Means Committee, he came to the home of Mr. Paul to pay a social call. Much of the conversation was concerned with the Ruml plan. Besides Mr. Ruml and Mr. Paul there were present at the meeting Mr. Harry Rudick, of the firm of Lord, Day, and Lord, counsel to Mr. Ruml, Mrs. Paul, and myself. The chief purpose of Mr. Rudick in calling was to discuss with Mr. Paul several lawyers whom Mr. Rudick was considering taking into his firm.

While it was not definitely so stated, much of the conversation concerning the Ruml plan was of a tone which I considered confidential and off the record. Mr. Ruml may have felt that he was revealing opinions which he would not care to have published generally. He occasionally remarked that some statement was "just in the room".

Mr. Paul spent some time questioning Mr. Ruml with the apparent intent to establish the fact that Mr. Ruml would himself personally benefit by the passage of his plan, although it was not Mr. Paul's intention to show that Mr. Ruml's opinions were influenced by this fact, but rather to rebut Mr. Ruml's previous assertions of financial disinterestedness. Mr. Ruml vigorously denied any personal benefit, saying that he himself was so far in debt that cancellation of his year's liability for 1942 would not decrease that debt to any great degree. The figures he gave on his income and debt were definitely understood to be confidential, although I presume that his return is available to the Treasury.

Mr. Ruml then went on to speak of one of his motivations for getting his plan passed. He said in effect that he was out to beat the Secretary, against whom he seemed to feel somewhat bitter. He spoke of the Secretary as having thwarted or upset a great many plans of the New Deal since its inception. He also expressed the opinion that the Secretary was a very unfortunate man for the New Deal. A good deal of his bitterness seemed to trace to an incident which occurred in 1936 or 1938, when, he said, he presented some plan to the Secretary (which I did not understand to be his present Ruml plan) through an intermediary. He said that his plan had been presented to the Secretary on a Friday, and that he had received an adverse answer on the fol-

2 - Memo on Mr. Ruml

lowing Monday. He felt that no proper consideration had been given to his plan, or could have been given in the elapsed time over the weekend, and that the Secretary was seriously at fault and had dismissed the plan more on personal considerations than on its merits.

Mr. Ruml in speaking of his own plan also admitted after considerable questioning by Mr. Paul that he was perfectly aware that it benefited the rich far more proportionately than the lower income brackets, but stated that he didn't see anything wrong in that.

Mr. Ruml expressed some disappointment in the mental caliber of the Ways and Means Committee, giving as an example Representative McGrenery of Pennsylvania. He seemed not very hopeful that his plan would be adopted, but stated that he intended to go on fighting. He added that it had been a liberal education for him to appear before the Ways and Means Committee.

Though Mr. Paul and Mr. Ruml argued vigorously and frankly at several times, they parted on a completely friendly basis.

I have submitted this memorandum to Mr. Paul, and it agrees with his recollection of the meeting. At the Secretary's request I have submitted this memorandum to him for his information, but in view of the fact that there is considerable uncertainty as to just how much of the conversation should be considered off the record, I respectfully request that any action taken in accordance with it might be discussed in advance with Mr. Paul.

Respectfully submitted,

Richard H. Paul

Cpl. Richard H. Paul

43, 529

FEB 4 1943

Dear Mr. Coats:

For the Secretary, further reference is made to your letter of January 26, 1943, in which you discuss the merits of a new type of Treasury obligation which would mature in quarterly installments and would be designed thereby to appeal to those farmers who own their own farms by providing funds periodically for the repayment of the mortgage indebtedness outstanding against those farms.

The Treasury has given a great deal of attention during the past few months to the financial problems of farmers as they relate to the program of selling securities to finance the war. We have availed ourselves of the counsel of the Secretary's old friend, Dr. W. I. Myers of Cornell University, in this connection, and at his suggestion have established in the War Savings Staff an Agricultural Section to deal with the special problems of farmers participating in the war bond program. This section is headed by Mr. L. E. Farnham, formerly of the Department of Agriculture. These gentlemen and other members of the Staff have been studying the war's effects on the farmers' financial problems, and have been discussing them with farm representatives in agricultural areas. These studies and discussions have led us to the conclusion that, in general, the present Series B war savings bond is capable of satisfying a very large proportion of the farmers' war bond requirements. They have led to our proposing a wartime program for United States farmers, built around Series B bonds. This program has been set forth in pamphlet form and distributed widely. I am enclosing a copy of it on the chance that it has not been brought to your attention.

In arriving at the conclusion that the B bond is suitable for our farmers, the Treasury has come to feel that farmers with heavy mortgages on their property should direct their principal efforts, at this time, toward reducing the amount of their indebtedness. They should apply to the purchase of war bonds primarily those funds which they would

FILE COPY

Mr. Goss - 2

ordinarily expend on new equipment or on improvements to property, but which they cannot expend currently because of the shortages of material and labor caused by the prosecution of the war. Many farmers, we feel, are now in a position to reduce debts on a large scale and to build up sound financial reserves for the first time since the last war. These reserves will be invaluable for the post-war replacement of equipment and machinery and the improvement of farm property, and it is these reserves which we hope to see invested in Series E war bonds. These securities are an attractive investment for post-war reserve purposes, for they are quite liquid and they provide an ascending rate of interest in proportion to the period of time held.

With respect to the obligation proposed in your letter, I might say that the security is of a type that we at the Treasury have studied for many years. The obligation, in effect, an annuity bond, a type of security which has been proposed from time to time to take care of the financial requirements of a number of different classes of investors. The general attractiveness and the prospective nationwide popularity of this type of obligation at a time when an obligation such as the Series E bond is available has long been open to serious doubt. There are, it is true, a few people who might be interested, but the alternative of a bond redeemable at any time after 60 days in any amount desired and with a full interest return for the portion not turned in is, in our opinion, too attractive to permit a wide market for annuity bonds.

I am sending this letter on to you while the Secretary is still away in order that you may have the benefit of our thinking on the subject. The Secretary will read your letter with interest when he returns, I am sure, and he may wish to comment further at that time.

Very truly yours,

D. W. Bell

Under Secretary of the Treasury

Mr. Albert S. Goss
Master, The National Grange
1343 H Street, N. W.
Washington, D. C.

Enclosure

SGT:14
2-2-43

566 **FILE COPY**

January 27, 1948.

Dear Mr. Goss:

The Secretary is away from Washington, and it will be a week or ten days before he returns. I am therefore acknowledging your letter of January 26 on his behalf. I know that he will be very much interested in reading it, and would wish me to thank you for what you said of the work he has been doing here at the Treasury.

In his absence, however, I am taking the liberty of passing on the rest of your letter to those of his associates who are particularly considering the financing program. Thus they will have an opportunity to consider your suggestion without delaying the matter until Mr. Morgenthau is back in his office.

Sincerely yours,

(Signed) H. S. Klotz
(ms)

H. S. Klotz,
Private Secretary.

Mr. Albert S. Goss,
Master, The National Grange,
1343 H Street, N.W.,
Washington, D. C.

GEF/dbs

NATIONAL GRANGE OFFICERS
ALBERT S. GOSS, MASTER
WASHINGTON, D. C.

C. FARMER, LECTURER
KEENE, N. H.

G. ARMSTRONG, TREASURER
HILES, MICH.

AIRY A. CATON, SECY
COSHINGTON, OHIO

THE NATIONAL GRANGE

AMERICA'S OLDEST FARM ORGANIZATION
FRED BRECKMAN, WASHINGTON REPRESENTATIVE

1343 H STREET N. W.
WASHINGTON, D. C.

January 26, 1943

m. Broughton
913-679 902. 51

EXECUTIVE COMMITTEE
RAY W. GILL, CHAIRMAN
PORTLAND, ORE.

E. A. ECKERT, SECRETARY
MASCOUTAH, ILL.

KENZIE S. BAGSHAW
HOLLIDAYSBURG, PA.

ALBERT S. GOSS, EX-OFFICIO
WASHINGTON, D. C.

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

43529

Dear Mr. Secretary:

For some time I have wanted to drop in to see you and tell you what a swell job you were doing, but I have not had nerve enough to take your time or even bother you with a letter. Now I have something definite to present and make use of the opportunity to tell you how much we all appreciate your work.

There is one source of money which you are not reaching and which I believe could be very substantial. I refer to the person who is paying off a debt by monthly, semi-annual, or annual installments and who has received money from some source more than necessary to meet the immediate demand of the debt service. For example, there is the farmer with a long term mortgage who finds himself with two or three thousand dollars available funds. The payment of his debt installment has been a pressing obligation for years and his natural inclination is to retire the debt, or apply the excess funds upon it. His patriotic urge is to buy war bonds but he realizes that the next \$200 installment may give him trouble and he would not want to cash in his bonds. The result is that he finally decides to apply the money on the debt.

The well balanced credit economy of the nation would be best served if he continue his loan with the present mortgagee and held some government bonds. He would gladly accept a very low rate of interest if he could have a bond which met his needs.


I believe the Treasury would find a lot of installment buyers who would welcome a bond which would be repayable, principal and interest, in quarterly sums throughout the life of the bond. Such bonds could run for 10, 15, or 20 years, be issued in multiples of not less than \$100 or \$200, bear a rate of interest possibly as low as 1 1/2 percent, and be repayable in equal quarterly installments throughout the life of the bond. The purchaser would then be able to use his money to further the war effort and would have an instrument which would protect against any difficulties which might arise in connection with his mortgage.

I have personally known a dozen or more cases where farmers have written to me for advice on this very point and I am sure there are a great many thousands of farmers and home owners who would be glad to invest in a bond of this nature.

Yours sincerely,



Master, The National Grange



TREASURY DEPARTMENT
WASHINGTON

C O P Y

February 4, 1943.

Hon. Louis Ludlow,
Committee on Appropriations,
House of Representatives,
Washington, D. C.

My dear Congressman Ludlow:

In accordance with your request, I am glad to supply the following information about William Pickens, an employee of the War Savings Staff of this Department, who has been named, among others, by Congressman Dies as disqualified for employment in the Federal service by reason, it is assumed, of alleged membership in a political party or organization which advocates the overthrow of our constitutional form of government in the United States.

Mr. Pickens, himself a Negro, is in charge of a small section in the War Savings Staff whose function it is to assist in the promotion of the War Bond program among Negro organizations throughout the Country. Mr. Pickens was first employed in this capacity in May, 1941, and since that time his principal duty has been to appear before colored groups in different communities with a view to inducing the participation of the Negro people in the War Savings program, and with a view to the establishment of special War Savings committees among the colored people to encourage them to invest their savings in War Bonds.

Mr. Pickens has performed these duties to the entire satisfaction of this Department. He has been diligent and successful in his work, and he and his small group have done much to bring about an understanding of the War Savings program on the part of the colored people and a steadily increasing participation by them in that program. In the period of his employment by this Department, nothing has transpired which would suggest that he is anything but a patriotic American, completely loyal to the traditions of this Country and to its established form of government.



- 2 -

Mr. Pickens is a man with a distinguished record for work among the colored race. Our files show that he was born at Anderson, South Carolina, on January 15, 1881; that he is a graduate of Yale University and a member of Phi Beta Kappa; that he taught at Taledoga College, Alabama, from 1904 to 1914; that he was Dean and Vice President of Morgan College, Maryland, from 1915 to 1920; and that from 1920 to 1941 he was an officer in National Association for the Advancement of the Colored People, upon whose recommendation he was given employment in this Department.

As is well known, the statutes prohibit the employment in the Federal service of any person who advocates, or who is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence. As early as October, 1941, the Dies Committee record concerning Mr. Pickens was brought to the attention of this Department, and an investigation was at that time made by the Treasury Intelligence Service to determine whether Mr. Pickens' employment was in contravention of the law. I quote the final paragraph of the report which was submitted to this office upon the conclusion of the investigation:

"This investigation has disclosed that William Pickens is now employed as a Promotional Specialist with the Defense (now War) Savings Staff and is entirely satisfactory in this capacity; that numerous references have been made in the Dies Committee reports to his name without actually connecting him with any subversive organization; that he is exceedingly well recommended by his superiors and associates; that his character, reputation and loyalty to this Government are reported to be good; and that he is well qualified and suitable for the position he now holds with the Defense (now War) Savings Staff."

As you will see, this Department has long been aware of the charges made by the Dies Committee regarding Mr. Pickens. It will be appropriate to say that we are convinced that they are without any substantial foundation; and that we are satisfied that Mr. Pickens is completely loyal to the Government of the United States.

Sincerely,

(Signed) HAROLD N. GRAVES

Assistant to the Secretary.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE FEB 4 1943

TO Secretary Morgenthau
FROM Mr. Hagg
Subject: How to lower the price of bread

This statement is submitted in response to your request for an examination of the means available for lowering bread prices. We have discussed this with the Legal Division, and a statement from Mr. Paul covering the legal aspects of the problem is attached.

Our conclusions are as follows:

(1) Unless a direct subsidy is used, the price of bread can be lowered appreciably only by a substantial reduction in the price of wheat. Average retail bread prices remained unchanged throughout 1942. In the last several months, however, wheat prices have risen so high that, if they continue at present levels, some increase in bread prices can probably not be avoided except through strict economies in baking and retailing practices, some of which have recently been instituted by the OPA. (An increase of 1 cent a pound in the average retail price of bread would normally follow a rise of roughly 50 cents a bushel in the price of wheat.)

(2) Wheat prices cannot be lowered by direct price-fixing under the present price control laws. The only available method of lowering wheat prices would therefore be to increase the market supply of wheat.

(3) The supply of wheat can be increased substantially by the release of farmer-owned stocks of wheat held by the Government as collateral for crop loans, which on December 31, 1942, totalled 430 million bushels. Farmers will probably repossess and sell the larger part of this wheat during the next few months, if last year's experience is repeated, since wheat prices are now at levels which yield a profit over the loan values, and the Department of Agriculture is strongly urging farmers to sell their loan wheat.

The repossession and sale of this wheat would doubtless be speeded up if the Department of Agriculture were to announce its intention of calling the loans when they fall due April 30, instead of renewing them as was done last year. Any wheat not sold by that date would be added to the stocks owned by the Commodity Credit Corporation. The release of practically all

- 2 -

loan wheat would be assured if farmers were granted a subsidy for redeeming their wheat, in the form of a waiver of carrying charges and a bonus of 6 cents a bushel, as provided in the plan announced jointly by the OPA and the Department of Agriculture in October 1942. (This plan was not put into effect, because of Congressional opposition to the subsidy feature.)

(4) It would be possible to release wheat owned by the Commodity Credit Corporation, which totalled 308 million bushels on December 31, at less than parity prices. (The CCC has recently offered to sell its wheat holdings at parity, but at present it can sell only a limited portion at those prices, since market prices for most types of wheat are below parity.) The sale of such wheat at less than parity is not legally possible with the present administrative funds of the Commodity Credit Corporation. However, the President could provide the Corporation with funds "to put into effect a program of selling its wheat stocks below parity," in which case there would be no legal restrictions on the sale of CCC wheat.

The President's Emergency Fund, provided in the First Supplemental National Defense Appropriation Act, might be used for this purpose. The fund is intended to enable the President "to provide for emergencies affecting the National security and defense and for each and every purpose connected therewith." While there is little doubt that action to bring the inflation spiral under control would fall within the broad purposes of that appropriation, the use of the fund for this purpose would be likely to jeopardize further appropriations of the "blank check" type.

(5) With regard to increasing the domestic wheat supply by removing present restrictions on the importation of Canadian wheat, this would be legally possible if certain statutory prerequisites can be met, but to meet these requirements would probably be difficult.

The Tariff Commission must first make an investigation and find that importation of a larger quantity of Canadian wheat than allowed by the present quota "would not render ineffective or materially interfere with any program of operation undertaken under the Agricultural Adjustment Act of 1933." The Commission's finding would depend, in part, upon what the wheat program is. If the object of the program is to insure parity prices to the farmer, that end might perhaps be attained by different means, such as through partial compensation by means of benefit payments. On the whole, however, the possibility of using this method of increasing our wheat supply cannot be suggested as a practical plan.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

1943
56
Original of
this note to
Mr. Egan
DATE
JAN 16 1943

TO Mr. Egan
FROM General Counsel

You have asked me to consider the legal aspects of how the President can lower the price of bread. It is assumed that mill and bakery costs cannot be further reduced, and that a reduction in the price of bread can only be effected by reducing the price of wheat. I understand from your figures on the correlation between bread and wheat prices that to reduce the price of bread 1 cent per pound (the ordinary loaf) it would be necessary to reduce the price of wheat 40 to 60 cents per bushel. I also understand that the average price of wheat which the farmer receives is now approximately 27 cents a bushel below the parity level.

You have suggested three possible solutions to the problem:

- (1) release of wheat owned by the Commodity Credit Corporation;
- (2) release of farmer-owned wheat held as collateral for Government Loans;
- and (3) importation of wheat from Canada. My consideration of the problem has been confined to an examination of whether there are any legal obstacles to carrying out these plans.

Lowering the price of wheat by direct price-fixing action, of course, is legally done under the price control laws at the present time. Section 3 of the Act of October 2, 1942 (Public Law 729, 77th Congress) provides, in pertinent parts:

- 2 -

"No maximum price shall be established or maintained for any agricultural commodity under authority of this Act or otherwise below a price which will reflect to producers of agricultural commodities the higher of the following prices, as determined and published by the Secretary of Agriculture—

(1) The parity price for such commodity (adjusted by the Secretary of Agriculture for grade, location, and seasonal differentials) or, in case a comparable price has been determined for such commodity under and in accordance with the provisions of section 3 (b) of the Emergency Price Control Act of 1942, such comparable price (adjusted in the same manner), or

(2) The highest price received by such producers for such commodity between January 1, 1942, and September 15, 1942 (adjusted by the Secretary of Agriculture for grade, location, and seasonal differentials), or, if the market for such commodity was inactive during the latter half of such period, a price for the commodity determined by the Secretary of Agriculture to be in line with the prices, during such period, of other agricultural commodities produced for the same general use; * * *

Since you state that the farm price of wheat is now below parity, the prohibition specified in clause (1) precludes any present reduction of the price of wheat by the direct price-fixing method.

(1) It is my conclusion that the Commodity Credit Corporation may lawfully take action which might reduce the price of bread and which might also indirectly result in lowering the general market price of wheat. Whether or not such action by the Commodity Credit Corporation would actually result in lowering the price of wheat, however, is a matter on which I do not attempt to state a conclusion.

The Commodity Credit Corporation may lawfully sell to flour mills, at such price as it determines (whether or not below parity), the stocks of wheat owned by it. No provision appears in any law prescribing the price at which wheat for human consumption must be sold by the Corporation. It is true that in the Department of Agriculture Appropriation Act, 1943 (Public Law 674, 77th Congress), the following proviso appeared in connection with the appropriation for the Commodity Credit Corporation:

"Provided further, That no grain shall be sold for feed at a price less than 85 per centum of the parity price of corn at the time such sale is made."

That restriction obviously is not applicable when wheat is sold to the millers for the manufacture of flour.

The sale of wheat by the Commodity Credit Corporation at a price below parity is not prohibited by the third proviso of the appropriation for salaries and administrative expenses of the Commodity Credit Corporation, in the Department of Agriculture Appropriation Act, 1943. That Act provides:

"Salaries and administrative expenses: Not to exceed \$3,513,498, of the funds of the Commodity Credit Corporation shall be available for administrative expenses of the Corporation in carrying out its activities as authorized by law, * * *; Provided further, That none of the fund made available by this paragraph shall be used for administrative expenses connected with the sale of Government-owned or Government-controlled stocks of farm commodities at less than parity price as defined by the Agricultural Adjustment Act of 1939."

While that proviso evidences a strong intent on the part of Congress to discourage the sale of agricultural commodities below parity,

its very form is a clear recognition of the legal right of the Commodity Credit Corporation to do so if the expenses of the operation could be paid from other funds. * The Corporation's right to sell below parity, notwithstanding the provision, was recognized by members of the Congress. In discussing the provision in the House of Representatives on March 3, 1942, Representative Dirksen, of the Appropriation Committee, said:

"* * * you will notice that the way the language is set up is that none of the administrative funds shall be used in the sale of Government-owned stocks or commodities below parity. That is nothing more now than an interdiction upon the administrative money which is carried in the bill. They could get people from some other source to be paid for out of the Imp-sum or blank-check fund, or for money available from some other source so that obviously that provision would be ineffectual." (88 Cong. Rec. D.I. 1952).

On March 11, 1942, that proviso was again debated and the

following discussion took place:

"Mr. Coffee. Does the gentleman think that the retention of this provision in the bill will absolutely prevent the Commodity Credit Corporation from selling any of these stocks below parity?"

"Mr. O'Connor. It will prevent them from using any of the funds provided in this bill. It may be done but such action would be contrary to what we have been saying and doing."

"Mr. Taber. The gentleman would not like to hold out to the farmer the belief that the retention of the provision in this bill would be of any protection whatever?"

* The Secretary of Agriculture, however, stated to the subcommittee of the Senate Appropriations Committee at the hearings on the Department of Agriculture appropriation bill that, while he had heard that the provision could be evaded, he understood that Congress intended and was going to abide by that intent. Hearings on H.R. 6709, 77th Cong., 2d Sess. (1942) 76.

- 5 -

"Mr. O'Connor. I say, this, that it goes just as far as you can in a bill of this kind.

"Mr. Turner. It will be effective unless it is evaded.

"Mr. O'Connor. Exactly. Yes; if the Government does not evade or duck, it will prohibit the sale of these commodities below the parity price." (88 Cong. Rec. D.I. 2367).

Certainly, if the Congress had wanted to prohibit absolutely the sale of Government-owned stocks of agricultural commodities at less than parity prices it would not have merely imposed a restriction on the use of appropriated money.

The President could provide the Commodity Credit Corporation with funds to put into effect a program of selling its wheat stocks below parity. The President's Emergency Fund, provided in the First Supplemental National Defense Appropriation Act, 1943 (Public Law 678, 77th Congress), is for the purpose of enabling the President, "through appropriate agencies of the Government, to provide for emergencies affecting the National security and defense and for each and every purpose connected therewith". There is little doubt that action to bring the inflation spiral under control would be within the broad purposes of that appropriation.

The sale of wheat by the Commodity Credit Corporation at the market price does not contravene the statutory prohibition against the indirect establishment or maintenance of price levels below parity.^{1/}

^{1/} Reference is made to the words "or otherwise", appearing in section 3 of the Act of October 2, 1942, as follows: "No maximum price shall be established or maintained for any agricultural commodity under authority of this Act or otherwise below" the higher of (1) the parity price or (2) the highest price received by producers of the commodity between January 1 and September 15, 1942.

- 6 -

That prohibition was not intended or understood by the Congress to prevent the Commodity Credit Corporation from disposing of its stocks of commodities.^{2/} Indeed, the effect of such disposition on the price of wheat is, I understand from your Division, highly uncertain, a fact which militates against the conclusion that such action constitutes the establishment or maintenance of a price.

Reasonably clear evidence that the Congress did not intend to circumscribe the activities of the Commodity Credit Corporation by the words "or otherwise" appears from the legislative history of similar language in the agricultural commodity price provisions of the Emergency Price Control Act of 1942, Act of January 30, 1942, ~~XXXX~~. Section 3(a) of that Act prohibits the fixing of a maximum price for any agricultural commodity below (among other prices) 110% of parity.^{3/} Section 3(f) of the Emergency Price Control Act of 1942 provides:

"No provision of this Act or of any existing law shall be construed to authorize any action contrary to the provisions and purposes of this section."

Section 2(e) of the Act provides:

"Whenever the Administrator determines that the maximum necessary production of any commodity is not being obtained or may not be obtained during the ensuing year, he may, on behalf of the United States, without regard to the provisions of law requiring competitive bidding, buy or sell at public or private sale, or store or use, such commodity * * *."

^{2/} See statement by Senator Aiken on September 25, 1942 (88 Cong. Rec. D.I. 7720).

^{3/} That section has been suspended by the President pursuant to the authority given him in section 2 of the Act of October 2, 1942. Section 4 of Title IV of Executive Order No. 9250, dated October 3, 1942 (7 Fed. Reg. 7873).

- 7 -

Section 2(f) of that Act provides:

"No power conferred by this section [2] shall be construed to authorize any action contrary to the provisions and purposes of section 3, and no agricultural commodity shall be sold within the United States pursuant to the provisions of this section by any governmental agency at a price below the price limitations imposed by section 3 (a) of this Act with respect to such commodity."

In the Senate debate on section 3, including subsection (f), the effect of that section on the powers of the Commodity Credit Corporation was discussed, and the following colloquy occurred on January 27, 1942:

"Mr. BROWN. * * * On the subject to which the Senator from Vermont [Mr. Austin] addressed himself, the issue was presented to the conferees. The question was this: Shall we prohibit existing agencies of the Government, such as the Commodity Credit Corporation, from selling agricultural commodities at prices below the price maximums fixed in section 3 of the bill? We decided to decline to do so. We declined to permit the restriction on existing agencies. That was the amendment in which the Senator from Illinois [Mr. Lucas] was interested, and which he considered submitting to the Senate. It was pointed out that the President had vetoed a bill containing that provision, and that the Secretary of Agriculture was very much opposed to it. Therefore, so far as the general powers in the bill are concerned, we do not in any way restrict the Commodity Credit Corporation or any similar Government agency.

"The language on page 21 of the House conference report might be misconstrued if I did not make this statement. Section 3 does not in any way affect prices of commodities now in existence and owned by these agencies. That issue was settled in the conference. Section 3 relates to the price floors below which the Administrator may not exercise control. Those are the provisions and purposes of the section. Its purpose is not to raise prices, but to prohibit action by the Administrator until causes—supply, demand, and others—bring any particular commodity within the purview of the act.

* * *

There is no new control on the Commodity Credit Corporation in this bill.

* * *

The provisions and purposes of section 3 are clearly to prevent the establishment or maintenance of maximum prices for agricultural commodities at levels below those prescribed in the section. In conducting its proper and lawful selling operations a governmental agency such as the Commodity Credit Corporation is taking no action under any provision of this act or of any existing law which is contrary to the provisions of section 3, and hence will not be subject to the limitation made applicable by section 2 (f) only to those governmental agencies which are conducting their buying and selling operations pursuant to the provision of section 2 of the bill.

* * *

Mr. LUGAS. * * * If I correctly understand the bill, it absolutely in no wise prevents the Secretary of Agriculture from making disposition of the surpluses of commodities which now are on hand, nor does it prevent the Commodity Credit Corporation from disposing of such commodities at any price they care to make.

Mr. BROWN. The Senator is correct.

Mr. LUGAS. In other words, they may sell at a price below the market price. For instance, if they want to dump 100,000 bushels of corn or 100,000 bushels of wheat onto the market, they do not have to sell at the market price of the corn or the market price of the wheat, but they have the power to sell at any price they select, at any price they deem advisable under the circumstances. Is not that so?

Mr. BROWN. I think the chairman of the House Banking and Currency Committee stated the matter very well in the statement he made yesterday, in which he said:

"We have undertaken in this bill—and we think we have succeeded—in preventing in toto the benefits carried by

the provisions of the Agricultural Adjustment Act, which does set up rules and limitations under which such commodities may be sold.'

With that statement I fully agree." (Underlining supplied.) (88 Cong. Rec. D.I. 721).

It is true that on January 26, 1942, Representative Steagall, Chairman of the House Banking and Currency Committee, expressed a contrary view in the House debate on section 3:

Mr. Coffee of Nebraska. In that connection section 3 would also prohibit the Commodity Credit Corporation from selling any of their stock below the price fixed.

Mr. Steagall. Yes, * * * (88 Cong. Rec. D.I. 689).

It is believed, however, that Senator Brown's reference to the understanding reached between the House and Senate in conference is entitled to great weight, and is strongly indicative of a general Congressional intent to leave unaffected the powers of existing agencies such as the Commodity Credit Corporation.

(2) The possibility that farmer-owned wheat held as collateral for loans may be released involves primarily political and economic, rather than legal, factors, and I express no views thereon. Loan wheat belongs to the farmer, and it is difficult to see how the farmer can be induced to sell unless the price is high enough to satisfy the loan, the carrying charges, and to give the farmer a reasonable profit. ⁴

I understand from the Division of Research and Statistics that the loan price of several outstanding wheat crops is below their present market price and that the Department of Agriculture is urging farmers to redeem the loans and sell the wheat.

- 10 -

(3) With regard to the possibility of removing the restrictions on the importation of Canadian wheat, you are advised that there is no legal obstacle to that action, provided certain statutory conditions precedent can be met at the present time. The quota year expires on May 29, 1943, and I understand from your memorandum to the Secretary of the Treasury, dated December 30, 1942, that Canada's quota has been filled.

