

DIARY

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May 22 - 25, 1941

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See Financing, Government: Defense Savings Bonds



TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Thursday, May 22, 1941.  
5/21/41

Press Service  
No. 25-30

Secretary of the Treasury Morgenthau today offered for cash subscription, through the Federal Reserve Banks, at par and accrued interest, \$600,000,000, or thereabouts, of 2-1/2 percent Treasury Bonds of 1956-58, and at the same time announced provision for refunding the 3-1/4 percent Treasury Bonds of 1941, maturing August 1, 1941, through offering to the holders of such maturing bonds the privilege of exchanging them for additional amounts of the Treasury bonds now offered for cash subscription, or for additional amounts of the 3/4 percent Treasury Notes of Series D-1943, dated March 15, 1941, and maturing March 15, 1943, the exchanges in either case to be made par for par, with interest adjustments as of June 2, 1941.

The Treasury Bonds of 1956-58, now offered for cash subscription and in exchange for the bonds due August 1, 1941, will be dated June 2, 1941, and will bear interest from that date at the rate of 2-1/2 percent per annum, payable semiannually. The first coupon due September 15, 1941, will be for a fractional period. The bonds will mature March 15, 1958, but may be redeemed, at the option of the United States, on and after March 15, 1956. They will be issued in two forms: bearer bonds with interest coupons attached, and bonds registered both as to principal and interest. Both forms will be issued in the denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the bonds now offered shall not have any exemption, as such, under Federal Tax Acts now or hereafter enacted. Otherwise the securities will be accorded the same exemptions from taxation as are accorded other issues of Treasury bonds now outstanding. These provisions are specifically set forth in the official circular released today.

The 3/4 percent Treasury Notes of Series D-1943 now offered in exchange for the bonds due August 1, 1941, will be an addition to and will form a part of the series issued pursuant to Treasury Department Circular No. 650, dated February 25, 1941. They are identical in all respects with such notes, with which they will be freely interchangeable. The notes are dated March 15, 1941, and bear interest from that date. They will mature March 15, 1943, and will not be subject to call for redemption before maturity. As set forth in the official circular released today, interest upon the notes shall not have any exemption, as such, under Federal Tax Acts now or hereafter enacted.

Subscriptions will be received at the Federal Reserve Banks and Branches, and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Cash subscriptions for the bonds from banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined

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capital and surplus of the subscribing bank or trust company. Cash subscriptions from all others must be accompanied by payment of 10 percent of the amount of bonds applied for. Exchange subscriptions should be accompanied by a like face amount of 3-1/4 percent Treasury Bonds of 1941, due for payment on August 1, 1941. If coupon bonds are tendered for exchange, final coupons due August 1, 1941, should be attached to the bonds when surrendered. If registered bonds are tendered for exchange, they must be assigned to the Secretary of the Treasury for exchange as provided in the offering circular. If the maturing bonds are tendered in exchange for the new Treasury bonds, accrued interest from February 1 to June 2, 1941, about \$10.863 per \$1,000 face amount, will be paid the owners of the surrendered bonds following their acceptance. If the maturing bonds are tendered in exchange for 3/4 percent Treasury Notes of Series D-1943, the difference between the accrued interest from February 1 to June 2, 1941, on the surrendered bonds and the accrued interest from March 15 to June 2, 1941, on the notes to be issued, about \$9.253 per \$1,000 face amount, will be paid the owners of the surrendered bonds following their acceptance.

The right is reserved to close the books as to any or all subscriptions or classes of subscriptions at any time without notice. Subject to the reservations set forth in the official circulars, all exchange subscriptions will be allotted in full. The bases of allotment of cash subscriptions will be publicly announced, and payment for any bonds allotted must be made or completed on or before June 2, 1941, or on later allotment.

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There are now outstanding \$834,435,200 of 3-1/4 percent Treasury Bonds of 1941, maturing August 1, 1941. The present offerings of Treasury bonds and Treasury notes afford to holders of the maturing bonds an opportunity to exchange them for other interest-bearing obligations of the United States. Any bonds not so exchanged at this time will be paid in cash following their presentation on and after August 1, 1941.

The texts of the official circulars follow:

## UNITED STATES OF AMERICA

## 3/4 PERCENT TREASURY NOTES OF SERIES D-1943

Dated and bearing interest from March 15, 1941      Due March 15, 1943

Interest payable March 15 and September 15

## ADDITIONAL ISSUE

1941  
Department Circular No. 662

TREASURY DEPARTMENT,  
Office of the Secretary  
Washington, May 22, 1941.

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Fiscal Service  
Bureau of the Public Debt

## I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par, from the people of the United States for 3/4 percent notes of the United States, designated Treasury Notes of Series D-1943, in payment of which only Treasury Bonds of 1941, maturing August 1, 1941, may be tendered. The amount of the offering under this circular will be limited to the amount of Treasury Bonds of 1941 tendered and accepted.

## II. DESCRIPTION OF NOTES

1. The notes now offered will be an addition to and will form a part of the series of 3/4 percent Treasury Notes of Series D-1943 issued pursuant to Department Circulars No. 650, dated February 25, 1941, and No. 652, dated March 19, 1941, will be freely interchangeable therewith, are identical in all respects therewith, and are described in the following quotation from Department Circular No. 650:

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"1. The notes will be dated March 15, 1941, and will bear interest from that date at the rate of  $3/4$  percent per annum, payable semiannually on September 15, 1941, and thereafter on March 15 and September 15 in each year until the principal amount becomes payable. They will mature March 15, 1943, and will not be subject to call for redemption prior to maturity.

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

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

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

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

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

### III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

#### IV. PAYMENT

1. Payment at par for notes allotted hereunder must be made or completed on or before June 2, 1941, or on later allotment, and may be made only in Treasury Bonds of 1941, maturing August 1, 1941, which will be accepted at par, and should accompany the subscription. Coupons dated August 1, 1941, must be attached to coupon bonds when surrendered. Accrued interest from February 1, 1941, to June 2, 1941 (\$10.86326 per \$1,000) on the maturing bonds will be credited, and accrued interest from March 15, 1941, to June 2, 1941 (\$1.61005 per \$1,000) on the new notes will be charged, to subscribers. The difference (\$9.25321 per \$1,000) will be paid following acceptance of the bonds. In the case of registered bonds, checks will be drawn in accordance with the assignments on the bonds surrendered.

#### V. SURRENDER OF MATURING BONDS

1. Coupon bonds.-Treasury Bonds of 1941 in coupon form tendered in payment for notes offered hereunder should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasurer of the United States, Washington, D. C. The bonds must be delivered at the expense and risk of the holder. Facilities

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for transportation of bonds by registered mail insured may be arranged between incorporated banks and trust companies and the Federal Reserve Banks, and holders may take advantage of such arrangements when available, utilizing such incorporated banks and trust companies as their agents.

2. Registered bonds.-Treasury Bonds of 1941 in registered form tendered in payment for notes offered hereunder should be assigned by the registered payees or assignees thereof to "The Secretary of the Treasury for exchange for Treasury Notes of Series D-1943 to be delivered to \_\_\_\_\_", in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange, and thereafter should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasury Department, Division of Loans and Currency, Washington, D.C. The bonds must be delivered at the expense and risk of the holder.

#### VI. GENERAL PROVISIONS

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



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

HENRY MORGENTHAU, JR.,  
Secretary of the Treasury.

## UNITED STATES OF AMERICA

## 2-1/2 PERCENT TREASURY BONDS OF 1956-58

Dated and bearing interest from June 2, 1941      Due March 15, 1958

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED  
INTEREST ON AND AFTER MARCH 15, 1956

Interest payable March 15 and September 15

1941  
Department Circular No. 661

TREASURY DEPARTMENT,  
Office of the Secretary,  
Washington, May 22, 1941.

Fiscal Service  
Bureau of the Public Debt

## I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for 2-1/2 percent bonds of the United States, designated Treasury Bonds of 1956-58. The amount of the offering is \$600,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to increase the offering by an amount sufficient to accept all subscriptions for which Treasury Bonds of 1941, maturing August 1, 1941, are tendered in payment and accepted.

## II. DESCRIPTION OF BONDS

1. The bonds will be dated June 2, 1941, and will bear interest from that date at the rate of 2-1/2 percent per annum, payable on a semiannual basis on September 15, 1941, and thereafter on March 15 and September 15 in each year until the principal amount becomes payable. They will mature March 15, 1958,

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but may be redeemed at the option of the United States on and after March 15, 1956, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

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

3. The bonds will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege and will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and

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regulations prescribed by the Secretary of the Treasury.

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

### III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to the closing of the subscription books. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Cash subscriptions from banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Cash subscriptions from all others must be accompanied by payment of 10 percent of the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any

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action he may take in these respects shall be final. Subject to these reservations, subscriptions in payment of which Treasury Bonds of 1941 are tendered will be allotted in full. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

#### IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted on cash subscriptions hereunder must be made or completed on or before June 2, 1941, or on later allotment. In every case where payment is not so completed, the payment with application up to 10 percent of the amount of bonds applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depository will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district. Treasury Bonds of 1941, maturing August 1, 1941, will be accepted at par in payment for any bonds subscribed for and allotted, and should accompany the subscription. Coupons dated August 1, 1941, must be attached to coupon bonds when surrendered. Accrued interest from February 1, 1941, to June 2, 1941 (\$10.86326 per \$1,000) will be paid following acceptance of the bonds. In the case of registered bonds, checks will be drawn in accordance with the assignments on the bonds surrendered.

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## V. SURRENDER OF MATURING BONDS

1. Coupon bonds.- Treasury Bonds of 1941 in coupon form tendered in payment for bonds offered hereunder should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasurer of the United States, Washington, D. C. The bonds must be delivered at the expense and risk of the holder. Facilities for transportation of bonds by registered mail insured may be arranged between incorporated banks and trust companies and the Federal Reserve Banks, and holders may take advantage of such arrangements when available, utilizing such incorporated banks and trust companies as their agents.

2. Registered Bonds.- Treasury Bonds of 1941 in registered form tendered in payment for bonds offered hereunder should be assigned by the registered payees or assignees thereof, in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange, in one of the forms hereafter set forth, and thereafter should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasury Department, Division of Loans and Currency, Washington, D. C. The bonds must be delivered at the expense and risk of the holder. If the new bonds are desired registered in the same name as the bonds surrendered, the assignment should be to "The Secretary of the Treasury for exchange for Treasury Bonds of 1956-58"; if the new bonds are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for Treasury Bonds of

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1956-58 in the name of \_\_\_\_\_"; if new bonds in coupon form are desired, the assignment should be to "The Secretary of the Treasury for exchange for Treasury Bonds of 1956-58 in coupon form to be delivered to \_\_\_\_\_".

#### VI. GENERAL PROVISIONS

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

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

HENRY MORGENTHAU, JR.,  
Secretary of the Treasury.



## THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

May 22, 1941

Conference in the Secretary's office at 9:00 A. M., May 22, 1941, with the Director of the Bureau of the Budget and Mr. Bell

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The Secretary asked Mr. Smith whether or not anything had been done on the proposed executive order to set up a capital funds committee. Mr. Smith said that he had not been able to discuss it with the President but now that the Home Defense Board was out of the way and Mayor LaGuardia had been appointed, he thought they might be able to give some thought to that whole subject. Mr. Jones had also proposed an executive order giving him control over imports. He thought the two might have to be studied together.

The Secretary then mentioned that the AT&T Company had announced its intention to have a financing program of some \$300,000,000. He understood a large part was for new construction. I raised the question as to whether this should not be looked into to see if it is a part of the National Defense program and if it is not a part of that program, then it seems to me that it should be deferred until after the emergency is over. The Secretary agreed and thought the executive order should be issued. He told Mr. Smith that upon his return from vacation he would ask the President to have a conference with those people named in the proposed order and try to come to a decision as to whether or not it should be issued at this time.

The Secretary then took up the question of British financing. He told Mr. Smith that he realized that he had to make certain statements before the Appropriations Committee on the matter of financing British commitments in this country up to the time of the Lend-Lease Act and that so far as possible he should be protected in those statements. He wanted him to know that while the discussions were going on regarding the Lend-Lease Act it was necessary for him (the Secretary) also to make certain commitments with the British Government. He made these commitments with the full knowledge of the President after he had talked with Jesse Jones regarding the RFC taking over the facilities investments of the British and talking with Secretary Stimson regarding the War Department taking over certain British contracts. He said that was a definite commitment that had been made by him with the approval of the President and the British were now calling on him to make good and he did not see how he could get out of it.



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Mr. Smith said that he would like to give the Secretary some background on the matter, if he had not already heard it. At the time he was to appear on the Hill he went to see the President and asked him whether or not any of the Lend-Lease appropriation funds were to be used to liquidate the British contracts already outstanding in this country. The President said "no" that none of those funds were to be used by the British to meet these pre-Lend-Lease commitments but the British were to liquidate these commitments out of their own dollar resources. He made this statement before the Appropriations Committee and he was questioned very closely. The Chairman told him that he seemed to be very sure about this matter and he would like him to talk again with the President and come back and tell the Committee whether or not that was the President's policy. He said the next morning he went to see the President and told him the situation and the President again reiterated his previous stand that we were not to assume under the Lend-Lease any of the British contracts previously entered into by them.

The Secretary said that he had not heard about that conversation which Mr. Smith had had with the President and apparently the President had forgotten his conversation with him about relieving the British of \$300,000,000 or \$400,000,000 of contracts. He thought it was unfortunate that this had happened but he is quite certain the commitment has been made and that something will have to be done to meet it.

I asked the Secretary if something like this could not be worked out: in the Secretary's testimony before the legislative committees he had stressed the point that the British Government would liquidate all of its outstanding commitments up to January 1, 1941, in this country out of their own resources and that for this purpose they would liquidate the British dollar assets held in this country. He had given a figure of \$1,400,000,000 as the outstanding commitments as of that date which the British would have to liquidate. While Mr. Smith's testimony was sometime later and before another committee, I did not recall that he had given any date and could it not be assumed that when he stated that the British were to liquidate their present commitments out of their own resources he was talking about the same amount as the Secretary had given, namely \$1,400,000,000 and as of January 1. It is understood that the British entered into contracts beginning the latter part of January or the first of February in the amount of approximately \$35,000,000 a week for a period of several weeks prior to the enactment of the Lend-Lease bill. If, therefore, we could get Mr. Jones to take over all the facilities investments of the British amounting to \$150,000,000 to \$200,000,000 there would be no question in the committees of Congress, and get the War Department to take over the contracts entered into by the British since January 1, 1941, which would probably amount to \$200,000,000 or more, then this would solve the problem.

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The Secretary said he thought we had something there and that it would be a good basis on which to work. He thought that would just about meet the \$300,000,000 or \$400,000,000 commitment that we have been talking about. He asked Mr. Smith if he were willing to work with me to try to straighten it out on this basis. Mr. Smith said he would and wondered if I would not take the leadership in view of my familiarity with the problem. I said that I would and the following week I would have people in the Treasury thinking about it and we might have some questions to ask Harry Hopkins' organization.

Mr. Smith seemed to hesitate about trying to work out a program in view of the statements he had made in Congress and in view of the statement which had been made by Mr. Hopkins to the effect that no British contracts should be taken over prior to the Lend-Lease Act. Mr. Hopkins had read Mr. Smith's testimony very carefully and seemed quite definite in his own mind after reading it that a commitment had been made to Congress. Anyway, Mr. Smith thought something had to be done about it and we should give a great deal of thought to whatever scheme is worked out.

Mr. Smith said that he would like to talk about one other thing for a minute and that was the matter of estimating total expenditures for 1942. He said there was a great deal of confusion in the situation, the reason being that the Budget's \$17,500,000,000 has not been changed, the Secretary's figure of \$19,000,000,000 before the Ways and Means Committee, and Henderson's figure of \$24,000,000,000. He thought that something should be done to clarify the situation and he wondered if the Secretary would have any objection if the Budget gave out a new figure. He had appreciated his position before the Ways and Means Committee and had talked to me about the matter and had promised to give out no figures on estimates of expenditure for 1942 until he had cleared them with the Secretary.

The Secretary asked Mr. Smith what he wanted him to do.

I told the Secretary that I had this idea: the middle of next week the Director of the Bureau of the Budget is submitting to Congress additional estimates for account of the Army, in which the British will be involved also, amounting to approximately \$3,500,000,000 and that possibly in the course of the next week or ten days the Director would send up an additional estimate for the Navy. After this first estimate is submitted to Congress and in view of the many other things that have happened in the past two months to so change the situation, I believe that the way is now open for the Secretary to ask the Director of the Bureau of the Budget for new estimates for expenditures for the fiscal year 1942 and at the same time state that the Treasury is furnishing the Director new estimates of receipts. On the basis of this request, the Director could compile a complete Budget summary for 1942 and make it public.

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The Secretary thought this was a good suggestion. He said if it suited Mr. Smith he was perfectly willing for me to do this in his absence whenever the \$3,500,000,000 estimate goes to Congress.

I said that I would follow those instructions and stated that the next question which would come to the Secretary would be that if these expenditure estimates exceed the \$19,000,000,000 which he has given, what is he going to do about additional taxes to maintain his two-thirds taxes and one-third borrowing. The Secretary said that he did not know, but he was quite certain that he would not ask for additional taxes to cover the increased expenditures. I said I thought that was the right answer. I thought he might answer also that there is nothing sacred about the two-thirds and instead of it now being two-thirds taxes and one-third borrowing, it is 60% taxes and 40% borrowing, which is near enough for all practical purposes. The Secretary said that might be a way out.

May 22, 1941  
9:00 a.m.

HMJr: Harold?

Harold  
Graves: Yes sir.

HMJr: Harold, I've got a suggestion...

G: Yes sir.

HMJr: I'd like you to try it out...

G: Yes sir.

HMJr: In connection with getting these prominent refugees to speak...

G: Yes.

HMJr: And get their stories translated for the foreign press...

G: Yes.

HMJr: I want you to try John Wiley.

G: Oh yes.

HMJr: I think you will find him to be very useful.

G: Yes.

HMJr: He's here, you know.

G: I know.

HMJr: And he knows many - he knows most of these people personally.

G: Yes.

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HMJr: Will you send for him and have a talk and just give him that advice and let him have a try at it.

G: Yes, I think I'd like to talk with you a little further about that before we do anything very much. As I told you the other day, we have an exceedingly capable man at the head of that department and he's covered a lot of ground and he's going to report to you on Friday...

HMJr: Yeah.

G: As you asked, and I would kind of like to defer bringing Wiley into this picture until you have heard from Sulds.

HMJr: Well, that's fair, but that's fair. I can wait 24 hours.

G: Fine. I think you are going to like this man, Sulds, and I think you are going to like what he's done.

HMJr: Well, I don't doubt - he doesn't know these people the way Wiley does, but have a talk with Wiley today anyway.

G: Fine, I'll be very glad to.

HMJr: Send for Wiley and talk to him and I'll get Sulds' report tomorrow and based on that I can decide what I want.

G: Fine, very good. I'll talk to Wiley today.

HMJr: Thank you.

G: Yes, sir.

May 22, 1941  
10:00 a.m.

RE AID TO BRITAIN - VISCOSE COMPANY

Present: Mr. Phillips ✓  
Mr. Foley ✓  
Mr. Cochran ✓  
Mr. Stanley ✓  
Mr. McCain ✓  
Mr. Peacock ✓  
Mr. Bell ✓  
Mr. White ✓

H.M.Jr: I receive press at ten-thirty so if we don't get through by then we may have to adjourn temporarily.

Stanley: Shall I begin, Mr. Secretary?

A few days ago there were certain people who were interested in the company; namely, Mr. Salvage and Mr. Henry Williams, who told me that they would like to arrange to make an offer for the stock that we had bought instead of our making it a public sale. We told them that we would have to know by tonight, Thursday night, because we are planning to sign our contract tomorrow and proceed with the sale.

Yesterday we talked to about a hundred and fifty dealers throughout the country, telling them they would be invited to join us on Friday in a purchase group and check the market as to possibilities, and we know a great deal more this morning than we did yesterday morning

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as to the possibilities of success. We are ready to go ahead, Mr. Secretary, if this transaction is to be done as a sale to the public. The price that the British Treasury will realize from that sale is not as good as the price they have talked of on a loan basis, if that is a bona fide figure.

We don't know whether they can get it or not, you see, but if they can get the figure of sixty-four to sixty-five, that they had mentioned to us that would be better for the British Government by four or five million than our figures will.

We have talked of selling an issue of preferred and common stock, the preferred being around a hundred and five or seven and a half and the common, twenty-five.

If we had been asked yesterday morning whether we could do twenty-five, we would have said no. We would have still said no at noon. The momentum of the thing got better as it went along yesterday afternoon. We can't say positively yet that we can do it at twenty-five as a success. We are hoping we can and we may come Friday afternoon and say to Sir Edward, "The best we can do is twenty-three and a half or twenty-four and what not and do you want to go ahead on that basis or don't you?"

As of this minute, we think an issue of twenty-five would go off.

H.M.Jr: Go off?

Stanley: Go down.

H.M.Jr: You mean after you sold it? Yes.

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McCain: We could sort of bull it through, but it looks as though it would go off.

Stanley: By tonight we may feel differently on that.

H.M.Jr: The declaration of the dividend was at par?

Stanley: Yes.

H.M.Jr: And that was expected?

Stanley: Well, we did that because we thought the buyers of the stock were entitled to know what sort of income they would get and it is a recapitalized company and it is a time issue.

H.M.Jr: Let me ask you this. If you sold all the preferred, how much would that produce?

Stanley: About twenty-five million. I will give you the exact figure, Mr. Secretary. We have ninety percent of the company. If we sold the preferred at a hundred and five, that would provide twenty-three million, nine hundred ninety thousand.

H.M.Jr: Call it twenty-four million?

Stanley: Right.

H.M.Jr: And the common?

Stanley: The common at twenty-five provides thirty-nine million two hundred.

H.M.Jr: That is sixty-three million?

Stanley: Right.

H.M.Jr: Of that, what do you deduct?



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- Stanley: From that we deduct four million one for selling costs.
- H.M.Jr: And what else?
- Stanley: And about another four million for the profits and compensation under the contract with the British Treasury, carrying costs.
- H.M.Jr: Eight million?
- Stanley: Yes. Selling costs are very expensive on selling common stock, Mr. Secretary. You may remember in our first talk we were talking about profits and costs and I said that very often it amounted to ten percent alone to sell common stocks.
- H.M.Jr: Fifty-eight million, is that what it is, net to them?
- Foley: Yes.
- Stanley: Fifty-five million.
- Bell: Fifty-five.
- Cochran: Fifty- five.
- Bell: On those figures he gave you.
- H.M.Jr: Is that the figure you used? And if they did this other deal, you would get how much?
- Phillips: Fifty-nine, net.
- Foley: This is the public offering, fifty-five, two, net, and on a loan basis, fifty-nine net, making a difference between the loan and the public offering of three million eight.

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H.M.Jr: And you are not even sure of the twenty-five.

Stanley: No, we are not, Mr. Secretary.

H.M.Jr: Let me ask you a few questions. You know that this business of issuing in private houses is something I am not familiar with. I know a little about it, but not a great deal. I am more concerned with the Government Bond market.

Incidentally, our issue is going much better.

Stanley: I heard in New York it was fine.

H.M.Jr: It is three quarters of a point above what we priced it here in the Treasury. The market paid three quarters of a point higher.

Stanley: That is right.

H.M.Jr: They started at nine A.M. trading. They are hungry for something.

I want to ask two questions, if you will just bear with me a minute. They both may be silly. Could you sell the preferred now and wait for the common?

Stanley: I think not, Mr. Secretary, because in the first place it was part of a transaction of a loan subsequently. We wouldn't want to sell the preferred stock and have the thing not really set so that the investor knew what kind of a company he was buying into at the time.

Second, I don't think we want to take the responsibility of sponsoring a fresh stock issue not knowing what is going to happen

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to management, control, operations, and so on. For example, we have got four or five fellows together on the board, McCain and so on. They wouldn't want to stay on the board.

H.M.Jr: All right. Well, I am just rushed a little. I don't want to be rude, but I am pressing for time. Your answer is no?

Stanley: Right.

H.M.Jr: I mean, don't misunderstand me.

Stanley: Certainly.

H.M.Jr: All right, that is question number one. I mean, I am not arguing. I don't - you will have time to argue afterward, but his answer is no.

Number two. Supposing in some way or other that this thing could be worked up so that the English could get, say, sixty million dollars, net, you see. I mean, let's say they can get sixty million net out of this thing. What do we figure the cash reserves are?

White: At present it is cash and securities and I think it is forty-five million.

H.M.Jr: Forty-five million?

White: Cash and securities.

H.M.Jr: That takes nothing in for plant?

White: No, but there are some commitments against - they have got a new prospectus out which has later, more accurate data.

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McCain: Twenty-four million cash and securities as of today. The rest is inventory.

H.M.Jr: Let's just say sixty million dollars. That would certainly be satisfactory, if you got sixty, wouldn't it?

Peacock: Yes.

H.M.Jr: Let's just say we shot for sixty and you wanted to go ahead with this thing. Is this thing feasible? I mentioned this to you before. If Jones was willing to be sort of a sub-underwriter, if that is the correct term, so that if you offered this to the public at a price which would offer net to England of sixty million dollars and some of it didn't go, that on some sort of basis he would be willing to take over.

Stanley: Unfortunately, I think it is impossible, or at least just going through the motions, Mr. Secretary. That would mean a higher price than twenty-five for the common. That would be just a complete farce. Jesse would get it all. Everybody would think it was silly of us for having tried an unrealistic price.

If that is five million dollars, that is roughly three points on the stock, that is, say, offering the stock on twenty-eight. We make it twenty-five. It is very doubtful that it won't go up afterward.

H.M.Jr: The answer on that is no?

Stanley: Right.

H.M.Jr: All right. Then the only thing left, and just so that you know my position, I didn't

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know until - today is Thursday - I didn't know until Tuesday of the exchange of letters between Jones and Max Gardner. I want you to know that. That was the result of my telephoning you.

Stanley: Right.

H.M.Jr: I only learned about it Tuesday, that he had withheld information. I don't know whether you knew it or not.

Stanley: No.

H.M.Jr: I didn't know about it.

Stanley: We knew that they did talk to them.

H.M.Jr: I didn't know about the letters. I don't know when the English first heard about it. I only learned about it Tuesday.

In view of this thing, I don't see that there is anything else to do but to tell the English to go over and see Mr. Jones and see what kind of a proposition they can get out of him and then let them make their choice.

Stanley: Yes.

H.M.Jr: I mean, I am not going to be in a position that if there is somebody that can give them more money that I am withholding that money from them and saying they can't go to Mr. Jones or Mr. Smith or Mr. Brown, and I don't see how you (Stanley) can be in that position either.

Stanley: We could not be.

McCain: They don't want to be.

H.M.Jr: I asked two questions. Have you any other

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alternative other than this plan?

Stanley: No.

H.M.Jr: Where is Dan? Dan, I am shooting from the hip. Have you got anything?

Bell: No.

H.M.Jr: What?

Bell: No, I haven't any. I think that is the best solution.

H.M.Jr: Ed?

Foley: O.K. It is all right with me.

H.M.Jr: Merle? Can you think of anything else?

Cochran: I can't think of anything else. I hate to see it, as you all do, change from a public offering.

H.M.Jr: I think it is --

Cochran: It is most unfortunate.

H.M.Jr: I think it is terrible and I am not going to defend it.

Cochran: I think we will gain more in the long run --

H.M.Jr: I am not going to defend it. In fact, I am going to criticize it. I will put you on notice now. I didn't get into this. I am going to withhold the right to publicly criticize it and I am not going to defend it on the Hill or to the President. I mean, this suddenly is dumped in my lap on Tuesday.