An annual quota for Canadian wheat was proclaimed by the President under section 22 of the Agricultural Adjustment Act of 1933, added by section 31 of the Act of August 24, 1935, c. 641, 49 stat. 773, as amended (U.S.C., 1940 ed., title 7, sec. 624) on May 28, 1941.^{5/}

That Proclamation was issued by the President on the basis of an investigation and findings by the United States Tariff Commission, pursuant to subsection (a) of section 22 of the Agricultural Adjustment Act. That subsection provides:

"Whenever the President has reason to believe that any one or more articles are being or are practically certain to be imported into the United States under such conditions and in sufficient quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken, or to reduce substantially the amount of any product processed in the United States from any commodity subject to and with respect to which any program is in operation, under this chapter or sections 590a to 590q of Title 16, or section 612c of this title, he shall cause an immediate investigation to be made by

^{5/} Proclamation No. 2489, dated May 28, 1941 (6 Fed. Reg. 2673), as amended by Proclamation No. 2550, dated April 13, 1942 (7 Fed. Reg. 2825).

the United States Tariff Commission, which shall give precedence to investigations under this section to determine such facts. Such investigation shall be made after due notice and opportunity for hearing to interested parties and shall be conducted subject to such regulations as the President shall specify." (Underlining supplied.)

Subsection (e) of section 22 of the Agricultural Adjustment

Act, EXCISE, provides:

"After investigation, report, finding, and declaration in the manner provided in the case of a proclamation issued pursuant to subsection (b) of this section, any proclamation or provision of such proclamation may be suspended by the President whenever he finds that the circumstances requiring the proclamation or provision thereof no longer exist, or may be modified by the President whenever he finds that changed circumstances require such modification to carry out the purposes of this section."

Thus, before the President can lift the restriction on Canadian wheat, the United States Tariff Commission must find that the importation of a larger quantity of Canadian wheat than that allowed by the present quota would not render ineffective or materially interfere with any program or operation undertaken under the Agricultural Adjustment Act of 1933.

It is apparent that the Tariff Commission's finding will, in any particular case, depend on many factors. Among other things, it depends on what the wheat program under the Agricultural Adjustment Act of 1933 now is. While I have always understood that that program was to insure parity prices to the farmer, that and may perhaps be attained by different means. Thus, the program may contemplate that a return equivalent to parity prices shall be received by wheat farmers

- 12 -

in the form of the farm price plus certain benefit payments. Whether such a plan would be feasible is primarily a matter for the Department of Agriculture, and I have not considered it. Furthermore, I have been advised by your Division that the farm prices for soft winter wheat have recently reached parity. As the prices for hard spring wheat approach parity, it may well be that the Canadian quota could be lifted.

Those factors, of course, render it impossible to advise you definitely whether or not the President can legally allow the importation of Canadian wheat in the near future. I mention them to indicate, however, that there is no absolute prohibition in the law against the removal of the ban on Canadian wheat.

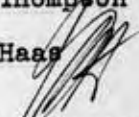
Rudolph Paul
General Counsel.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 4, 1943

TO Mr. Thompson

FROM Mr. Haas 

In further response to your request of December 26, 1939, there is submitted herewith for the Division of Research and Statistics a memorandum listing, with brief descriptions, the studies or projects completed or under way, and the names of persons working on each, for the month of June 1942.

DIVISION OF RESEARCH AND STATISTICS

Report of Studies or Projects completed or Under
Way, and the Names of Persons Working on Each
for the month of June 1942

For convenience of reference, the studies listed are grouped under general subject heads.

The names shown for persons working on each project include only those who participated fairly directly, as explained in the introductory note to the corresponding report submitted on December 28, 1939. No attempt has been made to cover also persons whose responsibility in each particular case was mainly in planning, supervising, or consulting.

Financial Analysis

I. Projects or studies completed

1. A memorandum was prepared on the June financing, and was transmitted to the Secretary on June 13. - Mr. Haas, Mr. Murphy
2. A table was prepared in connection with the June financing for use at a meeting in the Secretary's office on June 17. The table showed changes in the yields of short-term securities since the last offering of certificates of indebtedness. - Mr. Haas, Mr. Sandelin, Miss Parker, Miss Lagos
3. Weekly memoranda were prepared on recent changes in prices and yields of Government securities. Four memoranda, each with two tables and a chart, were prepared, and were transmitted to the Secretary on June 5, 13, 19, and 26. Copies were transmitted to Under Secretary Bell. - Mr. Haas, Mr. Lindow, Mr. Brown, Mr. Sandelin, Mr. Kroll
4. A maturity calendar was prepared as of June 1, covering all issues of direct and guaranteed bonds, notes, and certificates of the United States. - Miss Lagos
5. Yields on public marketable securities issued by the United States Government and by Federal agencies were computed daily on the basis of over-the-counter closing quotations. A daily table and a weekly table with comparative data for earlier periods were prepared summarizing this information. A chart for each issue was kept up to date showing daily price and yield figures together with comparative monthly data since

- 2 -

1935, since the date of issue, or since the date first traded. In addition, yields were computed daily on five high-grade corporate securities, three municipal securities, and two British Government issues. - Mr. Moody, Miss McCoy, Mr. Kroll

6. In response to the request by the Secretary on January 21, 1941, that measures be taken to obtain information to assist in carrying through the financing program, arrangements were made to obtain the necessary detailed statistics on the holdings of each issue of the public debt and of guaranteed securities by the various classes of holders. - Mr. Haas, Mr. Tickton, Mrs. Barnes, Mr. D. J. Leahy, Miss Westerman, Mrs. Merkin, Miss Wood
- (a) Supervision was given in the preparation by the Statistical Unit of the Division of Loans and Currency of tables showing the information as of May 31, received from banks and insurance companies. The tables were completed on June 30, and were transmitted according to instruction by the Secretary. - Mr. Tickton, Mr. Leahy, Mrs. Merkin, Miss Westerman, Mrs. Barnes, Miss Wood
 - (b) Tabulations were prepared, and were transmitted on June 10, to the Federal Reserve Banks of New York and Philadelphia, showing holdings of each issue of Government security in their respective districts, as of April 30. - Mr. Tickton, Mr. Leahy
 - (c) A tabulation was prepared, and was transmitted on June 10, to the Board of Governors of the Federal Reserve System, showing Government securities owned on April 30 by the banks covered in the survey. - Mr. Tickton, Mr. Leahy
 - (d) Monthly tables and charts were prepared, showing as of April 30, changes since June 30, 1941, in holdings of Government securities for the major classes of investors by type of security. - Mr. Robbins
 - (e) An analysis was prepared, showing the absorption of the public marketable debt. - Mr. Robbins

- 3 -

- (f) Tables were prepared, and were transmitted to the Secretary on June 16 on the ownership of Treasury bills outstanding on April 30, by classes of investors. Similar data are being prepared from March 1941 through June 1942. - Mr. Tickton, Mr. Leahy, Mrs. Merkin, Mrs. Barnes
- (g) New letters were sent out to the banks and insurance companies requesting comparable data as of June 30. - Mr. Tickton
7. At the request of the Secretary on May 12, 1941, arrangements were made to prepare current statistical reports on the sales of United States savings bonds, series E, F, and G, and Postal savings stamps, on the basis of reports by the Treasurer of the United States, the Federal Reserve Banks, and the Post Office Department. The reports prepared during June were transmitted according to instructions by the Secretary. - Mr. Haas, Mr. Tickton, Mr. Reagh, Mr. Brown, Mr. D. J. Leahy, Mr. Kroll
- (a) Daily tables were prepared, showing the dollar volume, of bonds sold in June, by series, with cumulative totals. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (b) Daily tables were prepared, comparing cumulative sales of bonds, by series, in May and June. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (c) Daily tables were prepared comparing bond sales with the June quota, taking into account the daily trend within the week. These tables were discontinued on June 25. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (d) Daily tables were prepared, comparing daily bond sales with the June quota, taking into account the daily and monthly trends. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (e) Daily tables were prepared, comparing sales of bonds, series E, in April, May, and June. - Mr. Reagh, Mr. Brown, Mr. Kroll

- 4 -

- (f) Daily tables were prepared, comparing sales of bonds, series F and G, in June, with sales during the same number of business days in May and April. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (g) Daily tables were prepared, comparing sales of bonds, series E, F, and G, in June, with sales during the same number of business days in May and April. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (h) Supervision was given in the preparation by the Statistical Unit of the Division of Loans and Currency of monthly tables, completed on June 25, showing sales of bonds, series E, for the month of May, in dollar volume, by Federal Reserve districts, States, cities, and counties, classified by sales agent and denomination. - Mr. Tickton, Mr. Leahy, Mr. Schmidt
- (i) A table was completed on June 4, showing the estimated number of units of bonds, series E, and the percent of dollar volume sold, by denominations and months. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (j) Supervision was given the Statistical Unit of the Division of Loans and Currency in the preparation of a table dated June 5, showing per capita sales of bonds, series E, from May 1941 through April, by States. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (k) Supervision was given the Statistical Unit of the Division of Loans and Currency in the preparation of a table, dated June 20, showing the relative sales of bonds, series E, by States, and by months, January through May. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (l) Supervision was given the Statistical Unit of the Division of Loans and Currency in the preparation of a table, completed on June 4, showing the estimated number of units of bonds, series F, and the percent of dollar volume sold, by denominations and months, from May 1941 through April. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (m) Supervision was given the Statistical Unit of the Division of Loans and Currency in the preparation of a table, completed on June 4, showing the estimated number of units of bonds, series G, and percent of dollar volume sold, by denominations and months, from May 1941 through April. - Mr. Reagh, Mr. Brown, Mr. Kroll

- 5 -

- (n) Supervision was given the Statistical Unit of the Division of Loans and Currency in the preparation of a table, completed on June 4, showing the sales of bonds, series E, from July 1941 through April, in the 50 cities having the largest sales of bonds, series A-D, from March 1, 1935 through September 30, 1940. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (o) Tables comparing the actual sales of bonds, series E, by States, with State quotas, for May, ranked alphabetically, were completed on June 9; and ranked according to percentage, on June 13. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (p) Tables comparing actual sales of bonds, series F and G, by States, with State quotas, for May, ranked alphabetically, were completed on June 9; and ranked according to percentage, on June 13. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (q) Tables comparing actual sales of bonds, all series, by States, with State quotas, for May, ranked alphabetically, were completed on June 11; and ranked according to percentage, on June 13. - Mr. Reagh, Mr. Brown, Mr. Kroll
- (r) A table was prepared, showing sales of bonds since May 1941, by months and by series. - Mr. Reagh, Mr. Brown, Mr. Kroll
8. In further response to the request of Mr. Graves on February 10, for the tabulation of pledges for the purchase of savings bonds, series E, and savings stamps, in Oregon, supervision is being given in the tabulation by the Statistical Unit of the Division of Loans and Currency now in progress. - Mr. Reagh, Mr. Kroll
9. In further response to the request of the Secretary on December 31, 1941, weekly tables were prepared from data wired by the Federal Reserve Banks, showing the number of agents qualified to issue series E, savings bonds, by type of agent and Federal Reserve district, for June 2, 9, 17, and 24. The original and 12 copies of each were transmitted weekly to Mr. Mills. - Mr. Tickton, Mr. Kelenson

- 6 -

10. In further response to the request of Mr. Graves on April 1, that quotas be worked out for each county in the country separately for savings bonds, series E, and combined for series F and G, for May, June, and July, final county quotas were released to the press on June 1. On June 8, tabulations of June quotas were made, and on June 12 were mailed by the War Savings Staff to the State Administrators for comment. State totals were released to the press on June 29. - Mr. Reagh, Mr. Brown, Mr. Kroll, Mrs. Grossman
11. In response to the request of the Secretary on December 15, 1941, arrangements have been made to obtain monthly reports from corporations on the progress of the payroll savings plan for savings bonds, series E. The information received is edited and prepared as a basis for the analyses listed below. - Mr. Haas, Mr. Tickton, Mr. Keats, Mr. Kelenson
- (a) Supervision was given the Statistical Unit of the Division of Loans and Currency in preparing the basic information as of May 31, received from approximately 23,000 corporations. - Mr. Tickton, Mr. Seligman, Mrs. Barnes, Mrs. Cambron, Mrs. Merkin
- (b) Tables were prepared showing the number of corporations acting as issuing agents for bonds purchased by their employees under the payroll savings plan, and the progress of the Federal Reserve Banks in appointing corporations with 500 or more employees as issuing agents. The tables were prepared as of May 30, June 6 and 13 (combined), and 20, and were transmitted to the Secretary on June 2, 17, and 24, respectively. Copies were given to Under Secretary Bell, Mr. Graves, Mr. Batchelder, and Mr. Mills. - Mr. Tickton, Mr. Kelenson, Mr. Keats
12. A memorandum was transmitted to the Secretary on June 1, concerning the operation of the payroll saving plan in the shipbuilding, aircraft, and railroad industries. At the request of the Secretary on June 23, a summary and table covering operation of the payroll savings plan in twenty selected industries were prepared, and were transmitted to him on June 30. - Mr. Tickton, Mr. D. J. Leahy, Mr. Kelenson, Mr. Keats, Mr. Parsons, Mrs. Cambron, Mrs. Barnes, Mr. Seligman, Mrs. Merkin, Miss Wender, Miss Schmidt

- 7 -

13. In further response to the request of Under Secretary Bell on April 9, the Division was canvassed by 12 minutemen between June 1 and 15 in participation in the Treasury Department's payroll allotment campaign for the purpose of savings bonds. Regular progress reports were submitted to the Chairman. - Mr. Reagh, Mr. Kroll
14. In further response to the request of Mr. Masters on May 1, a tabulation was prepared, and two copies were transmitted to him on June 20, showing a geographic classification of issuing agents of series E bonds, excluding commercial and industrial corporations. - Mr. Leahy, Miss Schmidt
15. At the request of Mr. Graves, two tables for May, one on the actual sales of war savings bonds, series E, F, and G, by States, and the other comparing the sale of bonds by States with the established monthly quotas, were prepared, and were transmitted to him on June 6. Copies were transmitted to the Secretary, Mr. Gamble, Mr. Buffington, and Mr. Dillon. - Mr. Tickton, Mr. Keats, Mr. Leahy, Miss Schmidt, Miss Wender, Mrs. Merkin
16. At the request of Mr. Coyne of the War Savings Staff, on June 4, figures on the May sales of savings bonds for Rhode Island, were prepared, and were transmitted to him on June 5. - Mr. Tickton
17. At the request of Mr. Buffington, figures were prepared, and were transmitted to him on June 3, on sales of savings bonds, F and G, for May in the State of New York. - Mr. Tickton
18. At the request of the Secretary on June 17, information was obtained in New York, June 18-20, concerning the follow-up of war savings bond pledges in that city, and was transmitted to him in a table on June 22. - Mr. Tickton
19. At the request of Mr. Masters of the War Savings Staff, on June 12, a memorandum on sales of savings bonds, series E, in Greenlee County, Arizona, in March and April, was prepared, and was transmitted to him on the same date. - Mr. Leahy

- 6 -

20. At the request of the Secretary on June 1, a memorandum was prepared, giving the preliminary results of the poll concerning war stamps and their redeemability, and was transmitted to him on June 3. - Mr. Lindow
21. In further response to the request of the Secretary on May 20, 36 charts were transmitted to him on June 15, comparing the volume of bonds sold daily since the beginning of the month with the quota for June, by Federal Reserve districts. Preparation of these charts was discontinued by order of the Secretary on June 16. - Mr. Tickton, Mrs. Wolkind
22. At the request of Under Secretary Bell on June 2, a memorandum on savings bonds sold by the Bank of America was prepared, and was transmitted to him on June 3. - Mr. Tickton
23. A memorandum and a table were prepared, and were transmitted to the Secretary on June 13, in regard to the time necessary for delivery of a bond issued by a Federal Reserve Bank or by a corporation issuing agent. - Mr. Tickton, Miss Westerman
24. A plan was discussed with Mr. Horace W. Peasley on June 3, concerning the buying of Government bonds by university alumni to provide scholarships. - Mr. Lindow
25. Verbal answer on June 4 was given Mr. Potter in Congressman Crawford's office, concerning his question as to the amount of savings bonds purchased out of current income. - Mr. Tickton
26. At a request from Mr. Buffington's office on June 10, a table on the sales of savings bonds by months to date was prepared, and was transmitted to him on June 11. - Mr. Tickton, Mrs. Wolkind
27. A letter was prepared on June 6, and was transmitted on June 12 to Mr. Allan Sproul, President of the Federal Reserve Bank of New York, outlining procedure to be followed in obtaining a single set of monthly statistical reports of bond sales, series E. - Mr. Tickton
28. At the request of Mr. Kuhn on May 21, a memorandum was prepared, and was transmitted to Under Secretary Bell on June 19, containing two suggested paragraphs to be used in answer to the inquiry "Should I Use My Savings to Repay Debts or to Buy War Bonds?". - Mrs. Miller, Miss Parker

29. In further response to the request of the Secretary on July 28, 1941, tables were prepared, summarizing sales from August 1941 through May 1942, of Treasury notes, tax series A and tax series B, by series, type of purchaser, and denomination. The tables were transmitted to the Secretary on June 12. - Mr. Tickton, Mr. Kalenson
30. Further progress was made in the study requested by the Secretary on December 6, 1941, of the sources of funds for Government borrowing. The reports and tables prepared during June were transmitted in accordance with instructions by the Secretary. - Mr. Haas, Mr. Daggit, Mr. Lindow, Mr. Mayo, Miss Gilman
- (a) A revision of the table dated March 7, was completed on June 3, showing the estimated means of financing the deficit through June 1943. - Mr. Lindow, Mr. Mayo.
- (b) A table was completed on June 3, showing bank purchases of Government securities by region, with the required reserves. - Mr. Lindow, Mr. Mayo
- (c) A memorandum dated June 5 was prepared on the estimated flow of goods and services in the United States, and the application of the income involved for the calendar years, 1940 and 1941, the fiscal year 1943, and a typical postwar year. - Mr. Mayo, Miss Gilman
- (d) On June 9, Mr. Lindow conferred with Mr. Likert and members of his staff on the gap analysis. On June 10 and 11, Mr. Lindow met with Mr. Likert, Mr. Stewart and Mr. Warren at Princeton to discuss future work with public opinion surveys to supplement the Division's information on the gap and the progress of inflation. - Mr. Lindow
- (e) Further study was made of the curtailment in output of consumers' goods. - Mr. Weintraub
31. At the request of Under Secretary Bell, agenda, memoranda, and minutes were prepared in connection with the Treasury-Federal Reserve meetings held for the purpose of discussing Financing policy. - Mr. Haas, Mr. Murphy, Mr. Lindow, Mrs. Miller

- 10 -

- (a) In further response to the request of Under Secretary Bell on February 20, the study of a special security for long-term funds was completed and the first issue (Treasury bonds of 1962-67, at 2½ percent) sold. - Mr. Murphy, Mr. Lindow
- (b) In further response to the request of Under Secretary Bell on February 20, a study is being made of a special security for short-term funds. - Mr. Murphy, Mr. Lindow
- (c) At the request of Mr. Broughton on April 30, further review is being made of the revised, proposed circular for short-term non-market securities. - Mr. Turner
- (d) At the request of Under Secretary Bell on June 30, a memorandum is being prepared stating the Federal Reserve position with respect to the desirable future course of excess reserves. - Mr. Murphy, Mr. Turner
- (e) The following tables were prepared, and were used at the Treasury-Federal Reserve meeting on June 23:
- Comparison of commercial bank holdings of Treasury bills on April 30 and May 31. - Mr. Leahy, Mrs. Barnes
- Interest return on proposed short-term non-marketable securities. - Mr. Sandelin
- Ownership of certificates of indebtedness as of April 30, 1942, and May 31, 1942, by principal classes of investors. - Mr. Robbins, Miss Cummins
- Tenders for Treasury bills accepted, by Federal Reserve districts; and Total tenders for Treasury bills, by Federal Reserve districts (4 tables). - Mr. Robbins, Miss Cummins
- (f) Notes were completed on June 9, on three meetings held on April 29, with Advisory Committee of Bankers. - Mr. Murphy

- 11 -

- (g) Notes on the Treasury-Federal Reserve meetings on May 21, June 3, and June 23, were completed, and were transmitted to Under Secretary Bell. - Mr. Lindow, Mr. Wagner
32. Two proposals of the RFC that the Secretary request that Corporation to purchase stock in banks were examined. - Mr. Murphy, Mrs. Miller
33. At the request of the Secretary on November 3, 1941, arrangements have been made to obtain certain information on the progress of the programs under Lend-Lease, the Maritime Commission, and the Army Air Corps. - Mr. Haas, Mr. Lindow, Mr. Wagner, Mr. Mayo
- (a) A chart was completed on June 5, showing appropriations, allocations, obligations, and disbursements, for Lend-Lease purchases, through May 31. Corresponding data for June are in progress.
- (b) A chart was completed on June 9, showing appropriations, contracts awarded, and disbursements of the Maritime Commission through May 31. Corresponding data for June are in progress.
- (c) Work on a chart to show appropriations, contracts awarded, and disbursements, under the Army Air Corps, through May 31, has been postponed pending receipt of data.
- (d) A memorandum dated June 18, was prepared, summarizing a confidential report on wartime manpower requirements issued by the Coordinator of Information.
34. A table was prepared on June 8, and revised on June 15, showing subscriptions to the 2½ percent Treasury bonds of 1962-67. - Mr. Murphy, Mr. Tickton
35. A memorandum was prepared on the preliminary organization of the study of the Government securities markets. Copies were transmitted to Mr. Shields, to Mr. Stewart, and Mr. Warren. - Mr. Wagner
36. At the request of the Secretary on June 8, two charts were prepared, and were transmitted to him on June 15, showing excess reserves and borrowing during the first World War. - Mr. Murphy, Mr. Lynch, Miss Eyre, Miss Parker, Miss Cummins, Miss Lagos

- 12 -

37. At the request of Under Secretary Bell on June 3, a revision was made of a proposed reply to a telegram from Mr. Charles S. Ross, concerning a proposed national victory bond. The revision was incorporated in a letter mailed on June 12. - Miss Parker
38. At the request of Mr. Heffelfinger on June 4, a reply was prepared, and was mailed on June 15, to Mr. Douglas H. Eldridge, regarding Treasury tax notes and revenue estimates for certain taxes. - Mr. Sandelin
39. At the request of Under Secretary Bell on June 5, a reply was prepared to Representative Francis Case, and was mailed on June 12, concerning the increase of debt repayments to governmental corporations. - Mrs. Miller
40. At the request of Under Secretary Bell on June 29, an oral review was made on that date of a reply prepared by the Division of Tax Research to Representative Maciora, concerning compulsory saving through a form of sales taxation. - Mr. Murphy
41. At the request of Mr. Stewart on June 16, two tables and four charts were prepared, and were given to him on June 18, with respect to the increase in currency in circulation. - Mr. Murphy, Miss Lagos
42. At the request of Mr. Stewart on June 18, data were prepared, and were given to him on that date with respect to silver certificate stocks held by the Treasurer of the United States. - Mr. Murphy
43. In further response to the request of Mr. Buffington on April 6, a memorandum and tables were prepared on prospective new capital issues, and were transmitted to him on June 5. - Mrs. Miller, Miss Parker
44. At the request of the Secretary on June 17, a memorandum with chart, entitled "Municipal Bond Flotations", was prepared, and was transmitted to him on June 24. - Mr. Sandelin
45. At the request of the Secretary on June 12, a memorandum and five tables were prepared on current non-Federal expenditures for highways and public buildings, and were transmitted to him on June 16. - Mr. Daggit, Mr. Cololough

- 13 -

46. At the request of Mr. Schwarz on June 25, data were checked and were transmitted to Mr. Dillon on June 26 with respect to "A Speech and a Pledge by the Secretary". - Mr. Mayo
47. In further response to the request of Under Secretary Bell on May 29, and in response to the request of Mr. Bernard on June 10, a report was prepared on S. 2565 and H. R. 7158. The report, prepared for the signature of the Secretary, and addressed to Senator Robert F. Wagner, Chairman of the Committee on Banking and Currency, was mailed on June 12. - Mr. Murphy
48. At the request of Under Secretary Bell on June 1, a review was made of a proposed report on S. 2400 and a letter to the Bureau of the Budget. The review was transmitted to Under Secretary Bell on June 16. - Mr. Murphy

II. Projects or studies under way

1. A study is being made of the relative interest costs of short- and long-term borrowing. - Mr. Turner
2. A study is being made of the effect of the maturity, call period, coupon, premium, and size of issue on the prices and yields of United States securities. - Mr. Conrad
3. A memorandum is being prepared on a negotiable security for continuous sale. - Mr. Murphy
4. A study is being made of developments in the reserve position of the banks. - Mrs. Miller
5. Historical tables are being prepared which will present various data on new Treasury notes and bonds and on guaranteed new issues. - Mr. Conrad
6. A study is being made of war-financing measures of belligerent nations in the present war. - Mr. Sandelin
7. A study is being made of the market action of the various maturity classes of Government securities in relation to the type of holder. - Mr. Conrad

- 14 -

8. A memorandum is being prepared on the desirability of conducting the war finance as it was in the last World War, by war loan drives. - Mr. Murphy
9. A study is being made of the post-war effects of a large volume of demand debt. - Mr. Murphy, Mr. Lindow
10. A study is being made of the sources of funds available for borrowing by the British Government comparable to the study in progress for this country, as described in Financial Analysis, I, item 30. - Mr. Weintraub
11. In further response to the request of the Division of Tax Research on March 30, cooperation is being given in preparing a report on tax-exempt securities. - Mr. Murphy, Mr. Lindow
12. At the request of Mr. George F. Milton, Consultant, War Savings Staff, on March 23, a complete file of tables is being prepared giving the history of sales of savings bonds, E, F, and G. - Mr. Reagh
13. A memorandum is being prepared on the relationship of selective control of bank credit and of new capital issues. - Mr. Murphy
14. At the request of Under Secretary Bell on April 21, a study is being made of currency in circulation. - Mr. Murphy
15. At the request of Mr. Bartelt on April 13, a memorandum is being prepared on revisions of the Daily Treasury Statement, Annual Report, and Public Debt Statement. - Mr. Murphy, Mr. Lindow, Mr. Tickton, Miss Eyre
16. At the request of Mr. Sloan on April 18, a table is being prepared showing expenditure patterns of specified family incomes and the relation of sales of war savings bonds to living costs. - Mr. Wagner
17. An analysis is being prepared of a proposal by Mr. Alexander Sachs on May 12, for issuance of a 12-year bond. - Mr. Murphy, Mr. Brown, Mr. Kroll
18. Data are being prepared on commercial bank holdings of Treasury bills classified by Federal Reserve Banks at the end of each month from June 30, 1941 to date. - Mr. Robbins

- 15 -

19. A plan for issuance of annuity certificates and bonds in exchange for matured war bonds is being worked out in detail. - Mr. Reagh
20. A memorandum is being prepared on member bank earnings. - Mr. Murphy
21. In connection with Mr. Lickert's survey on consumer income, financial statistics are being collected with respect to the City of Buffalo. - Mr. Wagner
22. At the request of Under Secretary Bell on June 3, a memorandum is being prepared on the questions of whether a 10-30 year 2½ percent bond would sell on the basis of a 10-year bond with quotations reasonably stable. - Mr. Murphy, Mr. Sandelin
23. At the request of Under Secretary Bell on June 9, tables are in preparation showing securities sold during fiscal 1942, and the ownership of the Government debt as of June 30, 1941 and June 30, 1942, for use in connection with the year-end financial review. - Mr. Murphy, Mr. Robbins, Miss Cummins
24. At the request of Mr. Paul on June 11, comments are being prepared on a memorandum entitled "Repayment of Debts under High Tax Rates". - Mr. Murphy, Mr. Turner, Mr. Weintraub
25. At the request of Mr. Graves on June 15, a memorandum is being prepared on a plan submitted by Mr. A. T. Robertson of the Department of Agriculture, concerning postwar purchase certificates. - Miss Parker
26. A study is being made of a proposal for a special tabulation and analysis of reports of bank holdings of United States obligations submitted by the National Bureau of Economic Research on June 17. - Mr. Turner

- 16 -

27. At the request of Under Secretary Bell on June 17, a reply is being prepared to Representative Frank B. Keefe's letter on a wartime moratorium on debts. - Mr. Murphy, Mrs. Miller
28. At the request of Mr. Stewart on June 18, data are being prepared on Federal Reserve notes in circulation by denominations and by Federal Reserve Banks. - Mr. Murphy
29. At the request of Mr. Kuhn and Mr. Schwarz on June 22, a memorandum is being prepared with respect to data to be checked in the proposed manual to be used by Government agencies on the President's program to fight inflation, entitled "The Battle Against Living Costs", submitted by the OWI-Mr. Mayo
30. At the request of Under Secretary Bell on June 12, a memorandum is being prepared on a proposal by Mr. A. E. Patterson, Executive Vice President of the Mutual Life Insurance Company of New York, for adding a life insurance feature to war savings bonds. - A similar request was made also by Mr. Buffington on June 13. - Mr. Murphy, Mr. Brown
31. At the request of the Secretary on June 22, data are being prepared for a report on the financial operations of the Government for fiscal 1942. - Mr. Murphy, Mr. Turner, Mr. Robbins
32. At the request of the Secretary on June 23, a memorandum is being prepared on the implications involved in raising a billion dollars a month from savings bonds. - Mr. Tickton
33. At the request of Mr. Goldsmith of the War Production Board on June 23, data are being checked on sources of funds for Government borrowing for fiscal 1942 and 1943. - Mr. Murphy, Mr. Mayo
34. At the request of Under Secretary Bell on May 31, 1940, replies are being prepared to certain questions asked by the Wagner Committee preparatory to its investigation of banking and monetary conditions pursuant to Senate Resolution 125, 76th Congress, 3rd Session. - Mr. Haas, Mr. Murphy