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Cochran: Tuesday night.

H.M.Jr: Tuesday night and plead ignorance, didn't know anything about it, suddenly dumped in my lap and after I get this memorandum from Cochran at the house which I read late, from Sir Frederick, I called Mr. Stanley on the phone but I want to say I think it is terrible.

I was brought into the picture Tuesday night. I want to see this thing sold publicly and I think it is going to hurt the English. You have got Maynard Keynes over here saying you have got to get more money for Lend-Lease, more money for your bomber program.

Senator Nye has already expressed himself on this thing. But I just won't - you always know where I stand or where I sit and I don't quibble. I think it is a terrible mistake just the way I did originally that the English hadn't sold a single company.

But I am not going to be the man that anybody can say that he either withheld any money from the English or drove you into the hands of the bankers and so forth and so on, but my own position as Secretary of the Treasury is perfectly clear. I want to see a public offering. I want you to know just where I stand. I can't work on a proposition with a shotgun to my head and produce the difference when I only learn about a thing Tuesday night.

I mean, I only heard about it Tuesday night and then Cochran broke all rules by bringing it to me late at night and I get Phillips at a quarter of eleven and I get you (Stanley) out of bed at twelve. I can't work any faster than that.

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Here is a pistol held to my head and I am supposed to produce sixty millions. I can't do it.

Peacock:

Mr. Secretary, your statement is perfectly clear and perfectly correct and naturally, but we are in the same position. I mean, none of us have a pistol and we have not been wishing to use any pistol. We also knew nothing about this and we did know that these people were working on something but I didn't, certainly, take them seriously because I thought sure that they could not offer it at a price that was in contemplation and we all worked together.

It is merely the shift of the market that takes that price out of our hands. Nobody can control that. There is no blame attached to anybody about it. It was only then that it became a possibility that these people might have been the bankers and that has been an embarrassment, undoubtedly, but we have not been in any way plotting with them or anything else.

H.M.Jr:

Well, I want to say - I think I have said this and I don't care. I was told by thoroughly reliable persons that Maynard Keynes' mission in the United States was to kill the Viscose deal. This is a very high, ethical person, and he was sent over here to kill it.

Well, he has been successful. I want you to - this man is of an unimpeachable character. I mean, as far as - the person who told him may not have known what he was talking about, but as far as this man's word is concerned, I would give him my checkbook. He believes what he is telling. Whoever told him may not have known. The man is telling it to me -



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if you knew who it was you would give him anything. He is of that character.

Now, possibly the person who told him that didn't know what he was talking about. I have got only one suggestion to make in view of the way I feel and I know that - I hope you will postpone the whole thing long enough so that you can take another look at it, you see, that the decision will not be made to go ahead with a private sale, that the thing be postponed long enough to take another look and see whether a public offering can not be made. I think it is going to be a tragedy.

Phillips: Absolutely. We are on the spot because we have the thing set for Thursday night.

H.M.Jr: The only suggestion I have to make and I don't want any feeling afterward, is that the whole thing be postponed long enough so that you gentlemen representing the British Government have time enough to look at it and see if there isn't some way of working out a public sale.

Peacock: Mr. Secretary, Sir Frederick Phillips and I have been in consultation over the last two days, of course. Our decision was, and we came here with that in our minds, that we must support a sale unless you thought that we ought not to and we have never wavered on that.

Now, in regard to Mr. Keynes, I have no doubts about your friend. I can only say that when he landed here - I don't know what he did come for. He didn't tell me. But he landed here and he came to see me. He reported the situation in England and he said, "I particularly want to be disassociated from this

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Viscose matter because I have other things in mind, and I don't want --"

H.M.Jr: Well, I sent him the message through this same man that if he wants to do something that will really get me angry, it is to walk into my office and make that suggestion, so before he came to see me he got that message.

Peacock: Make the suggestion on Viscose?

H.M.Jr: I said, "If he wants to make me thoroughly angry, let him walk into my office and suggest that the Viscose Company sale has been called off," so he has never raised it with me.

Peacock: No, he didn't to me either, sir.

H.M.Jr: But I got that message to him through this same man, "But if he wants to make me thoroughly angry, let him come in and suggest that they call off Viscose."

Peacock: No, he didn't say that. He said, "That matter is in your hands and I want you to decide" and Phillips and I have been in close contact and we have not wavered in thinking that a sale was possible. For many reasons it was a desirable thing.

H.M.Jr: I don't doubt your or Phillips' integrity or intentions in this thing one iota, see, just so that you can - I mean, I think both of you gentlemen have been highly honorable in this matter and I haven't got the slightest doubts about you. I just want you to know that.

Peacock: Thank you very much.

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H.M.Jr: I mean, I haven't got the slightest doubts about your intentions or your integrity in this matter, so we understand each other.

But you have both been entirely fair with me and I have no criticisms. The only suggestion I would like to make is while you are here I am going to call up Mr. Jones and tell him that you are here and if - that you would like to see him today and talk to him and it is O.K.

Stanley: Mr. Secretary, may I say before that along the line of postponing the public offering, I hate to say it, but I think the postponement of this offering as planned may result in ruining everything.

H.M.Jr: Then it is just too damned bad. What we are - what I am interested in first, last, and always, is not in anybody, particularly in personal interests, including my own. I am interested in seeing these fellows win the war and that is the only thing that I am interested in and all the rest of this stuff is just peanuts, but in order to help them win the war, God damn it, we have got to give them certain stuff and we have got to get certain stuff from Congress and I go up on the Hill and say certain things and we have just got to go through with them.

Now, all the rest of the stuff, me as an individual, you as an individual, I don't know how you feel about the war but I want to see these fellows win and that is the only interest that I have got. And I am so - I am dirty. I have been through a mud bath on this whole thing and I am sore about it. I don't like it. Anything that I do here I can shout from the top of the Treasury and anybody can go through my books day or

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night and anything that I do is always subject to searchlights. There is nothing here.

But this whole thing, I mean what has happened - I don't know how much you know. I mean, I am just dirty and I don't like it. I mean - it is not you. (Stanley) You may or may not know what I am talking about, but this whole business, but for these people to not - to do this, make a private sale at this time, is definitely going to hurt the British cause in this country, and I know what I am talking about.

Peacock: Mr. Secretary, may I say that this market situation which has thrown us all out somewhat, is nobody's fault.

H.M.Jr: Granted.

Peacock: The thing was going very well and would have gone in such a way that everybody would be satisfied with it. The market has at the wrong moment, as it usually chooses the wrong moment, has gone down.

Now, nobody can control that. We are quite aware of it. We will go at this and do our best to carry it through in the right way.

H.M.Jr: I am sure you will.

Now, if you want to see Jones in view of what has happened, I would like you to tell me. I want to call up and tell him.

Peacock: May we send a message later?

H.M.Jr: Of course. Phillips, do you want to ask me anything?

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Phillips: No, sir. I want to make one remark.

H.M.Jr: Please.

Phillips: In the first, I believe the earliest moment at which I realized that the price was going to be so very unfavorable was somewhere about last Friday. I was always under the assumption the price would be thirty dollars.

Peacock: It is only in the last few days.

H.M.Jr: Well, I have got it all off my chest and I think you gentlemen know where I stand.

Stanley: Yes.

H.M.Jr: And if either the syndicate or the English want to see me today and will send me a little notice, I will adjust my schedule and I am available.

Stanley: First rate, sir.

# FEDERAL LOAN AGENCY WASHINGTON

JESSE H. JONES  
FEDERAL LOAN ADMINISTRATOR

May 22, 1941

Dear Henry:

Since writing you yesterday about the Viscose matter, I have had an opportunity to look over the bankers' prospectus proof of May 21, and find that on that date the bankers apparently reduced their take by \$1,234,750, so that instead of their total take being something over five million, approximately 8%, it appears now to be about \$3,850,000, about 6 1/2%.

This, of course, is a very high bankers' charge. They took no risk, investing only \$36,456,000 against property with a depreciated book value of \$113,541,902, with current assets of \$53,727,487 against \$7,996,051 current liabilities.

The tragedy of the matter from my point of view is that this property with a fine earning record and with net assets of more than \$100,000,000, with no appreciable liabilities, is netting the owners less than \$60,000,000, reducing the amount that the British would have to pay on their purchases in this country by whatever amount the sixty million is less than a fair price for the property.

While I was familiar with the original trade, it never occurred to me that the property would be sold for less than \$75,000,000 or \$80,000,000.

In my opinion it would have been much better for the RFC to have arranged a loan of substantially more than the price the property is being sold for, which loan would be sound, and should be easily liquidated out of earnings, leaving the equity with the present owners or under some such plan as Governor Gardner referred to in his letter, copy of which I sent you.

Sincerely yours,

*Jesse H. Jones*  
Administrator

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

*and Sir Edward Brocade thinks it is too late to change the plan.*

May 22, 1941  
10:40 a.m.

HMJr: Hello.

Operator: Secretary Jones.

HMJr: Hello.

Jesse Jones: Hello.

HMJr: Jesse?

J: Yeah.

HMJr: I've just had this conference with Stanley and somebody from the other banking house.

J: Yeah.

HMJr: And Sir Edward Peacock and Frederick Phillips are here now in my room. Hello?

J: Yeah.

HMJr: And I'd like you to see them.

J: All right, I'll be glad to see them.

HMJr: When could you see them?

J: I could see them - would 12 o'clock suit them?

HMJr: Just a moment please (Talks aside) Which office, Jesse?

J: I'm at Commerce.

HMJr: At Commerce?

J: Yes.

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HMJr: They'll be there at 12.

J: Thank you.

HMJr: And then if you'd keep  
me posted please.

J: I will.

HMJr: Thank you.

J: Goodbye.

HMJr: Goodbye.



May 22, 1941  
11:35 a.m.

HMJr: Hello.

Harold  
Iokes: Henry?

HMJr: Hello, Harold.

I: Remember I spoke to you, I think before the last Cabinet about any help that you might be able to give to Linden Johnson in Texas.

HMJr: Yeah.

I: Now, the fight down there apparently is between him and O'Daniels, who at last has gotten into the race.

HMJr: Yeah.

I: And seeing that you have two or three influential people down there, but they haven't had any sign from anyone.

HMJr: That's right. We've never done that, Harold.

I: Well, Henry, couldn't you do something like this, either you or somebody who would be known to represent you - you just call them up and ask them about some off hand question and then say by the way how's our friend Linden Johnson getting along?

HMJr: Well, Harold....

I: Don't give them any instructions.....

- 2 -

HMJr: Don't misunderstand what I'm going to say - just let me get this off my chest a minute. Your asking me is all right with me, see?

I: Yeah.

HMJr: But what I can't understand is, why does the President keep so in the background on this?

I: The President did give him a good sendoff and I know the President - he wouldn't have run if it hadn't been the result of a talk he had with the President. The President didn't want to run the risk of being charged with another purge.

HMJr: I see.

I: That's the only reason. The President will tell you that.

HMJr: Well, I mean your word is always good with me. I just - I mean he's never mentioned it and I just wondered why the timidity.

I: Well, I don't know. As a matter of fact it was the President who suggested that I talk to - I don't know whether I brought it up first or not - but I think he, himself, did say something to Wickard. He said he would and I - because I wasn't the one to do it there and I undertook to speak to you and Bob.

HMJr: Yeah.

I: Now, Bob's people are doing good work down there.

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HMJr: They are?

I: Yeah.

HMJr: Well, I frankly haven't because we never have gotten in on any thing like that.

I: Yes, well I've been awfully cagey myself, I don't either but here's a chance to get an administration man, if we don't we're going to get something God awful.

HMJr: Well - let me give it another think, and I'm seeing you tomorrow and I'll tell you just what I am or am not doing.

I: Yeah. All right.

HMJr: How's your Mrs.?

I: Well, I tell you the - Jim Rowe knows all about it.

HMJr: I know it he does. He sent word to me.

I: Yeah.

HMJr: He did.

I: Yeah.

HMJr: Good. Baby's good.

I: Yeah. Couldn't be better.

HMJr: Thanks. All right.

I: All right, Henry. Goodbye.


## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

May 22, 1941.

TO Secretary Morgenthau

FROM Mr. Graves Re: Appointment of  
Dean Pickens. 

I think the most significant points to be considered in connection with the Aubrey Williams phone conversation of yesterday with you are, first, the fact that Dean Pickens was appointed on the recommendation of Walter White; and second, the fact that Mr. White, when contacted yesterday by Mr. Spingarn, categorically denied that he ever went anywhere in the 1940 campaign to cover up inroads which Pickens made in the colored vote as Mr. Williams told you.

The facts about Pickens' politics are these: He is a registered Democrat who had not been active in politics in recent years until the 1940 campaign, although he voted for Roosevelt in 1932 and 1936. Our information now is that shortly after the Republican Convension last year, a white friend of his in Willkie's entourage persuaded him to come out to Indiana and talk to Mr. Willkie. As a

- 2 -

result, he organized a non-partisan committee for Willkie and sent out some letters, not, however, of a public character. Immediately afterward, the N.A.A.C.P., which is, of course, a non-partisan organization, met on the matter and ordered Pickens to desist or give up his job with the Association. He promptly quit the Willkie campaign. He was only connected with it for the space of a few days and he did not make any speeches.

Next, briefly, is the story of how Pickens was appointed. Five or six weeks ago I called in Steve Spingarn, told him we were thinking of appointing to our Defense Savings Staff one negro on a full-time basis and one in an advisory capacity, and asked him whom he could suggest. He said he would like to call in two distinguished negroes to talk the matter over with us. I agreed. The men that he brought in were Walter White, Executive Secretary of the N.A.A.C.P., who is known personally to the President, Mrs. Roosevelt, and yourself; and Judge William Hastie. Judge Hastie is one of the outstanding negro lawyers of the country. After serving as Assistant Solicitor of Interior, he was appointed Federal Judge in

- 3 -

the Virgin Islands by President Roosevelt. Subsequently, he resigned to become Dean of Howard Law School. At present he is on leave of absence from that post and is acting as Civilian Aide to the Secretary of War to advise him on negro matters in the Army. Both White and Hastie are Roosevelt supporters.

At the conference White and Hastie (who had been contacted in advance and asked to think the matter over before coming in) gave us a list of five or six names. These included, in addition to Dean Pickens, L. D. Milton of Atlanta, Earl Jones of New York, Homer Roberts of Chicago, and a woman from Louisville, Kentucky. In addition, a man named Billboard Jackson had been suggested to me from other sources. All these people were discussed at the meeting from the standpoint of what their effectiveness would be in the defense financing program. No questions about politics were raised. The meeting was attended by Messrs. Kuhn, Houghteling, Spingarn, and myself. It was our unanimous opinion that Pickens and Milton were the best prospects; and they were appointed.

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Since their appointment, a negro named Edgar Brown, who, as I understand, is regarded as an aggressive, and not too scrupulous, politician by his own group, has been active in attacking the appointments because they were made without regard to politics. He has particularly pushed Bishop R. R. Wright of the African Methodist Church for Pickens' post. Brown was instrumental in getting an unfavorable news story in the local Washington colored paper, The Afro-American, a couple of weeks ago, but an editorial in the same paper last week, while deploring the fact that a New Dealer had not gotten the appointment, said:

"Dean Pickens knows more people in the country by name and during the past fifteen years has addressed more public meetings than any of the so-called regular politicians. He did not seek the job; the job sought him.

"The Treasury evidently thinks he'll be an excellent bond salesman and we are inclined to agree with it."

Further evidence of Pickens' qualifications is to be found in the following extract from a release by the Associated Negro Press, following the appointment:

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"Mr. Pickens holds degrees from several colleges and universities including Yale where he was elected to Phi Beta Kappa. Taught at Talladega, Wiley and Morgan and was dean of the latter institution before becoming an official in the N.A.A.C.P. He is generally credited with having done more than any other national officer to interest the masses in the work of the association. In addition to his position as director of branches, Mr. Pickens has toured the nation annually giving lectures and holding forums. He has been praised as one of the greatest orators in America."



May 22, 1941  
2:10 p.m.

HMJr:           ..... Mrs. Roosevelt about  
                  this Dean Pickens....

Harold  
Graves:           Yes, sir.

HMJr:           And read her your memorandum,  
                  which incidentally was very good.

G:                Thank you, sir.

HMJr:           Now, she says she doesn't see -  
                  she knows an awful lot about all  
                  these negros.....

G:                Yes.

HMJr:           How in anyway we could be  
                  criticized for what we've  
                  done, and certainly the last  
                  thing in the world we should  
                  do would be to fire this man.

G:                Yes.

HMJr:           I would like Lawrence Houghteling  
                  to call on Aubrey Williams and  
                  Give him the whole story.

G:                All right, sir.

HMJr:           And then I want to know after  
                  hearing it whether Aubrey Williams  
                  doesn't think that what we've done  
                  is all right.

G:                Fine, I'll see that he does that.

HMJr:           But let Lawrence Houghteling do  
                  that, will you?

G:                I'll do that right away.

- 2 -

HMJr: But Mrs. Roosevelt says that she doesn't see but what - that memorandum was just what I wanted.

G: Yes. Steve Spingarn did that by the way.

HMJr: Well, whoever did it, it was all right.

G: Yes.

HMJr: And I'm just getting George and told him to step on some of these statistics and I'm seeing him later.

G: Yes.

HMJr: He's handling statistics on this thing, isn't he?

G: That's right, he is.

HMJr: Makes me so damn sore - now Mrs. Roosevelt says, I see by the papers your defense bonds are a failure.

G: Yes.

HMJr: So I told George what could he tell me as to the number of people each day that are buying these things.

G: Yes, we have daily reports on the number of bonds sold.....

HMJr: He told me that, but he hasn't got the number of people.

G: No, we don't have that.

HMJr: Well, he's got to get it.

G: Yeah.

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HMJr: Because I think it would be  
impressive.

G: Yes.

HMJr: All right.

G: All right, goodbye.

May 22, 1941  
2:31 p.m.

H.M.Jr: Hello.

Operator: Mr. Wertheim.

H.M.Jr: Maurice?

Maurice  
Wertheim: Hello, Henry.

H.M.Jr: How are you?

W: I'm fine, thank you. I called up your secretary yesterday because I was coming down to Washington and there is a matter that doesn't concern business that I wanted to talk over with you.

H.M.Jr: Well, Maurice - pardon?

W: I say there is a matter that doesn't concern business that I wanted to talk over with you for a few minutes and I remembered that the last time I was down there you suggested that I should come to see you whenever I was down and that's why I called up.

H.M.Jr: Well, I just wanted to find out, I mean, whether it was a matter of a few minutes or an hour.

W: Oh, maybe fifteen minutes, Henry.

H.M.Jr: I see.

W: I could come down tonight if you wanted to do it after hours or tomorrow night.

H.M.Jr: Well, it just so happens I'm tighter than a drum because I'm going away Saturday morning and we've got - but I mean I can see you but I can't see you, unfortunately, in the evening

- 2 -

or a lunch because I'm all tied up.

W: Well, give me any appointment you can except between 4:30 and 5:30. Otherwise, I'm entirely at your disposal.

H.M.Jr: Well, how's 3:30 tomorrow?

W: That'll be lovely, Henry.

H.M.Jr: Well, I'll look forward .....

W: All right. Thank you very much.

H.M.Jr: Good-bye.

May 22, 1941  
3:30 p.m.

RE AID TO BRITAIN - VISCOSE COMPANY

Present: Mr. Foley  
Mr. Bell  
Mr. Cochran  
Mr. White  
Mr. Phillips  
Mr. Peacock  
Mrs. Klotz

Peacock: Well, sir, we thought we should come and report to you.

H.M.Jr: Please.

Peacock: We saw Mr. Jesse Jones as arranged. The bankers went with us. They understood they should go and we made no objection. It rather suited us, because we let them do the opening.

They explained what had happened and there was quite an argument between them and Mr. Jones as to their method of financing. His view was that they ought to have come to him some time ago before they set up their scheme and discussed the possibilities of having a loan from him for a substantial amount and then selling securities, you see.

He said they would have gotten more money. Their view was - he had intimated to Clarence Dillon that he was quite willing to do that.

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H.M.Jr: I am surprised.

Peacock: What?

H.M.Jr: That is news.

Peacock: That did happen a long time ago, I know, that if the bankers were going to sell securities he would be quite willing to make a loan on the company to enable them to get more money, they to sell their shares. They didn't take that up because they felt they couldn't sell shares on a company of this kind that was heavily bonded, their view being that this kind of business should not be heavily bonded.

Well, there was an argument between them about that which didn't really concern us very much. Then the bankers asked whether there was anything going to happen about this suggestion that the Viscose people might be going to put in a last minute offer.

He said he didn't know, that they had approached him some time ago, that he understood the bankers were aware of the letter he had given them, and that the matter had not gone farther than that so far.

So I asked the bankers if they would leave then and I asked Mr. Jones what his view was about matters now. I said, "We have got to sit with these bankers this afternoon in the middle of their operations. They talked to the whole country yesterday. They are awaiting answers for this evening and they have then got to say whether they are going on or not, accept the offers or refuse them. We can stop it after this. The question is, has the matter - is the matter one where we should try to stop it now."

- 3 -

His answer was that he thought it was too late to try to do anything. That was his view. I said that was my view too, and Sir Frederick Phillips said the same.

He called up Mr. Gardner while we were there and asked what they were doing. We gathered that they were not ready - wasn't that your impression, Phillips?

Phillips: I thought so, yes.

Peacock: But Mr. Gardner insisted on seeing him, which he was to do this afternoon, but we left saying to him that our view was that we should go on with the bankers and we have since spoken to London and London takes the same view. London are quite firm in saying that unless everybody here wanted something different, that their view was that we should go on with what we had planned.

So I think the record is quite clear, Mr. Morgenthau, and this evening I assume that they will tell the bankers to proceed with their operations.

H.M.Jr: Now, there is just one other thing. I will just do it for your sake.

Mr. Foley saw Mr. Sumner Pike at lunch, didn't you?

Foley: Yes.

H.M.Jr: And I just want to call him up and I want to get the Securities and Exchange on record, that they approve your going ahead, you see. So if you will wait just one moment.

Peacock: Certainly.



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H.M.Jr: I have heard nothing from Mr. Jones since I have seen you, not a word. I have gotten a letter; not a very nice letter. He is going to get the kind of answer that it calls for.

Nothing has happened to make me change my mind as to the over-all, what is good and bad for your cause.

Peacock: Well, we are quite clear.

H.M.Jr: If you don't mind my asking, have you (Phillips) spoken to your Ambassador?

Phillips: Yes.

H.M.Jr: Is he satisfied?

Phillips: As a matter of fact, he was just getting off by plane and I only had about five minutes but I explained the circumstances to him and he seemed to think we were heading in the right direction.

H.M.Jr: You did speak to your Chancellor?

Phillips: Well, Peacock did.

Peacock: Yes, I spoke to the Treasury and there was no hesitation at all.

H.M.Jr: You did?

Peacock: Yes. We had warned them by a long cable last night just how the position stood, and he said that they were quite satisfied that we should proceed.

(Telephone conversation with Mr. Sumner Pike follows:)

May 22, 1941  
3:39 p.m.

HMJr: Hello.

Operator: Mr. Pike

HMJr: Hello.

Sumner  
Pike: Hello, Mr. Secretary.

HMJr: How are you?

P: Very well, thank you, sir.

HMJr: Look, Ed Foley told me about his conversation with you and Harry White and our English, Sir Edward Peacock and Frederick Phillips are here now, and I just wanted to assure them that as far as the Security Exchange is concerned as I understand it you do think under the circumstances they should go ahead.

P: That seems to be our feeling, certainly mine personally that - I don't - if I could see some advantage in waiting - but I don't see that they'd even get the toss of a coin's chance. I believe I'd go right ahead, although I hate - if I had it, I'd hate like hell to sell it right now but I don't see anything to be gained by waiting.

HMJr: You don't see anything to be gained by waiting?

P: No sir.

HMJr: Well, I can quote you as saying that.

P: Yes, sir.

- 2 -

HMJr: And under the circumstances you think they better go ahead.

P: That's what I believe, sir. I don't think they are getting the best deal in the world but a good deal of it is over the dam now. I don't see anyway going back on it. I think they better go ahead.

HMJr: Just let me repeat. (Talks aside) They agree.

P: Yes, sir. All right. I think they better go ahead.

HMJr: Right. Thank you.

P: Thank you very much, Mr. Secretary.

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H.M.Jr: Just let me repeat. He says he doesn't think you are getting the best deal in the world, but that is water over the dam and he doesn't see how you can go back on it now.

Peacock: I quite agree.

H.M.Jr: The last thing he said was, he thinks you had better go ahead.

Well now, you have got it and I tell you, the only thing that I can compare this to, and maybe I told it to you the other day, was this. I went through another thing which was about as disagreeable. That was when I was trying to get some planes for the English and French.

It seems unbelievable, but he took the position you couldn't have any of our recent models. You (Phillips) know this story. Louis Johnson, Assistant Secretary of War, held you people up for six million dollars before he would release any of the more recent models. He said he had to have it because he had to explain to Congress why he was doing it.

I mean, it seems ridiculous now. And that if we had that money he could pay for the expenses of modernizing our planes. That includes the Allison engine. There are charges for that.

Pleven was here. He is a very good man and he almost had hysterics in the office. I said, "Pleven, I can't help it. I am not proud of it. I don't like it. You want the planes and you are asking me for several million dollars worth of planes and I have done everything that anybody can do to get you these models. I can't get them. The Assistant Secretary of War who has control of this

- 6 -

thing, and General Arnold won't go ahead. Now, if you can't get them without six million dollars, I can't help it."

He almost broke down and cried. I said, "I can't help it."

Arthur Purvis said "Do it." It is somewhat the same. I don't like it. I don't like a lot of things about it. I don't know if I could have helped earlier if Mr. Jones had told me he what he was doing. I don't know. But I can assure you that the - the proposal of three million eight which it seems as though is the least that you are going to receive, that by not offering to the public, I couldn't put a monetary price on the damage it might do you. You see? I just couldn't put a money value on the damage that I think it might do if it didn't go through; and weighing the whole thing as a whole, this three million eight isn't going to make or break your treasury, but the deal by not going through might be of considerable harm, do you see?

And that is the way I look at it. I know three million eight is a lot of money, of anybody's money, but it may be cheap in the long run, and on the other hand, if it didn't go through and all the other thing, I couldn't place a dollar value on the damage that might be done in this country and this isn't something - I don't permit myself to be influenced by what Jones did or didn't do.

I talk very frankly to my friend Phillips and I imagine he has repeated to you just what I did say. After the sale is over, I don't know, I want to talk it over with my men here, I may have another try at these people on the eight million dollars of charges.

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Peacock: Well, they are cutting that down, sir.

H.M.Jr: Below eight?

Peacock: Yes.

H.M.Jr: How much below eight?

Phillips: Not below eight.

Peacock: They have cut it down about a million now.

H.M.Jr: Well, I think I am in a better position to wait now until the thing goes through and if it is a success, then I might have another try. I am not making any promises. But I think I will wait. Don't you think so? I mean, I don't understand. I can understand that it might cost four million dollars to sell the thing in commissions, but I don't see how - they have given me thirty-five - how much did they give me, thirty-five million?

Phillips: Thirty-five.

H.M.Jr: Say thirty-five million dollars and they certainly couldn't have paid more than two percent for that money, could they?

White: Two percent a year.

H.M.Jr: And how long --

Foley: Six months.

Phillips: Sixty days.

H.M.Jr: They haven't had it three months.

Foley: Well, they might have.

H.M.Jr: Two percent on thirty-five million is seven hundred thousand, isn't it?

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- Bell: That is in case they have it the whole year.
- H.M.Jr: Yes, I know, and then if you divided that, it is one fourth.
- White: If the issue goes satisfactorily, it should be one fourth.
- H.M.Jr: Yes, one fourth, so it is less than two hundred thousand dollars that they pay out in interest. Are my mathematics correct?
- Cochran: One hundred seventy-five thousand.
- H.M.Jr: And by the time they pay all their lawyers and all their registration fees, if they paid another three hundred thousand dollars they would be overcharged.
- Phillips: They were covering themselves against the risk of the bad markets of war or something. That is what that was for.
- H.M.Jr: Well, if it goes well, before you take the billion and before you settle, because I am not - I am trying to keep it quiet, but I am leaving Saturday for one week - don't settle without letting me have a chance at least to make up my mind. I might want another try at it.
- I mean, don't close it until I have another try at that four million. In fact, the whole breakdown of the whole eight, you see. I have certain ideas and if it goes well and they get out, I most likely will have another try at it, so don't close the door.
- How much have we saved you so far?
- Foley: A little over a million.

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- Peacock: I think a million and a quarter. It was to be a million and a half but at the lower price it is probably a little less, isn't it?
- Foley: They say about a million dollars.
- Peacock: It is more than that. I know of a hundred and fifty more.
- H.M.Jr: Of course if I could make them knock off the other four, then you would be able to say, "Well, we got just as much." Wouldn't you?
- Foley: They say that it is - "This suggested amendment to the contract was estimated to be equivalent to increasing the price the British government would receive by an amount of, say, a million dollars, based on an issued price to the public of twenty-five dollars a share for the common, by the seventeen percent foregoing that much of their contractual profit. This is aside from the benefit derived from the managers waiving the usual fees for performing and managing the underwriting and selling groups."
- Peacock: That is what I mean. That is a hundred and fifty thousand dollars they are waiving.
- H.M.Jr: Well, Ed, you might in the meantime make a study with the SEC and get a complete breakdown on this eight million and let them compare it with some other deals which have gone through and other charges, you see.
- Foley: Right. Well, I did it in a preliminary way with Pike at lunch. He said that he thought that - well, it was high. It was in line with things that had been done under their supervision, though.



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H.M.Jr: Well, that is all right, but this is an unusual transaction. Look it through and see if I have got any precedents. If I haven't, I will just go on - I will appeal to the heart rather than to the brain; but I mean if there was a chance of knocking off that other four, why then it would be very nice, wouldn't it?

Peacock: Yes. May I say two things, Mr. Secretary?

H.M.Jr: Yes.

Peacock: In the first place - I know I am speaking for Sir Frederick in this, too. We have never looked on this as just so many dollars, this transaction. We knew it was far bigger than that. Therefore, the fact that we are headed for a disappointing number of dollars now doesn't by any means cover the whole of our view. We take the same view that you do.

In the second place, I am an old market man. You and I and the rest of us are just in bad luck over this thing, otherwise there wouldn't have been a word about it. Everything was going very well, and the price that these fellows were going to get and were sure of getting only a week ago or a little over would have satisfied us all.

The market has gone against it. No man on earth can cover that. That is true in any operation I have ever done.

Now, having said those two things, I am not worried about the transaction.

H.M.Jr: Well, all right. I am glad you feel that way and you will have to just charge this up to the war just the way you would a ship or gun.

Peacock: That is right, and I am quite sure that our people will take that view.

## THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860

Box 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

May 22 1961

Dear Mr. Molyneux,

Is it possible for you in the middle of your  
 many preoccupations to spare me - 10 minutes privately  
 some time to-morrow (Friday) on a purely personal matter.  
 I should be very grateful if you could.

(I shall be at the Mayflower  
 in the earlier part of the  
 morning)

Yours sincerely,  
 J M Keynes

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE May 22, 1941

TO Secretary Morgenthau

FROM Mr. Kamarok

Subject: Airplane Deliveries

Summary

In the statement on airplane shipments just received, the largest delivery of heavy bombers to date was reported (13 compared to a total of 10 for all the preceding weeks).

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Division of Monetary  
ResearchAirplane Shipments to the British  
(From January 11 to April 26 by sea  
February 1 to May 17 by air)

Table A. - Shipments by Area

	Latest Week	Total Reported To Date
<u>To the United Kingdom</u>		
Light and medium bombers	41	291
Heavy bombers	13	23
Naval patrol bombers (Consolidated PBY)	5	46
Pursuit	<u>5</u>	<u>9</u>
Total to United Kingdom	64	369
<u>To the Middle East</u>		
Light and medium bombers	20	136
Pursuit	<u>0</u>	<u>240</u>
Total to Middle East	20	376
<u>To the Far East</u>		
Light and medium bombers	0	6
Naval patrol bombers (Consolidated PBY)	2	7
Pursuit	14	102
Trainers	<u>0</u>	<u>55</u>
Total to Far East	16	170
<u>Totals</u>		
Light and medium bombers	61	433
Heavy bombers	13	23
Naval patrol bombers	7	53
Pursuit	19	351
Trainers	<u>0</u>	<u>55</u>
Grand Total	100	915

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Division of Monetary  
Research

Table B. - Total Shipments by Types

	Latest Week	Total Reported To Date
Boeing B-17	6	11
Brewster Buffalo	14	102
Consolidated Catalina (PBY) Liberator	7 7	53 12
Curtiss Tomahawk	0	240
Douglas - Boston	12	93
Glenn Martin Maryland	20	136
Grumman Martlett II	5	9
Lockheed Hudson I	0	1
Hudson III	0	36
Hudson IV	0	18
Hudson V	26	141
Electra	0	3
North American Harvard II	0	55
United Chesapeake	<u>3</u>	<u>5</u>
Grand Total - All Types	100	915

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Division of Monetary  
Research

Table C. - Plane Deliveries to the British by Weeks

Week Ended	Light and Medium Bombers	Heavy Bombers	Naval Patrol Bombers	Pursuit	Trainers	Total
Feb. 8 *	22	-	3	-	-	25
Feb. 15 *	42	-	-	100	-	142
Feb. 22 *	35	-	-	27	-	62
Mar. 1 *	7	-	5	25	-	37
Mar. 8 *	16	-	3	10	-	29
Mar. 15 *	26	1	4	-	-	31
Mar. 22 *	17	-	2	22	-	41
Mar. 29 *	25	-	3	18	-	46
Apr. 5 *	21	-	7	73	-	101
Apr. 12 *	21	2	2	27	-	52
Apr. 19 *	20	3	4	5	-	32
Apr. 26 *	23	2	3	-	28	56
May 3 *	61	1	2	15	27	106
May 10 *	36	1	8	10	-	55
May 17 *	<u>61</u>	<u>13</u>	<u>7</u>	<u>19</u>	<u>-</u>	<u>100</u>
	433	23	53	351	55	915

\* The date given is for shipments by air. Shipments by water start three weeks earlier. That is, the statement reporting the shipment of planes by air for the week ending May 17 would report the shipment of planes by water for the week ending April 26.

THE WHITE HOUSE  
WASHINGTON

May 22, 1941

My dear Mr. Secretary:

I find that:

(1) The defense of the United Kingdom is vital to the defense of the United States;

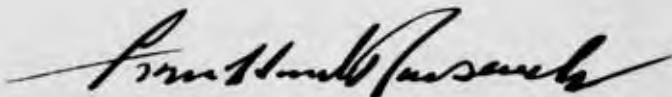
(2) Sections 4 and 7 of the Act of March 11, 1941 have been complied with by the necessary agreement on the part of His Majesty's Government in the United Kingdom;

(3) It would be in the interests of our national defense to transfer the defense articles set forth in the annexed schedule.

I therefore authorize you to make the transfer to His Majesty's Government in the United Kingdom of the defense articles set forth in the annexed schedule.

I would appreciate it if you would arrange with the Chairman of the British Supply Council in North America for the time, method, and other details of the disposition.

Very sincerely yours,



The Honorable

The Secretary of the Treasury

Defense Articles Authorized  
for Transfer to the United Kingdom  
by the Secretary of the Treasury

Requisition Number	Articles	
	Quantity	Description
208	54,000	Radio tubes in individual cartons
211	3,920 litres	Vanadium contact catalyst
485	1,000,000 tons	Carbon steels
485	1,400 tons	Molybdenum
487	240,000 tons	Pig iron
489	120,000 tons	Alloy and special steel
490	3,590 tons of electrodes indefinite quantities other	Miscellaneous steel
512	70	All-crop harvesters and attachments
519	5	Agricultural equipment
557	12	Caterpillar Model 66 graders, power controlled model with 12-foot blade, sterable tractor pole and steel tired wheels, and equipped with extensions and scarifiers, V-type
610	185 long tons 70 long tons 100 long tons	Horn & hoof meal (18-20 units ammonia per ton) Horn & hoof meal (15-16 units ammonia per ton) Horn & hoof meal (18-19 units ammonia per ton)
620	655	Gravelly tractors with toolholders, rotary ploughs, sickle mowers, sickle bars, etc.
627	45,348	Recommended list of spare parts, for Caterpillar tractors, quotation #235 of February 24, 1941, received from Caterpillar Tractor Company
797	100 2,000 boxes	Bostitch pliers model P4-8 Staples STCR 5019 3/8"
888	18	Hyster rear end winch cranes and 18 sets of repair parts for winches

May 22, 1941





THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

May 22, 1941

Memorandum to the Secretary:

Subject: Banking and currency arrangements for disbursing officers of the Army and Navy and for American contractors at Bermuda bases.

Early in this program it was determined that disbursing officers of the Army and Navy would need banking and depository facilities at the American bases to be established in the British possessions chiefly for the following purposes:

1. To permit the sale of checks drawn on the U. S. Treasury for funds (either local currency or U. S. dollars) for local disbursements, including payment of troops.
2. To facilitate the negotiation of checks drawn on the U. S. Treasury by disbursing officers in payment of salaries of officer personnel.
3. To provide facilities through which disbursing officers may deposit receipts for transmission to the United States.

On the basis of a request of the War Department for depository facilities, the Treasury approached the two banks in Bermuda, namely, the Bank of N. T. Butterfield and Sons, Ltd., and the Bank of Bermuda. Due to a lack of mutual understanding as to the problems involved, these designations have not been consummated to date.

On May 14th a conference was held in my office at which were present representatives of the Bermuda banks, the War and Navy Departments, the two principal American contractors, constructing the Army and Navy bases in Bermuda, and the Treasury. The most important question discussed was whether payments, both by Army and Navy disbursing officers and by contractors, should be made in U. S. currency or in local currency. The Treasury heretofore, in an endeavor to cooperate with the British Government, has strongly urged upon all parties involved the payment of all local expenses, so far as possible, in local currency. The British Government felt this was necessary and desirable in order to avoid serious disarrangement of its exchange control and the possibility that U. S. dollars would, to a large extent, supplant sterling or local currency as the chief medium of exchange due to the relatively large expenditures to be made.

In Bermuda, it appears that the contractors and certain Army and Navy disbursing officers, with the tacit approval of the local banks and the

- 2 -

apparent consent of the local exchange board have, until recently, been making most of the local payments in U. S. dollars. These dollars were acquired by the sale of U. S. dollar checks to the local banks. It rapidly developed, however, that a large percentage of the U. S. currency paid out by the local banks was not being returned for two reasons: (1) local hoarding, and (2) shipment of such currency out of the Island. The situation was rapidly becoming critical due to the inability of the banks to acquire the U. S. currency in the amounts required. During the conference above referred to the Treasury obtained the agreement by all parties concerned that the major payments would be made in local currency. The banks, on their part, agreed to supply all local currency required at the official rate of 4.04 dollars to the pound upon the basis of U. S. dollar checks whether drawn on the Treasury or by the contractors on banks in the United States. The banks also agreed to cooperate with Army and Navy disbursing officers and contractors in facilitating all questions of exchange.

It was determined also that the necessity of shipping money out of the Island by officers, enlisted personnel or by employees of the contractors can be minimized through a system of allotment whereby the Government or contracting paymaster is authorized to forward checks direct to the allottees in the United States eliminating the necessity of paying currency to the troops or to the civilian employees except in amounts sufficient for their local requirements. When necessary to send money out of Bermuda it may be accomplished either through the U. S. Postal facilities at the base or through the purchase of dollar exchange from the banks.

As previously stated, the Army and Navy have agreed to cooperate fully with the Treasury, the British Government and the local Government in limiting the use of U. S. dollars both inside and outside of the bases. The contractors also informally have agreed to cooperate, although such cooperation will necessitate some revision in their agreements with American labor imported for work on the bases.

Another question of importance to the local banks, discussed and tentatively settled during the conference, related to the pledging of collateral to secure the contemplated Treasurer's balances and the accounts which disbursing officers of the Army and Navy will necessarily maintain on the books of the banks to facilitate local payments. It was stated by the banks that authority to pledge security would have to be secured from London. Also it was at first intimated that the only method of pledging security would be through the use of registered sterling deposited with the Bank of England for the account of the United States. I advised the banks, however, as to the proposed new depository bond and it was their thought that this type of security would eliminate any question of final consummation of this phase of their qualification. Security for the Treasurer's account could be acquired by the banks at the time the Treasury makes the initial deposits with the banks for credit in the account of the Treasurer of the United States. This can be accomplished under the arrangements perfected without

- 3 -

the money or the bonds leaving the Treasury. In order that the banks might acquire the dollars necessary to purchase the depositary bonds as security for disbursing officers' accounts it was tentatively agreed that the disbursing officer could draw his check for his initial deposit, the bank would negotiate the check, furnishing the disbursing officer with the local currency, and would then send such check or checks direct to the Treasury with authority to invest the proceeds in a depositary bond in an amount not in excess of the face of the check.

A minor, but none the less troublesome question, involves the local tax on bank checks. The banks were informed that neither the Treasury nor the War or Navy Departments had appropriations available for these payments. The Treasury some time ago referred this matter to the Department of State, not only with respect to Bermuda but with respect to other bases in the West Indies. We have been advised informally that no tax should be paid. It is the belief of the banks that ultimately authority will be secured from London to waive this tax.

It is our plan to consummate the depositary and currency arrangements with the two banks immediately upon issuance of the depositary bond.

*swB*

MAY 22 1941

Dear Dr. MacCracken:

I have just written to Professor Mabel Newcomer of your faculty asking her help for the Treasury in the current emergency. I am planning to carry through, in the next twelve months or so, as comprehensive a study as time will permit of Federal-State-Local revenue needs and tax systems for the purpose of helping to develop a broad program of revenue and tax changes to meet the emerging needs of the Nation and also of the state and local governments. I am sure that I do not need to convince you that this will soon be a major problem of the emergency, one that must be approached through research, and that Mabel Newcomer, because of her unique qualities, training and experience is required for the work.

I am sure that you and Vassar College will, again in this instance, not only recognize the obligation which goes with the possession of technical capacity in time of national need, but also the opportunity which this presents to join in solving a series of problems which are also those of your own state.

For the time being there will be no public announcement of the precise nature of this study, partly to prevent its too early crystallization. May I ask, therefore, that Professor Newcomer's assignment be officially referred to, where necessary, as consultant service to the Treasury.

Sincerely,

(Signed) H. Morgenthau, Jr.

Dr. Henry Noble MacCracken,  
President,  
Vassar College,  
Poughkeepsie, New York.

File to Mr. Thompson

MAY 22 1941

Dear Dr. Dykstra:

I have just written to Professor Harold Groves of your faculty asking his help for the Treasury in the current emergency. I am planning to carry through, in the next twelve months or so, as comprehensive a study as time will permit of Federal-State-Local revenue needs and tax systems for the purpose of helping to develop a broad program of revenue and tax changes to meet the emerging needs of the Nation and also of the state and local governments. I am sure that I do not need to convince you that this will soon be a major problem of the emergency, one that must be approached through research, and that Harold Groves, because of his unique qualities, training and experience is required for the work. In fact we want him to be the director of the project, under the general guidance of Lester Gulick,

I am sure that you and the University of Wisconsin will, again in this instance, not only recognize the obligation which goes with the possession of technical capacity in time of national need, but also the opportunity which this presents to join in solving a series of problems which are also those of your own state.

For the time being there will be no public announcement of the precise nature of this study, partly to prevent its too early crystallization. May I ask, therefore, that Professor Groves' assignment be officially referred to, where necessary, as consultant service to the Treasury.

Sincerely,

(Signed) H. Worgenthaler, Jr.

Dr. Clarence Dykstra,  
President,  
University of Wisconsin,  
Madison, Wisconsin.

File to Mr. Thompson

MAY 22 1941

Dear Dr. Graham:

I have just written to Professor Clarence Hear of your faculty asking his help for the Treasury in the current emergency. I am planning to carry through, in the next twelve months or so, as comprehensive a study as time will permit of Federal-State-Local revenue needs and tax systems for the purpose of helping to develop a broad program of revenue and tax changes to meet the emerging needs of the Nation and also of the state and local governments. I am sure that I do not need to convince you that this will soon be a major problem of the emergency, one that must be approached through research, and that Clarence Hear, because of his unique qualities, training and experience is required for the work. In fact we want him to be the associate director of the project, under the general guidance of Luther Gulick and Harold Groves.

I am sure that you and the University of North Carolina will, again in this instance, not only recognize the obligation which goes with the possession of technical capacity in time of national need, but also the opportunity which this presents to join in solving a series of problems which are also those of your own state.

For the time being there will be no public announcement of the precise nature of this study, partly to prevent its too early crystallization. May I ask, therefore, that Professor Hear's assignment be officially referred to, where necessary, as consultant service to the Treasury.

Sincerely,

(Signed) H. Worgenthau, Jr.

Dr. Frank P. Graham,  
President,  
University of North Carolina,  
Chapel Hill, North Carolina.

File to Mr. Thompson

MAY 22 1941

Dear Professor Newcomer:

Luther Gulick tells me that he has exposed to you quite fully my plans for undertaking within the Treasury a comprehensive inquiry into Federal-State-Local revenue needs and tax systems. I am sure that I do not need to convince you that the present emergency and the inevitable developments of the next few months will place the national government, and the state and local governments as well, in a position which will call for drastic, new and cooperative efforts to meet the revenue requirements of our various levels of government as efficiently as possible from an administrative standpoint and in harmony with the requirements of our economy and the principles of our whole system.

In this project I want your help, and hope that Vassar College which has always done so much for the service of the Nation will make it possible for you to accept this commission in accordance with the terms Mr. Gulick has discussed with you. We are asking you to serve as a consultant to the Treasury on a per diem basis. Compensation will be at the rate of \$21.20, the maximum allowable under the act of Congress. You will report to Mr. Gulick who is placed in charge of this project, serving under the supervision of Mr. John Sullivan.

For the time being there will be no public announcement of the precise nature of this study, partly to prevent its too early crystallization. May I ask, therefore, that your assignment be referred to, where necessary, as consultant service to the Treasury.

Sincerely,

[Signed] H. Morgenthau, Jr.

Mabel Newcomer, Professor,  
Vassar College,  
Poughkeepsie, New York.

File to Mr. Thompson

LJ/mm

MAY 22 1941

**Dear Professor Groves:**

Luther Gulick tells me that he has exposed to you quite fully my plans for undertaking within the Treasury a comprehensive inquiry into Federal-State-Local revenue needs and tax systems. I am sure that I do not need to convince you that the present emergency and the inevitable developments of the next few months will place the national government, and the state and local governments as well, in a position which will call for drastic, new and cooperative efforts to meet the revenue requirements of our various levels of government as efficiently as possible from an administrative standpoint and in harmony with the requirements of our economy and the principles of our whole system.

In this project I want your help, and hope that the University of Wisconsin, which is already doing so much for the service of the Nation in this emergency, will make it possible for you to accept this commission in accordance with the terms Mr. Gulick has discussed with you. We are asking you to serve as a consultant to the Treasury on a per diem basis. Compensation will be at the rate of \$22.50, the maximum allowable under the act of Congress. You will report to Mr. Gulick who is placed in charge of this project, serving under the supervision of Mr. John Sullivan. It is my hope that you can come to Washington on or about June 1st to get things under way.

For the time being there will be no public announcement of the precise nature of this study, partly to prevent its too early crystallization. May I ask, therefore, that your assignment be referred to, where necessary, as consultant service to the Treasury.

Sincerely,

(Signed) W. H. H. H. H. H.

Professor Harold Groves,  
University of Wisconsin,  
Madison, Wisconsin.

File to Mr. Thompson

LS/m

JLS



MAY 22 1941

Dear Professor Beer:

Luther Gulick tells me that he has exposed to you quite fully my plans for undertaking within the Treasury a comprehensive inquiry into Federal-State-Local revenue needs and tax systems. I am sure that I do not need to convince you that the present emergency and the inevitable developments of the next few months will place the national government, and the state and local governments as well, in a position which will call for drastic, new and cooperative efforts to meet the revenue requirements of our various levels of government as efficiently as possible from an administrative standpoint and in harmony with the requirements of our economy and the principles of our whole system.

In this project I want your help, and hope that the University of North Carolina, which is already doing so much for the service of the Nation in this emergency, will make it possible for you to accept this commission in accordance with the terms Mr. Gulick has discussed with you. We are asking you to serve as a consultant to the Treasury on a per diem basis. Compensation will be at the rate of \$22.22, the maximum allowable under the act of Congress. You will report to Mr. Gulick who is placed in charge of this project, serving under the supervision of Mr. John L. Sullivan. It is my hope that you can come to Washington on or about June 1st, to get things under way.

For the time being there will be no public announcement of the precise nature of this study, partly to prevent its too early crystallization. May I ask, therefore, that your assignment be referred to, where necessary, as consultant service to the Treasury.

Sincerely,

(Signed) H. Worgenthal, Jr.

Professor Clarence Beer,  
University of North Carolina,  
Chapel Hill, North Carolina.

File to Mr. Thompson

## MEMORANDUM

TO: Secretary Henry Morgenthau  
Assistant Secretary John L. Sullivan

FROM: Luther Gulick

In re: The Treasury Inquiry into Federal-  
State-Local Revenue Needs and  
Tax Systems.

1. I have conferred at length with Harold Groves, at Chicago, with Clarence Heer at Chapel Hill, North Carolina, and Mabel Newcomer at Poughkeepsie, New York, and have explained the nature of the proposed inquiry and in what capacity and under what conditions we wish each of these individuals to cooperate, to accept appointment and to assume responsibility. They have accepted subject to a number of adjustments as to time of starting, proportion of time to be given to us, and clearance with deans, presidents, etc. of a formal character, none of which stand in the way of what we require. They are deeply interested, eager to proceed, and look forward to substantial accomplishment because of your interest and Treasury sponsorship for the idea as a whole.

2. We are making plans to assemble the staff directors in Washington and start the research work on June 1.

3. Appointments should be issued to the following:

<u>Name</u>	<u>Rate</u>	<u>Station</u>	<u>Travel</u>
Luther Gulick	\$22.22	Washington	Unlimited
Harold Groves	22.22	Washington	Unlimited
Clarence Heer	22.22	Chapel Hill	Unlimited
Mabel Newcomer	22.22	Poughkeepsie	Unlimited

Others will follow in due course, after conference with Mr. Sullivan and clearance. Attached are the required papers (Form 375).

4. I attach suggested letters which should go with the appointments, or be a part thereof. This will help with official clearance in the respective institutions. I shall write also.

/s/ Luther Gulick

May 17, 1941

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 22, 1941

TO Secretary Morgenthau  
FROM Herbert Merillat

HEARINGS OF WAYS AND MEANS COMMITTEE  
Thursday, May 22, 1941

Excess Profits Tax

Robertson remarked that at first sight the Treasury EPT proposals seem to be a profit-limitation plan, not simply a revenue measure. He expressed concern for their effect on small corporations. In general, he is the Democratic member most openly critical of the Treasury's EPT proposals.

Cooper and Hill were critical of Lovell Parker's suggestion that no changes be made in the present EPT credits. They remarked that many corporations making profits from defense contracts escape the EPT altogether. Doughton asked specifically whether Parker thought the average earnings credit should be retained, and Parker replied that it should be.

3½ Billion Revenue Goal

Lovell Parker urged that the committee seek to raise only 2½ billions, rather than 3½ billions, in additional revenue. Crowther, Knutson, and Jenkins all approved. No one on the Democratic side indicated any sympathy with the idea.

Lower Personal Exemptions

Robertson several times has shown interest in a proposal to reduce the personal exemption for married persons to \$1600, increasing the credit for dependents to \$500.

---

The hearings will be resumed on Monday, with Wednesday as a tentative deadline. Further testimony is to be confined to the EPT proposals.

May 22, 1941

TO: MR. KUHN  
FROM: THE SECRETARY

Please write a very friendly letter for my signature to Colonel Greenbaum, Messrs. Knollenberg, Shoup and Magill, thanking them for the assistance they gave me last week and enclosing a copy of Sullivan's statement.

I want to sign these letters tomorrow.

*Letters dated 5/29/41  
sent to these men -*

May 22, 1941.

MEMORANDUM

To: The President  
From: Secretary Morgenthau

I refer to your memorandum of yesterday as follows:

"I see no reason why we should not reappoint Mr. Charles D. Huston as Collector of Internal Revenue in Iowa."

Collectors of Internal Revenue hold office at the pleasure of the President and not for any definite term, and Mr. Huston may therefore continue to serve as Collector of Internal Revenue for the District of Iowa without reappointment. He was appointed on July 7, 1933.

(Signed) H. Morgenthau, Jr.

HEG:ds

*Copy to Mr Thompson*

By Messenger 11:00 am 5/20

THE WHITE HOUSE  
WASHINGTON

May 21, 1941.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

I see no reason why we  
should not re-appoint Mr.  
Charles D. Huston as Collector  
of Internal Revenue in Iowa.

F. D. R.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE May 22, 1941

TO Secretary Morgenthau  
FROM Mr. Kuhn

Irving Berlin is in town and is ready to sing his song for you at any time that suits you. I know that you have to be at the White House at four. Would you like to hear this song between 2:00 and 2:45, or would you perhaps like to hear it in Mr. Berlin's room at the Willard when you have finished with the White House meeting? I mention this because it's a cool room and there's a piano in it. Also, it's a good song and it will cheer you up.

Anyway, Mr. Berlin is ready to suit your convenience and will stay later this evening, although he had planned to leave for New York around six o'clock.

Could you let me know so that I can get word to him as soon as possible?

*J. K.*



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In this connection see Mr. Schwarz' memorandum to the Secretary of 5/20/41, wherein he reports he gave a story to the New York Post man and also talked to the Executive Editor, which resulted in the articles referred to in this letter to the President.

May 22, 1941

My dear Mr. President:

I thought you would be interested in last night's New York Post. On the front page, they published a good factual story on our Defense Savings Bonds' sales, and on their editorial page a cartoon by Rollin Kirby on the same subject. I think that these will help set the readers of the Post straight after the highly prejudicial story by Sylvia Porter.

Yours sincerely,

(Signed) Henry

The President,  
The White House.

Enclosures. ✓

By Messenger 10<sup>2</sup>

May 22, 1941

My dear Mr. President:

I thought you would be interested in last night's New York Post. On the front page, they published a good factual story on our Defense Savings Bonds' sales, and on their editorial page a cartoon by Rollin Kirby on the same subject. I think that these will help set the readers of the Post straight after the highly prejudicial story by Sylvia Porter.

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The President,  
The White House.

Enclosures.

By Messenger

May 22, 1941

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Yours sincerely,

(Signed) Henry

The President,  
The White House.

Enclosures.