- 17 -

35. At the request of Under Secretary Bell on June 16, 1941, cooperation was given in preparing replies to the list of questions accompanying a letter from Senator Tydings of May 5. The information is for use by the Senate Committee created to find ways and means of automatically balancing the Federal budget in times of peace. A proposed reply was sent to the Under Secretary on June 18, 1941. - Mr. Murphy
36. At the request of Mr. Bernard on June 24, a report is being prepared on H. R. 7091. - Mr. Murphy, Mr. Sandelin

Revenue Estimates

I. Projects or studies completed

1. The regular monthly statement was prepared, showing the latest revised estimates of receipts, by months and by principal sources of revenue, for the month of June 1942. The statement was transmitted to the Bureau of Accounts. - Mr. Delcher
2. The regular monthly summary comparison was prepared, showing estimated receipts and actual receipts in May 1942 on the daily Treasury statement basis. - Mr. Delcher
3. The regular monthly detailed comparison was prepared, showing estimated and actual receipts in May 1942, based on the collections classification. - Mr. Delcher
4. An estimate was prepared of collections from the tax on coconut and other vegetable oils to be credited to the Trust Funds in fiscal 1943. - Mr. Daggit, Miss Spiegel
5. In connection with the proposed revenue bill of 1942, a number of revenue estimates, listed below, were prepared at the request of Mr. Paul, Mr. Tarleau, and the Division of Tax Research. - Mr. O'Donnell, Mr. Leahey, Mr. Kelly, Mr. Smith, Mr. Jorgensen, Mr. Lusk
 - (a) A revised estimate was prepared, and was transmitted in a memorandum to Mr. Blough on June 10, of the revenue yield and number of individuals affected by the proposal to limit net income after taxes to a maximum of \$25,000. - Mr. Smith

- 18 -

- (b) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on June 4, of the revenue effect of limiting the deduction for bequests to 50 percent of the net estate before deduction of specific exemption and charitable bequests. - Mr. Smith, Mr. Lusk
- (c) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on June 5, of the revenue effect of the proposed formula for taxing corporations with fiscal years ending on dates other than December 31. - Mr. Leahey
- (d) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on June 6, of the revenue yield of a retail sales tax, with detail for components, and subject to specified exemptions. - Mr. Smith, Mr. Jorgensen
- (e) An estimate was prepared on June 9 of the percentage of the net income of life insurance companies which would have to be made subject to corporation tax rates to yield the same revenue as estimated would be raised by the Treasury proposal for taxation of life insurance companies. - Mr. Leahey
- (f) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on June 16, of the revenue effect of two proposed modifications in corporate and individual income taxes tentatively adopted by the House Ways and Means Committee. - Mr. Leahey, Mr. Smith
- (g) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on June 22, of the revenue effect of including, for the purpose of the corporation excess-profits tax, the income of the lowest income year in the base period at a minimum of 75 percent of the net income of the other three years in computing the base period credit under the income method. - Mr. Leahey
- (h) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on June 25, of the revenue effect of substituting certain specified individual surtax rates and exemptions for the rates and exemptions tentatively adopted by the House Ways and Means Committee. - Mr. Smith

- 19 -

- (i) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on June 30, of the revenue yield of nine proposed excise taxes. - Mr. Jorgenson, Mr. Kelly
- (j) The following material was prepared, for reproduction in the confidential Committee print, of data on the proposed revenue bill of 1942, submitted to the Committee on Ways and Means of the House of Representatives: Exhibit 167, Part 27, pp. 419-421; Exhibit 187, Part 31, p. 455; Exhibit 188, Part 31, p. 457; and Exhibit 195, Part 36. - Mr. Leahey, Mr. Kelly, Mr. Smith
- (k) An estimate was prepared, and was transmitted in a memorandum to Mr. Blough on the revenue effect of proposed changes in treatment of taxation of life insurance companies and mutual insurance companies other than life. - Mr. Leahey
- (l) An estimate was prepared, and was transmitted in the form of exhibits to Mr. Blough on the revenue yield of excise taxes on the following: bank checks, freight and express, and electrical power. - Mr. Kelly, Mr. Jorgenson

II. Projects or studies under way

1. Further progress has been made on the analysis of each component of the April revised estimates of miscellaneous internal revenue, excluding capital stock, estate, and gift taxes, for the fiscal years 1942 and 1943. - Mr. Daggit, Mr. Golclough
2. In connection with the proposed revenue bill of 1942, a number of revenue estimates, listed below, are being prepared at the request of the Division of Tax Research. - Mr. O'Donnell, Mr. Leahey, Mr. Kelly, Mr. Smith, Mr. Jorgenson, Mr. Lusk, Mr. Delcher
 - (a) An estimate is being made of the revenue which would result if the Canadian corporate tax system were substituted for the present system in this country. - Mr. Lusk
 - (b) An estimate is being made of the total revenue and increase over the existing law which would result from the adoption of the British individual and corporate income and excess-profits tax structure. - Mr. Lusk

- 20 -

- (c) An estimate is being prepared of the increase in revenue under the present and the proposed rates from adoption of (1) the Wood Plan and (2) mandatory joint returns. - Mr. Kelly, Mr. Smith
 - (d) Estimates are being prepared of the yield from a specified withholding tax; a compulsory savings tax; and a specified war consumption tax. - Mr. Kelly, Mr. Smith
 - (e) A review is being made of specified estimates of revenue from the individual income tax and from the proposed withholding tax. - Mr. Jorgensen
3. At the request of Mr. Bartelt on June 23, estimates are being prepared for fiscal 1943 and 1944 of (1) tax collections under title VIII, Social Security Act, or Federal Insurance Contributions Act; (2) tax collections from carriers and their employees; and (3) amounts to be deposited in the Unemployment Trust Fund. - Mr. Smith, Miss Allen
 4. Studies are in process for estimating revenues from proposed taxes on soft drinks, candy, and chewing gum. - Mr. Daggit, Miss Spiegel, Miss Smith
 5. A study is in process for revising and improving methods of estimating revenues from the taxes on transportation of persons, and on small cigarettes. - Mr. Daggit, Miss Spiegel, Miss Smith

Economic Conditions Related to Fiscal
and Revenue Matters

I. Projects or studies completed

1. Memoranda on the business situation were prepared, and were transmitted to the Secretary on June 1, 9, 15, 22, and 29. - Mr. Haas, Mr. Daggit, Mr. Chevraux, Miss Ziegler

These memoranda contained in addition to analysis of the current situation the following special studies:

- (a) Prices of eight uncontrolled basic commodities, and percentage change from December 6, 1941 to May 9 and to May 29, 1942. (Charts in memorandum of June 1.) - Mr. Daggit, Miss Spiegel
- (b) Department store sales by departments. (Two charts in memorandum of June 15.) - Mr. Daggit, Miss Spiegel, Miss Washabaugh

- 21 -

- (c) Retail sales of independent stores. (Chart in memorandum of June 22.) - Mr. Daggit, Miss Spiegel
 - (d) Indexes of 28 basic commodities, 20 controlled and 8 uncontrolled. (Chart in memorandum of June 22.) - Mr. Daggit, Miss Spiegel
 - (e) Hog prices, value of pork products, and gross margins. (Chart in memorandum of June 29.) - Mr. Daggit
2. At the request of the Secretary, letters were prepared for his signature to 21 companies asking them to discontinue sending confidential data on new orders and sales. These data are now received from four companies. - Mr. Daggit, Miss Washabaugh, Miss McLachlan
 3. Memoranda on employment under the Work Projects Administration were prepared on June 1, 8, 15, 22, and 29. - Miss Washabaugh, Miss McLachlan
 4. Compilations were made of daily quotations on selected commodities, and daily and weekly figures on selected business indexes, foreign and domestic security transactions, security prices, and exchange rates, as well as other data for the Secretary's chart book. - Mr. Chevraux, Mr. Colclough
 5. In further response to the request of Mr. Leon Henderson of July 19, 1941, copies of charts on commodity prices and cost of living were transmitted to him, as indicated below. - Mr. Daggit

The movements of the BLS index of 28 basic commodities compared with the BLS wholesale price index of 889 commodities were shown from October 1941 to date. Five charts, as of June 1, 9, 15, 22, and 29, were transmitted on June 2, 9, 16, 23, and 30, respectively.

The movements of the NIGB index on cost of living compared with the BLS wholesale price index of 889 commodities were shown from 1936 to date. Five charts, as of June 1, 9, 15, 22, and 29, were transmitted on June 2, 9, 16, 23, and 30, respectively.

The movements of the indexes of twelve foodstuffs and sixteen industrial raw materials, and percentage changes for each commodity from August 1939 and from December 6, 1941, to current dates were shown. Three charts, as of June 1, 9, and 15, were transmitted on June 2, 9, and 16, respectively.

- 22 -

The movements of the BLS index of 28 basic commodities, 8 uncontrolled and 20 controlled, and percentage changes for each commodity from December 6, 1941 to current dates, were shown. Two charts, as of June 22 and 29, were transmitted on June 23 and 30, respectively.

6. In further response to the request of the Secretary on January 28, memoranda and charts, prepared on export freight movements, were transmitted to him on June 3, 10, 17, and 24. Copies were given to Mr. Kamarok. These memoranda and charts were discontinued on June 24. Weekly figures will be maintained. - Mr. Daggit
7. At the verbal request of the Secretary on June 16, a fan chart for prices of twenty controlled basic commodities, and the percentage change from December 6, 1941 to June 5 and to June 12, was prepared, and was transmitted to him on the same date. - Mr. Daggit, Miss Smith
8. At the oral request of the Secretary on June 22, charts on commodity prices and the cost-of-living index and selected items, were submitted to him on the same date, with a table of the BLS all-commodity index by weeks, January 1942 to date. A table on the index of 28 basic commodities by weeks, January 1942 to date, was prepared on the same date. - Mr. Daggit, Miss Smith, Miss Washabaugh
9. At the oral request of the Secretary, a memorandum, with two tables, was prepared, and was transmitted to him on June 25, on the price situation for pork products. - Mr. Daggit, Miss Spiegel, Miss Smith, Mr. Colclough, Miss Washabaugh
10. A memorandum was prepared on June 17, analyzing and summarizing the revised partial tabulation of the Bureau of Labor Statistics' expenditure data. - Mr. Daggit, Miss Spiegel, Miss Smith
11. Tables of nine basic indexes of economic activity were prepared for the use of the Treasury Department and the Department of Agriculture, in a survey of consumer incomes and expenditures for Buffalo, New York. Photostatic copies were transmitted to Mr. Likert of the Bureau of Agricultural Economics, and to Mr. Stewart, Mr. Shields, and Mr. Warren. - Mr. Daggit, Miss Spiegel, Miss Smith, Miss Washabaugh
12. A letter was prepared on June 1 to Mr. Hinrichs of the Bureau of Labor Statistics, explaining the Treasury's use of the quarterly surveys provided by the Bureau of Labor Statistics on consumer expenditures and savings. The letter was transmitted on the same date. - Mr. Haas, Mr. Murphy, Mr. Daggit

- 23 -

13. A letter was prepared for the signature of the Secretary and was sent on June 9 to Senator Carter Glass, requesting that the appropriation be continued for the survey of family spending and saving in war-time. Copies were transmitted on June 10 to Mr. Hinrichs, Representative Clarence Cannon, and to Dr. Louise Stanley of the Bureau of Home Economics. - Mr. Haas, Mr. Murphy, Mr. Daggit
14. A memorandum was prepared on June 3, on the inventory situation. A chart on department store sales and stocks was transmitted to the Secretary on June 4. - Mr. Daggit, Miss Spiegel
15. At the request of Mr. Buffington on June 9, a table on dividends and interest payments, was prepared, and was transmitted to him on the same date. - Mr. Daggit, Mr. Colclough
16. A table was prepared on June 9 on the seasonal change in farm incomes, May to July, in predominately agricultural States. - Mr. Daggit, Mr. Colclough, Miss Spiegel
17. A table was prepared on June 12, showing income payments by States, calendar year 1941. - Mr. Daggit, Miss Spiegel
18. For use in revenue estimating, a new study was completed to improve our method of forecasting the Department of Commerce index of salaries and wages. - Mr. Daggit, Miss Spiegel, Miss Smith
19. At the request of the Secretary on June 1, a letter was prepared for signature of Mrs. Roosevelt, in response to a letter from Mrs. Helen Imhoff dated May 22, with respect to financial hardship arising from the war effort. The letter, together with a transmittal letter to Mrs. Roosevelt, was forwarded to the Secretary on June 3. - Mr. Haas, Mr. Daggit

II. Projects or studies under way

1. At the verbal request of the Secretary on June 16, four charts are being prepared, showing monthly since August 1939, the BLS cost-of-living index superimposed on the three following charts: (1) Net Treasury deficit; (2) Total Government expenditures; and (3) War expenditures. - Mr. Daggit, Miss Spiegel, Miss Washabaugh

- 24 -

2. A memorandum is being prepared for the Secretary, summarizing the report, Reactions to a War Economy, dated June 19, from Mr. R. Keith Kane of the Office of Facts and Figures. - Mr. Daggit
3. A study is being made to improve our method of estimating the Standard Statistics Index of 402 stocks. - Mr. Daggit, Miss Spiegel, Miss Smith
4. Computations are being prepared on monthly estimates of national income payments by States for January-April 1942. - Mr. Daggit, Miss Spiegel, Mr. Colclough, Miss Smith, Miss Washabaugh, Miss McLachlan

Actuarial Problems

I. Projects or studies under way

1. The Board of Actuaries of the Civil Service Retirement and Disability Fund is laying out detailed plans for tabulating and processing data for use in preparing the regular five-year valuation of the Civil Service Retirement Fund for the purpose of determining the liabilities of the Government under the Civil Service Retirement Law. Under the law, such a valuation must be prepared as of July 1, 1940. The valuation is well under way. - Mr. Reagh, Mr. Brown
2. Several years ago a committee was organized for the purpose of studying ways and means to extend retirement benefits to all Government employees regardless of Civil Service status. The working committee, the Subcommittee on Retirement, has again become active. Considerable work has been done, but the committee is in disagreement. - Mr. Reagh, Mr. Brown
3. At the request of Mr. A. R. Pilkerton, Auditor of the District of Columbia, an actuarial quinquennial valuation is being made of the Policemen's and Firemen's Pension Fund of the District of Columbia. This valuation is being made by the Treasury Department in accordance with the 1942 District of Columbia Appropriation Act, approved July 1, 1941. - Mr. Reagh, Mrs. Grossman

- 25 -

4. At the request of the Division of Tax Research, several conferences have been attended with members of the Division of Tax Research, the Legal Staff of the Bureau of Internal Revenue and the Legislative Counsel regarding proposed changes in the tax laws relating to pension trusts and the taxation of insurance companies. - Mr. Reagh
5. In response to a request in a letter to the Secretary from the Illinois Manufacturers' Association on June 24, estimates are being prepared of the accrued liability and current and future costs under Title II of the Social Security Act. - Mr. Reagh, Mr. Brown, Mr. Kroll

Other projects or studies

1. Publications

- (a) All the material submitted for the June issue of the Treasury Bulletin was reviewed and edited. - Mr. Lindow, Mr. Lynch, Miss Eyre

The following tables were prepared for the June issue:

1. Ownership of Government securities as of April 30, summarizing data from the monthly survey. - Mr. Tickton, Mr. Leahy
2. Sales of United States savings bonds since May 1941. - Mr. Brown, Mr. Kroll
3. Sales of Postal savings stamps since May 1941. - Mr. Brown, Mr. Kroll
4. Over-the-counter closing quotations of public marketable securities issued by the United States Government and by Federal agencies. - Mr. Brown, Mr. Kroll
5. A new table on the appropriations and net contract authorizations for the war activities program as of May 31. - Mr. Lynch, Miss Eyre
6. A new table, with chart, showing the increase in the interest-bearing public debt outstanding during World War I. - Mr. Wagner, Mr. Lynch, Miss Eyre, Miss Parker, Mrs. Miller

- 26 -

(b) For the publication Prices and Yields of Public Marketable Securities issued by the United States Government and by Federal agencies, computations were made and copy was prepared for the May issue. - Mr. Brown, Mr. Kroll

2. At the request of Mr. Schoeneman on May 12, a review was made, and was transmitted to him on June 6, of a report prepared by the Bureau of the Budget comparing the costs of microfilming and storage. - Mr. Brown, Mr. Kroll

3. Correspondence

Replies were prepared to letters received on subjects relating to the work of the Division, and letters drafted elsewhere and submitted to the Division for that purpose were reviewed. - Miss Michener, Miss Ziegler, Mrs. Miller, and other members of the staff in appropriate fields of work.

During June 429 letters were received in the Division and 414 were handled as required.

4. Charts

Charts are prepared and continuously brought up to date for use in memoranda and in chart books on special subjects, and corresponding photographic, photostatic, and multilith work is carried on. This is done in the Graphic Section under the supervision of Mr. Banyas.

FEB 4 1943

My dear Captain Regal:

This is to acknowledge your letter of January 23, 1943 enclosing a statement of the policy adopted by the Combined Chiefs of Staff with regard to the provision of supplies to Spain.

You may be sure that the Treasury will be guided by this policy in all transactions under its jurisdiction affecting Spain.

Sincerely yours,

(SIGNED) D. W. BELL

Acting, Secretary of the Treasury.

Captain Forrest B. Regal,
United States Navy,
United States Deputy Secretary,
Combined Chiefs of Staff,
Washington, D. C.

Mailed from Mr. White's Office 2/4

DM/ers
1/29/43

1/25/43

96

Original to Mr. Bell.

SECRET

THE COMBINED CHIEFS OF STAFF
WASHINGTON

January 23, 1943.

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

My dear Mr. Secretary:

The Combined Chiefs of Staff, realizing the great importance which attaches, for strategic, political, economic, and general reasons to the maintenance of Spanish neutrality, have adopted the following policy with regard to the provision of supplies to Spain:

"In order to assist in maintaining Spanish neutrality in the interest of Allied strategy, such quantities of oil, raw materials, and other supplies as are necessary to maintain a reasonable wartime economy should be made available to Spain, subject to all proper safeguards. No special tonnage will be made available to Spain for this purpose."

Sincerely yours,

For the Combined Chiefs of Staff:



FORREST B. ROYAL,
Captain, U.S. Navy,
Deputy Secretary.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 4, 1943

TO Secretary Morgenthau

FROM Mr. White *HW*

Subject: Status of Stabilization and Gold Agreements on Jan. 30

1. Stabilization Agreements in Operation

Country	Dated	Expires	Amount		Collateral
			Commitment	Outstanding	
Brazil	7/15/37	7/15/47	\$100,000,000	None	None gold
China	7/14/37	6/30/43	50,000,000	None	None gold
China	4/1/41	6/30/43	50,000,000	\$10,000,000	None required
Ecuador	3/1/42	6/30/43	5,000,000	None	None required
Iceland	5/1/42	6/30/43	2,000,000	None	None required

2. Stabilization Agreements Concluded but not yet Effective

Mexico	11/1/41	6/30/43	\$ 40,000,000	None	None required
--------	---------	---------	---------------	------	---------------

3. Gold Sale Agreement

Country	Dated	Expires	Commitment	Outstanding	Payment due within:
Cuba	7/6/42	6/30/43	\$ 5,000,000	None	120 days from each sale

4. British Coin Purchase Agreement

Country	Dated	Expires	Commitment	Purchases
Liberia	9/26/42	6/30/43	\$ 2,000,000	\$ 125,000

This agreement, as amended, also provides for sale to Brazil of up to \$100,000,000 in gold, of which \$54,402,611 has been sold.

BRITISH WEST FRONTU.S. SECRETOPPII No. 46

Following is supplementary resume of operational events covering the period 28th January to 4th February, 1943.

1. NAVAL

MEDITERRANEAN AND FRENCH NORTH AFRICA. Excluding initial landings at ORAN and BONE 437,000 personnel and 22,420 vehicles were landed and 1,303,000 tons cargo were discharged at French African ports during two months ending 8th January. There has again been a slight decrease in the traffic from ITALY to TUNIS during past week. It is estimated that some 18,000 tons of enemy shipping have been sunk or damaged by our aircraft.

SUBMARINE WARFARE. There are probably over 100 German submarines now operating of which bulk are in the NORTH ATLANTIC. 5 promising attacks have been made including one by our aircraft and one by a U.S. Destroyer.

SHIPPING CASUALTIES. During week 30th January to 5th February inclusive, 7 ships reported torpedoed - 1 U.S. ship in convoy in the ARCTIC; 1 British and 1 U.S. ship in a homebound convoy in the N.W. Approaches; 1 U.S. ship in convoy in NEWFOUNDLAND area; 1 British ship in West Atlantic; 1 U.S. ship in Gulf of GUINEA and one U.S. ship in the PACIFIC. The U.S. ship reported last week to have been torpedoed in the PACIFIC but still afloat has arrived at SYDNEY in tow. 2 British ships reported overdue at HALIFAX and BAIA, one Greek and 1 Dutch ship which had already been reported overdue are now presumed sunk.

TRADE. Imports into United Kingdom in convoy during week ending 29th - 313,000 tons including 139,000 tons oil. Enemy Merchant Shipping. Shipments of Spanish ore from BILBAO to GERMANY during 1942 were double those of 1941 and a further increase is proposed in 1943. From January to June, 1942, traffic averaged 52,000 tons a month and increased further in July and August. After this monthly shipments dropped to 39,000 tons. Main cause of reduction appears to be our mine laying activities in neighbourhood of BAYONNE. Shipments have remained restricted since New Year but this may be partly due to bad weather and possible also to obstructions in the channel or damage to ore quays.

2. MILITARY

LIBYA. Since the capture of TRIPOLI (L) on 23rd January, the advance of our forces has been slow. In the main, only light rearguards have been encountered, but our progress along the main road has been much delayed by demolitions and had going off the road. Our main forces are concentrated in TRIPOLI area smelting build-up of supplies, which is proceeding very satisfactorily. The main body of Rommel's forces have now withdrawn to MARETH position and there are indications of preparations to defend right flank northwest of MATMATA against possible Allied turning movement.

TUNISIA. Enemy's main efforts have been devoted to gaining more favourable positions on the high ground from OUSELTIA area southward to MAKNASSY so as to dominate all approaches to Southern Tunisia lines of communication. Bulk of 21st Panzer Division from Rommel's command now operating under Panzer Army Victor in area FAID-MAKNASSY. The 1st Army is now organized with 2nd United States Corps in South, 19th French Corps in centre, and 5th British Corps in North.

FAR EAST. BORMA. Japanese resistance north of AKYAB is stubborn and reinforcements possibly being obtained by shipping out in Upper BORMA and CHINDWIN. Our reinforcements on MAYU Peninsula include some tanks.

3. AIR OPERATIONS

WESTERN FRONT. Night. 953 sorties made during the week with loss of 32 aircraft. Principal targets - HAMBURG, where considerable damage believed caused, despite bad weather, by 659 tons of high explosive and incendiaries. LORIENT, 260 tons. A well concentrated attack causing many fires on TURIN, where 350 tons were dropped. A moderately successful attack on COLOGNE, where 460 tons were dropped in 20 minutes. Day. The raid on BARKLIN on 13th January was only intended to have nuisance value and achieved its purpose. Other attacks were made on EMDEN, Western GERMANY, ARREVILLE and ST. OMER. In all these operations we lost 25 aircraft, including 5 Fortresses. The enemy lost 7, 5, 5. Total enemy aircraft over ENGLAND 20 by night and 25 by day. Damage slight.

NORTH AFRICA. Heavy attacks were maintained on enemy ports and airfields, 3 ships being hit at BIZERTE and 1 at TUNIS. 2 schooners destroyed off MISERRE ISLAND and many aircraft destroyed on the ground at GABES. Enemy bombing of our airfields destroyed 6 of our aircraft and damaged 14, but an attack by 7 enemy aircraft on TRIPOLI (L) Harbour caused no damage. In the air, enemy casualties 69, 29, 26. We lost 30.

MEDITERRANEAN. In addition to attacks on shipping, MESSINA was attacked several times and also other targets in SICILY including PALERMO. In the air enemy casualties 9, 4, 3. We lost 3 aircraft.

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

BERLIN. Recent evidence points to considerable effect obtained by raids on BERLIN on nights 16th/17th and 17th/18th January. Results included damage to electric and gas works, in the west of the city, hits on railway buildings and lines, considerable damage to Lorenz radio factory and Riedel chemical works, both of which are of considerable importance. Photographs of LORIENT taken on 23rd, 24th and 25th January show a considerable area devastated in the arsenal, a number of sheds destroyed in the dock area, a civic power station damaged, and damage to naval barracks.

Photographs of LILLE taken on 26th January show that, as a result of attack on 13th January, hardly a building of the locomotive, carriage and wagon works escaped damage. Nearly 40,000 square feet of roofing had been stripped off, while considerably large areas showed the effect of blast damage. Notable damage also appeared to have been caused at Fives-Lille Steel and Engineering Works.

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 40

Information received up to 7 A.M., 4th February, 1943.

1. MILITARY

LIBYA. 2nd. By evening our patrols reported ZELTEN clear of enemy. EL ASSA landing ground 16 miles southwest of ZELTEN was reported mined but not repetition not ploughed.

TUNISIA. 1st. In our counter attack southeast of BOU ARADA (OPTEL No. 39) six enemy tanks were destroyed including 2 German Mark VI.

RUSSIA. Further substantial advances are reported as follows:

- (a) The Railway between OREL and KURSK has been cut 25 miles north of KURSK;
- (b) The capture of KUPIYANSK which marks an advance of 30 miles west of the VELUKI-VOROSHILOVGRAD Railway;
- (c) The capture of the railway junction KUSHCHEVSKAYA 45 miles south of ROSTOV and 60 miles east of YERIK. Mopping up operations are continuing 50 miles west of VORONEZH.

BURMA. 1st. Our troops supported by tanks penetrated enemy positions north of DONBAIK. Japanese resistance is stubborn and fighting continues.

2. AIR OPERATIONS

WESTERN FRONT. 2nd/3rd. COLOGNE. 460 tons of bombs were dropped in almost equal proportion high explosive and incendiary, including 109 4,000 pound bombs. Some haze and smoke, otherwise good visibility. Some crews identified objective but majority bombed on Path-Finder marker bombs. Several fires started and already gaining ground towards end of attack which lasted 20 minutes. Searchlights very active but anti-aircraft moderate and inaccurate.

3rd. 15 Venturas bombed the railway centre at ABBEVILLE and an airfield near St. OMER. 28 Squadrons of Spitfires provided escort and support and carried out sweeps over Northern FRANCE. Enemy casualties 3, 5, 3. Ours, 2 bombers and 8 Fighters missing. A Beaufighter destroyed a German transport aircraft off BORKUM.

3rd/4th. 280 aircraft were sent out - HAMBURG 264 (16 missing), sea mining 8 (1 missing), leaflets 4, Intruders 4. Over Germany and HAMBURG there was thick cloud and severe icing. Eight enemy aircraft crossed the Northeast coast. One was destroyed by a Beaufighter.

FRENCH NORTH AFRICA. 1st/2nd. 12 enemy aircraft attacked BONE harbour, 2 were destroyed by anti-aircraft fire. 2nd. Escorted United States aircraft bombed SFAX airfield and our fighter bombers set fire to a schooner off DJERBA. About 10 Focke Wulf's 190 dive bombed SOUK EL KHEMISS airfield southwest of BAJA destroying 2 Spitfires and damaging 6 others on the ground.

ITALY. 2nd/3rd. A Wellington torpedoed an enemy tanker in the GULF OF TARANTO.

SOUTHEAST SICILY. 3rd. Our Fighter bombers successfully attacked the railway station and warehouses at PAZZALLO and power station at MODICA.

SARDINIA. 1st/2nd. Wellingtons dropped 14 tons of bombs at LIMAS airfield.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

February 5, 1943.

MEMORANDUM ON CABINET MEETING

The President did not discuss his trip at any length. He only described the climate in North Africa as being about the most delightful that he had ever experienced. He did tell of a couple of incidents that happened while he was there: one that in conversation with the Sultan the President was asked by him if he thought the Moroccans looked dirty. The President said "Yes." The Sultan said that was because they wore white robes and had not been able to get any new material since 1939. The President asked the Sultan why they didn't wash them and he said they were afraid they would fall to pieces if they did.

The other incident was when he was reviewing the troops. He said they were lined up on each side of the road about three deep and of course had snapped to attention the minute he had come in front of each group. He said the first group he passed apparently did not wake up to the fact that it was the President of the United States, but he said in the second group when he got about half way down the line he heard one of the privates in the lines say "Jesus."

Mr. Hull. Mr. Hull said there was quite a bit of propaganda spreading throughout the country on the fact that we have failed to supply China with necessary war materials and it is becoming quite a political question. He thought that a great deal is being said about it in China and no doubt the Generalissimo is having his trouble with this matter. The President said he appreciated that there was not much we could do about it right at this time. He said that in flying material into China by transport plane it was necessary to carry a double load of gasoline in order that the plane might return. There is no gas in China. This necessarily made the load of fighting equipment and materials very small.

He said in this connection there are two other matters regarding his North African trip that he would like to discuss. One is the fact that the Chinese problem was not on the agenda at first; that apparently the Army authorities did not want it on there with one exception and that was possibly Arnold. He said he thought the problem should have been on the North African



- 2 -

agenda and he was well aware of the fact that we can't get much help to China until we take Burma. Burma plans are now under study and he said he got mad while he was in Africa about the matter and he immediately dispatched General Arnold to Chungking to discuss the whole Chinese situation.

The other matter he wanted to discuss was the matter of settling the rate of exchange in French Africa. He said when he got over there he found the Treasury and State Department had fixed a rate of 75 francs to the dollar which was not a very good rate because in converting into dollars it did not come out even. He also found the British had fixed a rate in agreement with the De Gaulle interests at 43.90 to the dollar, which again was not orderly in computations. So he decided to make it simple by making it 50 to the dollar or 2 cents each, and this by coincidence, he said, works out nicely from the standpoint of the pound sterling which, of course, is 200 francs to the pound.

When he got through I said "You have made an excellent story of it, but that isn't all there is to the picture." I told him he saved us a lot of conferring with the British on this troublesome matter.

Mr. Bell. I had nothing to report.

Mr. Stimson. Apparently the President had made sort of a "rule-of-thumb" decision with respect to supplies to be sent to North Africa by the War Department. Mr. Stimson said he thought he understood what the President had in mind and with his backing they would try to carry out what he had in mind. The details of the matter were not discussed at the Cabinet Meeting.

Mr. Biddle. He had nothing to report.

Mr. Walker. He brought up the question of providing better airmail service domestically. The President said that there just isn't any chance of getting any more planes for domestic service. Mr. Walker said he thought they were getting money under false pretenses; they were selling airmail stamps, people were buying them and thought their mail was being dispatched rather promptly by air, where in many cases it would go just as fast by ordinary mail. Mr. Walker then brought up the question of mail to Africa. He thought they could give better service with a little cooperation by the Army and Navy. The President said he thought they ought to stop sending airmail to Africa. What ought to be worked out is a program of seeing that every ship that goes to North Africa has some mail on it, possibly as much as ten tons. He asked Mr. Walker to get in touch with the Secretaries of War and Navy and Admiral Land and see if this could be worked out.

Mr. Walker then called attention to the questions being raised in Congress about penalty mail. He said he had spent some time before

- 3 -

the Appropriations Committee answering questions about the increase in departmental mail dispatched free of postage. He thought the departments would be questioned rather severely about this matter within the course of the next few months. I told him that Mr. Keefe of the Appropriations Committee had made a speech on it in the House on Wednesday and I understood the Budget had submitted a memorandum to the Chairman of the Committee on the matter in which I believe the Bureau of the Budget suggested, in effect, that appropriations be furnished each department to buy its postage from the Post Office Department.

At this point the President asked me just what the Treasury had done in issuing Federal Reserve Bank notes to draw out the speech which Taft made in the Senate a couple of days ago. I explained to him quite fully why we issued the \$660 million face amount of Federal Reserve Bank notes, questions that I had answered before the Appropriation Committee as a result of which, together with conferences which Mr. Haas had had, Congressman Keefe made a very favorable speech on the floor of the House. After the explanation the President thought we were right in taking this action and saving the paper and man hours.

Mr. Knox gave a rather extensive review of his trip over the South Pacific. He traveled about 22,000 miles, stopped at a number of the places where we have installations, and found everything, he said, in very good shape. He talked to many of the men in the front line trenches at Guadalcanal and found them in excellent spirits, not only there but back of the lines and all of them wanting a chance to get at the Japs. He said he was within 75 yards of the Jap lines and one place where he stayed the Japs hit the hotel the day after he left. Whether they were after him he did not know. He said the boys were being well taken care of and we are furnishing them excellent medical service. At one place they had one of the finest equipped hospitals that he has seen any place and the boys that are wounded on Guadalcanal are taken back to first aid dressing stations and then flown to this hospital so that within 24 hours after they are wounded they are in the hospital bed. He said the malaria fever is a worse enemy than the Japs. After a soldier has two or three doses of this disease he isn't fit to be a soldier until he is sent back for complete recovery.

He visited a number of the islands where we have installations and spoke with enthusiasm about some of our airfields. He did say that he thought we had to get more airplanes in the South Pacific; we seem to have plenty along the route at different spots, but we need more down in that area.

Mr. Ickes said the Guffey Coal Act expires late in April and he hoped the President could do something to get the time extended before its expiration date. I told him that I had heard some discussion

- 4 -

of that matter by the Ways and Means Committee and it was my understanding that as soon as the "pay-as-you-go" and the debt limitation bills are out of the way they expect to take up extension of the Guffey Coal Act.

Mr. Wickard discussed the question of the British food supply.

Mr. Jones had nothing.

Mrs. Perking. She said that there seems to be quite a drive on for an increase in wages. She said so far as she had been able to ascertain this drive does not come from the rank and file of labor but comes largely from the labor leaders because of the increase in prices. There is a great deal of discussion about the "little steel formula" but this has nothing to do with the matter and all of these groups asking for wage increases have had increases, a great deal more than the 15 percent allowed in the "little steel formula." She thinks that we have just got to resist this kind of wage increases.

Mr. McNutt had nothing.

General Fleming had nothing.

Mr. Iandis said he had been asked to use his organization to help police the compliance with the price control regulations. He questioned that very much as he said he was quite certain that volunteers could not do this job and sooner or later the Administration would be accused of having volunteer snoopers throughout the country spying on everybody to see whether or not they complied with the price regulations. He thought it was much better for the OPA to have their own investigators.

Mr. Blandford said there seemed to be a drive on in Congress to mark out of their appropriation all employees directly concerned with labor and race relations. General Fleming said he had had the same thing. Someone suggested that the way to get around it was to change the title and make the individuals administrative assistants rather than labor or race relations.

Mr. Byrnes had nothing.

Mr. Nelson said he wanted the President to know that he had tried out his formula suggested a few weeks ago at Cabinet meeting that the executive branch of the Government try out their problems on Congressional groups. He said he went up to the Wheeler Committee on Small Business and laid his problem before them. Senator Taft said that was a problem which that Committee could not deal with and after that blast the Committee decided that Mr. Nelson should

- 5 -

go ahead and handle the matter in accordance with his best judgment and they would feel free to criticise him, so he said "That is what I got into by following your suggestion."

After the Cabinet meeting when I started to leave the President asked me to look into the matter of having a Mr. Cash made Collector of Internal Revenue for the State of Maryland. He said Senator Radcliffe had strongly recommended this man. I told him I would look into it. On my return I handed it to Herbert Gaston who told me this is about the third time the matter has been up. On two previous occasions Sumner Welles went to the President and interceded for the present Collector, Mr. Magruder.

SWB

MINUTES OF MEETING

February 5, 1942, 11:00 A. M.

East Wing, White House

Present: The Director (Presiding)
Mr. Wickard
Mr. Jones
Miss Perkins
Mr. Holl (Acting Secretary of Treasury)
Mr. Smith
Mr. Eccles
Mr. Brown
Mr. Davis
Mr. Green
Mr. Murray
Mr. Patton
Mr. O'Real
Mr. Flanders

1. The Director read a letter from Mr. Eccles outlining the progress made by the Federal Reserve Board in reducing outstanding consumer credit from \$10,000,000,000 to \$6,400,000,000. Mr. Smith offered to prepare also a statement as to the pre-payment of long term indebtedness, including Land Bank indebtedness, Home Owners' Loan Corporation indebtedness, etc.

2. Mr. Brown commented on the possibility of reducing price ceilings where excessive profits exist. He reviewed briefly the legal basis of the Federal Reserve Bank power which, in his opinion, is derived primarily from the Emergency Price Control Act of 1942 rather than the Act of October 2, 1942.

Mr. Brown reported some progress in the reduction of excessive profits, expressed the opinion that more vigorous action was now required in order to balance other necessary increases in the cost of living. He listed reductions of excessive profits already achieved by the Office of Price Administration, which total about \$850,000,000. Mr. Brown also called attention to proceedings now pending before the Interstate Commerce Commission

In an effort to obtain a rescission of the rate increases granted early in 1942. If this effort is successful, it will result in an additional saving of \$450,000,000 to railroads and passengers.

Mr. Brown also called attention to the substantial savings achieved by the armed services through the renegotiation of contracts, and to the recent \$50,000,000 reduction in long distance telephone rates achieved by the Federal Communications Commission.

Mr. Brown pointed out the difficulty in reducing prices in those industries where a wide spread exists between the production costs of the most efficient producers and those of the marginal producers. In many such cases, the price administrator is faced with the alternative of either permitting excessive profits to accrue to the low cost producer or forcing the high cost producer out of business.

Mr. Brown pointed to the retail grocery business as an example. In that case, however, due to the large number of units existing, with the consequent pressure of competitive forces, it was felt probable that the low cost chain stores would sell below the ceiling price, thus reflecting additional savings to consumers and leaving somewhat the same competitive situation which would exist in the absence of price control. It was suggested that, in those industries dominated by a comparatively small number of highly integrated producers, it would be possible to solve this problem through a pooling arrangement, whereby a certain proportion of the profits of the low cost producers would be captured and pooled in order to permit high cost producers to operate near ceiling prices.

Mr. Murray inquired as to the relation between the Office of Price Administration and the armed services in connection with procurement. Mr.

- 3 -

Brown replied that renegotiation of contracts was within the sole control of the procurement agencies, but that authority over the original purchase price on military articles has been defined by an agreement between the Office of Price Administration and the services — an agreement under which a considerable part of the legal authority of the Office of Price Administration had been abandoned. The services had, however, agreed to consult the Office of Price Administration in connection with their prices and policies. The arrangement, stated Mr. Brown, had not proved entirely satisfactory and was now under reconsideration.

3. Mr. Murray stated that living costs were still not under control. The only criterion by which the worker and his wife can judge the cost of living is the contents of their market basket, he stated. Mr. Murray called attention to the enormous increases in food prices during the past year. Eggs, he said, have risen from 40 cents to 79 cents a dozen; butter from 37 cents to 62 cents a pound; bacon from 29 cents to 59 cents a pound; and vegetables by 50 percent or more.

How, he inquired, can the worker and his wife reconcile these facts with the reports of the Bureau of Labor Statistics?

Mr. Flanders reminded Mr. Murray that foods constitute only about one-third of the cost of living, and stated that many other items have not increased so rapidly as food stuffs, which have risen 24 percent since 1939 and 9.7 percent since May, 1942. The total cost of living, he stated, has risen about 16.8 percent since January, 1941.

Mr. Davis agreed as to the utmost importance of this question to the War Labor Board. There is constant controversy as to the accuracy of the figures of the Bureau of Labor Statistics. Mr. Davis suggested that the Board call in the Research Directors of the various labor organizations and settle

his question for once and all. The Director and Miss Perkins agreed with this suggestion.

Mr. Murray replied that labor had reluctantly accepted the so-called "Little Steel Formula" on the basis of anticipated price control and rationing. These, he stated, have not taken place. The entire country is polluted with black markets, especially in meat, and black market conditions are not accurately reflected in the figures of the Bureau of Labor Statistics. Mr. Murray also reminded the Board members that a number of important cases are now pending before the War Labor Board which are frequently affected by this issue, involving altogether more than three million workers.

Mr. Eccles stated that the problem was inevitably created by a situation in which the available purchasing power exceeds the supply of consumer goods. This discrepancy will not be corrected by increasing wages. Rather, he stated, wage increases would accelerate the lack of balance and make the problem more difficult to solve.

Mr. Murray did not entirely disagree, but emphasized the necessity of stronger price control, more extensive rationing and adequate enforcement policies.

The Director stated that it was his firm intention to stand upon the stabilization policy of the Act of October 2; and that we must, in order to do this, hold prices and wages in line and wipe out black markets.

Mr. Wickard stated that, despite price increases, the people are now eating more beef than ever before in our history. The real problem is to obtain an adequate distribution of the existing supply; and this will probably require the licensing of slaughterers and the speedy institution of consumer rationing.

Mr. Patton reminded the Board that, while workers are now consuming more in many cases than formerly, many of them also require more food in order to maintain their productive efficiency, since millions who formerly worked on WPA, or were unemployed, or worked part time, are now engaged in full time or overtime work in heavy industry.

Mr. Eccles stated that the problem of the black market is made more difficult during wintertime by the increased illicit slaughtering on the farms.

Mr. Green stated that while living costs may have risen less than food prices, the average worker and his family buy food every day and other items less frequently. Therefore, it is very difficult to convince the worker that the cost of living has not risen much more than the government indices would indicate.

There followed a general discussion of the "Little Steal Formula" and the statements by Mr. Green and Mr. Murray emphasizing the necessity of providing some flexibility in the wage structure in order to take care of manpower and production problems.

4. The Director then read to the public representatives on the Board his proposed statement with reference to the rationing of shoes. After general discussion, the Board members unanimously approved the proposed rationing plan.

The Board adjourned at 1:30 to meet again at 11:00 on Friday, February 1, 1943.

February 5, 1943

MEMORANDUM TO SECRETARY MORGENTHAU:

I tried to see Secretary Stimson on Monday afternoon, February 1st. Since he had not returned from lunch, his Aide asked me to see Assistant Secretary McCloy, who was scheduled to leave any day for North Africa.

I talked to Mr. McCloy for over three hours. He expressed great interest in what I had to say, and several times during our conversation, he told Secretary Stimson on the phone that he ought to hear what I had to say about North Africa.

Mr. McCloy was especially interested in what I had to say about the American organization for dealing with political, economic, and other civilian problems in occupied areas. He said Secretary Stimson was at the moment preparing a memorandum to the President outlining the American military government that existed in the Philippines, Puerto Rico, and elsewhere at the turn of the century. Secretary Stimson apparently felt that a somewhat similar arrangement should be set up in North Africa. The Army man in charge would be able to tell the French authorities what they should and should not do. Mr. McCloy indicated he was going over that memorandum during the evening, and that Secretary Stimson might be presenting it to the President on the following day.

McCloy stated that he had always followed the North Africa affair closely since he had been considered last summer for the job that Murphy was sent over to do; that Eisenhower had wanted McCloy to come to North Africa to "hold his hand". He also talked about a sort of a little group he might want to take over with him, including a newspaperman and some other person in whose judgment he had confidence and with whom he could discuss all the problems as he ran into them on his trip through North Africa.

He asked me what I thought were the four most important things to be done in the North African picture, and I said (1) Bring into some of the important positions of the government French personnel who have been pro-Allied; (2) Take prompt

- 2 -

steps to free political prisoners and refugees; (3) Repeal the laws and decrees enacted since the Armistice of 1940 at the instance of the Germans or in imitation of the German methods; (4) Effectively control the media of propaganda, especially the press and the radio so as to strike a note definitely friendly not only to the United Nations but to the principles of democracy and the Freedoms for which we are fighting, and so as to neutralize the Nazi-Fascist propaganda of the last two and one-half years. I said that even if everything could not be done at once we ought to follow a program of constantly needling the French to carry out various phases of these points.

I have a feeling that McCloy is not disturbed by the presence of collaborationists in the French North African Government, although he did seem to think it would be a good idea to bring in a few pro-Allied Frenchmen and give the matter considerable publicity.

McCloy also made the point that as soon as our troops were successfully landed in North Africa, the State Department claimed the success was due to its political program vis-a-vis Vichy, but that when criticism is directed against our program of working with Vichyites, the State Department says that it is due to military necessities.

I spoke to McCloy for just a few minutes before seeing Secretary Stimson on Tuesday morning. I got the impression from McCloy that Secretary Stimson had not been successful in putting over with the President and the Secretary of State his program for military government, and that the President still had full confidence in Murphy. McCloy said that the President told Stimson he wondered what McCloy could accomplish in North Africa since Murphy has everything under control.

McCloy was present at my meeting with Secretary Stimson which lasted for about an hour and a quarter. I talked to Secretary Stimson about the general political situation, Murphy's attitude toward collaborationists, the atmosphere of Petainism that permeated North Africa, the handling of changes in personnel among the French authorities, including the Fenard-Pose matter and the Chatel-Peyrouton matter, and the fact that

- 3 -

Murphy apparently went along with the French authorities in keeping out of North Africa pro-Allied Frenchmen who were willing to come over and serve. Secretary Stimson quoted the President as saying that now that Peyrouton was in office everything was working very well.

I told Secretary Stimson most of the things I told you on the treatment of the Jewish question. Secretary Stimson in no way indicated his attitude on this problem. I then described the situation relative to political prisoners and refugees. Secretary Stimson seemed to feel strongly that these people should be released promptly, especially those who are imprisoned as being pro-Allied. However, he did say that although he had been a strong supporter of the Spanish Loyalist Government, the present relationship with the present Spanish Government was very important and was very delicate, and that if Spain were to go in on the German side they could strike us a very heavy blow. Accordingly, he would be very concerned about taking any action with Spanish refugee prisoners that might adversely affect our relationships with Spain.

Secretary Stimson said in regard to Murphy that he was not merely on General Eisenhower's Staff and the representative of the State Department, but that he was actually the President's representative (which somewhat concerned the State Department), and that the President has a great deal of confidence in Murphy.

Secretary Stimson said the President had instructed Murphy, prior to our arrival in North Africa, to deal with the French on a friendly basis, and then in January cabled that Eisenhower was the real military governor of the area. Stimson said he agreed with the view that there should be a military government in North Africa.

When we were discussing the rate of exchange, Secretary Stimson said the matter was settled over a drink and we got no quid pro quo for it. McCloy said that when General Bethouart and Lemaigre-Debreuil were here, the two things which they stressed the most were the armament needs of the French Army and the rate of exchange.

- 4 -

Secretary Stimson was quite interested in knowing about the American organization in North Africa for dealing with political and civilian problems. I described this to him in some detail. He seemed quite concerned at the inadequacies of the military officers charged with handling civil affairs matters. He also felt that some organization should be definitely charged with the responsibility of handling the problems arising from military occupation, and it was his view that that task should be performed by the Army.

B. Bernstein

February 5, 1943

MEMORANDUM TO SECRETARY MORGENTHAU:

I saw Governor Lehman at a half hour conference on February 3rd. I told him about the political situation in North Africa, the Petain atmosphere that dominated it, and the position of the Jews and the political and refugee prisoners. He felt deeply troubled about our policy. He said the State Department had sent a cable a week ago to Algiers, asking for details on the treatment of the Jews. I suggested that even if it were impractical to regain the controlling power in North Africa through the medium of a military government, it would be desirable for this country to keep pressing the French to make changes in government personnel, the treatment of the Jews and the handling of the prisoners.

At Governor Lehman's request, I saw him again in the afternoon for 1-3/4 hours. Other members of his staff were present. I talked about the Civil Affairs and North African Economic Board set-up, and about the need for a more adequate organization to deal with the whole range of government problems that we will have to face in those countries where we impose a military government. Governor Lehman seemed very much interested in this problem, recognizing at the same time that it went far beyond the functions of his organization.

I also described the economic and price situation as regards food and other items. Governor Lehman said my views agreed with that of his representative in North Africa who had cabled that there was no great relief problem. This person also said there was no need for additional personnel in North Africa to handle the relief problem. Governor Lehman and I agreed that it was desirable to send personnel abroad just to enable them to get experience for the more difficult tasks ahead.

Governor Lehman asked me to talk to a group of his people which I am doing on February 5th.

B. Morgenthau

February 5, 1943

MEMORANDUM TO SECRETARY MORGENTHAU:

I saw Vice President Wallace for a half hour on February 3rd. Rosenthal of BEW, who had just returned from Africa, was present. I discussed the political situation and the inadequacies of our organization to deal with problems arising in re-occupied territories.

The Vice President felt that a mistake was being made by our dealing with the Vichy crowd, and that we should practice as well as preach democracy. He said that the next thing we might find, if the German U boat campaign failed, is the German Generals trying to make a deal with the British to let the British through the Balkans so as to beat the Russians to Berlin.

Mr. Wallace quoted the President as emphasizing, in talking to the Congressional leaders, that Peyrouton had arrested Laval.

Mr. Wallace recognized the difficulty of our maintaining a military government with our present inadequate organization. I mentioned the desirability of our continuing to press the French to make changes which this government thought desirable.

Mr. Wallace said he would arrange to have lunch with Secretary Morgenthau shortly after his return.

B. B. [Signature]

Analysis of Exposure to Payroll Savings Plans

January 30, 1943

Classification	Number of firms exposed to payroll savings plans	Total number of firms in the country (estimated)	Percent of total exposed	Number of employees exposed to payroll savings plans	Total number of employees in the country (estimated)	Percent of total exposed
I. Business organizations						
(1) Firms with 5,000 employees or more.....	470	475	99	8,645,091	*	*
(2) Firms with 500 to 4,999 employees.....	5,729	5,850	98	8,015,998	*	*
(3) Firms with 100 to 499 employees.....	<u>25,835</u>	<u>29,080</u>	<u>89</u>	<u>5,823,112</u>	<u>*</u>	<u>*</u>
(4) Subtotal - large firms.....	32,034	35,405	90	22,484,201	*	*
(5) Firms with less than 100 employees.....	<u>140,644</u>	<u>*</u>	<u>*</u>	<u>3,357,644</u>	<u>*</u>	<u>*</u>
(6) Total Business organizations.....	<u>172,678</u>	<u>*</u>	<u>*</u>	<u>25,841,845</u>	<u>32,700,000 1/</u>	<u>79</u>
II. Governmental organizations						
(1) Federal Government.....	*	*	*	2,376,067	2,900,000 1/	82
(2) State and local governments.....	<u>*</u>	<u>*</u>	<u>*</u>	<u>1,437,570</u>	<u>2,900,000</u>	<u>50</u>
(3) Total governmental organizations.....	<u>*</u>	<u>*</u>	<u>*</u>	<u>3,813,637</u>	<u>5,800,000</u>	<u>66</u>
III. Grand total.....	<u>172,678</u>	<u>*</u>	<u>*</u>	<u>29,655,482</u>	<u>38,500,000 1/</u>	<u>77</u>

Treasury Department

February 5, 1943

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

* Data not available.

Firms Employing 100 persons or More Participating in Payroll Savings Plans
 (As reported by the War Savings Staff's State Administrators)
 January 30, 1943

State	Firms employing 100 - 499 persons			Firms employing 500 persons or more		
	Total number of firms (estimated)	Number of firms with payroll savings plans	Percent of total with payroll savings plans	Total number of firms (estimated)	Number of firms with payroll savings plans	Percent of total with payroll savings plans
Alabama.....	332	258	78	68	67	99
Arizona.....	72	72	100	14	14	100
Arkansas.....	144	102	76	17	17	100
Northern California.....	782	733	94	135	134	99
Southern California.....	1,247	1,150	92	162	159	98
Colorado.....	142	137	96	31	31	100
Connecticut.....	693	583	84	165	155	94
* Delaware.....	65	59	94	23	25	100
District of Columbia...	190	177	93	52	52	100
Florida.....	328	221	67	51	46	90
Georgia.....	419	393	94	127	124	99
Idaho.....	33	33	100	10	10	100
Illinois.....	2,199	2,126	97	505	500	99
Indiana.....	823	743	90	159	151	95
Iowa.....	214	178	83	47	40	85
* Kansas.....	300	290	97	26	26	100
Kentucky.....	294	244	83	52	50	96
* Louisiana.....	333	303	91	55	55	100
* Maine.....	168	160	95	55	55	100
Maryland.....	407	370	91	111	111	100
Massachusetts.....	1,360	1,220	90	337	329	98
Michigan.....	1,319	1,024	78	287	281	100
* Minnesota.....	444	440	99	81	81	100
Mississippi.....	120	108	90	37	37	100
Missouri.....	977	743	76	143	141	99
Montana.....	49	49	100	4	4	100
Nebraska.....	145	140	97	29	29	100
* Nevada.....	27	21	78	5	5	100
New Hampshire.....	166	150	90	52	32	100
New Jersey.....	1,182	1,003	85	200	199	99
* New Mexico.....	42	41	98	5	5	100
New York.....	4,267	4,008	94	934	916	98
North Carolina.....	524	492	94	141	138	98
North Dakota.....	20	20	100	0	0	-
Ohio.....	1,920	1,784	93	505	487	96
Oklahoma.....	325	303	93	56	56	100
Oregon.....	312	298	96	55	55	100
Pennsylvania.....	2,721	2,343	86	640	627	98
Rhode Island.....	141	107	90	85	78	92
South Carolina.....	166	159	96	99	99	100
South Dakota.....	26	26	100	5	5	100
Tennessee.....	519	435	84	93	89	96
Texas.....	1,015	743	73	125	124	99
Utah.....	44	44	100	10	10	100
Vermont.....	75	71	95	12	12	100
Virginia.....	360	350	97	111	111	100
Washington.....	399	370	93	73	73	100
West Virginia.....	281	230	82	77	77	100
Wisconsin.....	681	504	74	154	154	100
Wyoming.....	26	26	100	5	5	100
Alaska.....	2	2	100	3	3	100
Railroads.....	52	49	94	115	109	95
Total.....	<u>29,080</u>	<u>25,835</u>	<u>89</u>	<u>6,323</u>	<u>6,199</u>	<u>98</u>

Treasury Department

February 5, 1943

* Date are for January 23, inasmuch as no January 30 report was received.

February 5, 1943.

Telephone Conversation - Mr. Nicholas Schenck, Metro-Goldwyn-Mayer
Mr. H. D. White

On February 5 Mr. Nicholas Schenck telephoned Mr. White. Mr. Schenck began by asking whether Mr. Willkie had reported to the Treasury about his last meeting with Sir Frederick Phillips. Mr. White replied as far as he knew, Mr. Willkie had not. Mr. Schenck said Mr. Willkie had stated he would report and was supposed to do that. Mr. Schenck said they had a very nice meeting and straightened out a number of things. Phillips informed them that they wouldn't hear from the British until after their budget had been arranged, which would be about the first part of April.

Mr. Schenck said they had arranged to accept \$5 million out of approximately \$11 million due them for the first quarter. Schenck said the British had asked whether the moving picture companies would not invest 1 million pounds of the deposits they held in London in British Treasury Government bonds. Schenck said if they had any money to spare they naturally preferred to invest in United States Government bonds. He said he wanted to know the answer to two questions. First, would the Johnson Act prohibit them from making such an investment. Mr. White replied he would find out what our lawyers' opinion was on the matter. Secondly, he asked Mr. White's personal advice as to whether they ought to invest in those bonds assuming it was legal to do so. Mr. White replied he could not advise them on a matter of that kind. He said he presumed one of the factors they would want to take into consideration was the likelihood of their being able to withdraw any balances they now hold and also the future of exchange rates. He added they would have to use their own judgment on those points. Schenck then asked Mr. White what he personally thought the psychological effect would be of a refusal on their part to invest in those bonds. Mr. White replied he thought they were in a better position to judge that than he was. His own view would be that the matter might be treated on a strictly business basis if they wished.

H. D. White

TREASURY DEPARTMENT

116

INTER OFFICE COMMUNICATION

DATE Feb. 5, 1943

TO Secretary Morgenthau

FROM Mr. White *HOW*

This is a comparative statement of the earnings and expenses of the Stabilization Fund for the months of December, 1942, and January, 1943.

<u>Earnings</u>	<u>December 1942</u>	<u>January 1943</u>
Interest earned on investments	\$ 20,167.21	\$ 23,448.71
Interest earned on yuan	8,630.14	12,739.73
Profits on foreign exchange-- Swiss francs	13.82	--
Profits on handling charges of gold	<u>86,507.81</u>	<u>115,163.96</u>
Total	\$ 115,318.98	\$151,352.40
 <u>Expenses</u>		
Salaries	\$ 18,866.26	\$ 21,495.72
Travel	1,233.30	710.30
Subsistence	36.00	1,286.50
Telephone and Telegraph	2,005.68	1,181.52
Stationery	96.01	24.30
All other	<u>321.28</u>	<u>435.32</u>
Total	\$ 22,558.53	\$ 25,133.66
Net earnings	\$ 92,760.45	\$126,218.74

Earnings increased in January, as compared with December, primarily as a result of increased sales of gold to foreign countries for earmark with the Federal Reserve Bank of New York.

This report was completed from figures supplied by R. O'Daniel.

Treasury Department
Division of Monetary Research

117

Date February 8 1943

To: Secretary Morgenthau

Although we shall continue to file these statements every month, from now on we shall submit to you, for your perusal, quarterly statements instead of monthly statements - unless you indicate otherwise.

Any transaction of special significance will, of course, be called to your attention prior to the quarterly report.

H.D.W.



MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 5, 1943

TO Secretary Morgenthau

FROM Mr. White *JHW*1. Stabilization Fund's Gold Transactions

During January, 1943, the Stabilization Fund sold about \$46.1 million in gold to foreign countries to be earmarked for their accounts with the Federal Reserve Bank of New York. Sales, by countries, were as follows:

<u>Country</u>	<u>Sales in millions of dollars</u>
Argentina	18.0
Brazil	5.0
Chile	2.4
Cuba	5.0
Ecuador	.2
Switzerland	5.0
Turkey	10.0
Venezuela	<u>.5</u>
Total	46.1

In order to maintain its gold balance, the Stabilization Fund purchased \$45.3 million in gold from the Treasury General Fund.