By Messenger

## Defense Bonds At 257 Million<sup>93</sup>

WASHINGTON, May 21 (AP).

—Secretary Morgenthau announced today that the Treasury's receipts from the sale of defense savings bonds in the first 17 days of the program which began May 1 totaled \$257,646,000.

Face value of the bonds was slightly higher, since some of them are sold on a discount basis.

Morgenthau made no comment on the figures which he made public in a brief statement, but recently he said at a press conference that his advisers had told him \$300,000,000 would be a satisfactory total for all of May.

Other Treasury officials said they considered that a good record had been made and that sales were far from "bogging down."

The sales through last Saturday included \$187,767,000 of Series G bonds (interest-bearing bonds sold at face value in denominations of \$100 to \$10,000), \$25,000,000 of Series F (similar to Series G except that they are sold on a 26 per cent discount basis); and \$61,658,000 of Series E ("baby" bonds sold in denominations of \$25 to \$1,000 at 25 per cent discount).

The statement gave no figure on sales of savings stamps, which are sold at 10 cents to \$5 each, but the sales were reported at more than \$2,000,000.

Bond sales in the New York Federal Reserve District totaled \$82,300,000.

N. Y. Post 5/21/41



ROLLIN  
KIRBY

YOU CAN'T HELP THAT WAY

DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

THURSDAY, MAY 22

Time: 8:00 - 9:00 P.M.

Station: WRC, Washington, D. C., and National  
Broadcasting Company Red Network

Program: Kraft Music Hall

Time: 8:30 - 8:45 P.M.

Station: WmCA on a direct line to New York.  
(Aired locally via WINX, Washington, D. C.)

Program: Edward C. Eicher, Commissioner of the  
Securities & Exchange Commission.

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE May 22, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

Official Sales of British-owned dollar securities under the vesting order effective February 19, 1940:

	No. of Shares Sold	\$ Proceeds of Shares Sold	Nominal Value of Bonds Sold	\$ Proceeds of Bonds Sold
May 12	75,464	1,625,415	688,000	582,278
13	53,636	1,141,982	262,000	179,463
14	87,310	2,254,030	440,000	329,614
15	30,284	792,520	341,500	236,708
16	2,960	127,784	361,500	207,164
17	300	22,325	Nil	Nil
	<u>249,954</u>	<u>5,964,056</u>	<u>2,093,000</u>	<u>1,535,227</u>
Sales from 2/22/40 to 5/10/41	<u>8,675,652-1/2</u>	<u>255,283,932</u>	<u>35,801,550</u>	<u>31,428,419</u>
Total 2/22/40 to 5/17/41	8,925,606-1/2	261,247,988	37,894,550	32,963,646



## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE May 22, 1941

TO Secretary Morgenthau  
 FROM Mr. Cochran

**STRICTLY CONFIDENTIAL**

Official sales of British-owned dollar securities under the vesting order effective February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
May 12	1,625,415	582,278	2,207,693	
13	1,141,982	179,463	1,321,445	
14	2,254,030	329,614	2,583,644	
15	792,520	236,708	1,029,228	
16	127,784	207,164	334,948	
17	22,325	Nil	22,325	
	<u>5,964,056</u>	<u>1,535,227</u>	<u>7,499,283</u>	
Sales from February 22, 1940 to May 10, 1941	<u>255,283,932</u>	<u>31,428,419</u>	<u>286,712,351</u>	
Total February 22, 1940 to May 17, 1941	<u>261,247,988</u>	<u>32,963,646</u>	<u>294,211,634</u>	294,211,634
\$ Proceeds of non-vested securities sold 5/5/41 - 5/10/41			200,000	
\$ Proceeds of non-vested securities sold 9/1/39-5/3/41			<u>226,300,000</u>	
\$ Proceeds of non-vested securities sold 9/1/39-5/10/41			<u>226,500,000</u>	<u>226,500,000</u>
		<b>GRAND TOTAL</b>	<u><u>520,711,634</u></u>	

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE May 22, 1941.

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£55,000
Purchased from commercial concerns	£15,000

Open market sterling was first quoted at 4.03-1/2, or 1/4¢ higher than last night's close. The rate remained at 4.03-1/2 throughout the day, and there were no reported transactions.

A slight improvement took place in the Cuban peso. Today's final quotation was 2-5/16% discount as compared with 2-7/16% yesterday.

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

Canadian dollar	12-7/8% discount
Swiss franc	.2320
Swedish krona	.2385
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2375
Brazilian milreis (free)	.0505
Mexican peso	.2070

In Shanghai, the yuan advanced 1/32¢ to 5-13/32¢. Sterling was quoted at 3.91-5/8, up 3/8¢.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, a price of 23-7/16d was again fixed for spot and forward silver, equivalent to 42.56¢.

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

We made one purchase of silver amounting to 80,000 ounces under the Silver Purchase Act. This consisted of secondary materials, and was bought for spot delivery.



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MILITARY INTELLIGENCE DIVISION  
WAR DEPARTMENT  
Washington, May 22, 1941

SUPPLEMENT TO  
AIR BULLETIN  
No. 20  
G-2/183-314

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed.

This document is being given an approved distribution and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction see Letter TAG 350.05 (9-19-40) M-B-M.

TACTICAL AND TECHNICAL TRENDS  
MARCH 16 - APRIL 15, 1941  
INCLUSIVE

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CONFIDENTIALTACTICAL AND TECHNICAL TRENDS  
MARCH 16 - APRIL 15, 1941  
INCLUSIVE1. GREAT BRITAINa. R.A.F. Intelligence Personnel

The intelligence system has been given more attention as its importance has become more obvious. Operations are no longer dependent upon decisions of the operations officer; they are planned and executed by and through the intelligence system.

Intelligence officers have been selected by the Director of Intelligence from all walks of civilian life; few, if any, of them have had prior military service. Since they are selected solely on a basis of merit, they are of a higher type than volunteers in the other army categories. This is partially explained by the fact that the Director of Intelligence has been able to pick his own men without going through the Directorate of Personnel, as all others must. If, for example, he met on the golf course or in the subway a man who appeared to have the necessary qualifications, he could offer the man a position and arrange to have him selected for service immediately.

Intelligence officers do not find promotion as rapidly as do officers in the flying and operational jobs, but the fact that the civilian is initially commissioned as a pilot officer, or even as a flight lieutenant, tends to offset the slow rate of promotion. At least 1,000 intelligence officers had to be secured quickly for the Air Force, and this selection and commissioning system was one of the few possible methods of securing worthwhile personnel.

After a short time officers are sent in groups to an intelligence school at Harrow for basic training, including six weeks of disciplinary recruit school training. Before they are assigned to stations, a pool of twenty or more officers is provided for each Command Headquarters. The fledgling intelligence officers, known as "dog bodies," do the spade work and, by contact, learn something of the R.A.F. and its equipment while in the pools. Later they are posted to various group stations and squadrons.

Since these officers average between 35 and 45 years of age and are normally unfit for flying duties, no rivalry exists. Few of them request transfers to flying jobs or show any desire to become pilots.

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CONFIDENTIALb. "Briefing" a Bomber Group

Giving instructions to personnel starting on missions is known as "briefing." An air observer recently visited a bombardment group station just before a large-scale attack on Kiel, Germany, and at 2 P.M. he saw the group commander brief the crews of two Handen bomber squadrons. The attack was to be made by 49 bombers - 27 Handens, and 22 Wellingtons.

The commanding officer used his own detailed method of giving instructions to the crews, as is customary. He stated the mission, the requirements, and the general instructions, and assigned primary, secondary, and last resort targets and target areas. The armament officer then gave the bomb and ammunition loading and asked each pilot whether he desired to carry incendiaries. Most pilots took at least one extra box.

This was a night mission. The principal target was a new battleship which photo reconnaissance had shown to be lying along the South side of the quay in the harbor at Kiel. The main pumping and valve station of the shipyard and the entire dock area along the east side were also principal targets, as were of course all dockyards and shipping in this congested area.

Secondary targets were in the Bremerhaven area, and tertiary targets were in the Wilhelmshaven-Emden zone. Some secondary missions, consisting chiefly of "gardening," (laying mines from airplanes) were also assigned to six Handens. In addition, these planes were told to bomb or machine-gun an anti-aircraft gun ship known to lie at a certain point off the entrance estuary in close proximity to two transports anchored and apparently awaiting convoy.

The weather officer gave detailed instructions concerning meteorological conditions. The operations officer gave details of the mission - that is, the route to be followed out and back, the time of departure, and the time of expected return. The signal officer gave instructions concerning daily codes, direction finder control points, emergency landing fields, and recognition signals, and he cautioned the pilots concerning the proper procedure to be followed if they should find themselves returning to the English Coast at a point other than the approach sector assigned.

The brief was very short and few words were wasted; most of the crews seemed to know their job. The take-off was set for between 1:00 and 1:30 A.M. to permit return at dawn.

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CONFIDENTIALc. Night Fighter Aircraft

Despite all that has been done in the way of training personnel and developing special equipment, existing fighters are relatively ineffective against enemy bombers at night.

Radio equipment has been developed to such an extent that fighters can be directed to within 500 feet vertically and 500 yards horizontally of an enemy bomber at night. This gap must be closed before high efficiency can be obtained, and work is going ahead on the development of special equipment for this purpose.

Carefully selected pilots wear dark glasses for hours before flight in order to improve their adaptation to darkness, but in the ultimate the eye must have light to see by, and the best they can do is try to improve slightly the average human poor night vision.

During a month in which results were considered better than those for any similar period, 500 airplane night sorties were made and 12 enemy planes were shot down. The use of 42 airplanes to shoot down one cannot be considered economical operation.

Almost all officers with whom the matter of night fighters has been discussed believe that single seater fighters are not the best airplanes for night missions. The following are three reasons for this:

- (1) The pilot in the single seater must keep his mind partly on the operation of the airplane and partly on the maintenance of communications with control.
- (2) The pilot must occasionally focus his eyes on illuminated instruments, such as his compass, when given a new course. This seriously interferes with his vision and with his search for the enemy airplane.
- (3) The equipment being prepared for the purpose of bridging the 500-foot and 500-yard gaps is too heavy to go in the nose of a single-seater fighter.

The airplane visualized for night missions is one able to excel the enemy bomber in climb, speed, and maneuverability, and large enough to carry locating equipment in its nose, as well as a gun turret with gunner covering the upper hemisphere. In such an airplane, the pilot will not be concerned with visual contact with the enemy bomber or with directing his own fire. Since he can devote himself solely to his airplane, radio instructions, and locating equipment, he can place his airplane very close to the enemy bomber. The gunner will work the guns, and since he will not be required to look at any instruments or lights,

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his vision will always be attuned for sight contact with the enemy airplane.

The British believe that the DB-7 - equivalent to the United States A-20 - holds considerable promise as a suitable airplane for this work. It should be equipped with a power turret firing four 50-caliber guns in the upper hemisphere, as well as two 20-mm., four 50-caliber, or one 20-mm. and two 50-caliber fixed guns to be fired by the gunner or possibly by the pilot. The aircraft intercept equipment and operator should be in the nose.

d. The Typhoon and the Tornado

The Typhoon and the Tornado are almost identical fighters. The Typhoon, equipped with a Rolls Royce engine of approximately 1850 horsepower, mounts four 20-mm. cannon, two in each wing, and carries 150 rounds for each gun. The Tornado, equipped with a Napier Sabre engine of 2,000 horsepower, mounts twelve unsynchronized .303 machine guns, six in each wing, and carries 500 rounds for each gun. These provide continuous fire for approximately 24 seconds. The speed of each plane is reported to be slightly in excess of 400 MPH. They are said to be highly maneuverable, to have no objectionable flying characteristics, and to be similar to the Hurricane.

e. High Altitude Flying

Very high altitude flying has become a necessity, since German airplanes have been encountered over England at altitudes of between 35,000 and 40,000 feet and some even as high as 42,000 feet. It is reported, however, that airplanes at the highest of these altitudes are stripped of their guns and have specially boosted engines.

The following factors in very high altitude flying must be taken into consideration:

- (1) Windshield icing;
- (2) Better visibility to the rear by means of mirrors, etc.; pilots are not fully alert at these altitudes, and they are disinclined to turn around;
- (3) The R.A.F. oxygen equipment, as used in fighters, is not really adequate at more than 25,000 feet;
- (4) Some form of heat is needed for the pilot;
- (5) Molded glass windshields are unsatisfactory, since they seem to cloud over more quickly than Triplex glass.

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Not all observers agree with these views on high altitude flying. Most reliable information indicates that there are few missions above 30,000 feet, more above 25,000 feet, and the great majority at much lower altitudes. Pressure cabins may be requisites for missions above 25,000 feet.

f. Low Flying Attacks

Aircraft engaged in low flying attacks rely on speed, maneuverability, and flight at very low altitudes for protection against fire from the ground. When these attacks are directed against troops who are well trained, equipped with all forms of antiaircraft weapons, and of high morale, it is likely that there will be heavy casualties to the aircraft.

The decision to order low flying attacks will, therefore, depend upon:

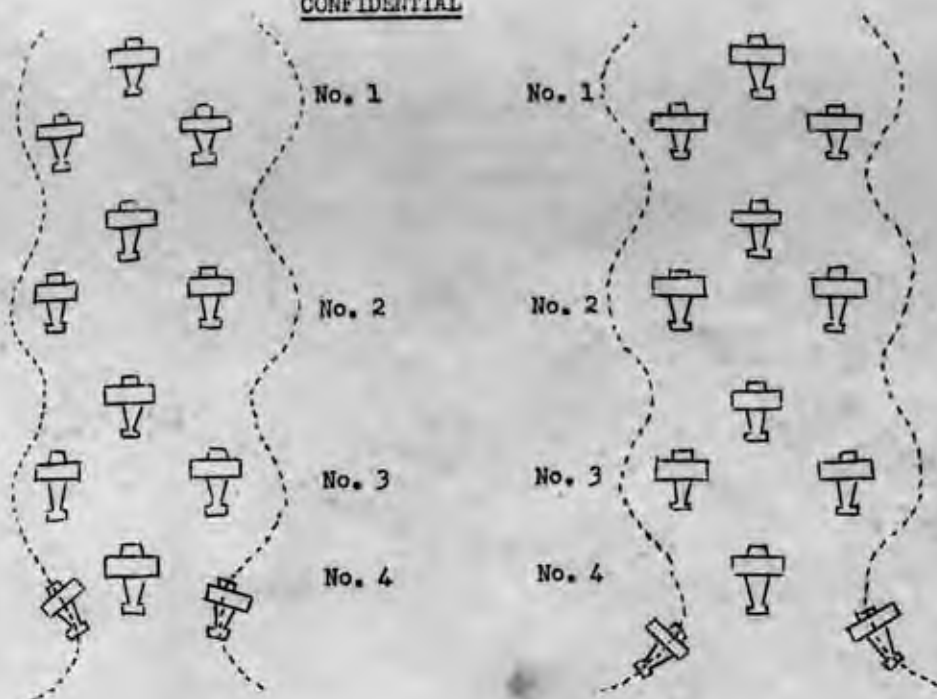
- (1) The general situation in the theater of operations;
- (2) The air forces available and the rate at which casualties to aircraft and personnel are replaced;
- (3) Whether the results likely to be achieved are worth the casualties to be expected in view of the strength of the defenses;
- (4) The degree of air superiority obtainable during the operations envisaged.

g. Fighter Search Formation

If time and weather conditions permit, fighters in search formations should patrol higher than the anticipated or reported heights of the enemy. Two search formations which have been successful in practice are shown below. The weaving done by the rear section should be sufficient to enable pilots to obtain clear view in all directions, but an unnecessary amount of weaving slows the speed of the formation and shortens the range of the weaving airplane. It should be a fundamental principle that whatever the strength of a fighter formation, the rear units should be employed solely on look-out duties in order to avoid any possibility of surprise. The weaving aircraft fly 1000 feet above formation.

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#### h. Searchlights

For use in night interception, a very high powered chemical searchlight is under development for installation in the nose of a Douglas light bomber. It is stated that during the two or three minutes of its burning this searchlight is more powerful than any electrically operated ground searchlight. When contact is made with an enemy bomber, the searchlight is turned on and an attack is made by a night fighter flying in close proximity to the searchlight airplane.

Recent trials of this system, which is used only in the last stage of interception, were said to be highly successful. The bomber employed as an enemy airplane was not able to break away from the searchlight. The light was developed because of the fact that in many cases where interception was made, the fighter could not close in on the enemy bomber before he was sighted by the rear gunner. Thus the bomber could go into a spiral dive and break away.

#### 1. Bomb Sights

For test by the Aircraft and Armament Experimental Establishment,

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the Sperry O-1 bomb sight was installed in a Lockheed Hudson. Since all British-built bomber aircraft have nose turrets, forward vision for the bombardier is universally very poor, and this bomb sight cannot be used unless special provisions are made. There are plans to install it in an experimental high altitude supercharged cabin bomber, but otherwise it will be used only in American built airplanes. The British have made certain recommendations as to changes on this sight, and these changes are to be made by the manufacturer before shipment.

The British admit the desirability of improving accuracy in bombing and increasing the efficiency of bombing in general. A bomber development unit is being organized at the Aircraft and Armament Establishment for the purpose of improving tactics, but the effort seems to be towards changing equipment rather than towards developing tactics for the best use of available equipment. The fighter development unit, which has been in existence for several years, has done and is doing excellent work. The war has increased the need for such units since they can analyze the lessons being learned and develop tactics to fit the new conditions. Operating units can neither take the time nor afford the risks involved in development work.

j. Parachute Bombs

The parachute bomb was intended to reduce the height of attack below that possible with ordinary bombs and to give a better fragment distribution, particularly on soft targets. Experience has shown, however, that the minimum dropping height which will insure functioning and safety for the releasing aircraft is about 250 feet, whether the target is hard or soft. This is not sufficiently low to allow the aircraft to use ground cover for concealment during the attack. If a number of 20-pound parachute bombs are released simultaneously, they are likely to collide, detonate, and damage the aircraft. The minimum functioning height of release upon water is 350 feet.

The No. 34 pistol, which was developed after the parachute bomb, permits a minimum release height of about 500 feet and produces a fragmentation almost equal to that of the parachute bomb. It has been decided to declare obsolete the 20-pound parachute bomb and to convert those in storage to ordinary 20-pound bombs. A stock of 40-pound parachute bombs, however, is being retained for use in low flying attacks upon ground personnel.

k. Miscellaneous

It is reported that the 100-pound bomb is used only for training purposes. The fact that racks in British bombers are still so arranged that these bombs can be carried may be a concession to production speed.

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A question has been raised as to whether a bombardier is as accurate during actual missions as in practice on indoor bomb ranges. A precise answer is impossible since most actual bombing is done at night and few photographs are obtainable. Gliding approaches are generally made, but bomb sights are not used because they are unsuitable for this type of approach. From reports on actual bombing results, it would appear that present practice methods need revision.

The new army support day bomber is to be armored so that light bombing or machine gun strafing of ground troops can be accomplished as a secondary measure to observation work.

2. GERMANYa. Motor Torpedo Boats

Since the Battle of France, fast motor torpedo boats known as E-boats have been used by the Germans for attacks against convoys and for rescue of German airmen shot down in the Channel. Characteristics of E-boats are as follows:

Class	Beam	Length	Draught	Torpedo Tubes	A. A. Defense	Max. Speed	Endurance		Crew
							Knots	Miles	
A	13'6"	92'	5'	2	1 20-mm 1 13-mm	33	30	500	19
B	16'	105'6"	7'6"	2	1 37-mm 1 20-mm	34.5	22 12	600 1300	19

Two reserve torpedos are carried, and it is possible to load smoke-screen apparatus, depth charges, and mine sweeping gear. The vessels are highly maneuverable and can turn "on their tails" at 30 knots, although a heavy sea slows them down considerably. They are powered by Diesel engines.

The frames are made of oak and steel, every fourth frame being steel. The hull is mostly 1 3/8" mahogany. It is probable that the bridge has some armor protection.

E-boats are generally camouflaged either gray or brown and white. They are easily heard by Asdic from surface vessels, and when they are moving at high speeds they can sometimes be heard by ear from a distance

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of 2 1/2 miles. Their wash can be seen from the air at a considerable distance when they are traveling at high speeds, but under conditions of slow speed, failing light, and poor visibility they are difficult to find. They have frequently been known to stop their engines and drift on the water.

The following tactics of E-boats have been observed:

They are generally found by fives in Vee formation, but sometimes they appear singly, in pairs, or in line astern. They can concentrate considerable antiaircraft fire at ranges from 2,000 to 5,000 yards, and it has been reported that on two occasions they formed an arc and opened fire simultaneously.

The boats appear to bounce on the water at high speed, even in calm weather, but their fire is still moderately accurate and can be brought to bear at any point. They are able to train their guns nearly vertical, and their fire is accurate up to 4,000 feet.

On occasions, when attacked by airplanes, the boats have formed into line abreast with wide interval, accelerating rapidly to about 30 knots and then describing figure 8's.

Surface craft are usually attacked from about 800 yards behind smoke screens or from very close range at the darkest time of night. They slow down almost to a stop before firing a torpedo, possibly to avoid overtaking the torpedo after it has been fired.

b. German Fighter Formations

In combat, German fighters normally separate in pairs. If two pairs are flying together prior to combat, their usual formation is one of the following:

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When more than four fighters are flying together, the formations vary considerably. They are often similar to bomber formations, but they are spaced more widely.

c. Airdromes in Occupied Territory

Forty-one additional airdromes have been located in Northern France during the last two months.

It has been reported that runways on air fields in Belgium, Holland, and France are being extended, and that adjacent air fields are being connected by very long runways.

This information is thought to indicate that bomb loads of German attacking planes will be increased and that attacks upon England will be considerably heavier.

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Summary of Code Sublogram  
Received at the War Department  
at 0700, May 22, 1941.

London, filed 1546, May 22, 1941.

The following is a summary of British Military Intelligence information on the situation in Crete to 1100, May 22.

1. The area surrounding the town and harbor (including some buildings) of Heraklion is still partially in the hands of the Germans. In the vicinity of Iraklio the German attack on the airfield was repulsed and up to 0700, May 22, there was no activity there. There was a heavy air bombardment of Suda Bay-Suda area concentrated on anti-aircraft positions. At its conclusion a great number of paratroopers descended and are now being counterattacked in force by British machine guns and artillery. In the vicinity of Malme the defenders of the airport were driven off by extremely severe dive bombing and machine gun attack from the air but they still have the field under artillery and machine gun fire. The latest information on file this morning is that the Germans occupy the Malme airfield and its western vicinity, but the shore in this part of the island is held by the British.

2. British G-5 officers familiar with Crete report that the Germans will have a problem on their hands very different from over-running the Netherlands, since the Island of Crete is entirely broken and rough terrain without roads where the only level ground is the airfields.

3. A majority of the air transports which attempted to land at Heraklion were crashed. Paratroopers who landed at Heraklion wore the combat uniform of British soldiers.

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4. British Military Intelligence is confident that the Royal Navy can prohibit landing from ships. News from Crete is reported and interrupted. The prevailing sentiment in London is that a successful airborne invasion of Crete will have an immediate deep effect on the problem of the defense of the British Isles. Before coming to this conclusion, however, I should weigh the fact that there is no fighter protection in Crete and that the contrary would be true in the case of the British Isles.

5. There is no defense against dive bombing in Crete since all British planes were withdrawn, and the Germans can attack without hindrance. The lack of air support will constitute a major difficulty to General Freytag whose forces are estimated at one Assault Division, about 15,000 Greek soldiers and an unknown force of Cretan irregulars. He is said to have a small force of tanks. The report that German troops have succeeded in landing from ships has received no confirmation here. On the contrary, military authorities have received a report this morning that the Fleet had on the night of May 21 sunk one large freighter and several fishing boats loaded with German troops. Two Axis destroyers (identity unknown) were sunk north of Crete.

6. The London department of the New York Times on the night of May 21 reported Churchill's statement on the Cretan situation in full. This included all information that the British Government had up to 17:00, May 21. The city edition of the New York Times today, May 22, has the complete report up to midnight May 21-22.

7. No close estimate of the total German forces on Crete to date

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has been received but British Military Intelligence places the number up to the night of May 21 at 7,000.

**Distribution:**

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

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**Paraphrase of Code Cablesgram  
Received at the War Department  
at 09:24, May 22, 1941**

**London, filed 16:00, May 22, 1941.**

**In reference to your cabled request of March 27 for Royal Air  
Force studies in the Western Mediterranean and Northwest Africa, you  
are advised that they are being sent to you in the next packet.**

**LEE**

**Distribution:**

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

**CONFIDENTIAL**

**SECRET**

Paraphrase of Code Cablegram  
 Received at the War Department  
 at 07:46, May 22, 1941.

By authority A. G. of S., G-2  
 Date MAY 23 1941 (Mik) )  
 Initials

London, filed 13:55, May 22, 1941.

1. British air activities over the continent:

a. Daylight, May 21.

An electric generating station and oil refinery at Bethune were attacked by medium bombers as well as naval units at Haligoland. Fighter squadrons convoyed bombers and attacked airfields.

b. Night of May 20-21.

The northwest coast of France was mined from the air and British planes attacked airfields in France.

2. German air activities over Britain:

a. Night, May 21-22.

All planes grounded.

3. German air losses, British theater, Daylight, May 21:

Four German planes were shot down and eight damaged.

4. British air activities, Middle East Theater.

a. Daylight, May 21.

(1) Libia. British planes based on Egypt bombed a convoy of motor transport between Capuzzo and Derna. Convoy was destroyed.

(2) Syria. British planes based on Palestine bombed the airport at Damascus.

(3) Iraq. Ground troops and motor transport were attacked

**SECRET**

**SECRET**

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in several different localities.

5. German air activities, Middle East Theater.

A. Night of May 21-22.

(1) Cyprus. One hundred sixty German bombers attacked the airfield at Hersonissos for one hour and dive bombers bombed and machine-gunned the vicinity of Cyrenn very heavily.

(2) Malta. A total of 45 German bombers attacked Malta.

LEE

**Distribution**

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

**SECRET**

TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Friday, May 23, 1941.  
5/22/41

Press Service  
No. 25-34

Secretary of the Treasury Morgenthau announced last night that the subscription books for the receipt of cash subscriptions to the current offering of \$600,000,000, or thereabouts, of 2-1/2 percent Treasury Bonds of 1956-58 closed at the close of business Thursday, May 22.

The subscription books for the Treasury Bonds of 1956-58 and for the Treasury Notes of Series D-1943 for the receipt of subscriptions in payment of which Treasury Bonds of 1941, maturing August 1, 1941, are tendered, will close at the close of business tonight, May 23, except for the receipt of subscriptions from holders of \$15,000 or less of the maturing bonds. The subscription books for both issues will close at the close of business tomorrow, May 24, for the receipt of subscriptions of the latter class.

Many smaller holders of the maturing bonds do not have as immediate access to their securities, and are not as conversant with the manner of entering subscriptions, as are the larger holders, and for these reasons they are given an extra day to make exchange. Subscriptions of any class addressed to a Federal Reserve Bank or Branch or to the Treasury Department and placed in the mail before 12 o'clock midnight of the respective closing days will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will probably be made on Tuesday, May 27.

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TREASURY DEPARTMENT

FOR RELEASE, MORNING NEWSPAPERS,  
Friday, May 23, 1941.

The Secretary of the Treasury, by this public notice, invites tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated May 28, 1941, and will mature August 27, 1941, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern Standard time, Monday, May 26, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

25-33

- 2 -

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on May 28, 1941.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest.

Treasury Department Circular No. 418, as amended, and this notice prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

-000-

May 23, 1941  
9:30 a.m.