As a result of the above transactions, there was a net decrease of about \$0.8 million in the Stabilization Fund's gold holdings to about \$11.5 million as of January 30.

Division of Monetary
Research

- 2 -

2. Treasury Gold Stock

During January, the Treasury's gold stock decreased by \$43,3 million to \$22,683.0 million as of January 30. Known and estimated acquisitions were as follows:

	<u>Millions of dollars</u>
Newly-mined domestic	0.8
Imports sold directly to mints and assay offices	0.7
Miscellaneous (coin and scrap)	<u>0.5</u>
Total	2.0

The Treasury sold \$45.3 million to the Stabilization Fund, making a net decrease of \$43.3 million.

3. Total Gold Holdings of the United States

	<u>December 31, 1942</u>	<u>January 30, 1943</u>
Treasury Gold Stock	\$ 22,726,242,881	\$ 22,682,971,608
Stabilization Fund Gold	<u>12,313,103</u>	<u>11,547,520</u>
Total	\$ 22,738,555,984	\$ 22,694,519,128

The decrease in the gold holdings of the Treasury and the Stabilization Fund during January was \$44.0 million.

MEMORANDUM FOR THE SECRETARY.

February 5, 1943.

Mail Report

Mail for the week was up somewhat in total number of pieces received, but while some of the old subjects developed new angles, there was little real change as compared with receipts of the last two or three weeks.

Some sort of pay-as-you-go plan is desired by many correspondents. However, opposition to the idea of forgiving a year's taxes increased, about 20 letters definitely opposing this. A few who did not actively oppose the dropping of a year's payments were concerned about their own investments in tax anticipation notes, if such a scheme should be adopted. One correspondent who had already paid his 1942 tax in full, asked what would be done with his money if a pay-as-you-go scheme were put into effect later in the year. Only 6 letters attacked the Victory Tax, and there was little comment on it. There are still a few writers who suggest that the sums already collected by employers be made available immediately to the Government. Questions about current taxes and suggestions as to simplifying their collection numbered 60. There were 6 protests from persons who have had no salary raises, and who face higher taxes. Only 5 letters mentioned the Sales Tax and they were favorable to it. There continue to be objections to the advertising of books published by commercial firms and bearing upon income tax procedure.

There have been few variations in the types of mail received dealing with Bonds, but individual complaints have dropped decidedly. Half of the 32 reporting various types of delay came from personnel of the War Department.

- 2 -

Memorandum for the Secretary.

February 5, 1943.

In the general mail there were two subjects which have not appeared before, or appeared only at the end of last week. News of the silver certificates with yellow seal, designed for overseas use, brought a few requests for souvenir bills, and a few protests on the grounds that an already intricate currency system should not be made more intricate. Several also commented on greater possibilities for counterfeiting. The other topic mentioned was that of the newly released Federal Reserve greenbacks. Several questions about this action were received, and three, in particular, came from Members of Congress.

Anti-Labor seemed stronger than it has been for several weeks.

There was little comment on the Nugent plan, or any similar idea.

Mail referred from the White House during January totalled 853, of which 469 letters were taken care of in the Correspondence Division. More than half of these were endorsements or suggestions in connection with the pay-as-you-go tax plan. Many of these letters, while approving of the principle, objected to a forgiveness of the 1942 taxes. Our heaviest January in previous years came in 1938, when we had 965 letters from the White House. Last year's total was 625.

W. F. Forbush

General Comments

Sydney Roslow, Director, The Pulse of New York, Inc., Radio and Opinion Research, N.Y.C. Yesterday I heard Rolf Nugent discuss his installment buying plan for post-war deliveries at a meeting of the N. Y. Chapter of the American Marketing Association. I was not at all impressed with this plan, and as a matter of fact, have been wondering whether there are not some ulterior motives not at once apparent to one who is not acquainted with the mechanism of finance and credit. While listening to his talk, it occurred to me that, under the present War Bond system, it is entirely possible to do what Nugent proposes to do without involving dealers, collection companies and credit finance companies. * * *

- 2 -

Unfavorable Comments on Bonds

Congressman Beckworth, (Texas) forwards the following letter he has received from O. A. Kennamer, Secretary, Longview Central Labor Council, Longview, Texas: * * * Last March the Council got out a special anniversary edition, announcing that it would be the last "for the duration". Since that time, despite the fact that I have written every agency in Washington that we were no longer publishing, my mail increases every day. Mats, mats, mats! Expensive as the mischief and of no earthly use to myself, the Council or the Government. Reams of news reports for release, enclosed in costly manila envelopes. Posters of every size and in quantity. Citations from the Treasury Department for meritorious aid in Bond selling - for the Journal (last issue in March), the Labor News (dead over two years ago), the Workers Forum, (last published here some five years ago), duplications of all to the Editor. All of which might be flattering to some people, but not to a taxpayer. Is there not some way this absurd, not to say criminal waste of our money could be stopped? I've written them to take our former publications off the mailing list, but to no purpose. * * *

Frank L. Roberts, Assistant Cashier, Waukesha National Bank, Waukesha, Wis. * * * During the last three months, at times we have been disturbed by the number of individuals appearing and presenting their Bonds. * * * Being in a position to analyze the circumstances of many of the owners of Savings Bonds, we are led to believe that there are too many owners surrendering their Bonds, thereby affecting the general welfare of our Government. * * * We are of the opinion that there should be necessary changes in the practice of liquidating Savings Bonds as such factor can very well be a point in the basis of the inflationary spiral of our national economy. * * * With the period just ahead, many Bonds will be surrendered for the stated purpose of paying income taxes, and there will be more of this practice than we believe to be absolutely necessary. One of our citizens remarked that it may have an epidemic of activity, one fellow telling another.

- 3 -

Favorable Comments on Taxation

F. G. Swanson, Tyler, Texas. Most folks will take anything you will give them. Getting something for nothing, or finding and picking dollars off bushes, has long been an earnest hope of many and including those whose intelligence accurately informs them that when, as, and if they thus get something, apparently someone else has earned something they did not get. Your JOB and that of the OPA have one common purpose. That is, as some of us look at it, to AVOID INFLATION. The so-called Ruml Plan is an inflation argument. Just because so many individuals, and a large percent of them drawing higher pay (and relatively more than absorbing higher costs, etc.) than they ever did before, failed to save money to pay 1942 taxes, is no argument to "forgive" them anything. THIS IS WARTIME, and winning the War, and on as near as practicable "pay-as-you-go" basis, is good economics, good statesmanship, and less than patriotism.

- 4 -

Unfavorable Comments on Taxation

Lawrence D. Brody, Attorney at Law, N.Y.C. Within the past two weeks I have been consulted by several seamen for the purpose of helping them fill out and file their income tax reports for the year 1942. At these times there was brought to my attention a situation which presently exists, and which seems to me to be inequitable and discriminatory. * * * John Smith, a seaman, had been on the high seas and in foreign lands for a period of four months. When the ship returned to New York City on December 29, 1942, John Smith was paid off his wages earned, in the sum of approximately \$2,500. No deduction whatsoever was taken. * * * John Brown, a seaman, also was upon the high seas and in foreign lands for a period of over four months. His boat, however, returned to New York City four days after that of John Smith. John Brown was paid the sum of \$2,500 on January 2, 1943, but pursuant to your circular, the employer has deducted 5% of said sum, or \$125. There is no difference in the above two situations except the single fact that one boat arrived in New York City four days after the other. To penalize the seaman who arrived four days later, merely because his boat did so arrive, would appear to be very discriminatory. * * *

Hance H. Cleland, President, San Diego Gas & Electric Company, San Diego, Calif. * * * As I indicated to you sometime ago, it is my considered opinion, based upon our own experience and conversations with other employers, that we must come to an enforced savings plan. I might also add further, it is my conviction you are not going to be able to collect the new income taxes unless there is legislation enacted promptly which will authorize and require employers to deduct the tax from the payrolls. That will necessitate waiving the income tax on 1942 payroll incomes and collecting the tax on the 1943 payroll incomes, month by month. I feel sure many of the less-patriotic have no intention of paying a Federal income tax or buying Bonds.

- 5 -

Cy Caldwell, Island Park, N.Y. I bought a use stamp from the Government for my pleasure car. Due to circumstances over which neither of us have control, it has become necessary to eliminate all pleasure driving. I have laid up my car and am not renewing the license, as use in the few emergencies and duties permitted is not worth while paying license and insurance for. Now then, you and I had a transaction in good faith on the sale and purchase of that auto use stamp. It is good until June, I believe, so I've had a half year's use from the stamp. I have paid for a use that now is denied me, so I expect a refund. * * * Shall I send you the stamp and expect a check in return? A friend maintains that all Governments are by nature dishonest -- and I said ours, at least, was an exception. No, he said, a Government is merely a slick device for taking money out of the pocket of a man who earned it, and putting it into the pockets of others, most of whom don't deserve it. * * * But I expect the dealings between Government and individual to be a case of give and take -- not just take, on the part of the Government. My friend says no Government ever gave back anything, so we'll see how this little experiment turns out. * * *

May G. Lawson, Rockford, Ill. * * * My salary check already has three deductions: pension fund, Victory Tax, and payroll deduction for Bond buying. That is about as much as a person of moderate salary can stand. * * * I do not feel that we should eliminate 1942 tax incomes, or spread them over a period of years. If such a plan is adopted, it will mean the loss of considerable revenue, which will have to be made up by an inequality of financial burden, placed chiefly upon those who have been thrifty. * * * I feel that a pay-as-you-go plan is un-American, and an imitation of Hitler technique which might be continued even after the war is over. Moreover, any such plan needs considerable study, and should not therefore be put into effect before 1944. * * * At an informal party last Wednesday, all present voiced opposition to the pay-as-you-go plan. A banker also believes that people should have the right to choose. If it were not for off-again, on-again methods, many tax bills would have been paid in full by this time. * * *

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRETU.S. SECRETOPT: L No. 41

Information received up to 7 A.M., 5th February, 1943.

1. NAVAL

MEDITERRANEAN. At TRIPOLI Harbour entrance a gap 90 feet wide by 18 feet deep has been cleared and the first store ship entered harbour on 2nd. One of H.M. Submarines on patrol at the end of January sank a small tanker, a large schooner and a Calque off HAMMANET and a 2,000 ton ship off SOUSSE. Another of H.M. Submarines shelled and damaged a railway bridge in southern ITALY on 29th January and was slightly damaged by fire from shore batteries.

2. MILITARY

LIBYA. 3rd. On the northern sector our patrols advanced slightly; in the south our patrol line was unchanged.

TUNISIA. 2nd. In the central sector a British formation drove back enemy forces which had advanced previous day. Attacks by U.S. forces on the German positions in the FAID PASS and in the Approaches through the hills to the south east of FAID were unsuccessful, the engagement has been broken off and French and U.S. forces in the area are regrouping. SENEZ Station is now in Allied hands.

RUSSIA. In a further advance towards KURSK Russians report the capture of BRCHIGRI and TIM between 30 and 40 miles east of the town. In the CAUCASUS they have occupied STARA MINSKAYA and KANYUSKAYA on the railway to YETSK. Both places are only about 30 miles from the Sea of AZOV.

BURMA. On the morning of the 2nd our forces in the RATHEDAUNG area with air support attacked and occupied without opposition TAUNGLAMAW one mile north east of RATHEDAUNG but further advance met stiff resistance and was held up. Heavy enemy losses reported. In fighting north of DOMEBAK the same day our forces repulsed two heavy enemy counter attacks.

3. AIR OPERATIONS

WESTERN FRONT. 3rd/4th. HAMBURG. 344 tons of H.B. and incendiaries were dropped. 4th/5th. 323 aircraft despatched - TURIN 188 (2 missing, one outstanding), LORIENT 128 (one missing) SPEZIA 4, RUHR 2, sea mining 1. Preliminary reports state that weather over all targets was good and large and well concentrated fires were started both at TURIN and LORIENT.

TUNISIA. 3rd. Escorted U.S. Marauders attacked GABES airfield and objectives in the MAKNASSY area where a railway bridge was hit. In day's operations enemy casualties 3, 2, 3. Allied 7 missing. In an enemy raid on SOUK EL KHAMIS airfield 2 Spitfires were destroyed and 8 damaged on the ground.

SICILY. 3rd. 10 Liberators bombed PALERMO and 16 MESSINA where a 9,000 ton ship was hit.

MEDITERRANEAN. 2nd. Escorted U.S. Mitchells sighted a convoy with air escort in the Sicilian Channel. In ensuing fighting enemy casualties 7, 1, 3. Allied, 1 lost. 3rd. Kittyhawks destroyed 3 schooners and another small ship off the East Tunisian Coast.

4. HOME SECURITY

4th. 10 persons killed by bombs at RYDE, ISLE OF WIGHT.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Febr. 6, 1943.

TO Secretary Morgenthau
FROM Mr. Hays

Attached is a copy of Dr. Likert's report on the Buffalo Survey, which he submitted while you were away. Our staff prepared an analysis of the material, also attached (in the loose-leaf book), the first five pages of which contains the summary.

Much interesting information was obtained, but the survey was not very satisfactory from the point of view of adding to our knowledge of the inflation problem. This resulted mainly because the people interviewed gave incomplete or no information at all on savings in the form of bank deposits and currency. We are inclined to believe that it is probably expecting too much to think that people will disclose this type of information to an interviewer.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

SAVING AND SPENDING
IN BUFFALO:
SECOND STUDY

FOR ADMINISTRATIVE USE ONLY

Study No. S-71
Special Report 31

Program Surveys Division
January 6, 1943

SUMMARY

1. Saving Behavior

There has been a considerable increase in the rate of saving in Buffalo since March. This is reflected not only in an increase of the average savings per family, but also in an increase in number of families who are participating in the specific forms of saving.

The tendencies toward saving of the various groups are actually very stable. Those who have been used to saving are saving now; most of those who have not been used to saving are not saving spontaneously now. But the introduction of the payroll deduction plan has superimposed on the fundamental pattern of the latter group a new form of semi-compulsory saving -- coinciding with increases in their incomes.

Both the absolute amount and the proportion of income put into savings are correlated with family income. Closely related to this is the correlation between occupation and savings; i.e., those in the highest paid occupations are saving most. Amount saved is found to be related to income change as well as to income itself.

Buffalo families are saving primarily for future security and to pay accumulated bills and debts. Although patriotism is not a widespread motivating factor, purchase of war bonds is the most popular form of savings of the families interviewed. Families at the lowest income levels have not purchased bonds to any great extent. Aside from this, amounts of purchases are not related to income.

Definite plans for cashing bonds have not yet been made by many of the people. The majority, however, express the desire to hold their bonds until maturity. Very few families have actual plans for cashing their bonds in the near future, and where such plans do exist they are found to be related to feelings of economic insecurity.

The thinking of the people in Buffalo about the pattern of their future savings is, for the most part, vague, and in many cases outright uncertainty is expressed. Anticipated changes in the savings pattern are found to be closely related to recent income changes. People who have had increases in income expect

to be able to increase their savings in the future, while those without such increases express uncertainty. Consistent with this is the positive relationship between a family's economic security and anticipated changes in its savings.

110 Lack of serious thought about future savings is further reflected in the general absence of plans to pay income taxes. Where plans exist, they tend to bear a positive relationship to size of income.

2. Spending Behavior

115 Despite the widespread increases in income in Buffalo, the spending of the families interviewed has been mostly quite conservative. Pratical spending -- that is, spending for necessary household furnishings and for medical care -- dominates the spending picture.

120 The nature of the articles purchased is related to family income, with low-income families buying clothes and winter articles while middle-income families purchased durable goods and housefurnishings.

125 In general, plans for spending in the immediate future reflect the same characteristics reported by those families with respect to their past purchases. About 40 percent of the Buffalo families, however, do not intend to make any unusual purchases in the future.

INTRODUCTION

This study attempts to describe the spending and saving behavior of 548 families living in Buffalo, New York, with the aim of supplying data that will be useful in analyzing the inflationary potential. It contains economic -- or "objective" -- materials as well as data on public attitudes and plans about saving and spending, and it explores in a limited way some of the relationships between factors in both levels of information.

Some of the questions for which answers were sought in the inquiry were these: In a community where economic activity had been stimulated greatly because of war production, precisely how many families have experienced increases in income? How do these income increases vary among income groups? How many families have unchanged or decreased incomes? What relationships are discernible between changes in income and the extent and forms of saving, plans for future savings and payment of taxes, types of spending and plans for future spending? Upon what factors does the purchase of war bonds depend? How do these aspects of economic behavior vary with occupation, type of work, feeling of economic security or insecurity?

To answer these and other questions, interviews were conducted in Buffalo between October 17 and November 7 with 548 persons to obtain information on the economic characteristics of the families and on their own attitudes and plans about saving and spending. The interviewing was done by three professional interviewers of the Division of Program Surveys and a staff of 15 temporary interviewers who were given a brief, but intensive training program, and whose work received regular supervision and criticism.*

Interviewers were guided in their work by a detailed schedule of questions covering total family income, various forms of savings, and economic attitudes and plans.** The economic data were reported in appropriate spaces provided in the schedule. Responses to other questions were recorded in narrative form, the interviewers striving to report these answers in verbatim fashion within practical limitations. The average duration of the interviews was approximately one hour.

* The majority of the temporary interviewers had extensive experience with the economic surveys employed intermittently by various governmental agencies. Polish-speaking interviewers covered those areas of the city in which the Polish population is concentrated. That 92 percent of those interviewed expressed their willingness to be interviewed again at a later date indicates good relationships were established in general, in the interviewing situation.

** The interviewing schedule is reproduced as Appendix A of this report.

The sample of persons to be interviewed was selected from an enumeration of the socio-economic characteristics of the occupants of more than 3500 dwelling units in 51 blocks scattered geographically within the corporate limits of the city. The sample was stratified by the income of the head of the household, size of the household and the number of adult males and females in the household.*

THE BACKGROUND FOR THIS STUDY

1. Buffalo: A Center of War Production

This investigation was carried out in Buffalo, New York, because the city represents a community where the pace of economic activity has been stepped up strikingly under the stimulus of war production.

Industrial activity and workers' wages have increased substantially in Buffalo. Between September 1941 and 1942 an index of factory employment had risen from 187 to 208, an 11 percent increase. In the same period the average weekly earnings of factory employees increased from \$38.14 to \$47.76, a change of 25 percent. The volume of factory payrolls increased even more sharply (by 40 percent) from 263 to 367. There has been an increase in the cost of living index during the year from 110.9 to 120.5, a change of 9 percent.*

The effects of expanded industrial activity and payrolls are reflected in many other indexes of economic activity: Department store sales have increased, there are more savings accounts in Buffalo banks, balances of deposits over drafts are larger, balances to the credit of postal-savings depositors are larger, net cash disbursed by the Buffalo branch of the Federal Reserve Bank to Buffalo banks has increased sharply. These facts fit in the pattern of a city in which incomes are larger, and where, accordingly, the spending and saving channels into which income flows show a much greater volume of activity.

2. A Cross-Section of Buffalo People: The Sample of 548 Families

Among the persons interviewed for this study there were 301 females (55 percent) and 201 males (45 percent). The bulk of the respondents - 66 percent - were in the broad age group of 20-49 years, usually considered to be the "economically productive" years. Thirty-one percent were 50 years old or over. Only 2 percent were less than 20 years of age. Respondents' ages occur in the following proportions:

* A fuller discussion of the sampling procedure and practical problems related to control of the sample will be found in Appendix B.

* These indexes - except that of the cost of living - are from The Industrial Bulletin, New York, State Department of Labor. The cost of living index is from the Bureau of Labor Statistics. In all indexes 1935-1939 = 100.

35 - 39 years	11%
40 - 44 years	13
45 - 49 years	26
50 - 54 years	18
55 - 59 years	17
60 - 64 years	7
65 - 69 years	5
70+ years	
Not ascertainable	$\frac{1}{100\%}$

Ninety-five percent of those interviewed were white and the remainder were Negro persons.

Most of the families (85 percent) have resided in Buffalo more than 5 years. Only 3 percent were in the city less than one year, and 7 percent have lived there from one to five years.*

The occupations of the heads of the families are distributed in this way:

Professional, semi-professional workers	5%
Executives	1
Self-employed craftsmen, small businessmen	4
Clerical workers, sales people	13
Skilled workers	28
Semi-skilled workers	27
Laborers	7
Domestic, commercial service workers	5
Retired, pensions, allowances	7
Unemployed, not ascertainable	$\frac{3}{100\%}$

A majority (55 percent) of the heads of these families were in the skilled and semi-skilled categories, which would be expected in view of the character of Buffalo's key industries.** Occupations

* This information was not ascertainable for the remaining 5 percent.

** The "paucity" of laborers and the predominance of skilled and semi-skilled workers probably also reflects the tendency of workers to downgrade themselves when labeling their jobs or describing their duties to interviewers. The occupational grouping presented here follows Alba M. Edwards' Alphabetical Index of Occupations by Industries and Socio-Economic Groups, Washington, D. C.: Bureau of the Census, United States Department of Commerce, 1937.

are consolidated into a six-fold grouping when they are used in analyzing other data in this report.*

Among the family heads about four in every ten (40 percent) have held their present employment more than five years. Slightly more than one-fifth (22 percent) have held on their jobs less than a year. The distribution of lengths of time employed is as follows:

Six months or less	1%
Less than 1 year	22
One year to five years	33
More than five years	44
Not ascertainable	$\frac{1}{100\%}$

It is evident that only a small proportion of family heads have recently changed their jobs. Recent job changes are more frequent among laborers, service workers, semi-skilled and skilled workers than among other occupational classes. Longer durations of employment are proportionately more frequent among clerical workers and in the professional-business group.

Forty-seven percent of the heads of families are employed in war work and 43 percent are in jobs not connected directly with production.** War workers are concentrated mainly in the skilled and semi-skilled categories, where two out of three are employed in war production. In the clerical and professional-business classes about one person in three has a job in war work. War workers are newer to their jobs, as one would expect. One-third of the war workers have been at their present jobs less than a year, but this is true of only 14 percent of the non-war workers.

* Professional and semi-professional workers, executives, self-employed craftsmen, and small businessmen are combined into what is called the "professional-business" class. Laborers and service workers are grouped and denoted as "unskilled". Skilled, semi-skilled, and clerical workers are retained as separate groups. All others are subsumed under the title "not in labor force", meaning families without members in the labor force. "War workers" were defined as persons employed in any firm operating on war contracts.

** This information was not obtained for the other ten percent.

Forty-nine percent of the families included in this inquiry are one- and two-person families. The following is the distribution of families by family-size:

1-person families	18%
2-person families	31
3-person families	22
4-person families	15
5-person families and over	<u>14</u>
	100%

The disproportionate number of small families in the sample is a consequence of the definition of "family" employed here.* Family is synonymous with "spending-saving unit" or "economic unit"; it is not identical with household or with the family defined in terms of kinship.

The criterion for discriminating spending-saving units is control over an income. A son living in a boarding relationship to a kinship family, and controlling the spending of that portion of his income not going for board, is considered a one-person family. A son who pools his income with that of another person (or persons) in a kinship family, and receives an allowance of some sort, is considered part of a larger spending-saving unit.**

3. Changes in Distribution of Income

The principal source of income of most Buffalo families is a wage or a salary. Fully 87 percent of the 548 families in this sample depend primarily on wages or salaries for their living. Four percent depend on rents and/or income from boarders, 5 percent live on pensions and income from insurance or savings, and another 2 percent derive their incomes from business or interest on investment.***

* Persons serving in the armed forces are not reckoned as members of the economic unit (family).

** There were some cases involving pooled incomes. The task of discerning the number of spending-saving units in a household was the interviewers'. This judgment was usually made when information on income was obtained. Problems of sample control arising when households contain more than one spending-saving unit are considered in the discussion on sampling in Appendix B.

*** One percent is on relief and this information was not obtained for the remaining 1 percent.

Income, as the term is used in this investigation, refers to total monetary family income per month. Income in kind is excluded.

The distributions of monthly family incomes show one salient consequence of the economic stimulation of war production. In September, 1941, 24 percent of these families had monthly incomes under \$84 per month. Twenty percent had such income in March, 1942, and the corresponding value was 15 percent in September (Table 1).* For the same three months incomes of \$250 and more constituted 13 percent 15 percent, and 21 percent, respectively of all family incomes. The mean monthly income was \$146.78 in September, 1941, and it increased to \$189.38 a year later. This is an increase of 29 percent. The changing distribution of income is shown even more emphatically in the change in median income from \$140 to \$189 per month (Table 1).

Not all families have experienced increases in income, however; 12 percent have decreased incomes and another 31 percent met with no changes.**

The proportions of families with various increases in income are as follows:

Increase of 1 to 19%	22%
Increase of 20 to 39%	14
Increase of 40 to 99%	11
Increase of 100% and over	10

* Tables appear in Appendix D.

** The changed and unchanged incomes discussed here, and at other points in the report, refer to total monthly family income in September, 1942, compared to March, 1942.

The pattern of income change among these 548 families differs substantially from that found in an earlier study of 178 Buffalo families interviewed in July.* Static incomes are fewer and increased and decreased income both are more frequent:

Changes in Income		
	December, 1941 to June, 1942	March, 1942 to September, 1942
Income has increased	44%	57%
Income has not changed	50	51
Income has decreased	6	12
	100%	100%
	N=178	N=548

The low-income group (\$85 or less per month)** experienced more reductions of income (23 percent) than any other income class (Table 2). Unchanged incomes are also concentrated among low income families (forty-two percent) and in the lower-middle group (thirty-six percent). High proportionate income increases are found most frequently in the high income group, where 41 percent of the families had increases of 40 percent or more in the six-month period.

* Preliminary Report, Division of Program Surveys, Income and Savings in Buffalo, August 27, 1942.

** This refers to total family income in September, 1942, which is used throughout the report as the income benchmark in the form of a five-fold classification: Low income (\$85 or less per month), lower-middle (\$86 to \$160), middle (\$161 to \$340), upper-middle (260 to \$335), and high income (334 and over).

Occupational analysis of relative income changes also shows the impact of the war economy on Buffalo. Among professional workers and businessmen more reduced incomes are found, for 18 percent of this class have experienced reductions (Table 3). Static incomes are also more frequent in the professional-business group (35 percent), although they are even more evident among clerical workers (40 percent) and those families who have no members in the labor force (62 percent).

Relatively higher additions to income are more frequent among the families of semi-skilled and skilled workers. Almost one out of every four semi-skilled persons (24 percent) and one skilled worker in five has an income increased by 40 percent or more (Table 3).*

Differences among war workers, non-war workers, and those not in the labor force with respect to changes in income parallel occupational differences, as would be anticipated -- since war workers are predominantly skilled and semi-skilled workers.

The important role of skilled workers in Buffalo's war production is reflected in an occupational distribution of incomes. Thus 36 percent of the skilled workers had upper-middle and high incomes as compared with 31 percent of the professional-business group (Table 4). At the other end of the scale, four out of ten of the professional-business families have monthly incomes of \$165 or less, but only 17 percent of skilled workers' incomes fall into this income sector.** Low incomes are more evident -- as would be expected -- among unskilled workers (26 percent) and families not represented in the labor force (69 percent). It is surprising, however, that 15 percent of the professional-business families have low incomes in contrast with nine percent of the clerical workers and five percent of the semi-skilled. This may be attributed to some up-grading of actual occupations plus the presence of a few small shopkeepers properly classed as businessmen despite low monetary incomes.

* Thirty-seven percent of the unskilled enjoyed income increases of forty percent and more. This is probably a function of the low levels of their original incomes.

** Some of the social repercussions of changing income distributions in terms of the demand for wage control are described in Report Number 24, Division of Program Surveys, Public Responses to Economic Controls, September 8, 1942, pages 12-13.

Inter-occupational differences in income are thrown into sharper focus when war workers and others are considered separately. Practically eight families in ten (78 percent) having high incomes are those of war workers (Table 5). Seven out of ten families in the upper-middle bracket have heads who are employed in war industry. The low and lower-middle income groups, on the other hand, are made up preponderantly of non-war workers and those not in the labor force.

Size of family or spending-saving unit is associated positively with family income. The proportion of families with high and upper-middle incomes increases regularly with increasing family size from 3 percent of the one-person families to 38 percent of the economic units composed of five persons or more (Table 6). This relationship - apart from its obvious dependence on the age factor - stems from circumstances of multiple wage earning where incomes are pooled.

4. Some Attitudinal Dimensions

A good many people in Buffalo are satisfied or more than satisfied with their present incomes. One person out of every four interviewed feels that his needs would be met even with an income less than his present one. Another 22 percent are satisfied that their needs are met with present incomes. Attitudes toward incomes are distributed in this fashion:

Present needs would be satisfied with less	25%
Satisfied with present income (needs are met)	22
Qualifies satisfaction (needs are met - but would like more)	21
Dissatisfaction (needs more)	25
Not ascertainable	7
	100%

There is a good correlation between income and satisfaction with income, which is to be expected of course; but change in income is related to income satisfaction only in a rough and somewhat irregular fashion. This suggests that absolute level of income is a more important determinant of income satisfaction than recent shifts in income.

A plurality of respondents (40 percent) feel they have been affected adversely by the war. About one-quarter (27 percent) say they have not experienced any change in financial condition, and 28 percent evaluate the effect of the war as a favorable change.*

Attitudes toward the effect of the war on familial economic conditions correlate pretty well with income level and recent changes in income. More people at higher income levels say the war's effect has been favorable, and those whose incomes have increased hold this point of view more often than respondents with static or decreased incomes. War workers, of course, see the economic impact of the war as favorable to a much greater extent than non-war workers or those not in the labor force. In the latter two groups more than half say they have been affected unfavorably.

These contrasting attitudes are typified in the comments of two respondents:

A 27-year-old woman war worker, who contributes to the support of her mother, says:

"I've got a better job. I make more money here than I did in the grocery store and I like the work much better. It's more interesting. I only got this job last week. I was out of work for 3 weeks - about a month - but I didn't care because I was anxious to get into a defense plant where I could make more money. That's why I quit at the grocery store. I am working at Curtiss.

"I will get along better now as I am going to be able to save \$10 a week. I am very anxious to save; I never had a bank account. I am going to start one with my first week's pay. I got along on what I used to earn, so I figure I will use the same amount to get along on now and then I will save the rest."

A janitor employed by the county welfare department is 62 years old and supports himself and his wife on a salary of \$110 monthly. He says:

"I've been with the county welfare department 11 years. This war and higher prices about killed us. We are just about existing. We really are on the edge of living. We don't know from week to week how it's going to turn out. I may lose my job - the welfare is cutting down lots of places. We have very little left after the rent and gas are paid."

Few people in Buffalo seem to be oriented definitely in the direction of spending. A staff rating on the spending-saving scale

* This information was obtained from the 1945 Survey of the City of Buffalo.

shows that only 16 percent were classified as spenders.* The 548 economic units composing this sample were rated in this way on spending saving orientation:

Oriented toward saving	42%
Equal interest in saving and spending	20
Oriented toward spending	18
Low income families	14
Not ascertainable	0
	100%

Primary orientation toward saving or spending transcends income levels, and exhibits no correlation with recent changes in income.

About two persons out of three (65 percent) were rated as feeling secure about their immediate economic future, while 34 percent were judged to be insecure.** Feelings of insecurity hinge principally on the drafting of wage earners and fears of income reductions. The threat of drastic shortages and shaky job or business situations also are factors contributing to insecurity, although they occur less frequently.

It is noteworthy that there is comparatively little concern over impending taxes. Complaints about rising living costs are almost universal. A demand for widening the scope of rationing is very strong as a result of the extreme coffee shortage Buffalo experienced.

There is no direct relationship between income and subjective economic security and insecurity. There are fewer insecure people (32 percent) in the low-income group than among those with high incomes (41 percent) (Table 7). This is attributable

* The criteria used for this rating are given in Appendix B. See also the illustrative interviews in Appendix E.

** The criteria used for this rating are given in Appendix B. It should be observed that security or insecurity thus rated refers to the period of the duration of the war only, and excludes these attitudes toward the postwar period.

to the presence of more than one wage earner among the economic units of five persons or more in the high income class. The prospect of reduced incomes faces these families because secondary wage earners are likely to be drafted. There is possibly, in addition, a unique sort of security in part of the low-income group which results from having lived on low incomes over a long period of time and inurement to that state of affairs. Concern with their economic futures seems least prevalent among respondents in the middle (\$187-\$248) and upper middle (\$250-\$333) brackets, where less than three persons in ten are insecure.

Feelings of economic insecurity are most frequent among unskilled workers and professional-business people; almost half of these groups are rated insecure (Table 8). About one person in three of the skilled and semi-skilled are insecure, and only 21 percent of the clerical workers are so rated. The high degree of security in the clerical class reflects the longer durations of present employment in this group, but that type of security associated with adjustment to low income, and resultant low level of economic aspiration, is probably an important factor.

War workers, as the occupational differences would indicate, are somewhat more secure than persons not employed in war production or out of the labor force.

Few Buffalo people anticipate a reduction in their standards of living. Only 16 percent are aware of this possibility, according to a staff analysts' rating, suggesting that, among the people with a realistic view of shortages, not all have broadened their awareness into the idea of a material downward change in mode of living. About two-thirds of those interviewed (63 percent) reveal no awareness of potential changes (in either direction) in their patterns of consuming. A small group (seven percent) manages to see "a more abundant life" even in light of recent economic changes.*

The overall picture of Buffalo that emerges from the data described here is that of a community with a considerably changed economic structure. For a large majority (57 percent) of Buffalo families, wages are the principal source of income, and since March, wages have increased for 57 percent of these families. War workers, who fall chiefly in the skilled and semi-skilled occupational groups have been most favorably affected by the war economy. Nearly half

* The rating was not possible for 45 percent.

of the families in the sample are satisfied with their present incomes, and one-fourth would even be satisfied with smaller incomes.

The extensive wage increases have not, however, resulted in wild spending. On the contrary, interviewers were impressed by the careful buying which dominates the spending habits of Buffalo families.

SOCIO-ECONOMIC FACTORS:
RELATED TO SAVINGS AND SAVINGS PLANS *

1. General Recent Savings Behavior

The 548 families described in this study saved a net total of \$17,026 in March, or about \$31 on the average. Net total savings increased in September to \$22,248, or approximately \$41 per family. This increase in average savings -- 31 percent -- is much greater than the corresponding increase in average income (18 percent) over the same period.

The number of families with savings, no savings, or deficits changed only slightly between March and September:

<u>Families with</u>	<u>March</u>	<u>September</u>
Savings	88%	88%
No savings	6	5
Deficits	7	9
	<u>100%</u>	<u>100%</u>

A rating on the spending-saving orientation of families indicates that among those saving (40 percent) the desire for future security is the concrete value which is most often given (by 15 percent) as the motive for saving. Eight percent are oriented toward saving primarily because they wish to pay off accumulated bills and debts. Patriotic impulses to save characterize only two percent. Another 15 percent prefer to save, but do not indicate any specific purposes or values as reasons for their behavior (Table 10).

The families rated as spenders and savers do not differ with respect to feelings of security about the economic future; approximately equal proportions of the two groups were judged

* Savings (or deficits) for families were determined by the disposition of family income in the forms of savings covered by the savings schedule, where any new obligations also were recorded. Forms of savings included all the following forms of spending: savings accounts, increases in checking deposits and cash on hand, insurance, installment payments, payment of old bills and debts, mortgage payments, war bonds, other securities, taxes, dues, and allowances. "Deficit" is any negative change in savings-balance over the specified period.

to be secure and not secure. The spending or saving propensities of families also are not correlated with recent increases or decreases in income. Families oriented toward spending or saving cannot be differentiated according to their views of the effect of the war economy on their economic positions. Spending and saving seem to characterize those affected favorably and unfavorably by the war to about the same degree. Tendencies toward saving and spending therefore appear to be relatively stable in any family -- though they are of course affected and implemented by such opportunities as the payroll deduction plan, and savings may shift from one type to another.

2. Specific Types of Saving

War bonds are the most popular form of savings of the voluntary type. More than seven families out of ten report some purchases of war bonds in September, and the average amount about \$22 (Table 11).^{*} In March somewhat less than four families out of ten were bond buyers, and the average expenditure was slightly over \$16.

Savings in the form of life insurance payments are important with respect to both the number of families and the amounts involved. In March and September about ten families out of three put money into life insurance and the average amount was more than \$10 each month (Table 11).

Savings based on payroll deductions are widest for the largest number of participants -- three families out of four -- although the value of such savings is relatively small, about \$4 per family each month, excluding deductions for war bonds (Table 11).

The flow of funds to and out of savings accounts resulted in a negative balance in each month -- that is, more funds were withdrawn than were deposited. In September the average was about -- \$18 and in March -- \$10. Cash savings at home ("Cash on Hand") also were subject to heavy withdrawals in Buffalo during these months -- about \$57 per family in September and \$11 per family in March. Contrary to expectations, the withdrawal of funds from both these sources is not confined to any particular income sector, but is found at all economic levels. Deficits in these forms of saving in some cases is a result of the conversion of liquid accumulations into war bonds and other forms of investment.

Tax payments in March represented a substantial contribution to savings. In that month, three families out of ten -- 170 families -- paid almost \$800 in taxes, an average of about \$35 per family for

^{*} Averages referred to in this part of the report, appearing in Table 11, are based on the number of families with "active accounts" -- increases or decreases -- in the various types of saving.

those making such payments. One family in ten paid some taxes in September when the average was \$24 (Table 11).

3. Changes in Pattern of Savings Between March and September

Perhaps the outstanding feature of the September savings picture compared with that of March is the general increase in the number of families whose incomes are active in the specific forms of saving.^{*} That is, families are using more different types of savings.

It is a commonplace that savings increase as income does, and this applies to the present sample of 546 Buffalo families. Thus in September, mean changes in total savings ranged from a deficit of \$19.37 on the average for families with incomes under \$42 to an average increase in savings of \$139.62 among those having \$334 incomes (or more) per month (Table 12). A similar pattern is evident for March, although average changes in savings are smaller at most income levels.

4. Amount Saved as Related to Various Objective Factors

The correlation between income and savings is also exhibited when the proportion of income in savings is related to income. While five percent of the low-income group somehow save 40 percent or more of their incomes, more than a third (36 percent) of the high-income families manage to do this (Table 13).^{**} The savers in the medium range -- 20 percent to 35 percent -- are drawn in proportionately greater numbers from the middle and upper-middle income levels. The low-income group, of course, has the highest proportion of families with deficits. People with lower-middle incomes (\$84 to \$100) tend to be those who save the lower proportions of their incomes (0 to 19 percent).

Occupational analysis of the percentages of incomes in savings parallels the situation as shown by income level. Families with deficits, however, are not concentrated in any particular occupational class, and it is interesting to note that only five percent of the unskilled workers are going into debt (Table 14). Unskilled workers and families without members in the labor force, when they do save, conserve proportionately less of their incomes. Skilled and semi-skilled workers are found more often in the medium savings

^{*} A more detailed set of tables is available showing the relationship of savings changes to income levels and recent changes in income. These tables are not reproduced in Appendix D.

^{**} Proportion of income in savings pertains to September income and savings.

range. The professional, business and clerical families scatter more than other occupational groups through the three savings ranges.

Changes in savings between March and September are quite common; 465 families (86 percent) are not saving the same amounts they put away in March. Savings decreased in 25 percent of the cases and increased in 56 percent of the families. *

5. Changes in Proportion of Families who are Saving

Relative changes in savings parallel changes in income. Among families with decreased incomes almost half (48 percent) are saving less; 28 percent of those with unchanged incomes have decreased their savings (Table 15).** Three families in ten of those in the lower range of income increases (1 percent to 39 percent) are found to be saving less, but only 16 percent of the group with higher increases of income (40 percent or over) reveal less savings. Almost half (49 percent) of the families in the upper range of increased incomes have September savings which constitute 100 percent or more of their March savings.

Semi-skilled and unskilled workers have increased their savings more than any other occupational groups. These are the groups which have been more favorably affected by the war and have experienced more income increases in the upper range of proportionate increases.

Families without members in the labor force, in particular, have not changed their pattern of savings. Many of these families live within rigidly restricted economic boundaries and are oriented toward a minimal set of human needs. Apart from their sharing the universal apprehension concerning the rising cost of living, the narrow, personal worlds of such families have not been affected markedly by the war economy.

6. The Purchase of War Bonds

More than seven families in ten in Buffalo report some purchase of war bonds (or stamps) in September. Analysis of the proportion of September income invested in war bonds shows

* There were no savings or changes in savings in the remaining 15 percent of the families.

** Changes in savings refer to differences between net total family savings in March and September.

that apart from the fact that low income families did little buying, there is no correlation between income level and proportionate investment in war bonds. In fact, fewer people in the high and upper-middle groups put 10 percent or more of their incomes in war bonds (Table 16).* Eighty-four percent of the low income families report no purchases in September.

Among occupational classes the unskilled workers and families without members in the labor force have proportionately fewer bond investors, a fact which reflects, fundamentally, the income structure as it relates to occupation. More skilled, semi-skilled, and clerical workers than professional-business people are putting 10 percent of their incomes in war bonds (Table 17). One-third of the professional-business class were non-purchasers in September, a substantially larger group than is found among skilled workers (15 percent) and semi-skilled workers (17 percent).

War workers, of course, tend in greater numbers than others to invest substantially in war bonds. The factor of higher income is important in this connection, but war workers also are brought into contact with payroll deduction plans. Certain social pressures leading toward war bond purchases are apt to be stronger in the milieu of war production plants.**

A few principal reasons are given for the purchase of war bonds, including the ideas that bond purchases are an easy way to save, that war bonds are a defense against future insecurities, and that it is patriotic to invest in war bonds. Very few people say that war bond purchases are a way of diverting spending power as part of a program against inflation.

The comment of a middle-aged woman is typical of the widely prevalent attitude that war bonds constitute a convenient method for saving regularly:

"I would put any extra money in bonds. I just finished buying two. I bought them by means of fifty-cent stamps. It's surprising how fast one can own a bond! It's really a swell way of saving. I have never been able to save before this. I am all for it."

* See Preliminary Report, Division of Program Surveys, Income and Savings in Buffalo, August 22, 1942, p. 7. The earlier study found a somewhat different situation.

** See Special Report Number 12, Division of Program Surveys, The Buying of War Bonds and Stamps, June 3, 1942.

The statement of a semi-skilled war worker represents the sentiments of a large segment of the population for whom war bonds are a safeguard against expected economic dislocation:

"Well, for myself and those I've talked to, we are greatly concerned with what will happen five years from now. So we're putting every cent we can in Defense bonds because it's the only thing that will be of value after the war when we have hard times. They are a good investment."

A steam-fitter, whose family income has more than doubled since March, expresses the patriotic reason for buying war bonds when asked whether he would rather spend or save his money:

"It's rather put it in bonds. That way you're saving for yourself and still helping keep the old U. S. on the map. We have to realize that we're the men behind the guns."

An understanding of the economic function of war bond buying -- which is known to so few people -- is expressed in this response from the foreman of a flour mill:

"In our case we'll put out a little on what enjoyment and entertainment there was in order to keep on buying bonds. As I get it, the idea today, as they give it to us, is not to buy bonds out of your savings, but to save from your current expenses to buy them and to cut-down on your buying of other things."

Most people who have invested in war bonds have no immediate plans for cashing them in. Among the 407 families who made purchases of war bonds in either September or March, 45 percent plan to hold their bonds until maturity. The representative of about one family in five (21 percent) expresses the feeling that in emergencies they will fall back on their bonds, even though they prefer not to convert their bonds before maturity. Only 10 percent have plans to cash bonds whenever necessary with no reference to maturity, and 5 percent say they will convert their bonds "when the war ends."

Possible reasons for converting bonds before maturity are not mentioned more often by families at any specific income level.

* This information was not ascertained for the remaining 19 percent.

although there is a slight tendency for more people with high and middle incomes to state unequivocally that they will hold their bonds until maturity. The various occupational classes have approximately equal proportions of families noting potential causes for cashing bonds before they mature.

People who are secure about their economic future plan in proportionally larger numbers to hold their bonds for ten years. Thus 50 percent of the respondents who are rated secure and only 37 percent of the insecure group say they will hold their bonds until maturity. This difference reflects chiefly the uncertainty of people classified as insecure, of whom more than one-quarter (26 percent) gave answers that could not be interpreted meaningfully (Table 18).

The relationship between security and plans for holding war bonds is also indicated by the fact that plans to retain bonds until maturity are found most frequently among people who are rated as saving for future security. Congruent with this, families who have suffered decreased incomes since March are more uncertain about their plans for holding war bonds than those families whose incomes have not changed or have increased.

V. Future Savings Behavior

Few families in Buffalo show any realistic preparation for meeting their tax payments, even though there is a general, vague awareness that taxes will increase sharply next year. Only one family out of three has made a definite plan to pay its income taxes next year. Fourteen percent have made only tentative plans, while 41 percent have not thought about the matter at all or do not anticipate income taxes.*

A simple acceptance of the advent of future high taxes is frequently expressed:

"I'll worry about that when it comes. It sure is going to be high, so I guess I'll be paying on the installment plan."

Genuine anxiety is expressed by relatively few. The comment of a single man, 55 years old, earning \$187 monthly, is representative of actual concern:

"I'm worried about the new taxes. I must start thinking

* This information was not ascertained for the remaining 12 percent.

about them. I'll have about \$300 taxes to pay next year. I don't know how I am going to do it."

Families with specific plans for paying their income taxes next year are concentrated for the most part in the higher income brackets; the people who are not planning for tax payments because they do not anticipate the application of the income tax to themselves are found predominantly in the lower income groups. Recent changes in income apparently do not influence families to formulate plans for paying taxes so much as the absolute levels of family income. Previous experience with income taxes seems to be the crucial factor determining the formation of plans for tax payments. Preparation for income taxes among occupational classes is parallel to that among income levels. War workers, similarly, seem to be anticipating their future income taxes more frequently than non-war workers and families without representatives in the labor force.

Changes in the pattern of family savings are related to recent changes in income rather than income level. Among families with income increases in the higher range, for example, 27 percent plan to save more (Table 19). Only 17 percent of those who have experienced more moderate income increases are optimistic in this way. Among families with unchanged and decreased income, 15 percent and 8 percent, respectively, say they will save more in the future. Plans for continuing the same pattern of saving are expressed most frequently (57 percent) by respondents in families with static incomes. The widespread uncertainty among families who have suffered decreased income is indicated by the 28 percent who express the feeling that future savings are so dependent on conditional or unknown factors that they cannot predict their future behavior.

Plans for saving more in the future occur more frequently among war workers than others. Families not represented in the labor force plan more frequently to save in the same way in the future. War workers are more uncertain than other groups about their future savings behavior.

Feelings of economic security are associated in a positive fashion with plans to increase savings in the future, which would be expected. One family out of five in the secure group will save more in the future, but only 11 percent of the insecure families have such hopes (Table 20). Approximately equal proportions in these two groups say they will continue

to save in the same way as they have in the past. More conditional responses ("it depends . . .") are elicited from those who feel insecure about the immediate economic future.

Age seems to be the only other characteristic that differentiates people in their future savings plans. Those families who indicated their intention to save less or who are uncertain about the extent of their future savings are largely families where the person interviewed is young (15-24 years). The plan to save more seems to be more characteristic of the middle-age range (25-59 years), and people over 60 tend to express the view that they will continue their present pattern of savings.

SOME ASPECTS OF SPENDING BEHAVIOR

I. The Lack of Emphasis on Spending

There is surprisingly little emphasis placed on unusual spending by the 646 Buffalo families who are described in this study. Such spending as is prevalent seems to be directed toward securing necessary professional services (dental and medical care) and preparing homes for the future.* Twenty-three percent of the families have been buying professional services in the recent past (Table 21). Almost two families out of every five (38 percent) report the buying of major consumers' goods and household furnishings and equipment. Fully 30 percent report no unusual purchases in the last six months. Luxury expenditures are mentioned by only five percent of the respondents.

Increasing expenditures are reported by an overwhelming proportion of families, but only 11 percent say they are buying more goods (Table 22). Seventy-five percent report increased spending while obtaining the same physical quantities of goods. Food is the outstanding item mentioned in this connection. One family in ten apparently is not spending more money on anything.

Increased expenditure need not always, of course, mean increased consumption. We do not know to what extent people may be seeking better quality of goods or may find it necessary to pay more to obtain the quality to which they are used. Even commodity-price indices would not in themselves reveal such possible tendencies.

The amount of emphasis on spending is reflected by the fact that 41 percent are not planning any unusual purchases in the next six months. Of the 16 percent who were rated as spenders, it will be noted, 13 percent were classified as "practical spenders", 3 percent were doing rehabilitation spending and only 2 percent were considered "spend-thrifty" (Table 10).^{**}

Recreational and luxury items rank first as the sorts of things people claim to be doing without or spending less on. Food and

* Some pious responses by those interviewed may, of course, account for part of the emphasis on saving rather than spending.

** Practical spenders are defined as those buying durable goods or housefurnishings to raise their standard of living or to maintain the existing standard of living, if these items were not bought in excess or without thought. Rehabilitation spenders include families whose purchases express an attempt to regain any previously-held standard of living. Persons making non-practical or absolutely unnecessary purchases are rated as spendthrifts.

clothing are also mentioned prominently as items families are spending less on (Table 23). It is notable that one-quarter of the families say they are not spending less on anything at all because of the current inflationary prices.

Just spending on it reported seems to depend to a large extent on income level. Low-income families, for example, report more buying of clothing and winter articles (Table 24). This would be anticipated, of course, in the light of the season of the year and the fact that clothing purchases in the lower brackets follow seasonal contingencies fairly closely. The purchase of major consumers' goods is concentrated in the high and upper-middle income groups, where 35 percent and 23 percent, respectively, made such purchases. Expenditures for professional services seem to be particularly characteristic of the three middle-income groups. It is notable that repayment of loans and debts is an important form of spending behavior, primarily for the high-income group (mentioned by 19 percent).

There is no consistent relationship between recent changes in income and unusual purchases made in the last six months. Approximately equal proportions of the families with increased and decreased incomes report no buying at all. There is some small indication that people with increased incomes have more frequently purchased major consumers' goods.

Occupational differences in spending behavior are congruent with the relationship between shopping and income level described above. Unskilled workers more frequently say they have been spending money for clothing and winter articles. Skilled workers reported more buying of durable items more often than other occupational groups. Expenditures for professional services also characterize the skilled and semi-skilled groups.

2. Future Spending Behavior

Plans for spending in the immediate future by Buffalo families reflect, in general, some of the same characteristics they report concerning their past spending behavior (Table 25). Low income families income more frequently than others to buy clothing and winter articles in the next six months. Intentions to make loans and debts* are proportionately more

* Repayment of loans and debts is, of course, a form of saving, but as it is treated in all portions of this report but especially for our respondents it is a form of spending, since -- like payment of taxes -- it is a disposal of money without expectation of return.

important among high-income families, just as the repayment of loans was more characteristic of this group's previous spending activities. It is rather interesting to observe that plans for spending for professional services are mentioned much less frequently than actual expenditures for this purpose in the past.

The striking fact which emerges from analyzing answers to a question on what unusual things people expect to buy in the next six months is that about forty percent of Buffalo families do not intend to buy anything unusual in the future.

Plans for future purchases are not affected by recent changes in income. Very similar intentions to buy certain sorts of goods or not to buy at all are voiced by respondents with decreased, unchanged and increased incomes.

Occupational analysis of plans for spending in the near future indicates that inter-occupational differences parallel those differences associated with income levels. Unskilled workers mention plans to buy clothes and winter articles more frequently than other groups (Table 26). Intentions to pay loans and debts occur more frequently in the professional-business group. Major consumers' goods and household furnishings will be sought by more skilled and semi-skilled workers, according to their present plans. The absence of spending intentions is most marked among families without members in the labor force, where 80 percent thus describe their outlook.

There is apparently a tendency for unskilled workers to plan to purchase the sorts of things which the semi-skilled report having purchased recently. Semi-skilled workers in turn, apparently intend to buy items of the type that skilled workers say they have bought recently.

Money released for spending through the consumption of installment purchases will be used for spending and saving in approximately equal volumes. Respondents with higher incomes say more frequently than those in the lower brackets that they will direct such funds into savings.

PAGE SHEET

Interviewer _____ No. _____ Date _____ 1942 Duration _____

Buffalo, N. Y. Enumeration Card: Block No. _____ Unit No. _____

Interviewee's Sex _____ Marital Status _____ Color _____

Home Address _____

Head-of-Family's Place of Work _____ Defense
Non-defense

Length of Family's Residence in Buffalo _____

Interviewee's Household

List as "Inusband", "Wife", "Son", "Daughter", etc., all members of the household. Check the interviewees. Indicate clearly any member in the Armed Services.

Member	Age	Employment	How long so employed?

Secondary Members

Willing to be re-interviewed? Yes No

Appendix A
INTERVIEW SCHEDULE

1. Has the war been making any changes in the way your family is getting along financially?
2. What things are you spending more on now than you were last March?
3. What things are you spending less on than you were last March?
4. Do you think there will be fewer things that can be bought in the stores from now on?
5. (If further shortages or rationings are predicted) How bad do you expect shortages will be? In what things?
6. In the next few months, what changes do you think the war will make in the way your family gets along financially?
7. The way things are today, would most people like yourself rather use their money to buy things or would they rather put it away?
8. About how much money a month would you want to meet your present needs?
9. What unusual things have you spent money for in the last six months?
10. What unusual things do you expect to spend money for in the next few months?
11. What was your family income in September? Last March? A year ago September? (Fill in INCOME SCHEDULE, questioning for all sources of income.)
12. (If income has increased since March) What do you find you are doing with your extra income?
13. How much money did your family put into these sorts of saving (go through SAVINGS SCHEDULE) this September? Last March?
14. Do you expect to be saving about those same amounts in the next few months, or will there probably be changes?

INCOME SCHEDULE

SEPTEMBER 1942: List all earners (head, son, etc.) and sources* of income (wages, salary, fees, allowance, dividends, pension, etc.) for the month.

<u>Earners</u>	<u>Source</u>	<u>Amount</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total family income		

(Check and explain any unusual items)

MARCH 1942: List all earners and sources* of income.

<u>Earners</u>	<u>Source</u>	<u>Amount</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total family income		

(Check and explain any unusual items)

(An identical schedule was used to obtain information for September 1941)

* Possible sources include: Salaries, wages, commissions, fees, net income from business, interest on all investments, rent received, income from boarders, insurance, gifts, allowances, alimony, relief, sale of property or investments.

- 10 Are you making any plans now for paying your income tax next year? (It is suggested that you ask this after section M of the Savings Schedule.)
- 15 Is anyone in your family likely to change jobs, or be drafted in the next few months?
- 17 How is that likely to affect the way you are getting along financially?
- 18 We would like to talk again with the same people in a few months. Would you be willing to be interviewed again at that time?

A. SAVINGS ACCOUNT (including Christmas Club, Postal Savings account, tax saving club, savings deducted from payroll, etc.)

Obtain the change in balance in each month, and enter increase in balance as positive, decrease as negative.

September		March	
Positive	Negative	Positive	Negative
\$. .	\$. .	\$. .	\$. .

If either item was not typical for its period, check the item and explain it here:

B. CHECKING ACCOUNT

If the checking account was used to accumulate money saved during either month, enter the amount of accumulation as positive. If money previously saved was withdrawn during the month, enter the withdrawal as negative.

September		March	
Positive	Negative	Positive	Negative
\$. .	\$. .	\$. .	\$. .

If either item was not typical for its period, check the item and explain here:

C. CASH ON HAND (kept around the house, or in the pocket)

If money was saved as loose cash, enter the amount saved as positive. If cash previously so saved was spent, enter the amount spent as negative.

September		March	
Positive	Negative	Positive	Negative
\$. .	\$. .	\$. .	\$. .

If either item was not typical for its period, check the item and explain here:

D. LIFE INSURANCE (and annuities)

1. List below the total annual premium payments on each policy; and indicate whether the policy was in force in each month:

Premium per year In force in September? March?
\$

2. List below, for each month, the payments on insurance actually made:

September March
\$ \$

E. OTHER INSURANCE (except that purchased by direct deduction from pay check)

1. List below the total annual premium payments on each policy, and indicate whether policy was in force in each month:

Premium per year In force in September? March?

2. List below, for each month, the payments on insurance actually made:

September March

F. DEDUCTIONS FROM PAYCHECK AT SOURCE FOR BENEFITS (group and company insurance, retirement benefits, social security tax, etc.)

List all deductions:

Purpose of Deduction	Sept. Amount	Mar. Amount
_____	\$. .	\$. .
_____	\$. .	\$. .
_____	\$. .	\$. .
_____	\$. .	\$. .

Enter the total deduction in each month, excepting deductions for War Bonds (enter these under "War Bonds", below) and deductions which the employer deposits in a savings account (enter these under "Savings Accounts", above). No negative entries.

September-Positive March-Positive

\$. .	\$. .
--------	--------

G. INSTALLMENT PURCHASES

Enter the amount paid on installments in each month as positive. If, in either month, goods were purchased and installments contracted for, enter the purchase price (total to be paid in installments) as negative.

September		March	
Positive	Negative	Positive	Negative
\$. .	\$. .	\$. .	\$. .

When were installments now being paid contracted for?

When will these installments be paid up?

When they are paid up, what does interviewee intend to do with the money thus freed?

H. OVERDUE BILLS AND MONEY DEBTS

Enter payment of any overdue bill (overdue for three months or longer) as positive. Enter repayment of any money borrowed as positive. Enter any money borrowed as negative.

September		March	
Positive	Negative	Positive	Negative
\$. .	\$. .	\$. .	\$. .

When does the interviewee expect to complete payment of any money he now owes?

When it is repaid, what does he intend to do with the money thus freed?

I. MORTGAGES

Enter as positive payments on mortgages where

- a) payment was made more than one month in advance of the due date as a speeding-up of repayment of the loan
- b) payments made a month or more after they were due

Enter as negative any payment which came due but was not paid.

(Normal payments on mortgages are to be considered as rent, not savings)

September		March	
Positive	Negative	Positive	Negative
\$. .	\$. .	\$. .	\$. .

J. WAR BONDS AND STAMPS

Enter all purchases of War Bonds and Stamps as positive (purchase-price, not face-value). Enter amount received from bonds cashed in as negative.