Philip  
Young:

Hello.

H.M.Jr:

Philip, good morning.

Y:

How are you?

H.M.Jr:

We are trying to put together some things on this - in connection with the contracts prior to the 15th of March and Mrs. Klotz tells me that you did not write up a meeting at which you were present .....

Y:

I can't quite hear you.

H.M.Jr:

.....that you didn't write up a meeting that you were present at at 9:15 on January 22nd.

Y:

We've been checking back on that here and I have all my notes on it.

H.M.Jr:

Well, you didn't write it up?

Y:

I don't see any record of its having been written up.

H.M.Jr:

Well, I need it today, Philip.

Y:

All right.

H.M.Jr:

Are there many others that you haven't written up?

Y:

No, I don't think there are any.

H.M.Jr:

Well, Mrs. Klotz says there is another and we'll let you know which it is.

Y:

All right.

H.M.Jr:

But this one was an important meeting with Stimson and Knox here and I've got to have it today.

- 2 -

Y: Yes, sir.

H.M.Jr: And if we find out there is another one I'll let you know.

Y: Yes, I'll talk to her about it.

H.M.Jr: Right. Thank you.

Y: Thank you.



May 23, 1941

9:40 a.m.

## GROUP MEETING

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

H.M.Jr: What about that aluminum thing from Harold Ickes, Ed?

Foley: Well, as I told you, about eighty-one percent of the common stock of the Aluminum Company of America - eighty-one percent of the common stockholders hold eighty-three percent of the stock of the Canadian Company.

H.M.Jr: Did you give that to Harold Ickes?

Foley: No, I didn't.

H.M.Jr: Will you?

Foley: Yes. Thurman Arnold has got more stuff on it and if we want all the details about

- 2 -

stock ownership, we can get them from Thurman and give them to him.

H.M.Jr: Just call up Harold Ickes, tell him what we have and tell him where he can get the rest, will you do that?

Foley: Yes.

H.M.Jr: This says Mr. White is to have ready a preliminary report on the field survey which he made.

White: That I am to have ready a --

H.M.Jr: Preliminary.

White: Oh, I said I would have it by Friday, didn't I? Well, I haven't.

H.M.Jr: You have not?

White: No. Sorry.

H.M.Jr: All right. Merle, I went over this thing of Phillips' (May 21) and I will be damned if I know what he is talking about.

Cochran: I think he is probably right there. They ought to have it this morning.

H.M.Jr: I can't understand it. Have you read it, Dan?

(The Secretary spoke to Mr. Rouse on the telephone.)

H.M.Jr: You weren't so far wrong in your first estimate, George, on the thing, were you?

Haas: Fairly close.

May 23, 1941  
9:45 a.m.

H.M.Jr: Hello.

Robert  
Rouée: Good morning, sir.

H.M.Jr: How are you?

R: First rate, and you?

H.M.Jr: I'm all right.

R: Good.

H.M.Jr: I just wanted to tell you and Sproul  
that it is almost too good.

R: Well, that's true.

H.M.Jr: But your advice was all right.

R: It has just surged forward the whole  
market and of course they've had an  
enormous subscription here.

H.M.Jr: How much do you think?

R: Well, the last figure I have at 10:00  
o'clock was 3 billion 819 million.

H.M.Jr: How much?

R: 3 billion, 819 million.

H.M.Jr: That's just for New York.

R: That's this district. The highest  
that we can recall heretofore was the  
last issue of 500 million, which was  
3 billion, 43 million. We've got  
nearly 800 million more. The exchanges  
here are 215 million and except for a  
few hundred - a hundred or 200 thousand  
they are all for 2½'s of course.

H.M.Jr: Well, I just wanted to tell you I was  
very much pleased.

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R: Well, I'm glad.  
H.M.Jr: All right.  
R: Thank you, sir.  
H.M.Jr: Thank you.

- 3 -

H.M.Jr: Have you got something there?

Klotz: Mr. Gaston has something.

H.M.Jr: Have you got something for me?

Gaston: Yes. This is the answer to the President's memorandum. He is still under the impression, apparently, that these Collectors of Internal Revenue are appointed for definite terms. They are not. However, there is a story connected with it.

You may remember that the Vice-President spoke to you several months ago about this man, and he was under the impression that he had to be reappointed also. The fact was that Gillett and Herring had been trying for some time to get him out. He is seventy-nine or eighty years old. They want to appoint the State Chairman at Birmingham as Collector of Internal Revenue so as to be able to appoint a new State Chairman.

That is really the story of the whole thing.

H.M.Jr: Do you understand that thing, Bell?

Bell: I think so.

H.M.Jr: What does it mean?

Bell: He can't use that money for both purposes.

H.M.Jr: Why not?

Bell: If he uses it to relieve the three hundred million, he can't use it to purchase other materials unless they are the same materials.

H.M.Jr: I don't understand. One is a credit operation.

- 4 -

- Cochran: But they just balance each other off so he doesn't get any relief.
- H.M.Jr: Let's say he is getting fifteen million dollars cash. The three or four hundred million is purely a mental thing.
- All right. Let's say three hundred million. Now I have only got --
- Bell: No, the three or four hundred million is not a mental thing. Somebody has got to pay for the three or four hundred million, either the War Department or the British.
- Now, if you give him fifteen million dollars to apply to that, he has got to pay the contractor fifteen million dollars and it reduces it to two hundred eighty-five, for which you have got to find other dollars.
- H.M.Jr: I see. Well, if I say to Hopkins that I want the fifteen million to apply on the three or four hundred, I still don't get it. What are they going to do with the fifteen million dollars that they get from the United States Treasury?
- Bell: Going to pay it to the American contractors under the three hundred million dollar limit.
- H.M.Jr: They are?
- Bell: That is what he says he would do. Then you have got to find under your commitment, two hundred eighty-five million dollars more if the figure was three hundred million.
- H.M.Jr: You mean he will use this to apply against contracts made prior to the fifteenth of March?
- Bell: Yes, sir.

- 5 -

- H.M.Jr: And not against the later ones?
- Bell: Well, you say before the fifteenth of March. That is the deadline, wasn't it, that you fixed?
- H.M.Jr: Don't you think we ought to hold that until we get all the other things together?
- Bell: This should be part of the general picture.
- H.M.Jr: Will you take it and work it out with Harold Smith?
- Bell: Yes.
- White: Do I understand that correctly? Is that fifteen million dollars - has it anything to do with the advance payments that the British are paying?
- Bell: The advance payments?
- White: Yes. Are they getting that fifteen million back?
- Bell: They are getting fifteen million - you see, they have to pay fifteen million dollars in this country for Vultee planes that otherwise would go to China.
- Now they are going to be relieved of that and Harry Hopkins is going to pay for those planes under the Lend-Lease, so they have got fifteen million dollars in their cash account to be used, and that will be used --
- White: I thought when that was done that fifteen million could be turned over to the British for them to use for any purposes they wish and that the Lend-Lease could take over the whole thing, so that the British would have

- 6 -

fifteen million, not the Army and Navy. Maybe I don't understand it, but I will discuss it with him.

Cochran: It all fits into this Keynes proposition. It is an example of what Keynes wants done.

White: Except that this fifteen million has been paid for, hasn't it?

Cochran: No, no.

H.M.Jr: No, they have no - they are just thinking about it.

White: Oh, I thought this had been paid for prior to this. I am sorry.

H.M.Jr: To give you the whole story, they are proposing - somebody in the United States Government is proposing to buy fifteen million dollars worth of Vultee planes from the English and then let these planes go to China. That will give England fifteen million dollars cash.

White: Which they can use as they like.

H.M.Jr: Well, that is the question. They can't - they can't use it as they like and also pay for contracts signed prior to Lend-Lease.

White: Well, I thought that the excuse was going to be that this was a little different than the ordinary transactions, because you are not taking them out of something and then giving it back to them under the Lend-Lease, but you are taking them out of something and giving it to China and that difference might justify giving the British the fifteen million and not having the British pay for



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the planes but having the Lend-Lease pay for the planes with the result that you have fifteen million dollars additional funds for the British to use for other purposes, the sort of thing that Keynes wanted.

Bell: That is right up to that point.

H.M.Jr: Keynes isn't in on this at all.

White: Well, I mean it would provide fifteen million for the sort of thing Keynes wanted, he isn't in on it. And the Lend-Lease would be able to take over that charge under the guise, under the assumption that it is a sort of a new contract, that it is the Chinese buying it from the British, and they are going to supply the Chinese with the money.

That is the way you would accomplish a fifteen million dollar additional contribution to the British without violating the principle that you weren't going to take the British out of any contracts prior to January 1 and then give it to them right back under the Lend-Lease.

Bell: You are all right as far as you have gone. Well now, the fifteen million, what is it going to be used for, to buy the things that the British can't very well take under the Lend-Lease --

White: Supposedly --

Bell: Or are they going to apply it on the three hundred million that the Secretary has committed for?

White: Either. First it ought to be against the three hundred million, because that is where

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the difficulty is going to be.

H.M.Jr: We are all together. I mean, I am interested in the three hundred million.

Cochran: He concedes that, so we are taken care of there.

H.M.Jr: We are all together, if it can be worked out.

Gaston: This is a reply to a letter that you got from Forrestal the other day on the matter of Navy --

H.M.Jr: The answer is yes?

Gaston: The answer is yes. It is all done. You are telling him there that we will give them a formal permit, that they can go ahead and build the buildings in advance before they get it.

Here is another thing here. We have been engaged in a wrangle with the Navy about their effort to get a bill passed which would give them authority to override our anchorage regulations and we can't see it at all, and we are proposing another conference with the Budget. The Budget has suggested that we fight it out before the Committee. We don't want to do that.

I spoke to you some time ago about the matter of this Lieutenant Alger who wanted to go as an observer on one of the cutters on the British patrol. The State Department says that they could fix it up, but I think it is strictly a Navy proposition and --

H.M.Jr: We settled the thing once. I don't want

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to make an exception of one man. You brought this thing up --

Gaston: Yes, I brought the thing up once before.

H.M.Jr: We decided it was unwise to make an exception for one man.

Gaston: I think if the Navy wants an observer, they should select an observer. I wondered whether we wanted to ask the Navy if they wanted an observer.

H.M.Jr: No, the Navy is doing a lot of things along those lines and I don't think we ought to get mixed up in it.

Gaston: I think it is strictly their business.

H.M.Jr: I know it is.

Gaston: Yes.

H.M.Jr: I mean, it is.....

Gaston: Yes.

H.M.Jr: Anything else?

Gaston: Nothing else, sir. You were going to speak to me about this Texas matter. About this man in the Customs.

H.M.Jr: Oh yes. Well, if you three birds (Gaston, Foley and Sullivan) will stay behind.

Foley: I ought to go on the Hill.

H.M.Jr: At what time?

Foley: Well, I told him I would be down as soon as I could get down there.

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H.M.Jr: All right. Do you want to clear something?

Foley: Here is this memorandum (dated May 20) on that Eccles letter about the Bank Holding Company Bill and --

H.M.Jr: What does it say?

Foley: Just that there is no need to have any further conferences.

H.M.Jr: Has Dan seen it?

Foley: No.

H.M.Jr: Would you read it, Dan?

Bell: I would like to see it, yes.

H.M.Jr: Anything else?

Foley: No.

H.M.Jr: Then if you would go up on the Hill, I think that is more important.

Sullivan: You had a letter from Oscar Cox referring to a letter from Morris Ernst to Harry Hopkins about returns. I phoned Mr. Ernst. He thought it was very good. I asked him if he would take a look at it in writing. I wrote to him about it and he wrote back and said it was good and made a lot of other suggestions. I am having that worked over in the Bureau now, and we think we can handle it by regulations without a new law, and we want Morris to look it over when we get our regulations done.

I think it would be satisfactory if I called Oscar and gave him that information. That

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would dispose of the answer to your memorandum.

- H.M.Jr: Will we be able to do something along the lines that Ernst wants?
- Sullivan: Yes.
- H.M.Jr: Because I think that is very important. Will you let me know when you get that?
- Sullivan: Yes, sir.
- H.M.Jr: Please.
- Cochran: I have nothing.
- Kuhn: I have nothing.
- H.M.Jr: What happened to that thing of the four wheels?
- Kuhn: That is an old, old one that Laswell showed us months ago, and I thought that he had also showed it to you and you said it was no good.
- H.M.Jr: What do you think?
- Kuhn: We haven't discussed it for some time, but I still think it is premature. You can't do it now. It will take time to catch on.
- Were you impressed with it at the time?
- H.M.Jr: Not particularly.
- Haas: Mr. Secretary, you wanted to say something to me about some letters you received from McCloy. I will tell you what is in those.
- H.M.Jr: Yes, tell me what is in them.
- Haas: He sent over two or three more pictures to

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put in that book of yours. I can get those in to Mrs. Klotz. And then he sent over some material on light tanks which we had already secured through Leonard Ayres. But there is a production schedule for an anti-aircraft gun, the ninety millimeter gun, which is new. It is nothing exciting. They made five in one month.

H.M.Jr: See that they are acknowledged for me, will you, for my signature?

Haas: I will be glad to.

H.M.Jr: Anything else?

Haas: That is all.

H.M.Jr: Are you going to be able to report at Harold Graves' meeting at ten fifteen on statistics?

Haas: No, sir. We won't have anything.

H.M.Jr: Well, you might as well do it now because there is no sense of your coming to the meeting except for that. I am insisting that George Haas get me the number of people that apply every day from the first of May, so that we can do something to overcome this thing which is all over the country that the campaign is a failure. I think if we could show the number of people that are buying every day, I don't know any better answer. At least, it speaks for itself, whatever the record is. George just has to get that.

Haas: I think you need it, absolutely. It is a very difficult job in view of records that are available, but I think maybe we can work out something.

H.M.Jr: Well, we have done it before, George. I am counting on you.

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- Haas: I will come through with something.
- H.M.Jr: All right. And don't - I mean, I don't care what it costs, we have just got to have it. And then we can give out how many people are buying these things. I don't think the number of people buying stamps is so important.
- Haas: Would you, for the time being, be satisfied if we could get the number on the "E" Bond? That is the one you see, that is scoring with the population. The "F" and "G" are the larger ones.
- H.M.Jr: Would that help?
- Haas: That would simplify my problem some.
- H.M.Jr: But if you are going to get it, why can't you get the whole thing, George?
- Haas: Well, we can, but to get the thing - well, it is a long story, and I haven't gone through all the alternatives. Maybe it will work out so I can get "F" and "G" at the same time.
- H.M.Jr: You had better do the whole thing if you are going to do it.
- Schwarz: I have been arguing with some of the boys, Mr. Secretary, that many people are buying small denominations because they like the coupon better than discount.
- H.M.Jr: Well, we will get the number of people that buy each "E", "F", and "G". We know how many used to buy them, the baby bond, each day.
- Haas: Yes, those figures aren't so hot, though.
- H.M.Jr: We have just got to get them. I don't know any other way unless somebody has got some

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suggestions this morning to overcome this general thing that is spreading that the thing is a flop.

- Bell: Would you take the clearances through the Federal Reserve Banks? If you can do that, I think the Federals can give you, possibly, that information on all of those series. You see, they get the stuff every week from these agents, even the post offices, and your Series "F" and "G" Bonds can only be sold through the Federals, so you won't have much trouble with that.
- H.M.Jr: I don't care, but certainly by the time I come back, I want it.
- Haas: I am glad you are giving me that much time, Mr. Secretary.
- H.M.Jr: Well, I would like to have it before but - how is it going the last day or two? Have you got anything since the seventeenth?
- Graves: Yes. It is holding about at the same pace. I have here the figures through the twenty-first. Two hundred eighty-nine million. The "E" Bond, sixty-seven million.
- H.M.Jr: I haven't seen that for some reason or other.
- Graves: I guess you have the original, George.
- Haas: Yes, I had that working on this other problem. I can get it, Mr. Secretary.
- H.M.Jr: I can read this.
- Graves: The picture as to the "E" Bond is, I think, quite substantially better than our figures show.



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- Haas: The Post Office underestimated.
- Graves: The Post Office estimated figure is low.
- H.M.Jr: It is off a little bit, isn't it?
- Graves: Slightly. Well, there always have been some ups and downs.
- Bell: Well, there are ups and downs.
- Graves: But it is a fairly consistent picture.
- Haas: That is the interesting feature of those statistics, how consistent they remain.
- Graves: Actual deposits by postmasters at the Treasury for that period through the twenty-first exceed that estimate by something more than six million dollars, and that doesn't represent the total lag.
- Bell: That is right.
- Graves: I would say the "E" Bonds are at least ten million dollars higher than that.
- H.M.Jr: But that lag is constant. I mean, there will always be a lag.
- Graves: That is true.
- Bell: What Harold is trying to point out is that the estimate of the post offices is an underestimate rather than an overestimate. The Series "E" Bond is interesting to note, that it is as great as the old ten thousand dollar limit. Larger.
- Graves: Of course we hauled in a lot of people in May who bought their limits of five thousand under this series that won't appear as customers again.

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H.M.Jr: Anything else, George?

Haas: I have nothing.

Schwarz: Mrs. Porter has another column along the same lines.

H.M.Jr: Just the same tone?

Schwarz: Same tone.

H.M.Jr: Harry?

White: There is a communication from Welles to yourself with respect to Glasser, and let me quote one sentence.

"The Ecuadoran Ambassador has indicated that his Government considers the work accomplished thus far by Mr. Glasser to be extremely valuable, and that the Minister of Hacienda would be greatly benefitted if the expert's assignment could be continued for an additional two years."

Welles recommends that the maximum under the law is a continuation of six months and hopes that we can see a way clear. He would appreciate it if we pay his salary. His salary continues. They pay the difference.

H.M.Jr: What do you recommend?

White: I recommend that it be continued.

H.M.Jr: For how long?

White: Well, six months.

H.M.Jr: What country?

White: Ecuador.

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H.M.Jr: Do you want to keep him down there that much longer?

White: Yes. If he is doing a good job there, let him stay. Apparently he is doing a very good job. He advises them on fiscal and monetary problems, financial problems.

H.M.Jr: O.K. Anything else?

White: The Priorities Organization has complained to the State Department that they are not getting adequate reports on South America, and they threatened to put all their own men down there and get their own reports.

H.M.Jr: Who has?

White: Priorities Committee. And then the Rockefeller Organization also stated that they weren't getting adequate information from South America and they said they were going to put their agents in each country. As a consequence of that, the State Department has decided to place fifty additional officers in the Latin American missions. I thought you would be interested in that.

Prebisch has written up saying that he has selected the man whom he would like to come to Washington in exchange for Spiegel whom we talked about four or five months ago.

H.M.Jr: What country is that?

White: Argentina.

I have a letter here answering him. I will take it up with Bell in your absence. I am telling you about it.

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H.M.Jr:

Please.

White:

And we get many requests from the Inter-departmental Committee on inter-American Affairs for criticisms and supplementary material on various reports that they have. These reports are prepared by us. They are technical reports. They are rather long. They do not - they indicate very definitely that this does not represent Treasury policy, that they are merely the assistance of the technicians to the Committee such as was decided in the Committee.

Now, those reports go over my signature. If they are to be cleared, it would require a consideration of many technical points when there is no need for it, because there is no policy question before the Treasury.

H.M.Jr:

Why do you raise it?

White:

I raise it to make sure, because this report is on Mexico. I have been doing the others, and it occurred to me I had better make certain that it is understood what I am doing.

H.M.Jr:

The only person would be Bell.

Bell:

I haven't seen them.

White:

No, nobody has seen them, and the reason why I haven't showed them to anybody is because the moment I show it and it has been cleared, it becomes a Treasury memorandum as distinct from a contribution as a member of that Committee which doesn't represent Treasury view. If you want to have these things cleared, it will just mean a lot of work.

H.M.Jr:

I tell you what you do. Show a sample to

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Bell and see if he is interested and let him talk for himself. I am not interested.

White: I will do that.

H.M.Jr: Is that agreeable, Dan?

Bell: Yes, sir.

H.M.Jr: See if he is interested, Harry.

White: The consideration of the inter-American Bank has been taken out of the Foreign Affairs Committee at somebody's insistence and put before the Banking and Currency Committee. I am merely informing you of it. That is all.

H.M.Jr: Thank you.

Harold?

Graves: You will recall that day before yesterday I spoke of a circular that I would submit to you before you left, putting in a system of distributing--

H.M.Jr: Oh, yes.

Graves: .... bonds and stamps for the convenience of Treasury Department employees. I have that.

Bell: Distributing bonds?

Graves: We will have agents who will on payday take the applications for the employees.

Bell: Not actually handling the bonds?

Graves: No.

H.M.Jr: Anything else?

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- 21 -

Graves: That is all.

H.M.Jr: We are having a meeting at ten fifteen.

Graves: Yes.

Bell: The subscriptions to the bonds totalled at the last report last night five billion and eighty-eight. We ought to get in the neighborhood of a third more than that. Exchanges for the bonds totalled two hundred nineteen million, which was very good for the first day. Only a hundred and fifteen thousand for the note.

Mr. Haas has gotten up this--

H.M.Jr: I have gotten so I figure I won't be able to get out a bond issue unless I use that note. I am getting superstitious about it.

Bell: I think you will have a change of policy and leave it out now. Mr. Haas, as you know, has gotten up quite elaborate statistics on the bond holdings through information he gets from the banks. We have been discussing as to whether or not we should make it public in view of your statement to the banks that this was strictly confidential information. We did have one column--

H.M.Jr: May I interrupt you?

Bell: Yes.

H.M.Jr: Yesterday, through Miss Chauncey, I cleared a letter to the banks saying we were going to put it in the bulletin. Is that the same thing?

Haas: That is in conformity with the other meeting

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we had in here, Mr. Secretary.

Bell: Then I am a little late. I just wanted to clear it with you.

H.M.Jr: Are you talking about the same thing?

Bell: Yes, identically the same thing. I just wanted to raise the question in view of your promise to the banks that this would be held strictly confidential, whether you would be violating that confidence in putting it in the bulletin before you told the banks, and George has a number of requests for the information as it was compiled, which is an indication that the banks--

H.M.Jr: Aren't you satisfied with that letter that I signed?

Bell: I didn't see it.

H.M.Jr: You didn't see it?

Bell: No, sir.

H.M.Jr: Has it gone out?

Haas: No, sir. It is going to be timed at the same time--

H.M.Jr: Get together with Bell on it.

Haas: I did talk to Danny on it. Something broke down in the routine. I don't know why it didn't go in there, but Dan told me what to put in it, and that is what is in it.

H.M.Jr: Clear it again, will you?

Haas: Yes.

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- Bell: We did have in that statement the seventeen largest New York banks, and I think that has come out.
- Haas: I took that out.
- H.M.Jr: I want to lean over backward that we keep faith with them a hundred and one percent.
- Bell: That is what I was thinking about. I don't think there will be any objection to it, but there is just a chance in view of your promises that there will be a charge that you didn't keep your promise.
- H.M.Jr: If there are any doubts, I would much rather not do it, Dan. I want to lean over backward.
- Bell: Would you like to send out a letter or would you like for us to consult with a few bankers?
- H.M.Jr: I will leave it to you and Haas to handle just as long as you are a hundred percent sure you are keeping faith.
- Bell: We might decide to send it out thinking we are wrong and be right.
- H.M.Jr: If you take the responsibility with George, I will leave it with you.
- Bell: Is there any understanding with Glass about the Stabilization Bill? I noticed something in yesterday's Record that he was going to take it up before the whole committee.
- H.M.Jr: It is all news to me.
- Bell: You asked for a memorandum on the Bermuda situation.



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H.M.Jr: Oh, yes.

Bell: It is a little long, but I think it will cover it. That is all.

Thompson: Six months ago you approved the draft deferments of Mr. Ullman of Mr. White's office. The draft board advised me there will be an extension to it if we put in a request.

H.M.Jr: What is he doing, Harry, foreign strategic materials?

White: Partly that and partly on dumping, countervailing commercial policy.

H.M.Jr: Yes.

Thompson: Roswell Magill wrote in that he did not want to be reimbursed, either salary or his expenses. He said he would come down here any time you wanted.

H.M.Jr: Are you writing me some letters?

Kuhn: Wrote them yesterday. You should have them.

H.M.Jr: Good. Thank you.

Thompson: If I could see you for about two minutes, I would like to talk about that personnel director.

H.M.Jr: Will you tell Stephens?

Thompson: Yes.

H.M. Jr: Thanks.

*Keep original  
A hidden leaf*

MAY 23 1941

*filed in secret  
secret binder*

Dear Mr. Malloy:

Thank you very much for the several pictures and the data supplied with your letters of May 19th and 21st, and also for the statements prepared by Colonel Burton and enclosed with a letter on the 19th. These give me the information I desired, and I appreciate your good offices in securing them for me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. John J. Malloy,  
Assistant Secretary of War,  
War Department,  
Washington, D. C.

ORIGINAL FORWARDED TO ADDRESSEE  
FROM OFFICE OF THE SECRETARY

*[Handwritten initials]*  
5/23/41 FILE COPY

147

*filed in Secret  
Black binder -*

May 21, 1941

Dear Mr. Secretary:

I enclose herewith another  
picture for your book.

Sincerely yours,

JOHN J. HOUVER  
(SIGNED)

The Honorable  
The Secretary of the Treasury

**CONFIDENTIAL**

148

May 19, 1941

Dear Mr. Secretary:

I am sending you herewith answers to the questions which you propounded to Colonel Borden during our recent trip to Aberdeen. Colonel Borden completed them some time ago but they were held up in the Under Secretary's office to be cleared. I am sorry if this delay has in any way inconvenienced you, and I hope that the information is in the form you desire.

I have been in communication with Mr. Dell and Mr. Cochran on the matter of take-outs of British contracts. Mr. Cochran, I believe, has the full information now, but if any time you wish to discuss the matter further, I would be very glad to come over and talk with you about the extent to which the War Department can help out.

Very truly yours,

JOHN J. McCLOY

JOHN J. McCLOY  
Assistant Secretary of War

The Honorable  
Henry Morgenthau, Jr.  
Secretary of the Treasury  
Treasury Department

Enc.-Data from Col. V.A.Borden

**CONFIDENTIAL**

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WAR DEPARTMENT  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON, D. C.

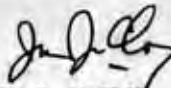
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JOHN J. McCLOY  
Assistant Secretary of War

The Honorable  
Henry Morgenthau, Jr.  
Secretary of the Treasury  
Treasury Department

Enc.-Data from Col. W.A.Borden

DATA REQUESTED FROM LT. COL. W. A. BORDEN, ORD. DEPT.,  
BY MR. MORGENTHAU THROUGH MR. McGLOY

90 MM A.A. EQUIPMENT

a. Date bills were signed by the President carrying funds for this weapon:

F.Y. 1940 Appropriation	4/26/39
Basic F.Y. 1941 Appropriation	6/13/40
1st Supplemental F.Y. 1941 Appropriation	6/26/40
2nd " " " " " "	9/9/40

b. Date contracts were signed and prime contractors involved:

See attached data, pages 1 to 5. The word "contracts" includes in this case production orders to Ordnance Department arsenals.

c. Estimated schedule of delivery on contracts:

See attached data, pages A-1, and 1 to 5. The abbreviation EST. indicates estimated delivery schedule.

d. Actual deliveries made on contracts:

See attached data, pages 1 to 5. The abbreviation ACT. indicates actual deliveries.

e. Deliveries over or under scheduled deliveries to date:

See attached data, pages 1 to 5. (EST. and ACT.)