September		March	
Positive	Negative	Positive	Negative
\$. .	\$. .	\$. .	\$. .

How much of these purchases were on payroll-allowment plan?

When does interviewee expect to cash in his bonds?

K. OTHER SECURITIES (non-war bonds, stocks, tax notes)

Enter all purchases as positive (purchase-price, not face value.) Enter all amounts received from sales as negative.

September		March	
Positive	Negative	Positive	Negative
\$. .	\$. .	\$. .	\$. .

How long does interviewee expect to hold these securities?

- L. OTHER INVESTMENTS (loans to others, investments in real property)
 Loans to others: Enter all money loaned as positive, all money received in repayment as negative.
 Investments in property: Enter all money paid toward purchase of land or building as positive, if the property is being bought as an investment, not for personal use.

September		March	
Positive	Negative	Positive	Negative
\$. .	\$. .	\$. .	\$. .

M. TAXES

Obtain the amounts paid per year for the following taxes:

Federal income tax	\$. .
State income tax	\$. .
Property taxes	\$. .

Enter below all payments of taxes actually made in either month:

September March

- N. DUES AND CONTRIBUTIONS to organizations (clubs, unions, charities, churches, schools, colleges, foundations, lodges, etc.). Enter the total paid in each month:

September Positive	March Positive
\$. .	\$. .

If either total includes items which ought to be pro-rated over the whole year, explain:

- O. GIFTS AND ALLOWANCES to persons (not for services returned)
 Enter all allowances, alimony, money paid in support of persons, and all money gifts.

September Positive	March Positive
\$. .	\$. .

Explain any exceptional items:

Appendix B

The following are descriptions of the criteria used by the analysts staff to rate a family's spending-saving orientation and its security. These ratings were made independently by two members of the analysts staff whose judgments were based on a reading of the entire interview. Decisions of the two staff members about each interview were compared and any differences were resolved by discussion between them with reference to the interview material.

ORIENTATION TO SAVING OR SPENDING

An objective rating based on judgment of the actual situation existing rather than on the psychological reaction or preference of the respondent. General orientation rather than amount saved was considered important. e.g., those trying to save on a very meager income are rated under Saving.

A. Saving (Includes what people have done and are planning.)

1. Can't tell why -- may include spending for necessities but saving a little. Also includes families who are saving their surplus income but who don't express any reasons for their saving.
2. Paying taxes, old bills, accumulated debts.
3. For future security
4. For patriotic reasons -- Includes persons who are saving through bonds because of patriotic appeal or those who are acting to prevent inflation.

- B. Equal Interest in Saving and Spending. Includes only those people with incomes above the subsistence level who are using part of their surplus for purchasing non-necessary goods and are saving the remainder. They are people who have no clear orientation toward either saving or spending.

C. Spending

1. Spendthriftly -- Includes persons making non-practical or absolutely unnecessary purchases. E.g., spree-spenders.

the sample units blocks area of the city
 The sample units blocks area of the city
 The sample units blocks area of the city
 The sample units blocks area of the city

ability units blocks area of the city
 ability units blocks area of the city
 ability units blocks area of the city

ON THE SUBJECT OF THE SAMPLE UNITS

of units blocks area of the city
 of units blocks area of the city
 of units blocks area of the city
 of units blocks area of the city

of units blocks area of the city
 of units blocks area of the city
 of units blocks area of the city

of units blocks area of the city
 of units blocks area of the city

THE SAMPLE UNITS AND SOME PROBLEMS OF SAMPLE DESIGN

of units blocks area of the city
 of units blocks area of the city
 of units blocks area of the city
 of units blocks area of the city

Sex of Head of Household Sex of Head of Household in Enumeration

0-9
10-24
25-54
55-64
65-74
75+

Number of Persons Under 18 in Household

1
2
3
4
5+

Number of Male and Female Adults in Household

of units blocks area of the city
 of units blocks area of the city
 of units blocks area of the city
 of units blocks area of the city

of units blocks area of the city
 of units blocks area of the city
 of units blocks area of the city

With better knowledge of the types of information desired and the unit of analysis to be considered in future studies of this sort, samples stratified by the most useful modes of stratification can be selected directly. The sample obtained in this inquiry was judged sufficiently representative after the described adjustments were made.

Appendix D

TABLES

Table 1. Distribution of Total Monthly Family Income for September and March, 1942, and September 1941, by Nine Economic Levels

Total Monthly Family Income	Month and Year					
	September, 1942		March, 1942		September, 1941	
	Number	Percent	Number	Percent	Number	Percent
\$ 0-41	55	5	46	5	57	10
\$ 42-83	47	9	63	12	78	14
\$ 84-125	53	10	55	10	95	17
\$126-166	95	17	95	17	118	21
\$167-208	104	20	115	21	101	18
\$209-249	93	17	51	11	38	7
\$250-291	62	9	41	7	51	6
\$292-333	28	5	15	3	14	3
\$334+	37	7	27	5	20	4
Totals	548	100	548	100	548	100
Mean Income	\$189.35		\$162.96		\$145.78	
Median Income	\$189.00		\$156.50		\$140.00	

Table 2. Change in Income Between March and September, 1942, as Related to Income Level

Change in Income	Monthly Family Income				
	Low \$0-85	Lower-Middle \$86-166	Middle \$167-249	Upper-Middle \$250-333	High \$334+
Decrease	25%	9%	10%	12%	8%
No change	42	36	27	29	19
Increase of 1 to 19%	10)	26)	24)	21)	21)
Increase of 20 to 39%	5) 36	14) 55	18) 53	16) 59	11) 75
Increase of 40 to 99%	7)	8)	15)	14)	19)
Increase of 100% or more	12)	7)	5)	9)	22)
	100%	100%	100%	100%	100%
	N=82	N=146	N=201	N=80	N=57

* Income levels are based on total family income in September, 1942.

Table 3. Change in Income Between March and September, 1942, as Related to Occupational Class

Change in Income	Occupational Class					
	Professional-Business Class	Clerical Workers	Skilled Workers	Semi-Skilled Workers	Unskilled Workers	Not in Labor Force
Decrease	18%	9%	14%	12%	11%	9%
No change	30	40	24	24	26	62
Increase of 1 to 19%	27)	38)	22)	22)	15)	7)
Increase of 20 to 39%	9)	17)	14)	18)	12)	7)
Increase of 40 to 99%	2) 47	51	62	54	64	39
Increase of 100% or more	9)	10)	10)	15)	20)	7)
	100%	100%	100%	100%	100%	100%
	N=55	N=70	N=151	N=149	N=66	N=58

Table 4. Income Level as Related to Occupational Class *

Monthly Family Income	Occupational Class					
	Professional-Business Class	Clerical Workers	Skilled Workers	Semi-Skilled Workers	Unskilled Workers	Not in Labor Force
Low \$0-83	15%	9%	3%	5%	25%	69%
Lower-Middle \$84-166	25	54	14	33	46	16
Middle \$167-249	29	37	47	46	22	12
Upper-Middle \$250-333	12	14	26	12	1	3
High \$334+	13	8	19	5	6	-
	100%	100%	100%	100%	100%	100%
	N=65	N=70	N=151	N=149	N=65	N=68

* Income levels are based on total family income in September, 1942.

Table 5. Type of Work as Related to Income Level *

Type of Work	Monthly Family Income				
	Low \$0-83	Lower-Middle \$84-166	Middle \$167-249	Upper-Middle \$250-333	High \$334+
War workers	12%	32%	56%	71%	75%
Non-war workers	48	61	38	28	19
Not in labor force	40	7	6	3	3
	100%	100%	100%	100%	100%
	N=82	N=148	N=201	N=80	N=37

* Income levels are based on total family income in September, 1942.

Table 6. Income Level as Related to Size of Family (Spending-Saving Unit) *

Monthly Family Income	Size of Family				
	One Person	Two Persons	Three Persons	Four Persons	Five Persons and Over
Low \$0-65	48%	14%	4%	5%	4%
Lower-Middle \$64-166	37	28	28	20	20
Middle \$167-249	18	39	46	45	56
Upper-Middle \$250-333	3	14	15	20	24
High \$334+	0	0	7	10	14
	100%	100%	100%	100%	100%
	N=57	N=170	N=124	N=81	N=76

* Income levels are based on total family income in September, 1948.

Table 7. Feeling of Economic Security as Related to Income Level *

Feeling of Economic Security	Monthly Family Income				
	Low \$0-65	Lower-Middle \$64-166	Middle \$167-249	Upper-Middle \$250-333	High \$334+
Secure	66%	53%	72%	71%	59%
Not Secure	32	46	28	28	41
Not ascertainable	3	1	0	1	0
	100%	100%	100%	100%	100%
	N=82	N=148	N=201	N=80	N=57

* Income levels are based on total family income in September, 1948. The security classification is a staff analysts' rating.

Table B. Feeling of Economic Security as Related to Occupational Class *

Feeling of Economic Security	Occupational Class					
	Professional-Business Class	Clerical Workers	Skilled Workers	Semi-Skilled Workers	Unskilled Workers	Not in Labor Force
Secure	55%	78%	88%	88%	54%	84%
Not secure	47	21	34	31	46	35
Not ascertainable	0	3	0	1	0	3
	100%	100%	100%	100%	100%	100%
	N=65	N=70	N=167	N=119	N=85	N=58

* The security classification is a staff analysts' rating.

Table C. Feeling of Economic Security as Related to Change in Income Between March and September, 1942 *

Feeling of Economic Security	Change in Income					
	Decrease	No Change	Increase of 1 to 19%	Increase of 20 to 39%	Increase of 40 to 99%	Increase of 100% or more
Secure	43%	70%	85%	89%	95%	80%
Insecure	54	29	32	31	32	40
Not ascertainable	5	2	0	0	2	0
	100%	100%	100%	100%	100%	100%
	N=87	N=171	N=119	N=77	N=62	N=52

* The security classification is a staff analysts' rating.

Table 10. Orientation Toward Saving or Spending *

	Number of Families	Percent	
Saving	No reason specified	85	15%
	(Paying bills and debts	42	8)
	(For future security	85	15)
	(Patriotic reasons	15	2)
			40%
Equal interest in spending and saving	108	20	
Spending	(Spend thrifty	12	2)
	(Rehabilitation	15	3)
	(Practical	69	13)
			18%
Low-income family	53	16	
Not ascertainable	58	7	
	548	100%	

* The saving-spending orientation is a staff analysts' rating.

Table 11. Summary of Savings for March and September, 1942.

Type of Saving or Expenditure	March			September		
	Number of Families Participating in Each Type	Total Amount Saved (or Deficit)	Average Saving or Expenditure in Each Type	Number of Families Participating in Each Type	Total Amount Saved (or Expenditure)	Average Saving or Expenditure in Each Type
Savings account	121	-\$1,266	-\$10.45	136	\$3,451	+\$25.38
Checking account	16	150	9.38	53	771	14.55
Cash on hand	92	1,007	10.95	125	7,167	57.34
Life insurance	350	+ 5,760	+ 16.44	355	+ 5,704	+ 16.10
Other insurance	41	+ 387	+ 9.44	46	+ 438	+ 9.52
Payroll deductions	411	+ 1,844	+ 4.50	452	+ 1,828	+ 4.06
Installments	123	+ 758	+ 6.16	157	+ 2,300	+ 14.65
Bills and debts	75	+ 617	+ 8.23	103	+ 276	+ 2.68
Mortgages	3	+ 444	+ 148.00*	5	+ 5,219	+ 1,043.80*
War bonds	202	+ 8,593	+ 42.54	400	+ 8,753	+ 21.88
Securities	2	+ 10	+ 5.00*	2	+ 18	+ 9.00*
Time investments	3	+ 808	+ 270.00*	6	+ 4,430	+ 738.33*
Taxes	170	+ 5,879	+ 34.58	80	+ 1,855	+ 23.19
Dues	405	+ 1,996	+ 4.93	414	+ 1,945	+ 4.70
Gifts	59	+ 908	+ 15.39	72	+ 1,357	+ 18.85
TOTAL		-\$17,026			-\$22,246	

* Averages have not been computed where there are less than 15 participating cases.

Table 12. Mean Changes in Net Total Savings for March and September, 1942 by Nine Economic Levels *

Monthly Family Income	Mean Changes in Total Savings March	Mean Changes in Total Savings September
\$ 0-41	- \$42.69	- \$ 19.37
42-83	- 2.36	+ 1.23
84-125	+ 15.96	+ 17.40
126-166	+ 18.54	+ 22.24
167-208	+ 32.31	+ 37.92
209-249	+ 48.47	+ 56.81
250-291	+ 59.79	+ 60.60
292-333	+ 80.21	+ 53.43
334+	+ 81.91	+ 39.62

* Income levels are based on total family income in September, 1942.

Table 13. Proportion of September Income in Savings as Related to Income Level *

Percent of September Income in Savings	Monthly Family Income				
	Low \$0-83	Lower-Middle \$84-166	Middle \$167-249	Upper-Middle \$250-333	High \$334+
Deficits	18%	8%	5%	7%	8%
Lower savings range 0-19%	87	42	38	31	27
Medium savings range 20-39%	10	33	38	39	30
Upper savings range 40% or more	5	17	19	23	35
	100%	100%	100%	100%	100%
	N=82	N=148	N=201	N=60	N=37

* Income levels are based on total family income in September, 1942.

Table 14. Proportion of September Income in Savings as Related to Occupational Class

Percent of September Income in Savings	Occupational Class					
	Professional-Business Class	Clerical Workers	Skilled Workers	Semi-skilled Workers	Unskilled Workers	Not in Labor Force
Deficits:	9%	7%	3%	9%	5%	10%
Lower savings range 0 to 19%	33	39	32	35	60	70
Medium savings range 20 to 39%	29	29	42	38	23	10
Upper savings range 40% or more	29	25	17	17	12	10
	100%	100%	100%	100%	100%	100%
	N=55	N=70	N=151	N=149	N=25	N=58

Table 15. Percentage Change in Savings as Related to Change in Income Between March and September, 1942

Percent Change in Savings	Income Change			
	Decrease	No Change	Lower Increase 1 to 39%	Higher Increase 40% or More
Higher decreases 100% or more	15%	7%	5%	8%
Lower decreases 1 to 99%	33	21	24	8
Lower increases 1 to 99%	24	30	37	21
Higher increases 100% or more	19	19	25	49
No change or inapplicable	9	33	11	14
	100%	100%	100%	100%
	N=87	N=171	N=196	N=124

Table 16. Proportion of September Income Invested in War Bonds as Related to Income Level.*

Percent of Income in War Bonds (September)	Monthly Family Income				
	Low \$0-23	Lower Middle 24-125	Middle 126-249	Upper Middle \$250-525	High \$534+
No purchases	8%	22%	14%	17%	5%
1 to 5%	15	27	30	19	22
6 to 9%	4	14	19	30	33
10% or more	5	26	27	34	20
	100%	100%	100%	100%	100%
	N=22	N=110	N=201	N=100	N=37

* Income levels are based on total family income in September, 1942.

Table 17. Proportion of September Income Invested in War Bonds as Related to Occupational Class

Percent of Income in War Bonds (September)	Occupational Class					
	Professional- Business Class	Clerical Workers	Skilled Workers	Semi- Skilled Workers	Un- skilled Workers	Not in Labor Force
No purchases	33%	20%	15%	17%	54%	69%
1 to 5%	20	28	28	20	17	19
6 to 9%	16	16	22	25	9	2
10% or more	31	35	35	38	20	10
	100%	100%	100%	100%	100%	100%
	N=55	N=70	N=161	N=149	N=65	N=58

Table 18. Plans to Cash War Bonds as Related to Feeling of Economic Security *

Plans to Cash War Bonds	Feeling of Economic Security	
	Secure	Not Secure
Security	60%	37%
Security (Except for Emergency)	21	20
Whenever Necessary	9	10
When war is over	"	"
Not ascertainable	10	28
	100%	100%
	N=199	N=149**

* Question from Section 4 of the Savings Schedule: "When does this viewee expect to cash in his bonds? The security classification is a staff analyst rating."

** Omitted are three cases for which ratings could not be made, 102 cases are not included because the question was not applicable.

Table 19. Anticipated Change in Savings Pattern as Related to Change in Income Between March and September, 1942 *

Anticipated Change in Savings Pattern	Income Change			
	Decrease	No Change	Lower	Higher
			Increase 1 to 30%	Increase 40% or More
Will save more	8%	13%	17%	27%
Will save the same amount	34	57	45	36
Will save less	8	9	8	8
It depends	28	8	9	16
Not ascertainable	22	13	21	13
	100%	100%	100%	100%
	N=67	N=171	N=196	N=114

* Question 14: "Do you expect to be saving about these same amounts in the next few months, or will there probably be changes?"

Table 20. Anticipated Change in Savings Patterns Related to Feeling of Economic Security *

Anticipated Change in Savings Patterns	Feeling of Economic Security		
	Secure	Not Secure	Not Ascertainable
Will save more	20%	11%	5%
Will save the same amount	45	44	56
Will save less	7	11	17
It depends	10	10	17
Not ascertainable	17	18	—
	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N-358	N-197	N-6

* Question 14. "Do you expect to be saving about these same amounts in the next few months, or will there probably be changes?" The security distribution is a staff analysts' rating.

Table 21. Recent Household Purchases *

Unusual Purchases Made	
Professional services (doctor, hospital, dentist, etc.)	23%
Clothes and winter articles	22
Major consumer goods (durable goods, including furniture)	21
Household goods and furnishings	19
Payments on accumulated bills and debts	6
Luxuries (jewelry, fur coat, etc.)	6
Nothing	30
	<u>125%**</u>

* Question 9. "What unusual things have you spent money for in the last six months?"

** Percentage totals are more than 100, since more than one answer was possible per person.

Table 22. Reasons for Increased Expenditures *

Reason	
Buying more goods	11%
Buying same amounts, paying higher prices	76
Food	57
Clothes	8
Consumer goods	4
Everything	6
Not spending more on anything	10
Not ascertainable	4
	100%
	N=548

* Question 2: "What things are you spending more on now than you were last March?"

Table 23. Items on Which Less Money is Being Spent*

Item **	
Recreation or luxuries	20%
Food	16
Clothes and winter articles	16
Major consumers' goods (durable goods, including household furnishings)	3
Services (professional, medical, domestic, and commercial)	1
Nothing	26
Not ascertainable	30
	110%**

* Question 3: "What things are you spending less on now than you were last March?"

** Percentage totals are more than 100, since more than one answer was possible per person.

Table 24. Recent Unusual Purchases as Related to Income Level *

Unusual Purchases Made	Monthly Family Income				
	Low \$0-83	Lower-Middle \$84-166	Middle \$167-249	Upper-Middle \$250-333	High \$334+
Professional services (doctor, dentist, hospital, etc.)	15%	19%	17%	19%	8%
Clothes and winter articles	21	18	17	11	11
Major consumers' goods (including furniture)	4	12	17	23	30
Household furnishings	6	9	14	11	16
Payments on accumulated bills and debts	1	4	4	2	18
Luxuries (jewelry, fur coat, etc.)	7	3	5	8	3
Nothing	45	32	26	26	18
Not ascertainable	3	3	4	0	0
	100%	100%	100%	100%	100%
	N=82	N=148	N=201	N=80	N=37

* Question 9: "What unusual things have you spent money for in the last six months?" Income levels are based on total family income in September, 1942.

Table 25. Plans for Future Spending as Related to Income Level *

Things People Plan to Buy	Monthly Family Income				
	Low \$0-83	Lower-Middle \$84-166	Middle \$167-249	Upper-Middle \$250-333	High \$334+
Professional Services (doctor, dentist, hospital, etc.)	7%	9%	8%	4%	6%
Clothes and winter articles	27	15	14	11	14
Major consumer goods (including furniture)	2	8	8	14	5
Household furnishings	4	7	6	13	11
Payments on accumulated bills and debts	4	7	6	6	11
Luxuries (jewelry, fur coat, etc.)	5	7	11	5	8
Nothing	43	44	38	41	35
Not ascertainable	8	3	6	5	13
	100%	100%	100%	100%	100%
	N=82	N=148	N=201	N=80	N=37

* Question 10: "What unusual things do you expect to spend money for in the next few months?" Income levels are based on total family income in September, 1942.

Table 26. Plans for Future Spending as Related to Occupational Class *

Things People Plan to Buy	Occupational Class					
	Professional-Business Class	Clerical Workers	Skilled Workers	Semi-Skilled Workers	Unskilled Workers	Not in Labor Force
Professional services (doctor, dentist, hospital, etc.)	4%	10%	5%	9%	9%	7%
Clothes and winter articles	15	16	9	16	23	17
Major consumer goods (including furniture)	7	8	12	8	6	-
Household furnishings	7	7	10	6	9	4
Payments on accumulated bills and debts	11	1	7	6	2	2
Luxuries (jewelry, fur coat, etc.)	7	8	18	9	-	3
Nothing	40	20	37	36	40	20
Not ascertainable	9	3	7	11	41	7
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
	n=58	n=70	n=151	n=145	n=60	n=28

* Question 10: "What unusual things do you expect to spend money for in the next few months?"

Appendix E

REPRESENTATIVE INTERVIEWS

Quantitative study of the data gathered for this report indicates there are some recurrent patterns of income change and spending-saving behavior that are found more frequently than others. Four interviews are reproduced in their entirety in this Appendix, each one designed to illustrate or represent one of the four recurrent complexes of economic condition, attitude and behavior found to be most salient in this sample.

The actual answers of interviewed persons are introduced by a brief statement of the cluster of attributes typified by each respondent and family (spending-saving unit). There is also a brief description of the recent economic history of the family and some information on its savings behavior.

Type 1. A family with increased income, secure in its attitude toward the immediate future, predominantly oriented toward saving.

The respondent, a semi-skilled worker of 41, is the head of a family of three. Since February, 1942, he has been employed as a machine-operator in an arms plant, during which time the monthly income of the family, including the son's weekly contribution of \$5.00 for board, has risen from \$200-\$240. The strong inclination toward saving is reflected in the payment of a debt of \$150, the purchase of \$30 in War Bonds, a checking account deposit of \$34, and a \$6.00 premium on life insurance out of the family's September income.

(Has the war been making any changes in the way your family is getting along financially?)

"I have been getting along better. When war was declared I was in the fur business. Business dropped off so badly I closed up shop and went to work in a defense plant. Now, I am better off. Last year I owed about \$700. Now, I am ahead, even after I've paid off what I owed."

(What things are you spending more on now than you were last March?)

"We are spending more for groceries. Last March \$10 a week kept the table, now it costs \$14. That is just about double what we paid in groceries two years ago. We're spending more

in Portland this we were. So some things we buy have gone up in price - leather, food, food at restaurants, milk, coffee.

(What things are you spending less on than you were last March?)

"Mostly gas. We don't do any long distance driving like we used to."

(Do you think there will be fewer things than can be bought in the stores from now on?)

"Yes, there's bound to be fewer things for sale in the stores, and anywhere else where things are sold."

(How bad do you expect shortages will be? In what things?)

"There'll probably be shortages in many things - tea, coffee, sugar, meat, wool, tin. There's bound to be an awful labor shortage. That is one reason I went out of business. I knew I wouldn't be able to get labor or materials."

(In the next few months, what changes do you think the war will make in the way your family gets along financially?)

"I think we'll get along better, unless the tax is too big. Maybe we'll have to borrow to pay it."

(The way things are today, would you prefer to take your own money rather than have money to buy things or would you rather put it away?)

"I'd rather have my money. Things are too high now to buy anything except just the necessities. They'll probably come down again after the war. I want to go back in business again after the war, and I don't to give some capitalist my start."

(About how much money a month would you want to cover your present needs?)

"About \$10 a week, and that wouldn't allow for my business at all."

(What unusual things have you spent money for in the last six months?)

"I paid money back on the loans I had and spent about \$50 on parts for the car."

(What unusual things do you expect to spend money for in the next few months?)

"Nothing at all. We want to save if we can. But it is hard to save with prices the way they are."

(What do you find you are doing with your extra income?)

"We paid back money debts and bought bonds."

(Do you expect to be saving about the same amounts in the next few months or will there probably be changes?)

"About the same amounts. More if my wife worked, but I doubt if she'll be able to stand it as she's not very strong."

(Are you making any plans now for paying your income tax next year?)

"No, we haven't made any definite plans. We'll borrow it if we have to, rather than cash our bonds."

(Is anyone in your family likely to change jobs, or be drafted in the next few months?)

"No, it isn't likely. My boy is only seventeen and I'm over forty."

Type 2. A family with increased income, secure in its attitude toward the immediate future, predominantly oriented toward spending.

The person interviewed is a laundry worker of 44 whose husband is employed as a laborer in a junk yard. Formerly on relief, the family has improved its status in the past year and the combined wages of husband and wife are now \$215 monthly. Although the purchase of \$11 worth of war stamps and a \$4 payment on life insurance in September represents a saving, the family is at present chiefly concerned with rehabilitation spending.

(Has the war been making any changes in the way your family is getting along financially?)

"Sure, my husband wasn't working before, and now he is working. Then he didn't work, we were on the City. Now, we can buy some things that we need. I'm working now too. I work in a laundry. It's hard work, but I want to help my husband."

(What things are you spending more on now than you were last March?)

"We fixed the house and got some of it papered. I still have to paper upstairs. We put new hardwood in the kitchen and we have to pay \$50 for new plaster."

(What things are you spending less on than you were last March?)

"I don't spend less; I spend more. Every time you go to the store you spend. Yesterday, I went to the market with \$5. When I came home the money was all gone. How are we supposed to eat anyway? Everything we eat costs more."

(Do you think there will be fewer things that can be bought in the stores from now on?)

"Yes, I guess so. Don't know much about it, but coffee is one of the things. Canned goods, too, meat, fish, tomato paste, oils and cheeses."

(In the next few months, what changes do you think the war will make in the way your family gets along financially?)

"I don't think it'll make any changes unless my husband changes his job for a better one, and he probably won't do that because he can't even write his own name."

(The way things are today, would most people like yourself rather use their money to buy things or would they rather put it away?)

"I'd like to save, but not till after I finish paying for the house and furniture. Furniture, we still have to get."

(About how much money a month would you want to meet your present needs?)

"I'd like to have \$10 more a week so that I could catch up and then put some away."

(What unusual things have you spent money for in the last six months?)

"I spent for the house like I told you. Had to buy a new sink for the kitchen."

(What unusual things do you expect to spend money for in the next few months?)

"I need a kitchen table. I need a coat and a lot of things. Me and my husband need clothes; we don't have any. If you don't buy now, you won't have any."

(What do you find you are doing with your extra income?)

"We've had to buy things for the house. I've got to get it fumigated again. That costs \$30."

(Are you making any plans now for paying your income tax next year?)

"If I don't have any money, how am I going to pay? A lot of people were on the Welfare, and now they've got to buy furniture and everything."

Type 1 - A family with unshocked income, secure in its attitude toward the immediate future, predominantly oriented toward saving.

The respondent, a salesman with two dependents, has had a static income of \$370 monthly for the past year of which \$120 is derived from rents. Although evidently accustomed to living well, she monthly averages \$50 a month in savings of which \$20 takes the form of War Bonds, the rest being accounted for in savings deposits, taxes and insurance.

(Has the war been making any changes in the way your family is getting along financially?)

"Would say yes, absolutely. Though my salary remains the same, the cost of living in general is up 25 percent. You can't get labor nowadays. We can't even get a man to paint our house. We used to have a cleaning lady once or twice a week, but now my wife and mother-in-law do all the housework. But we aren't going to complain too much. If anything happened and we lost this war, we wouldn't need help, house, or anything else."

(What things are you spending more on now than you were last March?)

"Food and clothing especially, and repairs on my car that I need for business. Both material and labor are up in cost. The same applies to house repairs."

(What things are you spending less on now than you were last March?)

"We spend a good deal less on shoes, sports, and entertainments, and we're going without the cleaning woman."

(Do you think there will be fewer things that can be bought in the stores from now on?)

"Yes, there will. Food - coffee, tea, shortening, butter, eggs, milk - clothing such as suits, frocks, coats, and shoes."

(How bad do you expect shortages will get in what things?)

"Well, we're going to be hit hard in every direction so that people will be living on bare necessities with just enough to get by on."

(In the next few months, what changes do you think the war will make in the way your family gets along financially?)

"We will have to live tight, but we'll make whatever possible and go without entertainments. We won't be doing any entertaining at home on so large a scale as before, either."

(The way things are today, would most people like yourself rather use their money to buy things or would they rather put it away?)

"We'll be glad to save as much as possible. We won't buy anything that is not absolutely necessary. There are still a good many things we can do without."

(About how much money a month would you want to meet your present needs?)

"About \$500 a month as prices are now - that is, if I wanted to live as I'd like."

(What unusual things have you spent money for in the last six months?)

"No unusual things at all. We have enough to keep us comfortable in clothing for quite a while, so we won't have to buy any new ones for some time."

(What unusual things do you expect to spend money for in the next few months?)

"Just a small amount for Christmas gifts for ourselves. Nothing else."

(Do you expect to be saving about the same amounts in the next few months, or will there probably be changes?)

"Yes, we will. We always have put a regular amount aside in savings."

(Are you making any plans now for paying your income tax next year?)

"No, I will have to take care of that when it comes due. My salary warrants taking care of income tax. Christmas Club and salary take care of property tax. We can live on rents for living expenses."