LIGHT TANKS M3

a. Date bills were signed by the President carrying funds for these tanks:

Basic F.Y. 1941 Appropriation	6/13/40
Supplement to Basic F.Y. 1941 Appropriation	6/13/40
1st Supplemental F.Y. 1941	6/26/40
2nd Supplemental F.Y. 1941	9/9/40

b. Dates contracts were signed and prime contractors involved:

See attached data, pages 6 to 9.

LIGHT TANKS M3 (Cont'd)

c. Estimated deliveries, and actual deliveries:

See attached data, pages 6 to 9.

3<sup>rd</sup> ANTI-AIRCRAFT EQUIPMENT, MOBILE

Guns and Carriages, M1918, M1918M1, M1918A1 and M1918M1A1	116
Guns and Carriages of recent model	482

TANKS ON HAND

Light Tanks M3	61
Other models	800

FACILITY OR ITEM		F.Y. 1941						F.Y. 1942												F.Y. 1943					TOTAL			
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	DATE		
COMPLETE UNITS -	EST.	(TENTATIVE)						8	20	32	60	80	100	114														
90 MM ANTI-AIRCRAFT GUN, M1	ACT.																											
COMPLETE UNITS -	EST.	(TENTATIVE)												50	125	215	305	395	485	575	665	755	845	935	999	1029	1059	Jan. '43 1089
90 MM ANTI-AIRCRAFT GUN, M1A1	ACT.																											
COMPLETE UNITS -	EST.	(TENTATIVE)						8	20	32	60	80	100	164	239	339	419	509	599	689	779	869	959	1049	1113	1143	1173	Jan. '43 1203
90 MM ANTI-AIRCRAFT GUNS	ACT.																											
M1 & M1A1 (COMBINED)																												



FACILITY OR ITEM SCHEDULED

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90 MM ANTI-AIRCRAFT EQUIPMENT

\* Gun--(Indicates tube and breech mechanism only)

PAGE 1

- A. COMPONENT
- B. CONTRACT & DATE SIGNED
- C. PRIME CONTRACTOR

**CONFIDENTIAL**  
ESTIMATED CUMULATIVE PRODUCTION

114 - 90 mm A.A. Guns, M1, on Pages 1 & 2.

FACILITY OR ITEM		F.Y. 1941						F.Y. 1942						F.Y. 1943						TOTAL DATE					
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J		J	A	S	O	N
Gun, 90 mm A.A., M1	EST.					10	20	40	70	114															
TOTAL SCHEDULE	ACT.	5	5	5	21																				
Gun, 90 mm A.A., M1	A EST.					10	20	36																	
C-44-2 3/5/40	B ACT.	5	5	5	21																				
Watervliet Arsenal	C																								
Gun	A EST.							4	6																
C-171-A 5/13/40	B ACT.	0	0	0	0																				
Watervliet Arsenal	C																								
Gun	A EST.								28	36															
C-190-A 5/20/40	B ACT.	0	0	0	0																				
Watervliet Arsenal	C																								
Gun	A EST.									36															
C-193-A 5/21/40	B ACT.	0	0	0	0																				
Watervliet Arsenal	C																								
Mount, 90 mm A.A., Gun M1	EST.		6	12	18	24	30	50	70	95	114														
TOTAL SCHEDULE	ACT.	0	1	6	6																				
Mount	A																								
C-68-3 (36) 3/6/40	B																								
C-171-B (6) 5/13/40	B EST.		6	12	18	24	30	50	70	95	114														
C-190-B (36) 5/20/40	B ACT.	0	1	6	6																				
C-193-B (36) 5/21/40	B																								
Watertown Arsenal	C																								

FACILITY OR ITEM SCHEDULED

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90 MM ANTI-AIRCRAFT EQUIPMENT

PAGE 2

- A. COMPONENT
- B. CONTRACT & DATE SIGNED
- C. PRIME CONTRACTOR

**CONFIDENTIAL**  
ESTIMATED CUMULATIVE PRODUCTION

FACILITY OR ITEM		F.Y. 1941						F.Y. 1942						F.Y. 1943						TOTAL DATE						
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J		J	A	S	O	N	D
Mechanism, Recoil, for	EST.	3	12	18	24	30	36	56	76	101	126	143														
90 mm Gun, M1	ACT.	3	6	10	16																					
TOTAL SCHEDULE																										
Mechanism, Recoil	A																									
C-6-D-1 (45)	3/6/40 B																									
C-171-C (8)	5/13/41 B	EST.	3	12	18	24	30	36	56	76	101	126	143													
C-190-C (45)	5/21/41 B	ACT.	3	6	10	16																				
C-193-C (45)	5/21/41 B																									
Watertown Arsenal	C																									
Setter, Fuse, T15	EST.		10	20	35	55	75	95	114																	
TOTAL SCHEDULE	ACT.	0	0	16	16																					
Setter, Fuse, T15	A																									
C-6-E (45)	8/14/40 B																									
C-171-D-1 (8)	2/14/41 B	EST.		10	20	35	55	75	95	114																
C-190-D-1 (45)	2/14/41 B	ACT.	0	0	16	16																				
C-193-D-1 (16 for M1; 29 for M1A1)	2/14/41 B																									
Frankford Arsenal	C																									
DATA TRANSMISSION SYSTEM																										
Sets, on Carriage Pads	A EST.				9	18	30	44	63	85	109	125	155	190	230	280	340	400	460	512						
6-328-1	B ACT.	0	0	0	6																					
M-314-Ord-6228 - 6/29/41																										
M-314-Ord-6373 - 7/24/41																										
Elipase (1:1)	C																									
Indicators, D.T.S., T17	A EST.			(TENTATIVE)	6	8	12	32	60	136	216	300	388	476	512											
C-332 (2:1)	6/29/40 B	ACT.	0	0	0																					
Elipase	C																									

FACILITY OR ITEM SCHEDULED

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90 MM ANTI-AIRCRAFT EQUIPMENT

CONFIDENTIAL

PAGE 3

- A. COMPONENT
- B. CONTRACT & DATE SIGNED
- C. PRIME CONTRACTOR

ESTIMATED CUMULATIVE PRODUCTION

1029 - 90 mm A.A. Guns, M1A1, Pages 3, 4, 5.

FACILITY OR ITEM		F.Y. 1941						F.Y. 1942						F.Y. 1943						TOTAL DATE Jan. '43 1089						
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J		J	A	S	O	N	D
Gun, 90 mm A.A., M1A1	EST.									6	58	138	218	298	378	458	538	618	698	778	858	938	999	1029		
TOTAL SCHEDULE	ACT.	0	0	0	0																					
Gun	A EST.									6	56	106	156	206	237											
C-350-1 7/19/40	B ACT.	0	0	0	0																					
Watervliet Arsenal	C																									
Gun	A EST.									2	32	62	92	122	152	182	212	242	272	302	332	362	392			
C-471-A1 W-953-Ord-1090	B ACT.	0	0	0	0																					
Whaland Company	C																									
Gun	A EST.														19	69	119	169	219	269	319	369	376			
C-511 9/12/40	B ACT.	0	0	0	0																					
Watervliet Arsenal	C																									
Gun	A EST.																							24		
C-730 11/5/40	B ACT.	0	0	0	0																					
Watervliet Arsenal	C																									
Mount, 90 mm A.A. Gun M1A1	EST.					1	4	9	18	33	64	122	202	296	390	484	578	672	766	845	915	985	1049	1089		
TOTAL SCHED. - TENTATIVE	ACT.	0	0	0	0																					
Mount	A EST.									6	31	56	81	106	131	156	181	206	231	256	281	300				
C-610 10/11/40	B ACT.	0	0	0	0																					
Watertown Arsenal	C																									
Mount, 90 mm A.A. Gun M1A1A	EST.									1	5	10	25	50	75	100	125	150	175	200	225	250	275	300		
C-796 2/1/41	B ACT.	0	0	0	0																					
Worthington Pump	C																									

FACILITY OR ITEM SCHEDULED

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90 MM ANTI-AIRCRAFT EQUIPMENT

PAGE 4

- A. COMPONENT
- B. CONTRACT & DATE SIGNED
- C. PRIME CONTRACTOR

**CONFIDENTIAL**  
ESTIMATED CUMULATIVE PRODUCTION

FACILITY OR ITEM		S. Y. 1941						F. Y. 1942						F. Y. 1943						TOTAL DATE								
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J		J	A	S	O	N	D		
Mount (Cont'd.)	A EST.	(TENTATIVE)						1	4	9	17	29	45	65	85	105	125	145	165	185	205	225	245	265	285	300		
G-771	B ACT.	0	0	0	0																							
Allis-Chalmers	C																											
Mount	A EST.	(TENTATIVE)																										
G-798	B ACT.	0	0	0	0																							
Tork Safe & Lock Co.	C																											
Mechanism, Recoil	A EST.							75	160	250	350	458	583	689	789	889	989	1089	1189	1289	1361							
TOTAL SCHEDULE	ACT.	0	0	0	0																							
Mechanism, Recoil	A EST.							50	100	150	200	250	300	350	400	450	500	550	600	650	660							
G-502 W-952-Ord-3322	B ACT.	0	0	0	0																							
E. Roe & Company	C																											
Mechanism, Recoil	A EST.											8	23	39														
L-509	B ACT.	0	0	0	0																							
Hartown Arsenal	C																											
Mechanism, Recoil	A EST.							25	60	100	150	200	250	300	350	400	450	500	550	600	662							
G-443 W-952-Ord-3384	B ACT.	0	0	0	0																							
Otis Elevator Co.	C																											
Letter, Fuse, T15	A EST.	(TENTATIVE)																										
TOTAL SCHED. - TENTATIVE	ACT.	0	0	0	0																							
Letter, Fuse, T15	A EST.																											
G-132-D-1 (16 for M1)	B ACT.	0	0	0	0																							
G-137-1 (26)	B ACT.																											
Frankford Arsenal	C																											

FACILITY OR ITEM SCHEDULED

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90 MM ANTI-AIRCRAFT EQUIPMENT  
**CONFIDENTIAL**  
 ESTIMATED CUMULATIVE PRODUCTION

- A. COMPONENT
- B. CONTRACT & DATE SIGNED
- C. PRIME CONTRACTOR

FACILITY OR ITEM		F.Y. 1941						F.Y. 1942						F.Y. 1943						TOTAL DATE								
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J		J	A	S	O	N	D		
Letter. Pass. T15 (Cont'd.)	A	EST.	(TENTATIVE)																									
Order 9476	4/28/41	B	ACT.	0	0	0	0					50	125	200	275	350	425	500										
Gilbert & Barker		C																										
POWER CONTROLS		A	EST.	(TENTATIVE)																								
TOTAL SCHEDULE		B	ACT.	0	0	0	0					50	125	215	305	395	485	575	665	755	845	935	1025	1115	1205			
Power Controls		A	EST.	(TENTATIVE)																								
Letter of Intent	3/10/41	B	ACT.	0	0	0	0					50	125	215	305	395	485	575	665	755	845	935	1025	1115	1205			
Sperry (Tentative)		C																										

LIGHT TANK, M3, AND ARMAMENT  
**CONFIDENTIAL**  
 ESTIMATED CUMULATIVE PRODUCTION

FACILITY OR ITEM		F.Y. 1941						F.Y. 1942						F.Y. 1943						TOTAL DATA						
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J		J	A	S	O	N	D
LIGHT TANK, M3	EST.			1	76	251	501	751	1011	1291	1561	1831	2101	2371	2641	2911	3089									
TOTAL SCHEDULE	ACT.			1	89																					
HULL	EST.			64	192	361	550	780	1011	1341	1686	1986	2331	2661	2970	3089										
TOTAL SCHEDULE	ACT.			1	89																					
ENGINES	EST.	202	368	612	926	1076	1206	1339	1533	1893	2273	2618	2988	3378	3529											
TOTAL SCHEDULE	ACT.	154	332	523	851																					
37 MM GUN MOUNTS, M22	EST.			1	76	251	501	751	1021	1291	1561	1831	2101	2371	2641	2911	3181	3212								
TOTAL SCHEDULE	ACT.			1	89																					
37 MM GUN, M5 & M6	EST.	545	642	742	867	1265	1665	2115	2565	3015	3357	3657	3957	4257	4532	4752	4972	5192	5412	5632	5852	5999				
TOTAL SCHEDULE	ACT.	540	674	827	1164																					
		Own schedule includes requirements for both light and medium tanks.																								
		Based on current schedules, production of guns will be slightly																								
		earlier than combined production of tanks.																								

FACILITY OR ITEM SCHEDULED

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LIGHT TANK, M3

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- A. COMPONENT
- B. CONTRACT & DATE SIGNED
- C. PRIME CONTRACTOR

ESTIMATED CUMULATIVE PRODUCTION

FACILITY OR ITEM		F.Y. 1941							F.Y. 1942							F.Y. 1943						TOTAL DATE				
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A		S	O	N	D
HELL	EST.			64	192	361	550	780	1011	1341	1686	1986	2331	2661	2970	3089										
TOTAL SCHEDULE	ACT.	0	0	1	128																					
Hull	A EST.			64	192	361	550	627																		
C-352 W-741-Ord-5746	B ACT.	0	0	1	128																					
American Car & Fdry.	C																									
Hull	A EST.							153	384	566																
C-510 W-741-Ord-6211	B ACT.	0	0	0	0																					
American Car & Fdry.	C																									
Hull	A EST.									148	493	793	1138	1468	1777	1896										
C-543 W-741-Ord-6284	B ACT.	0	0	0	0																					
American Car & Fdry.	C																									
ENGINE	EST.	202	368	612	926	1076	1206	1339	1533	1893	2273	2618	2988	3378	3529											
TOTAL SCHEDULE	ACT.	154	332	523	851																					
Engine	A EST.	200	305	391	COMPLETE																					
C-376 W-741-Ord-5918	B ACT.	154	295	391																						
Continental Motors	E																									
Engine	A EST.			58	216	368	498	630	825	1025	1245	1430	1640	1879	2030											
C-574 W-741-Ord-6302	B ACT.			20	184																					
Continental Motors	C																									
Engine	A EST.	2	63	163	317																					
C-376 W-741-Ord-5917	B ACT.	0	37	112	256																					
Calhoun Diesel																										

FACILITY OR ITEM SCHEDULED

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LIGHT TANK, M3

CONFIDENTIAL

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- A. COMPONENT
- B. CONTRACT & DATE SIGNED
- C. PRIME CONTRACTOR

ESTIMATED CUMULATIVE PRODUCTION

FACILITY OR ITEM		F.Y. 1941						F.Y. 1942										F.Y. 1943						TOTAL DATE		
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O		N	D
Engine (Cont'd.)	A EST.									160	320	480	640	791												
C-648 W-741-Ord-6534	B ACT.																									
Quiberson Diesel	C																									
37 mm Gun Mount, M22	A EST.			1	76	251	501	751	1021	1291	1561	1831	2101	2371	2641	2911	3181	3212								
TOTAL SCHEDULE	B ACT.			1	89																					
37 mm Gun Mount, M22	A EST.							51	321	591	861	1131	1401	1671	1941	2211	2481	2512								
C-640 W-741-Ord-6260	B ACT.																									
Miller Print. Mchry. Co.	C																									
37 mm Gun Mount, M22	A EST.			1	76	251	501	700																		
C-640 W-741-Ord-6260	B ACT.			1	89																					
Miller Print. Mchry. Co.	C																									



FACILITY OR ITEM SCHEDULED

- A. COMPONENT
- B. CONTRACT & DATE SIGNED
- C. PRIME CONTRACTOR

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37 MM GUNS, M5 & M6, FOR TANKS

**CONFIDENTIAL**

ESTIMATED CUMULATIVE PRODUCTION

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FACILITY OR ITEM		F.Y. 1941						F.Y. 1942										F.Y. 1943					TOTAL DATE			
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S		O	N	D
37 MM GUN, M5 & M6	EST.	545	642	742	867	1265	1665	2115	2565	3015	3357	3657	3957	4257	4532	4752	4972	5192	5412	5632	5852	5999				
TOTAL SCHEDULE	ACT.	540	674	827	1164 *																					
*See note on page 6.																										
37 mm Gun, M5	A EST.																									
L.O. 8737A	7/1/39	B ACT.	SCHEDULE COMPLETE PRIOR TO JAN. 1941																							
Watervliet Arsenal	C																									
37 mm Gun, M5	A EST.	90	187	287	387	478																				
C-259A L.O. 8777	6/18/40	B ACT.	90	219	369	478																				
Watervliet Arsenal	C																									
37 mm Gun, M5	A EST.				25	105	185	265	345	425	505	585	665	745	800											
C-334 M-953-Ord-965	9/11/40	B ACT.			85																					
United Shoe Machinery Co.	C																									
37 mm Gun, M5	A EST.					7	107	257	407	499																
C-347 L.O. 8774	7/12/40	B ACT.			11																					
Watervliet Arsenal	C																									
37 mm Gun, M5	A EST.					220	440	660	880	1100	1320	1540	1760	1980	2000											
C-306-2 L.O. 9034	9/14/40	B ACT.			100																					
National Pneumatic Co.	C																									
37 mm Gun, M6	A EST.									58	100															
C-990 L.O. 8994-0	2/11/41	B ACT.			3	3																				
Watervliet Arsenal	C																									
37 mm Gun, M6	A EST.														200	420	640	860	1080	1300	1520	1667				
C-978-1 C.O. 9034	9/14/40	B ACT.																								
National Pneumatic Co.	C																									

May 23, 1941  
10:15 a.m.

RE DEFENSE SAVINGS BONDS

Present: Mr. Callahan  
Mr. Kuhn  
Mr. Schwarz  
Mr. Graves  
Mr. Johnston  
Mr. Sloan  
Mr. Milton  
Mr. Sulds  
Mr. Odegarde  
Mr. Houghteling

H.M.Jr: All right, Harold.

Graves: I thought, Mr. Morgenthau, that it would be most interesting, perhaps, to you if we had from Mr. Callahan and Mr. Sulds an account of what they had done and what they are planning to do in the foreign language department, bot as to radio and the press.

H.M.Jr: O.K.

Graves: If Mr. Sulds will proceed on that.

Sulds: Well, we have a thousand announcements a day on foreign language radio throughout the country.

H.M.Jr: A thousand?

Sulds: A thousand a day in seventeen different languages. I have a list of the languages here. We have

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had the President's talk opening night translated into all of those languages, preceded by the plan - we took a special recording that special night. As you know, we have had Mr. Paderewski on the air. Mr. Van Loon goes on tonight. We have Madam Curie practically lined up. Emil Ludwig very shortly.

- Graves: You (Secretary) sent me a list of several names. What were the names?
- Sulds: Adamick, Sforza, and Van Loon. Count Sforza made a recording for me last night. I am going to distribute that to sixty-five stations throughout the country. That is Paderewski, Sforza, Adamick, and Madam Curie.
- H.M.Jr: You couldn't have it translated into English?
- Sulds: I have the English text.
- H.M.Jr: I would like that.
- Sulds: Yes, I can get that to you. Those are the highlights of what we have done. Madam Curie will be on very shortly.
- H.M.Jr: Well, now, what did you do before you came here?
- Sulds: I was with the Alien Registration Division of the Department of Justice.
- H.M.Jr: I see.
- Sulds: The foreign language radio over there.
- H.M.Jr: Well, now, what I wondered was, John Wiley, who was Minister to Latvia, is here, and I think that he could be very helpful in getting

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some of the people in working with you, you see. Take Bruening, for instance. I mean, he knows a lot of these people personally. I take it that you don't.

Sulds: Well, not as many as he does.

H.M.Jr: Well, I don't see why he couldn't work in with you where it is a question of calling on these people personally. I think it would be very helpful without anyway disrupting, simply supplementing, what you are doing.

Sulds: I believe I am going to meet him Monday morning.

Graves: That is right. I talked with John yesterday. He had to go to New Jersey at noon.

H.M.Jr: Were you in on that one?

Graves: Yes. We have arranged to have Mr. Wiley and Mr. Sulds meet and discuss this thing on Monday.

H.M.Jr: Well, I am sure he could be helpful. And you see, he is crazy to have more to do and it is a question of sending somebody up to Cambridge, Massachusetts, to call on Bruening - I mean, go out and make the calls, actually, then I think you could be very useful and I would like very much to see some of these talks.

Sulds: I will get them to you.

H.M.Jr: It doesn't bother me a bit if two thirds are on democracy and one third is on bonds.

Sulds: I have just got Mr. Van Loon's talk, if you care to look at it.

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- H.M.Jr: Yes. I tell you what - yes. This your only copy, is it?
- Sulds: I just got that through the mail.
- H.M.Jr: Well, I will give it back to you. Have you read it?
- Sulds: Just about the first two pages before we came in here.
- H.M.Jr: I see. Well, I am sure that Wiley could be helpful.
- Sulds: I will meet him.
- H.M.Jr: I take it that you are here in Washington. When it comes to going out and calling on some of these people and getting them, he could do that.
- Graves: Mr. Sulds, did you bring with you the list that you showed me the other day of the people in each language group that you have either contacted or have in mind to contact?
- Sulds: Yes, I have that right here.
- Graves: I think the Secretary might be interested in some of the names.
- Sulds: Those (handing the Secretary a list of names) are the languages that we are working with.
- H.M.Jr: Now, this is Italian? These people have already--
- Sulds: Most of them have already been contacted. Not all of them have been lined up yet with definite dates.

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Callahan: That is your working sheet?

Sulds: That is right.

H.M.Jr: The last Ambassador from Spain to this country--

Kuhn: De Los Rios?

H.M.Jr: Yes. Add him. He is in New York. He speaks very good English. I can't say to the President that we have these, can I?

Sulds: Not all of them.

H.M.Jr: What is Zorina going to do, dance for you? It wouldn't be so bad. There could be lots worse. If she would cheer me up as much as the song did last night, it would be all to the good. This other woman, if there is any way of paying her, gosh, I would like to do it, this great woman columnist from France.

Sulds: Tabouis?

H.M.Jr: Yes. The poor thing, she has got one lung gone and she is very sick, and if there is any way at all - I don't know, can we pay foreigners?

Sulds: I don't know.

H.M.Jr: If there is any way of employing Madam Tabouis, she is just grand. I mean, she is tops. If there is any way - I mean, she is practically down and out and she is one of the people who have been right, right from the beginning.

Kuhn: She speaks very well publicly.

H.M.Jr: But I mean, through all this last three or four years, you know, she has had Hitler's number. Is that right?

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- Milton: That is right.
- H.M.Jr: In fact Hitler cussed her out with a special private cuss for Madam Tabouis.
- Kuhn: She speaks English extremely well.
- H.M.Jr: If there were some way of doing something, it would be not only charitable but it is worth while. You have got Adamick here, haven't you?
- Sulds: Yes, I have been in touch with him. There is a possibility of taking his "My America" and arranging it for radio dramatization.
- H.M.Jr: I don't know what they called that group that did that thing in New York, that joint radio appeal. They had a whole group of eight or ten people who put on a dramatization a few weeks ago.
- Sulds: You don't mean the Free Company?
- Odegarde: Council for American Unity?
- H.M.Jr: Wasn't it the anniversary of May 10?
- Callahan: Yes, and they had people from eight to ten different countries.
- Kuhn: They had Juliana and the Crown Princess from Norway.
- H.M.Jr: Yes. In connection with that they had a lot of good talent. You might look that up.
- Callahan: One of our men wrote that script.
- H.M.Jr: Our men?

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- Callahan: Before he came to work for us.
- H.M.Jr: Oh. I am going to keep this, if I may.
- Sulds: All right. We are working from this book, too. That is a number of Americans.
- H.M.Jr: Where did you get that book?
- Sulds: It is a compilation from "Who's Who" for two years, I believe.
- H.M.Jr: That is swell. I have never seen it. Well, as I say, I think John Wiley is able. Incidentally, he is good enough but I don't know how much of Bullitt's speeches he writes, but he certainly writes a good part of them, so he writes well. We have him down stairs so we might just as well make use of him and sort of take him into this family, this part of the Treasury. He writes very well.
- Sulds: On the local stations, the foreign language local stations, we are constantly putting on local celebrities, that is, of foreign language groups, who add their appeals to the spot announcements and to the dramatized skits that we send them. They did that during the Presidential broadcast, too.
- H.M.Jr: Fine. All right, that sounds good, Harold.
- Graves: I think that Mr. Sulds has done a very, very fine job.
- H.M.Jr: It sounds good to me.
- Graves: One thing that we have in mind, Mr. Morgenthau, is that this is a long program that we are starting on. It is a matter of--



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- H.M.Jr: Well, you saw what I said yesterday. We are doing it the hard way.
- Graves: That is right. So Mr. Sulds is sort of planning a program along way ahead and not firing all of his big guns here at this particular juncture.
- H.M.Jr: Well, you won't run out of foreigners if you use that list.
- What next, Harold?
- Graves: I think Mr. Callahan might say a word about the foreign language newspaper coverage that we are planning.
- Callahan: We sent out last week under your signature, or rather they are going out tomorrow, letters to the editors of some fourteen hundred daily newspapers. I have just gotten a list of the eleven hundred foreign language newspapers. With your permission, we will send the same letter to those newspapers.
- H.M.Jr: Do I write it in Czech and Slovak?
- Callahan: We can have it done and there was a question of whether it should be in English. We would have to translate it into twenty-six different languages. I think that would be a very good idea. It would be very novel.
- H.M.Jr: They might answer me in the same language.
- Callahan: That is all right, we could take care of that. (Laughter)
- H.M.Jr: What do you think? English, I guess.
- Odegarde: I think English.

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- H.M. Jr: I guess so. The Secretary still speaks English.
- Callahan: They are going to send to these foreign language newspapers an article and it will be a factual article with a little patriotism in it and facts about the bonds and so forth. Do you want any further information about radio activities?
- H.M. Jr: Well, I just heard this, that - I take it you will grind out the machinery to put Irving Berlin's song on the air. You know, I was interested. He has consulted his lawyer and his lawyer tells him that he had better get Ed Foley in on this thing, so he is going to file a copyright with the Library of Congress, I believe. Don't let's get mixed up in this Ascap thing.
- Callahan: Well, we can not get it played on either Columbia or NBC. We can on Mutual.
- H.M. Jr: Subject to my lawyer saying it is all right, and he can clear it with the Department of Justice, I am perfectly willing to write a letter to the President of Columbia and the other asking them to play it. I would love to do it. But there is a song belonging to the United States Treasury. I want it played.
- Callahan: All right. We can send a similar letter to Ascap.
- H.M. Jr: Yes, but get Foley to prepare it, you see. I mean, you prepare the letter and give to Foley, and then Foley will clear it with the Department of Justice to make sure that it doesn't cut across anything that they are doing, but I would like to write a letter to these fellows. I own a song, and I would

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like to have it played. They won't turn me down. But I wanted that thing cleared.

What else have you got?

Graves: Tell the Secretary what your June program is, superseding this system that you used during May.

Callahan: In May, as you know, we used the announcements of a hundred and fifty words. At the beginning of June we used one million transcriptions. We had prepared forty of them. All forty are different, and they will be rotated from June 1 to June 30. The forty are divided, thirteen movie stars. Dorothy Lamour, Dick Powell, Edward G. Arnold, Edward G. Robinson, up to thirteen. One minute announcements.

Number 2, we have straight announcements similar to the ones we used in May except in three or four different voices.

Number 3, we have ten skits, family group, a man driving up to a gas station and talking about his son's being in the Army, and he is going to buy bonds and stamps. The little baby crying, just been born. Father is buying a bond for that baby. Ten skits, like that.

H.M.Jr: Who does all these things?

Callahan: It is being done by Marschalk and Pratt, an advertising agency of New York, free. They spent many, many hours of working time on it. They wrote this stuff, they produced the stuff, they did everything for us. They have been to Washington four or five times. They

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wouldn't even accept car fare from us.