(Is anyone in your family likely to change jobs, or be drafted in the next few months?)

"No, there is just myself and I don't expect to change positions and I am too old for the draft."

Do you expect to be saving about the same amounts in the next few months, or will there probably be a change?

"I'll do well if I can pay a twenty-five cent war stamp in the next few months. No, how can you save when you have nothing? Of course, I am affected by the war, but in a negative way."

(Are you making any plans now for paying your income tax next year?)

"I suppose I will get a few cents tax. It depends on the store rent. Taxes, interest, etc. take up all my cash. If I do have an income tax, I suppose they'll have to take it out of the side of somebody, but I don't know who. Don't see how I could pay one. Of course, I may not have to since there are many deductions possible for things like property repairs. That makes a big inroad on taxable income."

(Is anyone in your family likely to change jobs, or be drafted in the next few months?)

"It all depends on the store and whether its rented. I have to pay up my debts as soon as I can. They're notes I got at the bank to tide me over so I could pay the interest on the mortgage. You have to pay the interest, you know, even if you don't make amortization payments."

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE 2/6/43

TO Mr. Morgenthau
FROM Mr. Callahan

Attached is one of many current advertisements on the War Bond theme which national advertisers have prepared at our instigation. This particular one appeared in the current issue of LIFE magazine.

One of a series of advertisements published by Parke, Davis & Company in LIFE and other leading magazines.

You can make this day come quicker

SOME DAY, in your town, a whistle will start to blow.

Then another. And another.

Bells will start ringing.

People will rush into the streets. Schools will let out. Flags will appear from nowhere, and banners, and bugles, and drums.

Men and women will march through the streets, shouting, cheering, weeping, yelling.

It's over!

The war is over! *Over!* OVER!

And we've won!

Every American knows that some day *this day* will come. But every American can make it come quicker by putting more of himself into the war.

One way to do this is to buy War Bonds. For every dime and dollar you put into Bonds is working to win the war. It's giving our soldiers the guns and tanks and planes they need to fight with. It's giving our Navy the ships they need to shoot from. It's bringing victory nearer.

Think it over!

Even if you're already buying Bonds (and who isn't!) can't you put *more* money into Bonds *today*? Can't you spend more on Bonds this month, and next month, and the month after that—*every* month until the war is over?

Can't you do just a little bit more to bring victory closer?

This advertisement in behalf of the Treasury's War Bond Campaign is contributed by

PARKE, DAVIS & COMPANY
DETROIT, MICHIGAN

MAKERS OF
PHARMACEUTICALS, BIOLOGICALS AND
SURGICAL DRESSINGS

Put at least **10%** of your Earnings in War Bonds

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

Comparison of February sales to date with sales during the same number of business days in January 1943 and December 1942

(At issue price in thousands of dollars)

Date	February daily sales	Cumulative sales by business days				February as percent of January
		February	January	December	February as percent of January	
February 1943						
1	\$ 806	\$ 806	\$ 2,716	\$ 197	29.7%	
2	8,915	9,720	3,036	527	320.2	
3	1,570	11,290	6,137	3,214	184.0	
4	16,907	28,198	14,820	17,161	190.3	
5	20,067	48,264	18,428	29,464	261.9	

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

February 6, 1943.

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 February sales to date with sales during the same number of business days in January 1943 and December 1942

(At issue price in thousands of dollars)

Date	February	Cumulative sales by business days				February as percent of January
	daily sales	February	January	December		
February 1943						
1	\$ 6,746	\$ 6,746	\$ 12,810	\$ 4,116	52.7%	
2	15,068	21,814	15,621	8,605	139.6	
3	5,470	27,284	31,021	18,647	88.0	
4	25,646	52,930	47,128	58,337	112.3	
5	31,917	84,847	69,173	74,984	122.7	

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

February 6, 1943.

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.

February 6, 1943.

MEMORANDUM TO THE PRESIDENT

The Secretary of the Navy has referred to me the matter of providing funds to the North African French Naval Mission in the United States for the pay of officers and men, and various incidental expenses of French naval vessels, soon to reach the United States for repairs. I understand that Admiral Michelier has requested that Lend-Lease make available an initial advance of \$1,000,000 for the purpose. This sum has been estimated as sufficient for a two months' period.

I am advised that lend-lease funds are unavailable, and that you have suggested that the funds be made available out of French gold now in this country.

There are large amounts of funds belonging to the former French Government and the Bank of France blocked in this country and the Treasury Department, under Section 5(b) of the Trading With The Enemy Act, has clear authority to direct that such funds be used for this purpose. The Treasury Department is prepared promptly to issue the

necessary

- 2 -

necessary orders should the decision be made to employ these funds.

However, the use by the North African authorities of these funds may raise an important question. The grant of access to French Government funds in this country for the North African authorities may have political significance. Further, it is possible that the Fighting French organization would advance similar requests.

I am advised by the Treasury that the French North African authorities have available to them in this country adequate funds, over \$30,000,000, which could be used for these purposes. These funds are held in the names of the Central banks of Algeria and Morocco, for the account of the French Treasury in North Africa.

Therefore I recommend that French North African naval authorities be informed that lend-lease assistance is not available for these purposes and for paying personnel, and it be suggested that the dollar funds of the North African authorities be used.

If you approve this recommendation, I will so inform the Secretary of the Navy.

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

February 6, 1943

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

Dear Mr. Secretary:

The members of the Strategic Services Planning Group, that is to say the Joint Group, with members designated by the Secretary of State, Chief of Staff, U.S. Army, Commander-in-Chief, U.S. Fleet and Chief of Naval Operations and the Director of Strategic Services, ask that the members of the Advisory Committee, comprising representatives from the Board of Economic Warfare, Office of War Information, Coordinator of Inter-American Affairs, Treasury Department, and representatives of such other government agencies as may be called upon to serve, should meet with the Group at noon on Thursday, February 11, 1943.

The meeting will be held in the Conference Room used by the Group in the Central Building of Strategic Services as part of the regular morning session of the Group. This first session need not take more than half or three-quarters of an hour as the purpose is to make arrangements, mutually satisfactory to us all, for a scheme of work and sessions. The Group desires to have the Advisory Committee take part in and consult upon certain plans in their preliminary stages, and one or two are now ready. The most convenient entrance to the Central Building is on E Street, near the foot of 25th Street, N.W., where arrangements will be made to pass your representative through the guards.

The Joint U. S. Chiefs of Staff inform us that Mr. Harry D. White has been appointed representative of the Treasury Department and notice of meetings will hereafter be given informally to him, but it seemed appropriate in the case of the first meeting of the Committee to communicate through you.

With appreciation of your cooperation.

Sincerely,

James Grafton Rogers
James Grafton Rogers
Chairman, Planning Group

February 6, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

At the request of the Office of War Information I authorized the use of the following statement in your name to be broadcast to China today:

"The American people rejoice with the heroic people of China on the relinquishment of American and British extra-territorial rights in China. The Chinese people have won the love and admiration of the entire freedom-loving world for their steadfastness and faith in the cause of freedom and their gallant fight against the barbarians of the Far East. Therefore, it was only fitting that the restrictions tending to impair complete Chinese sovereignty be removed. China is equal in every respect in the family of nations now opposing the forces of tyranny."

W.S.G.



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY
Habana, February 6, 1943.

Dear Mr. Secretary:

Attached hereto please find copy of a memorandum from Mr. Nufer, Counselor of Embassy for Economic Affairs, describing his conversation with Mr. Iturrios, from which you will observe that it will be necessary to obtain hardware, propeller shafts, propellers, and engines from the United States. According to all advices so far received by us, it is impossible to obtain priorities on this type of material. With respect to the use of Cuban timber there may be some doubt but both Messrs. Brister and Peabody, the latter, I understand, is an experienced builder of wooden ships on the West Coast, agree that Cuban woods would be largely unsatisfactory.

Despite these discouraging elements, we shall, of course, continue actively as in the past to explore this situation with a view to developing a constructive program.

Cordially yours,

A handwritten signature in cursive script, appearing to read "Francis B. Saypol".

Enclosure:
Memorandum, February 6,
1943.

The Honorable

Henry Morgenthau,

Secretary of the Treasury

of the United States of America.

Habana, February 5, 1943

182

MEMORANDUM

Mr. Ambassador:

There is attached a copy of a memorandum on my conversation with Mr. J. Fermín Iturrioz of the firm of José Arechabala of Cárdenas with regard to their interest in building wooden surface craft in their Cárdenas shipyards.

Although Mr. Iturrioz evidently appears optimistic about the whole thing, I believe that in fact his statements bear out the findings of Messrs. Brister and Peabody, namely, that the construction of wooden vessels in Cuba on any important scale would not be practical due to the following reasons:

1) The refusal of the Cuban Government to permit such vessels to be taken out from under the Cuban flag and the impracticability of operating small vessels of this type with Cuban crews. (This has been taken up with the Cuban Government on several occasions and the Cuban Government has made its position in the matter abundantly clear).

2) The fact that the greater part of the materials required for their construction would have to be obtained in the United States and the difficulties which would be experienced under existing conditions in securing priorities for such materials. (You will recall that the arrangements made by Captain Peabody with the Mexican Government for the construction in Mexico of wooden schooners were, according to the Embassy's information, abandoned due to the inability of the Inter-American Navigation Corporation to obtain priorities for certain kinds of indispensable materials).

3) While small quantities of suitable cured local hardwood lumber may be available for refitting or reconditioning a limited number of small vessels, sufficient amounts for the construction of new wooden vessels on any important scale would not, in the opinion of Mr. Brister and others familiar with the problem, be obtainable here in view of the absence of kiln drying facilities.

AFN/od/dts

A. F. N.

Habana, February 5, 1943

182

MEMORANDUM

Conversation with Mr. J. Fermín Iturrioz of
the firm of José Arechabala of Cárdenas

Mr. Iturrioz called on me this afternoon as he happened to be in Habana. I told him how much Mr. Morgenthau had been impressed by his visit to his company's plant in Cárdenas and especially by the work they were doing in reconditioning several of their schooners in order to fit them for ocean-going purposes.

Mr. Iturrioz said that this was very gratifying to him and that he wished to reiterate what he had told the Secretary on the occasion of his visit to Cárdenas, namely, that the firm of José Arechabala was willing and anxious to cooperate in our war effort by building ships or in any other way its services could be useful, without profit and solely for the satisfaction of being able to contribute to some small extent toward the victory of the allied nations.

I asked Mr. Iturrioz if he could give me any information on his company's facilities for building vessels and especially on the availability of adequate suitable personnel. He said that he was sure that sufficient skilled workers could be obtained in Cuba to build small schooners at a fairly rapid rate, although it might take some time to get the men and the work organized. He also said that he felt that considerable lumber for such vessels could be obtained locally, although he was reluctant to make any definite commitment in this regard. I mentioned the lack of kiln drying facilities here and the necessity of proper curing of any local hardwood lumber which might be used in order to prevent warping, etc.

With regard to other materials which would be required, Mr. Iturrioz said that he thought that with few exceptions these would have to be imported from the United States. He said that he had told the Secretary that they had sufficient materials on hand to finish the job of reconditioning the four schooners which are now on the ways although he admitted that in view of the existing scarcity of some of these materials his firm had been obliged to pay excessive prices for them in a number of instances.

Mr. Iturrioz said that if they could receive specifications for wooden surface craft required by the Inter-American Navigation Corporation or any other agency of

our

- 3 -

our Government, they would be glad to study such plans in order to determine whether they could be built in their shipyards; what materials and possibly technical assistance would have to be obtained from the United States; and what their approximate cost of production here would be. (He said that perhaps the four schooners which they are reconditioning and which will take refined sugar to the United States might be used for bringing down materials for the schooners on their return trips). At this point he again assured me that their offer to be of assistance was completely disinterested and that they did not want to make any profit out of any agreement which they might enter into with our Government.

I assured Mr. Iturrioz that you and Mr. Morgenthau were deeply appreciative of his desire to help and that we would bring his views in the matter to the attention of the appropriate agencies of our Government. If it is felt, therefore, that such action is warranted, the willingness of Mr. Iturrioz and his firm to construct wooden vessels in Cuba might be brought to the attention of the Department, so that the Department can discuss it with the Inter-American Navigation Corporation, or any other interested agency of our Government, in order to determine whether it would be advisable to explore the matter further.

A. F. N.

A. F. N. Miller

AFN/JP

187

Habana, February 2, 1943

MEMORANDUM

Construction of Vessels in Cuba

Considerable thought has been given in the past year or so to the possibility of constructing in Cuba small surface craft suitable for cargo-carrying purposes, but to date very little in the way of any tangible results has been achieved.

During September 1942 Mr. W. C. Brister of the Coordinator's Office came to Cuba to investigate the possibilities of building schooners and other small wooden vessels in Cuba. His report was not favorable and confirmed the views of other experts that the construction of surface craft here suitable for ocean-going purposes was of doubtful utility in view of the fact that the great bulk of the materials for their construction would have to be imported from the United States, including, contrary to the opinion of many laymen, most of the lumber, in view of the lack of adequate supplies in Cuba of suitable kiln-dried wood for that purpose.

Subsequent to the visit of Mr. Brister, Captain Alexander M. Peabody of the Inter-American Navigation Corporation, accompanied by Mr. George Leovy and Mr. William Lage, visited Cuba to ascertain whether it would be practicable to enter into some agreement with the Cuban Government for the construction of schooners similar to an agreement which he had entered into with the Mexican Government. Such an agreement involved the construction in Cuba of 500 ton schooners with material imported from the United States, which would also furnish the technical assistance, blue prints, etc., on condition that Cuba provide a certain amount of capital for that purpose and that it agree to permit the removal of a part of the vessels thus constructed from under the Cuban flag (This latter condition was considered indispensable in view of the Inter-American Navigation Corporation's desire to operate these schooners in services where they were most urgently needed).

Captain Peabody was put in touch with the Secretary of the Presidency, Dr. Amadeo López Castro, with whom he had several meetings, as a result of which it was decided that nothing could be done in Cuba at the time along the above mentioned lines.

Although the possibilities for the construction of suitable new surface craft in Cuba do not appear overly

bright,

-2-

bright, considerable work has been done by private capital and on private initiative in the rebuilding or reconditioning of available vessels, to fit them for ocean-going and cargo-carrying purposes. The firm of Arechabala in Cárdenas is, the Embassy understands, presently rebuilding four of its fleet of schooners; one Colonel James McCalley has recently purchased six Cuban fishing schooners which are being reconditioned at the port of Mariel; the Compañía Cubana de Pesca is likewise reconditioning some of its fishing vessels for the same purpose; and several other individuals and entities have done or are doing likewise.

In all these cases the Embassy has endeavored to assist the interested parties in obtaining the necessary equipment from the United States which, in view of the nature of the work, appears to have been limited to marine motors. The Embassy has endorsed the applications for the marine motors required for these schooners and so far as it knows, no undue difficulties have been experienced in obtaining the approval of the interested agencies of our Government, in spite of the existing scarcity in the United States of motors of this kind.

A. J. N.


AFH/cd

Habana, January 30, 1943

MEMORANDUM

Request of Secretary Morgenthau

Mr. McBride:

I refer to our conversation of yesterday morning in which you informed me that the Secretary of the Treasury, Mr. Morgenthau, had visited the Arechabala plant in Cárdenas and that he had been greatly impressed with the work Arechabala is doing in building schooners which it is proposed to place in freight service between Cuba and the United States. The Secretary suggested that the Ambassador might send a telegram to the Secretary of State telling him of the work Arechabala is doing and expressing the hope that every facility possible will be extended him in connection therewith.

We have had several talks with Arechabala's representative here in respect of the above project, which involves the enlarging of several of Arechabala's schooners in order to fit them for cargo-carrying purposes. After my conversation with you yesterday Mr. Horn called up Mr. Bosque, who had approached us in the matter on previous occasions, and was informed that a Mr. González is now in the United States and that he has obtained export licenses and ship booking for four second-hand 180 horse-power Fairbanks Morse marine engines. Mr. González will expectedly return to Habana early in February, when Mr. Bosque will report further to the Embassy.

He said that while Arechabala had eleven schooners he proposes for the time being to enlarge and equip only four as a trial. I do not see just what action the Ambassador could take vis-a-vis Mr. Welles at this time as no assistance on our part seems presently to be required.

Should you have any further suggestions, I would be very glad to have them.

(A. F. Meyer
Counselor of Embassy
for Economic Affairs)

A. F. N.

AFN/od

187

Habana, February 5, 1943

MEMORANDUM

Confidential

Mr. Nufer:

In accordance with your request I have prepared the attached statement giving partial data on imports of dry cargo from all sources through the Port of Habana only during January 1943.

It will be noted that the grand total of all imports of dry cargo during January 1943 amounted to 143,502 metric tons. This compares with a total of 115,138 metric tons of dry cargo entered from all sources during January 1942.

With regard to the attached statement of imports by commodities it must be pointed out that this table was prepared from the statistics which are being compiled monthly by Mrs. Whitmore and does not include all the commodities under each general group. For instance, under the heading "Foodstuffs" we are at present preparing data only on some of the more important items and the total shown, i. e., 52,041 metric tons, does not include all foodstuffs entered through the Port of Habana during January 1943. The same is true of the other general commodity classifications included in the attached table.

JRS
J. R. S.

Enclosure:

Table showing imports of
dry cargo through Habana
during January 1943

JRS/ed

IMPORTS OF DRY CARGO FROM ALL SOURCES
DURING JANUARY 1943 THROUGH THE
PORT OF HABANA ONLY

<u>FOODSTUFFS</u>	<u>METRIC TONS</u>
Rice	27,183
Potatoes	3,174
Onions	1,094
Flour	9,251
Beans and Chick Peas	6,545
Cotton Seed Oil (crude)	157
Soya Bean Oil (crude)	1,144
" " " (refined)	405
Hog lard	3,088
	52,041
 <u>METALS</u>	
Iron and Steel (incomplete)	1,587
Tinplate	165
Copper wire	27
Other copper products	20
Lead	131
Babbit metal	7
	1,935
 <u>COAL AND COKE</u>	
Coal	38,905
Coke	147
	39,052
 <u>RUBBER AND RUBBER PRODUCTS</u>	
	67
	67
 <u>CHEMICALS</u>	
Ammonium Sulphate	731
Calcium carbide	529
Caustic soda	1,262
Coal tar dyes	15
Copper sulphate	13
Glycerine	4
Primary potash salts	462
Soda ash	164
Superphosphates	974
	4,154
 <u>TEXTILES</u>	
Cordage and fiber	13
Flax	1
Jute bags	1,602
Burlap and fiber	16
Cotton yarn	248
Rayon yarn	62
Woolen piece goods & products	22
	1,964

- 3 -

<u>INEDIBLE OILS AND FATS</u>		<u>METRIC TONS</u>
Castor oil		13
Fish oil		23
Linseed oil		277
Tanning oil		24
Paraffin		13
Tallow		720
Stearic acid		32
		<hr/>
		1,102
 <u>LUBRICATING OILS AND GREASES</u>		
Oils		917
Greases		21
		<hr/>
		938
 <u>PAPER AND PAPER PRODUCTS</u>		4,477
		<hr/>
		4,477
 <u>MISCELLANEOUS</u>		
Leather products		27
Asbestos		16
Radios		12
Batteries		22
Photographic material		12
		<hr/>
		89
 All Other Merchandise	37,683	37,683
	<hr/>	<hr/>
		143,502

CONFIDENTIAL

American Embassy, 190
Habana, February 1, 1943.

MEMORANDUM
(Exports from Cuba)

For Mr. HUFER

The following quantities, in long tons, of the commodities listed were shipped to the United States (including one shipment of sugar in transit through the United States to Canada) from Cuba during the period January 14 through January 29:

Cattle bones	440
Chromite, refractory	29,983 #
Fruits, fresh	614
Glycerin	176
Henequen fiber	992
Molasses	48,353
Scrap iron, steel, copper and tinplate	883
Sugar	109,046
Sugar syrup	621
Tobacco	213
Vegetables, fresh	402
Other	<u>212</u>
TOTAL	188,183

Insofar as it was possible to obtain expert figures, the following quantities of the commodities listed were shipped to the United States (including two shipments of sugar in transit through the United States to Canada) from Cuba during

the

See footnote last page.

the thirty-day period December 31 through January 29:

Cattle bones	440
Chromite, refractory	38,870
Copper concentrates	2,700
Fruits, fresh	884
Glycerin	215
Henequen fiber	656
Manganese, raw	6,500
Molasses	77,780
Scrap iron, steel, copper and tinplate	3,435
Sugar	185,044
Sugar syrup	621
Tobacco	703
Vegetables, fresh (tomatoes and squash)	477
Other	<u>1,561</u>
TOTAL	319,266

There are tabulated as follows total exports from Cuba, by ports, during the periods shown:

<u>Port</u>	<u>November 30 thru Decem- ber 30, 1942</u>	<u>December 31, 1942 thru Jan- uary 29, 1943</u>
Habana	170,861	159,915
Antilla	3,000	- - -
Banes	2,146	- - -
Baracoa	- - -	202
Caibarien	2,200	8,614
Cardenas	4,438	6,477
Chaparra	- - -	8,677

Guantanamo

Port	November 30 thru Decem- ber 30, 1942	December 31, 1942 thru Jan- uary 30, 1943
Guantanamo	3,705	1,300
Manati	12,778	1,143
Manzanillo	- - -	8,193
Matanzas	13,256	39,514
Nuea Bay	- - -	7,750
Nuevitas	12,914	19,636
Port Tampa	2,570	3,500
Freston	7,621	- - -
Puerto Padre	- - -	14,743
Sagua la Grande	400	2,145
Santa Lucia, Finca del Rio	8,600	2,700
Santiago de Cuba	6,000	31,012
Vita	<u>- - -</u>	<u>3,745</u>
TOTAL	<u>250,489</u>	<u>319,266</u>

GGJ

GGJ/cw

Note: According to a letter received today from the Consulate at Santiago de Cuba, this figure should be increased by 1,311 long tons. Due to an error in the figures furnished to that office a chrome ore shipment of 2,621 long tons was reported to the Embassy as 1,310 long tons.

TELEGRAM SENT

To: Department

Date: February 5, 1 p.m. (1945)

No.: 78

Code: Brown

Charged to: Embassy

FOR WELLES FROM SECRETARY MORGENTHAU.

On the 29th I visited the Arcehabela sugar central and found they were rebuilding a schooner to carry 300 net tons. This company is willing to build four or five of these schooners at a time at no profit provided that they can get the engines. Would appreciate your designating someone to follow through and keep me posted on my return as you know how interested the President is in having wooden schooners built in the Caribbean.

Braden
(EM)

EM/my/sac

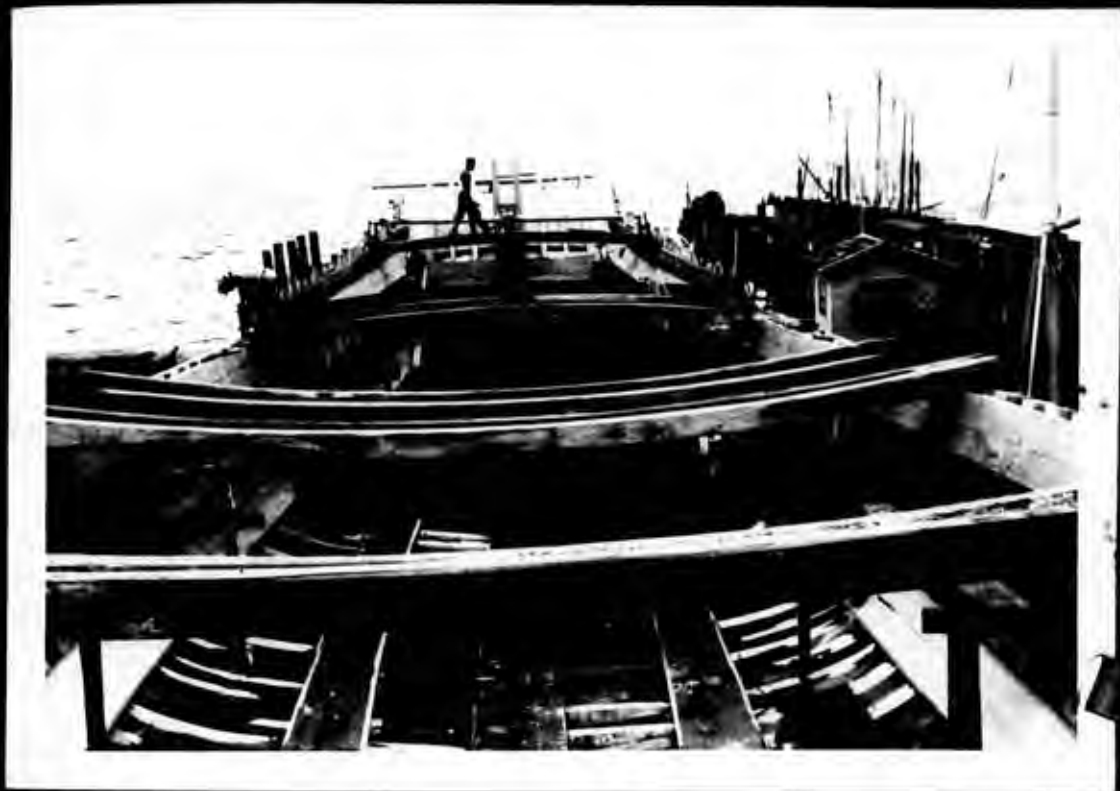
cc Mr. Morgenthau

These photographs are views of one of four schooners being re-built by Jose Arechabala, S. A., Cardenas, Cuba.

The ships, when completed, will conform to the following specifications:

Length (o.a.)	132 feet
Beam	28 feet
Depth	9½ feet
Freeboard	3½ feet
Draft (mean)	8½ feet
Tonnage (gross)	338
Tonnage (net)	300
Power	185 H.P. Fairbank-Morse (Diesel)
Speed	7 to 8 knots









Regraded Unclassified









NOT TO BE RE-TRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

COPY NO. _____

OPTEL NO. 42.

Information received up to 7 A.M. 6th February, 1943.

1. NAVALMediterranean. On 2nd one of U.S. Submarines sank 4000 ton ship off Brindizi.2. MILITARYLibya. 4th. Northern Sector. Our patrols reached frontier north west of El Assa and further south crossed frontier to a depth of about 15 miles west of El Uotia.Tunisia. Allied forces which had occupied Soud have withdrawn.Russia. The Russians have captured Izyun and Yama on the Kharkov-Voroshilovgrad Railway. A report on 1st stated that Taryk, Taman and Kerch were frozen inshore but Kerch Straits were unlikely to freeze owing to comparatively mild winter.3. AIR OPERATIONSWestern Front. 4th/5th. Over 350 tons bombs were dropped upon Turin and 206 tons on Lorient. 5th Fighters damaged 7 locomotives 2 escort vessels, a cargo ship and a factory in offensive operations losing 4 aircraft. Enemy casualties 1 nil 2. 4 enemy aircraft bombed Bognor. Slight damage. 5th/6th. 19 bombers despatched sea-mining.Tunisia. 3rd/4th. Bizerta Harbour bombed by 11 Wellingtons. 4th. Airfields in Gabes area attacked by 42 escorted U.S. Fortresses (B17). A Schooner was also destroyed Au Heunt Souk (Djerba Island). In operations by U.S. aircraft enemy casualties 26.14.7 U.S. casualties 10.Nil.Nil.Sicily. 3rd/4th. Palermo successfully attacked by 27 bombers from Libya.Burma. 4th. Flintheins and Hurricanes attacked targets in Akyat area. 4th/5th. 6 Liberators (B24) bombed Rangoon.

NOT TO BE RE-TRANSMITTEDCOPY NO. 18BRITISH MOST SECRETU.S. SECRETOPTAL No. 43

Information received up to 7 A.M., 7th February, 1943.

1. MILITARY

LIBYA. 5th. Enemy withdrew along coast and by afternoon were holding a position about 3 miles southeast of RAS ADJIR (35 miles northwest of ZUARA). In Southern Sector UAZZEN reported clear of the enemy.

TUNISIA. 5th. Local counter attacks forced withdrawal of our forces from high ground southwest of PONT DU FAHS.

RUSSIA. Russians have advanced southwest of STARY OSKOL and so cleared railway YELATS-VALUIKI. Germans are being pushed back from river OSKOL towards line of upper DONETS. Russians have also made a thrust across DONETS southwest of LISICHANSK. Russians have occupied YELISK on SEA OF AZOV and PEREYASLAVSKAYA (55 miles west of TIKORATSK).

2. AIR OPERATIONS

WESTERN FRONT. 6th. Our fighters (3 missing) damaged 6 locomotives and 5 goods trains and other objectives in Northern FRANCE and HOLLAND. 6th/7th. Aircraft were despatched sea mining. FRISIAN ISLANDS and French ports 77 (4 missing), DUSSELDORF 2, leaflets PARIS 3.

TUNISIA. 4th/5th. BIZERTA bombed by 8 Wellingtons. 5th. Kittyhawks (P. 40) attacked M.T. and Block houses near BEN GARDANE. Enemy casualties 1, 2, 3. Ours nil, nil, 2.

SICILY. 6th. Spitfires successfully attacked railway targets in the southeast of SICILY.