H.M.Jr: When I come back, will you play the stuff for me down stairs?

Callahan: Yes, sir.

H.M.Jr: You will have to have that machine.

Callahan: We are getting a machine. We should have it today or tomorrow. We have the announcements.

H.M.Jr: So that I can hear them when I come back?

Callahan: Yes, sir. And then in addition, we have 10 more with a little theme song, "Dollars for Defense," with an announcement.

H.M.Jr: I would like to hear that.

Callahan: All right.

H.M.Jr: And I would be delighted to write this agency a letter of thank you.

Callahan: I would appreciate it if you would, because they have done a lot for us.

H.M.Jr: And I wanted to write that soldier boy.

Graves: Yes. Mr. Dietz has that.

H.M.Jr: Incidentally, Harold, in there was a sentence which I caught, and I would like you to pick it out. I would like to see it. It is something about we build for defense and then something about protecting what we build.

Graves: Yes, I remember.

H.M.Jr: Now, I don't--

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Callahan: "We build for defense; defend what we build."

H.M.Jr: And I think if you can pick it out, it sounded like an awfully good slogan to me. I am slogan minded. Could you pick that out and just let's take a look at it?

Graves: Will you get the script on that?

Callahan: I can get it.

H.M.Jr: You have it almost right, I think.

Callahan: I will get it.

H.M.Jr: It sounds awfully good--

Callahan: "Build for defense; defend what you build."

H.M.Jr: I thought you could plug that.

Callahan: We will do that.

H.M.Jr: It sounded awfully good. Who wrote that script for that radio program?

Callahan: It was written in Hollywood by people under Dietz.

H.M.Jr: It was awfully good.

Callahan: We are going into the daytime shows, the so-called "soap operas" and we have some--

H.M.Jr: What do you call them?

Callahan: "Soap operas", because the soap companies buy most of them. There are fifteen serials, "Romance of Dr. Jones," "Helen Trent," and so forth, and these people beginning today are beginning to start a character at the end of

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a program and the announcer will say, "Well, Helen Trent steps out of character and she makes an appeal." I think we have so far about twenty-one lined up.

- H.M.Jr: That is good. You are not yet sensing any other government competition? I mean, we are not yet being crowded off?
- Callahan: No, sir, not in the slightest.
- H.M.Jr: Is there any other group in the government doing anything like this on radio?
- Callahan: I don't think so. If there is, I don't know of it.
- Sulds: Not in the foreign language field.
- Callahan: We have the biggest schedule of radio. There were announcements up until today of forty thousand.
- Incidentally, that is holding out. When we started out, of course we new that for the first few days stations would run them but the report of yesterday is about as good as the report of about the second or third day.
- H.M.Jr: It sounds all good, Harold.
- Graves: It is good.
- H.M.Jr: It sounds damn good. Now, what else?
- Graves: I would like Mr. Johnston to bring you up to date on our field office set up, if he would be so good.
- Johnston: We are not much farther advanced in organization than when I saw you at the early part

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of the week. We do have the skeleton organizations or practically complete organizations in eleven states. Others will be organized, we hope, in the near future. We are getting some very fine reports from some of the states.

In Texas, for example, they are doing exceptionally well. I think they have every county in the state organized now.

There was a report from Connecticut in which they said that they were completely organized and highly pleased with the reactions from the public.

Mr. Schofield in Texas wrote me that in all of his experience in government work and organizations, that he had never seen such response as he has received and that he had never attended a finer meeting than his initial gathering of the statecommittee.

(Mr. Houghteling entered the conference.)

- Graves: You remember you rode in on the plane with Mr. Schofield.
- H.M.Jr: Oh, yes, he and I had breakfast together. Schofield is going to take me visiting from one cattle breeder ranch to another, but he says he can't do it under a month. He needs a month.
- Johnson: Other states are moving along nicely. We had good reports from Missouri. We have had some very favorable reports from Michigan. We expected Mr. Iseby, who is the state chairman in here today or yesterday.
- H.M.Jr: Incidentally, I saw Francis Biddle, and he said he would give me a name for somebody in Pennsylvania.

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- Johnston: We are pushing the types of marketing that we have discussed previously, namely, the savings plan through the payrolls. I don't know how many companies have adopted plans, but we do have a few which Mr. Graves has.
- H.M.Jr: I have got down here on my memo sheet, "A prepared list of companies, regular deduction plan."
- Sloan: Yes.
- Graves: We have only a partial list.
- H.M.Jr: Let me have something because they may jump on me in Cabinet today about the thing being a failure. Mrs. Roosevelt was over yesterday and said, "I hear your program has flopped down."
- Johnston: Well, I wouldn't take it at all because I don't believe that it has information that is very good, for this reason, that the reports of the numbers that are going into these plans, salary savings, the numbers that are buying books of stamps wouldn't show up at all in your total, isn't that correct?
- Callahan: That is right.
- Johnston: And it will be sometime before they will begin to show up. It may be July or August, even.
- H.M.Jr: Let me just read this letter that has just come in from Biddle.
- Johnston: Yes, sir.
- H.M.Jr: He suggests I give you the letter. Todd Daniel, a lawyer in Philadelphia. He organized a



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citizen's committee for Roosevelt, and he says he is very good. Then he says in Pittsburgh it looks like Marc Acheson. He said he is excellent. He is an Indiana Democrat who was on the Third CCA. Is that Circuit Court?

Kuhn: Circuit Court of Appeals.

H.M. Jr: Yes. Highly respected. But that certainly - there are three different names there. I should acknowledge that. So that takes care of that, and if you get Marshall Field in New York, it will be O.K.

Graves: I am told that there is some drawback about Marshall Field.

H.M. Jr: What is his trouble.

Graves: Well, in the first place his papers are out against us in this campaign. Mr. Odegarde, I believe--

Odegarde: It isn't against us. There was a line repeating--

H.M. Jr: Last night they ran a little picture saying this was the kind of thing they didn't like, six or seven Hollywood beauties around one of those posters. But on the tax program, they are the only newspaper in America supporting us on our tax program.

Graves: I think that you and Ferdie and I ought to have a talk about that.

Houghteling: I think PM is all right. I read it every day, and I don't think they are against us. They are very frank on things they don't like, but it is all right.

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Kuhn: There is a serious drawback. I would like to talk to you about it.

H.M.Jr: All right.

Kuhn: A real one.

Johnston: Hasn't he just accepted some other very important work in connection with charity or something?

H.M.Jr: Not that I know of.

Johnston: It was in the paper a couple of days ago. Ferdie, you may have seen it.

Odegarde: It was with the United Service Organizations.

Johnston: I believe it was, and he has taken some very prominent position in it. His picture was in the paper. I just happened to see it there, but I couldn't say.

Well, I will complete that we are pushing or will push the salary savings plans, the painless method of buying, and that will be in small amounts until we accumulate eighteen dollars seventy-five cents. Then we are pushing actively the bank savings plan whereby you might ask your bank to buy you a bond every month or to take a portion out of your account and buy every month, and then we of course have the direct purchase plan which is the big plan, and fourth is the customer facilities which we are suggesting to stores, that they stock stamps in a prominent place. It is more advertising than anything else, but it will produce the sale of some stamps. Several chains will probably do it, and as we get these state organizations set up, I think there will be thousands of them over the country where the store or shop will buy

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the stamps and put them on sale there, so they will be convenient.

- H.M.Jr: Let me just check over these things, and see what you have mentioned. Consult Post Office Department and see whether Treasury can send news letter on Defense Bonds direct or whether it must go through Post Office.
- Graves: I don't know whether we have consulted them specifically, general, on that.
- Sloan: No.
- H.M.Jr: It is in the works?
- Graves: Yes. That is right. We have a draft, as I understand it, of our first news letter. Isn't that right, Gail?
- Johnston: I beg your pardon.
- Graves: We have a draft of our first news letter?
- Johnston: Yes. That is really a kind of a pep organ thing for the field men to--
- H.M.Jr: That is coming along?
- Johnston: Yes, it will be out tonight.
- H.M.Jr: Will I get a copy?
- Johnston: Yes, sir.
- H.M.Jr: That goes just to postmasters?
- Johnston: Oh, no, it does not go to postmasters.
- Graves: That is for our own organizations.

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Johnston: That is for the volunteers, largely, who are making up these state committees, to say something nice about them, to introduce one to the other, to let them know the prominent men in the states that are doing this work, say something nice about our administrators and to record the things that they do. It is really their organ.

H.M. Jr: I understand. That is all right.

Johnston: A kind of a pep letter.

H.M. Jr: House organ.

Johnston: Yes, kind of a house organ for those people themselves.

H.M. Jr: That is good, but what about my pep letter to the postmasters?

Johnston: That is a different story.

Graves: We will have to confer with the Postmaster General about that.

H.M. Jr: Will you? It is still to be done?

Graves: Yes, sir.

H.M. Jr: I have got a good follow up system.

Johnston: That would be very important.

Kuhn: You remember when we went to see Frank Walker he was willing to do almost anything we wanted, but he did say that communications to the postmasters should go through them. He wanted to clear everything that went to his people.

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Graves: Yes.

H.M.Jr: Well, that is not done yet, but one to the voluntary fellows--

Johnston: It is done.

H.M.Jr: But one to the postmasters is yet to be done, is that right?

Graves: That is right.

H.M.Jr: And also working out some possible way of rating the postmasters on this thing.

Graves: Well, that is - will have to depend upon George Haas' statistical product, and it is a long, deferred thing. That is, the lag on actual reporting by cities is very great. We won't have anything for the month of May, probably until--

Sloan: July.

H.M.Jr: It all ties up with the same thing. We have got to do something to get at the postmasters.

Graves: Yes.

H.M.Jr: Please.

Graves: And banks.

H.M.Jr: And banks.

Graves: Banks, of course, as I said the other day, are outselling the post offices on the "E" Bond.

H.M.Jr: Right.

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- Johnston: We are doing something to help the banks. We are showing our appreciation of their cooperation, and then we are asking them to go the two extra steps. One is the payroll savings plan for their own employees, with the primary reason that it is very good advertising.
- H.M.Jr: And--
- Johnston: To the other people in the community, and then the bank depositors' draft method.
- H.M.Jr: Does that clean you up?
- Johnston: Yes, sir.
- H.M.Jr: Now it just so happens, on my list, the next thing is, report on Dean Pickens.
- Houghteling: I would really rather not discuss Dean Pickens in so large a meeting. It is quite a serious situation.
- Graves: I agree with Mr. Houghteling about that.
- H.M.Jr: O.K.
- Houghteling: May I say a word? About the systematic payroll deduction plans, I am being rather embarrassed by the fact that Mr. Johnston's organization seems to be going ahead regardless of our commitment that we would ask labor to make the first move.
- H.M.Jr: Yes.
- Houghteling: And I have committed myself to all the big organizations. That is a difficult and cumbersome thing to do, because you have got to get down through the labor organization, but I discovered that this and that organization -

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company is putting in a plan. I have heard nothing about it and, as I said, there is a certain lack of coordination between the branches that are working--

- H.M.Jr: Give him hell, because I will back you up. At the same time, I want the results. (Laughter)
- Houghteling: Yes, I don't want to stop the results. On the other hand, I don't want to have to do too much explaining how we are promoting things when we said we would give these people the chance to make the first move.
- Johnston: Could I inject just one thought, Mr. Secretary and Mr. Houghteling?
- H.M.Jr: In the Treasury, you know, there are a lot of tough guys around, and you have just got to hit them.
- Johnston: On every state committee we have a representative - several representatives of labor representing all branches, and they are contacting all the local people just as you have contacted the national and--
- Houghteling: All right, but I don't know anything about it, and I have got the national organizations, and I find - as when your Detroit office took five hundred thousand copies of my pamphlet and left me very short, and I learned of it from the publicity department. Now, it would be ordinary courtsey to let me know.
- Graves: As a matter of fact, Mr. Houghteling, I am personally responsible for that. I asked Mr. Sloan's organization to send the five hundred thousand pamphlets to Detroit to meet a very critical need that was presented to me by Mr. Iseby, the State Chairman, when I was there. He was--

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- H.M. Jr: Yes, but I was being flippant, but I am serious, and I said so publicly yesterday. I do want to do it the hard way.
- Graves: Yes.
- H.M. Jr: And I don't want to jam down the throats of any working man this plan, and I was very serious about that.
- Graves: Yes.
- H.M. Jr: And I don't want to get away from that - the hard way of doing it.
- Graves: I think that Mr. Johnston's organization is all right. Now, the companies on that list that you have there are mainly, if not wholly, companies that have adopted this plan without any urging or suggestion from the Treasury Department, and I don't believe, Mr. Houghteling, that there has been any cross - working at cross purposes in that respect. I think no approach has ever been made by anybody representing the Treasury to any company suggesting the adoption of a payroll savings plan, that is, to the manager. I have yet to hear of any such case.
- Houghteling: Well, my point is, it is a hard adjustment and we have got to work together. The Order of Sleepingcar Conductors say they would be delighted if the Pullman Company would adopt a payroll deduction plan. Can you get that out to the Pullman Company?
- Johnston: The President of the Pullman Company has sent word to us that he would be delighted to do it if the workers wanted to do it.
- H.M. Jr: You two fellows get together because, Johnston, I am very serious. It is just like this foreign



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language thing which is a by-product but very important, and I think it is terrifically important if the Treasury can add to the good feeling of labor.

Johnston: We have watched that very carefully, and we will cooperate very closely on it.

H.M.Jr: It is lucky you are sitting next to each other.

Johnston: Oh, we get along all right.

Houghteling: Oh, we get along fine.

H.M.Jr: And you want to stay behind?

Houghteling: Yes.

Graves: You might want to see Spingarn on it?

H.M.Jr: I don't know. Does that complete it?

Graves: I think so.

H.M.Jr: Peter Odegarde, have you got any criticism? Do you want to stick any pins in us?

Odegarde: Not right now.

H.M.Jr: Going the wrong way?

Odegarde: I might just raise one point.

H.M.Jr: I can't hear you. What is it?

Odegarde: I am afraid we may be losing sight here in our announcements and so on of the broader implications of what we are doing. Now, for example, Mr. Callahan and Mr. Sulds have indicated that there is almost nothing comparable

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to this program being done with foreign language groups in the United States. We have a tremendous responsibility here for the building of national morale, which is a responsibility that is greater, in my judgment, than our responsibility for selling bonds and stamps.

H.M.Jr: I agree with you. -

Odegards: And we need in our copy, in our conversations, in our contact with groups, individuals, to keep constantly in mind the fact that we have got to sell the United States of America to the American people first, and I just have a feeling occasionally that we are too intent on selling bonds. If we sell bonds first of a private corporation, we sell them first the integrity of the corporation, and I think, too often, we may lose sight of that fact in our sensitivity to what newspapers say about our not selling two billion dollars worth in one month.

H.M.Jr: I agree with heartily.

Houghteling: Mr. Secretary, I have for twenty years been a trustee of the Foreign Language Information Service which is supported by some of the big foundations and by private subscription, and which has done a - it is now called the Common Council of American Unity. It has done a very fine job in getting out releases to the foreign language newspapers about American institutions. It is a eleemosynary organization. They have been translators in sixteen languages or something of that sort. It is a very useful organization and can do a grand job with the foreign language press. They have been trying to get in with our publicity people but so far haven't been able to get

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C much of a favorable--

Callahan: Mr. Houghteling, we are about to sign a contract with the American Unity League. This letter of the Secretary's will be turned over to them for distribution.

Houghteling: Who are they?

Callahan: Same people you are talking about. We are all set with them.

Houghteling: Oh, Lewis' organization.

Callahan: We - very frankly, I knew very little about it, and I did not want to undertake anything with them until I was quite sure they could handle what we wanted them to handle. I am convinced of that, and they have all the facilities for releasing a lot of it.

Houghteling: They can do it all right.

H.M.Jr: Well, I think it is all to the good.

May 23, 1941

Dear Mr. Marschalk:

Please accept our sincere thanks for the assistance you have given the Treasury Department in its radio campaign to call defense savings stamps and bonds to help finance the National Defense Program.

You are to be congratulated on the fine work your agency did in preparing the material for use on the 850 radio stations throughout the United States, territories and possessions. I know that the preparation of the announcements, which were used in May, and the further preparation and production of the transcriptions, which we are using in June, involved considerable work on your part.

It is most gratifying to note that your assistance, which must have involved many men and many working hours, was done without remuneration.

Very truly yours,

(Signed) E. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Harry Marschalk  
Marschalk and Pratt, Inc.  
535 Fifth Avenue,  
New York, New York.

ORIGINAL FORWARDED TO ADDRESSEE  
FROM OFFICE OF THE SECRETARY

File to Mr. Thompson

May 23, 1941

Dear Missy:

I am sending you herewith another movie on Defense Savings Bonds. This is a different type of picture from the one I sent you the other day. I hope the President likes it.

Yours sincerely,

(Signed) E. Bergenthan, Jr.

Miss Marguerite LeHand,  
Secretary to the President,  
The White House,  
Washington, D.C.

"Jack Benny"

*Secret Service*  
~~By~~ *5/26*

May 28, 1941

Harold Graves

Secretary Morgenthau

Jesse Jones told me at Cabinet that somebody sent him a \$25.00 bond. He wants to give it to the Treasury, and Jesse Jones would like to come over here some time and have a little ceremony in connection with it. Please bring this to my attention when I return to the office.

*Discussed at 9:30 meeting*

*on 6/3/41 -*

*How do I decide to  
forget*

DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

FRIDAY, MAY 23

Time: 11:30 - 11:45 A.M.

Station: WJSV, Washington, D. C., and Columbia  
Broadcasting System.

Program: "Romance of Helen Trent"  
(Serial Drama)

Time: 6:00 - 6:15 P.M.

Station: WMAL, Washington, D. C., and National  
Broadcasting Company Blue Network.

Program: Hendrick Wilhelm Van Loon

Time: 9:30 P.M.

Station: WMAL, Washington, D. C., and National  
Broadcasting Company Blue Network.

Program: Adam Hat Fight (Joe Louis & Buddy Baer)

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS

# FIELD ORGANIZATION NEWS LETTER

DEFENSE SAVINGS STAFF - U.S. TREASURY DEPARTMENT

---

WASHINGTON, D.C.

MAY 23, 1941

NO. 1.

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TO THE FIELD STAFF:

This NEWS LETTER will introduce some of the leaders of the State Divisions of the Defense Savings Staff who are now serving in the defense savings program. Others will be presented in following issues.

Defense Savings Committees are now working in several States. No effort was made to create similar organizations in all States prior to the initial sale of securities on May 1. It was felt that this campaign would best serve the Government if it were considered from a long-range point of view. As rapidly as possible other State Committees will be formed.

The defense savings effort will exist for the duration of the present national emergency. It is not a short concentrated campaign. Rather, it is a long-range effort to encourage thrift by systematic, regular, and continuous purchase of defense savings securities by every American. America, we believe, will not make the mistake of other nations who tried to lift themselves out of disorder by tugging on their own bootstraps.

Our goal will be reached when every man, woman, and child in the nation understands and becomes a regular purchaser of defense savings bonds and stamps, whether it be a ten-cent stamp or a thousand-dollar bond.

The NEWS LETTER will bring you news and information regarding national, state, and local progress toward this goal. We hope that you will help make the NEWS LETTER useful by sending us items of interest and reviews of successful achievements by your Committees. In this way, you will help the NEWS LETTER do a good job. Your cooperation will be appreciated.

Sincerely yours,

GALE F. JOHNSTON  
Field Director, Defense Savings Staff



## INTRODUCING STATE LEADERS

## THE HONORARY CHAIRMEN

State Defense Savings Committees are headed by Honorary Chairmen. The Secretary of the Treasury has invited the following Governors to serve, and all have accepted appointment as Honorary Chairmen. They have been helpful in developing plans for the Defense Savings Campaign in their respective states.

The Honorary Chairmen in the nine states where State Defense Savings Committees have already been organized are:

## CONNECTICUT

The Honorable Robert A. Harley  
Governor of Connecticut

## MICHIGAN

The Honorable Murray D. Van Wagener  
Governor of Michigan

## MISSISSIPPI

The Honorable Paul B. Johnson  
Governor of Mississippi

## MISSOURI

The Honorable Forrest C. Donnell  
Governor of Missouri

## MONTANA

The Honorable Sam C. Ford  
Governor of Montana

## NORTH CAROLINA

The Honorable J. Melville Broughton  
Governor of North Carolina

## SOUTH CAROLINA

The Honorable Burnet R. Maybank  
Governor of South Carolina

## TEXAS

The Honorable W. Lee O'Daniel  
Governor of Texas

## WASHINGTON

The Honorable Arthur B. Langlie  
Governor of Washington

## CHAIRMEN OF STATE COMMITTEES

The following business and professional leaders have accepted the Secretary of the Treasury's invitation to serve as Chairmen of Defense Savings Committees in their respective states. The willingness of these men to devote time and effort to this campaign is an indication of the vitality of the Defense Savings Program.

## CONNECTICUT

Robert Brewer Newell  
President Hartford  
National Bank and Trust Company

## MICHIGAN

Frank N. Isbey  
President of the Detroit  
Fruit Auction

## MISSISSIPPI

Alfred H. Stone  
Chairman of the Mississippi  
State Tax Commission

## MISSOURI

Branch Rickey  
Vice-President and General  
Manager of the St. Louis  
Cardinals and affiliated  
baseball clubs

## NORTH CAROLINA

Julian Price  
President of the Jefferson  
Standard Life Insurance Company  
of Greensboro

## SOUTH CAROLINA

James H. Hammond, Attorney

## TEXAS

Tom Miller  
Mayor of Austin;  
President of the Tom  
Miller Produce Company

## STATE ADMINISTRATORS

The State Divisions of the Defense Savings Staff are in charge of State Administrators appointed by the Secretary of the Treasury. In most instances, State Administrators will be men who have long served as Treasury representatives in their respective states. In these cases they assume responsibility for the Defense Savings Program in addition to their other duties.

## CONNECTICUT

Thomas S. Smith  
Collector of Internal  
Revenue, Hartford

## MASSACHUSETTS

Denial J. Doherty  
Past National Commander  
of the American Legion

## MICHIGAN

Giles Kavanagh  
Collector of Internal  
Revenue, Detroit

## MINNESOTA

Arthur D. Reynolds  
Collector of Internal  
Revenue, St. Paul

## MISSISSIPPI

Eugene Fly  
Collector of Internal  
Revenue, Jackson

## MISSOURI

Dan M. Nee  
Collector of Internal  
Revenue, Kansas City

## MONTANA

William H. Bartley  
Collector of Customs  
Great Falls

## NORTH CAROLINA

C. H. Robertson  
Collector of Internal  
Revenue, Greensboro

## SOUTH CAROLINA

W. P. Bowers  
Collector of Internal  
Revenue, Columbia

## TEXAS

Frank Scofield  
Collector of Internal  
Revenue, Austin

## WASHINGTON

Saul Haas  
Collector of Customs  
Seattle

## DEPUTY STATE ADMINISTRATORS

In most states the task of direct management of State headquarters and field contacts will be heavy. Deputy State Administrators have been assigned to assist the State Administrators. They come from the ranks of business, finance and government. The Treasury has called the following men to service:

## CONNECTICUT

Philip Hayes  
Former Executive Secretary to  
Governor Cross of Connecticut

## MICHIGAN

Walter J. Wade  
Mr. Wade has been in the investment  
banking business in Grand Rapids and  
Detroit for more than twenty years.

## MISSISSIPPI

Orrin H. Sways  
Vice President of the Capitol  
National Bank of Jackson

## MISSOURI

Earl H. Shackelford  
Former Commissioner of Labor of the  
State of Missouri. Past State Com-  
mander of the American Legion.

## NORTH CAROLINA

Forrest G. Miles, Former Judge of  
the Municipal Court, Winston-Salem

## SOUTH CAROLINA

Joseph D. Miot  
Former Executive Secretary of the  
South Carolina Industrial  
Commission

## TEXAS

John M. Griffith, President, City  
National Bank of Taylor, Texas.

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 CAMPAIGN BEGINS: NATION RESPONDS
 

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ST. LOUIS, MO., May 1, 1941

THE PRESIDENT:

IN RESPONSE TO YOUR SPLENDID RADIO TALK OF LAST NIGHT, I AM HAPPY TO REPORT THAT 2500 PUPILS FROM SIX NEIGHBORHOOD SCHOOLS VISITED OUR BANK THIS MORNING TO MAKE THEIR INITIAL PURCHASES OF DEFENSE SAVINGS STAMPS. AMONG THESE CHILDREN WERE SEVERAL HUNDRED OF GERMAN AND ITALIAN BORN PARENTS. WE CONSIDER IT A PRIVILEGE TO DO OUR SMALL PART IN THIS CAMPAIGN TO FINANCE THE DEFENSE PROGRAM AND TO MAKE EVERY AMERICAN AWARE THAT HE MUST HELP TO THE LIMIT OF HIS ABILITY.

G. R. FREDERICK, PRESIDENT  
SOUTH-WEST BANK OF ST. LOUIS

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 EARLY SALES ENCOURAGING
 

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\$258,000,000 worth of Defense Savings Bonds were sold in the first seventeen days of May. Many millions of dollars of Defense Savings Stamps were also sold and Stamp albums issued by the hundreds of thousands. As more detailed sales figures become available we will give them to you in the News Letter.

Early Buyers Make Front Page!

Meddybemps, Maine

"Every man, woman and child in this town has purchased a bond or stamp", said Postmaster C. H. Bridges "...the first town in the U.S. to go 'all out' for national defense investment."

New York, N.Y.

Secretary Morgenthau's 87 year old father, former U.S. Ambassador to Turkey, bought Defense Savings Stamps for each of his 17 grandchildren and great-grandchildren. New York's Postmaster delivered the stamps.

Bell, Texas

A pint of nickels buys a \$25 Defense Bond. Morris G. Ramsey discovered this when he presented a jar full at his local Post Office.

Little Rock, Arkansas

12 year old Grady Miller, Jr. builds backlog by buying Defense Savings Bond with profits taken from his allowance and summer soft drink stand.

Washington, D. C.

First again! John W. Hunefield 75 year old housepainter, who for years headed line of White House New Year's reception, was first to buy \$25 Defense Savings Bond.

**RADIO HELPS SELL STAMPS AND BONDS**

During May, radio stations throughout the country started broadcasting the Defense Savings Program. All of the 878 radio stations in the United States now broadcast at least five announcements a day, and 168 of those stations make announcements in 22 major foreign languages. The National Networks, NBC, CBS and MBS, are cooperating 100%.

RADIO STARS give valuable time. Fred Allen, Jack Benny, Ben Bernie, Fibber McGee and Molly, Eddie Cantor, Bing Crosby, Bob Hope, Ilka Chase and Rudy Vallee are some of the Stars who are plugging the Defense Savings Program. Major commercial and sustaining programs of the networks will continue to boost Defense Savings Bonds and Stamps during the coming weeks and months.

WOMEN'S RADIO PROGRAMS reach housewives, with information about Defense Savings. The importance of housewives to Defense Savings is obvious.

FAMOUS MOVIE STARS have made radio recordings. Tyrone Power, Dorothy Lamour, Dick Powell, Edward G. Robinson are among the 25 Hollywood personalities who have recorded messages about Defense Savings Bonds which are now being used by radio stations.

RADIO COMMENTATORS emphasize Defense Savings news. Such popular newscasters as Lowell Thomas, Wythe Williams, Kate Smith, Paul Sullivan, Walter Winchell and Albert Warner are only a few of those who have featured the Defense Savings Program in their broadcasts. They will continue to give the Program their support.

50,000,000 radio sets in the U.S. provide a means of selling Defense Savings Bonds that was wholly lacking twenty-five years ago in the Liberty Loan campaigns. Radio is carrying Defense Savings messages into the homes of America.

This exceptionally valuable support for the Defense Savings Program is contributed by Radio at no cost to the Government.

\* \* \* \* \*

**MOVIES WILL PLAY BIG ROLE**

The first movie announcement of the Defense Savings Program was released through the major newsreels on April 15. On the screen Secretary Morgenthau was pictured making a personal appeal to all Americans to buy Defense Savings Bonds and Stamps.

The second general newsreel release showed President Roosevelt buying a bond from Secretary Morgenthau on the occasion of the President's broadcast of April 30th.

A special committee appointed by the motion picture industry is arranging for the production of features, trailers, end-clips, and still pictures of movie stars and our Minute Man poster, etc. A number of these moving pictures are completed and will be on the programs of local movie houses throughout the Nation during the next six weeks.

This is only a preview of the motion picture industry's plans for co-operating with the Defense Savings Program.

**NEWSPAPERS AND MAGAZINES BACK PROGRAM**

The nation's press is devoting pages and pages of space to news of the Defense Savings Program. Newspapers in every part of the country are giving the program powerful editorial support. Reprints of favorable newspaper comment would fill volumes.

Magazines with nation wide audiences are also helping to keep the Defense Savings Program before the American public:

**COLLIER'S WEEKLY** recommends purchase of Defense Savings Bonds.

**READER'S DIGEST** advertises them on its back cover.

**LIFE MAGAZINE** features a photograph of the Goodyear Blimp flying between Washington and Baltimore carrying an electric ad for Defense Bonds.

**TIME, NEWSWEEK, U.S. NEWS, NATION, BUSINESS WEEK, SCOUTING, BOY'S LIFE** and a large number of important trade papers including **BURROUGHS CLEARING HOUSE, RADIO LIFE, PRINTER'S INK, VARIETY, ADVERTISING AGE, MOTION PICTURE HERALD, BANKING, BARRON'S WEEKLY, LABOR CLARION** and **DOMESTIC COMMERCE** have featured the Defense Savings Program in their columns.

**POST OFFICE ON THE JOB**

Approximately 16,000 post offices are selling Defense Savings Bonds and Defense Savings Stamps.

Postmasters are not merely announcing the fact that these Bonds and Stamps are on sale. Hundreds of them have made special radio broadcasts, including question and answer interviews, and interviews with well-known local purchasers.

The Treasury Department appreciates the splendid cooperation being given to this program by the entire postal service from Postmaster General Walker to the thousands of post office clerks who are doing double duty.

**BANKS SELL BONDS FOR DEFENSE**

The bankers of the Nation are rolling up their sleeves for the Defense Savings Program. Hundreds of newspaper advertisements educating the public and urging investment in the Defense securities have been paid for by banks anxious to do their share in serving the public and the Nation.

The country is indeed indebted to bankers for their willingness to act as issuing agents for Defense Savings Bonds without compensation or commission of any kind from either the Government or purchasers of securities. It is estimated that the majority of the banks of the country have now qualified to act as issuing agents.

ORGANIZED GROUPS GET BEHIND DEFENSE SAVINGS PROGRAM

Formal Resolutions and letters endorsing the Defense Savings Program are being received from a growing number of national groups. State Administrators have been furnished with the full texts of these resolutions and letters of endorsements. The following excerpts indicate the wholehearted way in which these organizations are cooperating:

American Bankers Association: "...commends to the country's bankers the Treasury's program for the sale of savings bonds to investors. This program is soundly conceived and warrants the wholehearted support of all bankers and the general public."

American Federation of Labor: "...wholeheartedly in favor of this program... The purchase of Defense Savings Bonds by millions of wage earners and by the membership of the American Federation of Labor will serve to hold down the cost of living and provide for the American people a large reserve of savings ....I urge all organizations affiliated with the American Federation of Labor to create special committees for the purpose of supplying membership with full information, and for the purpose of promoting the sale of Government securities to individual members." William Green, President.

American Legion: "WHEREAS, It is the patriotic duty of every citizen and organization in these United States to sacrifice that free government may continue to exist; now, therefore, BE IT RESOLVED, That every citizen of the United States be, and he is hereby urged, to subscribe to said bonds to the limit of his ability."

Chamber of Commerce of the United States: "...the borrowing that is necessary to finance defense should be obtained from private savings."

Congress of Industrial Organizations: "...The Secretary of the Treasury has asked the cooperation of the Congress of Industrial Organizations in the presentation of this plan to our members. I have assured him of our ready cooperation ....such bonds offer an excellent way to invest savings, besides offering an opportunity for voluntary cooperation and assistance to the Government of the United States in a period of grave emergency." Philip Murray, President.

National Association of Life Underwriters: "...members of the National Association pledge their assistance in carrying out this program to help finance the national defense."

Railway Labor Executives' Association: "...will cooperate in every feasible manner and also recommend that each member organization of our Association cooperate in this well-deserving effort of assisting in the National Defense Program." J. A. Phillips, Chairman; J. G. Luhrs, Executive Secretary.

UNION BUYS DEFENSE BONDS

Louis Iufrano, business representative of the Textile Examiners and Finishers Union, an American Federation of Labor affiliate, bought \$25,000 in Defense Bonds from Postmaster Albert Goldman in the office of New York City's Mayor F. H. LaGuardia at City Hall. The bonds are for the union's unemployment fund.

ADDITIONAL SUPPORT BY ORGANIZATIONS

Many organizations, besides passing resolutions, have found additional ways to aid in the Defense Savings Program.

American Bankers Association: prepared special booklet containing information bankers require concerning Defense Savings Bonds and Stamps and role that banks can play in facilitating their sale. Also prepared special posters, copy for newspaper ads, stickers, and other materials for the use of member banks.

National Association of Mutual Savings Banks: cooperating to the utmost; practically all such banks have now qualified as issuing agencies; Henry Briery, President of the Bowery Savings Bank of New York designated liaison officer between mutual savings banks and the Treasury Department.

In each state in which these institutions operate, the mutual savings banks have designated a state chairman to cooperate in furthering the Defense Savings Program.

Financial Advertisers Association: made available to banks and trust companies sample copies of some of the many newspaper advertisements prepared and published by banks throughout the country to announce that they had qualified as issuing agents and to recommend the purchase of Defense Savings Bonds.

National Retail Dry Goods Association: pledged the services of 6,900 department stores throughout the country in facilitating the sale of Defense Savings Stamps.

TRUE TO THEIR MOTTO

Boy Scouts of America, with characteristic enthusiasm, were among the first to volunteer their services in the Defense Savings Program. When the President of the United States called on Mr. Walter W. Head, President of the Boy Scouts, for help, the Chief Scout Executive, Dr. James E. West, came immediately to the office of the Defense Savings Staff and provided a constant contact in Washington through Mr. Leslie C. Stratton, his able lieutenant.

The Scouts' first job was the distribution of over 1,000,000 Defense Savings Posters and other advertising material. In an efficient and business-like manner this job was carried out in a very short space of time through the 545 local councils and 48,000 Scout units and a million and a half scouts, who placed this advertising material in thousands of key locations throughout the nation.

The Boy Scouts of America are on the job. Their program of aid to the Government in this emergency is still progressing and developing.

A special unit of the Defense Savings Staff under the direction of James L. Houghteling, Assistant to the Secretary, is responsible for establishing contacts with officers of national organizations of all types - labor, business, trade, social, fraternal, etc. State administrators will be kept advised of all action bearing upon the Defense Savings Program taken by national organizations.

SAVING VIA VOLUNTARY PAYROLL ALLOTMENT PLANS

A primary purpose of the Defense Savings Program is to induce people to save systematically. Practically everyone knows from personal experience that the easiest way to save is to set aside a small sum frequently and regularly. Recognizing this fact, many companies, with the support of their employees, have offered the systematic purchase of Defense Savings Bonds through voluntary payroll allotments. Under these payroll savings plans, an amount specified by the employee, is set aside by the employer each pay day and used to purchase Defense Savings Bonds.

These plans are voluntary both on the part of employees and employers. A few of the well-known concerns which have made it possible for their employees to save in this convenient way are identified in the following list:

American Telephone and Telegraph Company  
 Armour and Company  
 Atlantic Life Insurance Company  
 Bank of Hartsville  
 Bowery Savings Bank  
 Chesapeake and Potomac Telephone Company  
 Citizens and Southern Bank  
 Commercial National Bank of Spartanburg  
 Federal Reserve Board and Federal Reserve Banks  
 First National Bank of Columbia  
 General Electric Company  
 General Time Instruments Corporation  
 International Harvester Company  
 Jefferson Standard Life Insurance Company  
 Kraft Cheese Company  
 Lever Brothers Company  
 Liberty Life Insurance Company  
 Lincoln National Life Insurance Company  
 Metropolitan Life Insurance Company  
 New York Life Insurance Company  
 North Carolina Providence and Mutual Life Insurance Company  
 Potomac Electric Power Company  
 Riggs National Bank  
 Rock Hill Finishing Company  
 Sonoco Products Company  
 South Carolina National Bank  
 Southeastern Life Insurance Company  
 Standard Oil Company of New Jersey  
 United States Rubber Company  
 W. T. Wright and Company

THE NEWS LETTER SHOULD BE INFORMED OF OTHER COMPANIES WHICH  
 SHOULD BE ADDED TO THIS RAPIDLY GROWING LIST

The American Telephone and Telegraph Company, Chesapeake and Potomac Telephone Company, Metropolitan Life Insurance Company and the Board of Governors of the Federal Reserve System have described their payroll savings plans in pamphlets now available from either the Washington office of the Defense Savings Staff or from these companies directly.

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MANY EMPLOYERS ARE ENCOURAGING THEIR EMPLOYEES TO BEGIN SAVING FOR DEFENSE SAVINGS BONDS BY PRESENTING THEM WITH THE NEW STAMP ALBUMS EACH CONTAINING A DEFENSE SAVINGS STAMP AS A STARTER.



**BUY A BOND A MONTH CLUBS**

Some banks report that many of their customers are joining newly organized "Buy a Bond a Month Clubs". All who join these clubs undertake to purchase a Defense Savings Bond of stated denomination each month. The purchases are handled automatically by the bank which debits the customer's account regularly in accordance with the terms of a standing order and issues a bond of the denomination selected by the club member. The club plan is proving very popular and it is understood that it soon will be installed by many other banks.

**COOPERATION IS NATIONAL**

**NEWSPAPER SERVICE SUPPLIES FREE MATS**

As a regular part of its monthly service to 1,700 newspapers, Metro Associated Service is supplying newspaper mats, copy ideas and advertising slogans to all its subscribers.

**DEPARTMENT STORE BUYING OFFICES COOPERATE**

Kirby, Block and Company and the Associated Merchandising Corporation, buying organizations for important stores throughout the country, are acting as information headquarters for their members who wish to promote the sale of Defense Savings Stamps as a customer service. They furnish stores affiliated with them newspaper advertising ideas and stamp selling plans.

100 Shopping newspapers with circulation in the Nation's large shopping centers are currently donating advertising about Defense Savings Bonds and Stamps.

**DISPLAY CARDS IN FULLMANS**

The Pullman Company has placed Defense Savings Posters in all Pullman cars.

**MANUFACTURER SELLS BONDS**

General Electric Company has requested, for distribution throughout its plants and offices, Minute Men posters and booklets describing Defense Savings Bonds. Stickers reading "On sale Under GE Defense Savings Plan" will be pasted at the bottom of the posters as General Electric has made it possible for its employees to purchase Defense Savings Bonds by the payroll allotment method.

**DRUG TOPICS**

Enlisting the support of 80,000 drug stores in selling Defense Savings Stamps.

**SUPER MARKET MERCHANDISING**

A trade paper of some 6,000 super markets, urges the sale of Defense Savings Stamps in these important retail outlets.

**AMERICAN LEGION POST BUYS BONDS**

Kansas City, Mo.—The Missouri Department of the American Legion has purchased Defense Savings Bonds with a maturity value of \$50,000, thereby becoming the first State Department of the Legion to act on the recommendation of the Legion's National Executive Committee and invest its surplus funds in Defense Bonds.

The American Legion plans to invest a substantial amount of its reserve and trust funds in Defense Savings Bonds.

**WHO SELLS DEFENSE SAVINGS BONDS?**

These are the issuing agencies for Series E Defense Savings Bonds:

**TREASURER OF THE UNITED STATES**

**POST OFFICES**

All of the large post offices, and most of their branches, and substations, and many of the small post offices are included in the 16,000 postal sales agencies.

**FEDERAL RESERVE BANKS**

**NATIONAL BANKS**

**STATE BANKS**

**MUTUAL SAVINGS BANKS**

**COOPERATIVE BANKS**

**FEDERAL SAVINGS AND LOAN ASSOCIATIONS**

**OTHER MEMBERS OF THE FEDERAL HOME**

**LOAN BANK SYSTEM**

**FEDERAL CREDIT UNIONS**

**OTHER AGENCIES SPECIFICALLY DESIGNATED**

**BY THE TREASURY DEPARTMENT**

) These banks and agencies have  
) qualified under Treasury Regu-  
) lations and provide approxi-  
) mately 9,500 additional sales  
) outlets.

**HEADQUARTERS OF ELEVEN STATE DIVISIONS**

**CONNECTICUT**

Federal Building  
Hartford

**MISSOURI**

Post Office Building  
Jefferson City

**MASSACHUSETTS**

45 Milk Street  
Boston

**MONTANA**

Post Office and Courthouse  
Great Falls

**MICHIGAN**

Federal Building  
Detroit

**NORTH CAROLINA**

Office of Collector  
of Internal Revenue  
Greensboro

**MINNESOTA**

Office of Collector  
of Internal Revenue  
St. Paul

**SOUTH CAROLINA**

U. S. Courthouse Bldg.  
Columbia

**MISSISSIPPI**

Post Office Building  
Jackson

**TEXAS**

Federal Building  
Austin

**WASHINGTON**

Federal Building  
Seattle

**POSTERS AND FOLDERS AVAILABLE**

(From Defense Savings Staff, Treasury Department, Washington, D. C.)

**MINUTE MAN POSTER** -----three sizes 9½ x 13-1/3, 26½ x 40, 40 x 56.

**LEAFLET DESCRIBING BONDS AND STAMPS**—condensed information for the average Bond and Stamp Buyer.

**DEFENSE SAVINGS FOR AMERICAN WORKERS**—a folder for workers. This is the first of a series planned for specific groups.

May 23, 1941  
10:20 a.m.

H.M.Jr: Hello.

Operator: Secretary Stimson.

Henry L. Stimson: Yes.

H.M.Jr: Harry, Henry Morgenthau.

S: Yes.

H.M.Jr: Confidentially, I'm leaving tomorrow with Admiral King for what I call an educational holiday and we're going down to Bermuda. Hello?

S: Yes.

H.M.Jr: I don't know whether the Army has anything in Bermuda or not. Have you?

S: Yes, we've got some troops there.

H.M.Jr: Would it be agreeable to you to send whoever the commanding officer is a message saying that I'm coming and would he let me have a look-see at what he's got.

S: Yes.

H.M.Jr: If that's agreeable to you.

S: I see no objection at all.

H.M.Jr: What?

S: I don't see any objection.

H.M.Jr: You do not.

S: But I don't think you'll see very much, I'm afraid. It hasn't been there long enough.

- 2 -

H.M.Jr: Well, whatever he's got.  
S: All right, I'll write him.  
H.M.Jr: Thank you.

May 23, 1941  
11:08 a.m.

H.M.Jr: Hello.

James  
Forrestal: Say, Henry, what is the name of that  
Irishman up in Boston that you spoke  
about the other day to me?

H.M.Jr: Just a second and I'll ask. Just a  
moment. (Talks aside) Dan Doherty.

F: Dan Doherty.

H.M.Jr: Yes, Dan Doherty of Boston.

F: Lew Douglas is here with me now  
and I was just saying that - he's  
got a telegram to go to the Boss  
which will carry from 60 to 70,000  
signatures and I said that when it  
appeared in the newspapers I thought  
as many names as you could get -  
Irish names from Boston, I mean, new  
names not the old ones like Bob  
Sherwood, but new names from Chicago  
and Boston.....

H.M.Jr: Yes.

F: .....I thought was desirable. I  
wondered if we could get hold of that  
man and have him make some suggestions.

H.M.Jr: Well, just one second. I've got a  
group - just a minute. Will you hold  
the wire a minute? (Talks aside).  
Well, what would it ask the President  
to do? What would Lew be asking?

F: Well, it's a long telegram saying  
that the - well, it's just what we've  
been talking about, that this war is -  
there's not any question of - it's  
right at our shores now and unless we  
act it'll be our .....

- 2 -

H.M.Jr: I tell you, to save your time, if when Lew gets through if he wants to come over to see Ferdinand Kuhn in my office .....

F: See who?

H.M.Jr: Ferdinand Kuhn - K-u-h-n.

F: Oh, I know Ferdinand Kuhn, yes.

H.M.Jr: He could talk to him and he knows all about this man.

F: All right, and I think he'd be glad to get any suggestions Kuhn had on this telegram.

H.M.Jr: Well, I think Ferdi could help him. I'm sure he can.

F: O.K., Henry.

H.M.Jr: Well, tell Lew to get - Ferdi is here in my office. He'll be out in five minutes if he wants him.

F: All right.

H.M.Jr: But if Lew would see Ferdi I think that would be the quickest way to do it.

F: O.K., Henry.

H.M.Jr: Give Lew my best. Ask him how many of my bonds he bought yesterday.

F: As a matter of fact, he just speeded in to see Frank Knox, he wants to speak to you so he may call you up.

H.M.Jr: All right.

F: You want to know how many bonds he bought.

- 3 -

H.M.Jr: (Laughs). Yeah.

F: All right. I'll ask him.

H.M.Jr: It's the biggest over-subscription we've ever had.

F: That's fine, Henry. That's fine. Congratulations.

H.M.Jr: Thank you.

F: O.K.

May 23, 1941  
11:16 a.m.

H.M.Jr: Hello.

Operator: Mr. Mellett.

Lowell  
Mellett: Hello.

H.M.Jr: Hello, Lowell.

M: Hello, Stranger.

H.M.Jr: Stranger to you.

M: Yeah, but not to anybody else, huh?  
You've seen Father Coughlin's blast  
at your big Baby Bonds?

H.M.Jr: Yeah. He and a Labor paper were the  
only two in the United States.

M: Uh-huh. They're apt to spread that  
idea around a bit that the Boss isn't  
doing his bit in buying bonds.

H.M.Jr: Pardon?

M: They're apt to spread that idea pretty  
far, though, that the Boss is not  
doing his own bit in buying bonds.  
Why don't you stick one in your pocket  
and sell it to him the next time you  
see him?

H.M.Jr: Who?

M: The Boss.

H.M.Jr: Mr. Roosevelt?

M: Yeah.

H.M.Jr: Well, he bought a \$500-bond.

M: Well, sell him another one - a \$5 one  
or a \$10 - you don't need to tell how  
much and let your boys relate the fact  
that the President today bought another  
bond just in passing.



- 2 -

H.M.Jr: You really think so?

M: There'll be a story everywhere?

H.M.Jr: How about Mrs. Roosevelt?

M: Has she bought any yet?

H.M.Jr: No.

M: Well, that'd be also - well, just say the President bought another one today - you don't need to say whether it's a \$5 one or a \$100 one or what. If you've got it in your pocket you could sell it to him if he's got any money in his pocket.

H.M.Jr: Did you ever try to get any money out of him?

M: Oh, he's hard I know that.

H.M.Jr: When it's his own money?

M: (Laughs). You know the Dutch.

H.M.Jr: Have you ever tried to get any of his own money?

M: (Laughs). No. Did you?

H.M.Jr: Yes. Yeah, I know what I'm talking about. All right, well, thanks. Anytime you've got .....

M: In any case I would make - there'll be a story in all the papers and then the inference would be that he buys one ever once in a while, see.

H.M.Jr: Well, thank you so much.

M: Right-o.

H.M.Jr: I'd like sometime to see you.

- 3 -

M: Well, I'd like to see you but .....

H.M.Jr: I'll give you a ring. I'm going away tomorrow for a week. When I get back I'll call you up.

M: Going out to play some place?

H.M.Jr: Not exactly.

M: Just partly, huh?

H.M.Jr: Well, I'm going on what I call an educational holiday.

M: Yeah. Well, some people can take them.

H.M.Jr: Pardon?

M: Some people can take them.

H.M.Jr: Well .....

M: Glad to see somebody has time to play.

H.M.Jr: Well, I wouldn't exactly call it play, the trip I'm going on.

M: Probably not.

H.M.Jr: No. All right.

M: Right-o.

TREASURY DEPARTMENT  
INTER-OFFICE COMMUNICATION

DATE May 23, 1941

TO Secretary Morgenthau  
FROM Mr. Cochran

Shortly before noon Sir Frederick Phillips telephoned me that the stock market in New York was "rotten" and that it appeared as if the issuing quotation for Viscose would be 24.



May 23, 1941.  
4:30 p.m.

## GROUP MEETING

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

H.M.Jr: Happy birthday, Ed.

Foley: Thank you.

H.M.Jr: What are you, thirty-six?

Foley: Yes. I am an old man.

H.M.Jr: Ed, I will try to report as well as I can. Bob Jackson brought up the question of the states' taxing the contractors who are doing their work. He says that he is in disagreement with the Treasury as far as the Treasury doesn't want legislation, and he thinks there should be legislation, but that he has more troubles with the Comptroller General. He said he had to settle case by case. The President

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thinks it ought to be done by legislation, but that Jackson and myself should get together. So I said to Jackson privately that after all he had to present the case, and I would let him have the last say, and we would put up the fight up to the point of dropping the hat, when he could have the last say, and that we weren't going to fight this thing indefinitely. After I said that, he said, "Well, after all, whether we should or shouldn't have legislation really ought to be your decision." So I don't know what he meant, but after making this whole argument to the President that it is really a Treasury matter, you have more at stake than we have.

But I am telling both of you gentlemen (Mr. Sullivan and Mr. Foley) if you will get together while I am gone, I don't want to carry the argument on indefinitely, and, if, after you have presented everything and so forth, you can't come into agreement, it is a legal matter, and I have already given way to him, but I am just reporting it as best as I know how. Does it make sense, what I am saying?

Foley: Yes, I understand.

H.M.Jr: If you do, it is more than I do.

Now, Harold, I brought up something about the bonds, and the President asked us to do something which is very difficult, and that is, he would like to go into some of the communities that have a large number of Germans living in this country, and Henry Wallace said Louis Bean of the Department of Agriculture made a survey for him as to nationalities before the election.

What the President would like to know is, take

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North and South Dakota and some of the others, by nationalities if possible, are these Germans or Italians buying as much or less or average as, say, an American town, you see. If that can be done without too much trouble, I would like to have it done.

Graves:

Well, we are watching that where there are substantial foreign groups in Michigan and in Minnesota, and I might say, in that connection, this afternoon we are sending word to collectors in ten other states to come to Washington Wednesday, and we will undoubtedly begin to operate in communities where there are large foreign groups. I think it will not be too difficult for us to know something about that.

H.M.Jr:

Well, if you could, I would like it. And the other thing is that somebody suggested that the post offices were too cold, you had to buy your bonds and stamps from a man behind the cage and why didn't we have a desk outside where he could receive the people and explain it to them.

Well, Frank Walker said he thought that was a swell idea, but the Treasury Department had issued orders to post offices they simply should be the sales agents and should make no effort to get any customers, that if they were told by the Treasury we wanted them to go out and do some selling and campaigning, they would be very glad to do it.

Graves:

I think he has misinterpreted that. It was his Department that sent out an instruction to the postmasters that they were not to engage in any promotional activities except with the express approval of the Postmaster General.

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H.M.Jr: Well, I was in no position to argue, but I think next week if you would call on him.

Graves: I will.

H.M.Jr: And John, if you would copy this and give it to anybody that ought to see it, and then return the original to Mrs. Klotz.

Sullivan: Yes.

H.M.Jr: Now, who wants something before I leave?

Oh, pardon me. Maynard Keynes was in here, and he and I got straightened out, and I told him, Bell, that you would be continuing to work on that question of tying all the things up.

Bell: You mean the contracts?

H.M.Jr: Yes, and that he should see you during my absence.

Bell: If he needs to.

H.M.Jr: Well, if he wants to see anybody.

If anybody will give Mrs. Klotz a message, if it is important, she knows how to reach me.

Now, who has got something?

Bell: I have this letter, the answer to the Eccles' letter on the holding company. It was changed to a short form of letter.

H.M.Jr: O.K. What else?

Bell: That is all I have.

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Thompson: I wanted to talk about the Director of Personnel.

H.M.Jr: Put it off.

Haven't you (Foley got that letter to Jones?

Foley: Yes.

H.M.Jr: Read it out loud.

Foley: All right.

Stanley called and said they priced the preferred at a hundred and seven and twenty-four on the common. He also said that Jones called him this morning at nine o'clock, Washington time, and he wanted to know if there was any news. Stanley said they were going ahead. Jones said that they were there to help, and Stanley thanked him and said, "You don't want to buy common stock, do you?" And Jones said, "No," but he said that if this whole matter could be delayed he thought they could work something out together.

H.M.Jr: Who said that?

Foley: Jesse. He said they were Americans and they could work something out together. Stanley said he had heard from the British to go ahead and that was that. Jones insisted that Stanley hadn't smoked out whether they could work something out together. Stanley told him he was employed to do a marketing job and if he did it with Jones he wouldn't be marketing. Jones thought that they could get more by a loan than they could by a sale. Stanley said that Jones was trying to get his opinion as to whether or not they could have gotten more money. Stanley said that Jones raised his ante in some way last night.



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He said that Peacock called Stanley this morning and said that Stanley said that Jones had called Salvage and then Salvage called Peacock in New York. Somehow they raised it from sixty-four to sixty-five million dollars. So they were going ahead, however, and they would come out with the advertisements Monday morning, and this would produce somewhere around fifty-four and a half million dollars.

H.M.Jr: I saw Jones at Cabinet, and he brought this thing up. He said, "I saw those people yesterday," but he said, "It is too late to do anything, and I think they ought to go ahead now and sell it."

Foley: Well, I gathered that when he called Stanley this morning, you see, he intended by his letter to us yesterday to indicate to us that even if the British were going ahead, it was because of us and that maybe we ought to call the whole thing off and see if he couldn't work something out whereby the British could get more money, and he didn't hear from us, so he called Stanley to see whether or not we had said anything to him, so he gave in awfully hard.

H.M.Jr: So he said something about this thing, and I said, "I got your letter, Jesse, and I just want to tell you I am going to answer it. As long as you have written a letter, I am going to answer it."

"Well, what did you think about it?"

And I said, "Well, I think you made a mistake writing it. I don't think you ever should have written it, but as long as you have, you are going to get an answer, and

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you are going to get one this afternoon." He said, "Well, maybe I did make a mistake." I said, "Well, I think you did." But he told me distinctly at eleven thirty this morning, "I think that they should go ahead with the sale."

Foley: Well, here is the--

Bell: He told you at eleven this morning?

H.M.Jr: Eleven thirty, before Cabinet started. He took me aside and said, at eleven thirty this morning, "I think the English ought to go through with the sale."

Foley: Here is the letter.

"Dear Jesse:

"I have received your letter of May 22, 1941, which is simply inexplicable unless you have information that you have withheld from me.

"Let's review the facts. My attitude on the broad policy of aid to Britain is so well known that I am sure it is unnecessary to reiterate it to you. You will recall, for example, how I remonstrated with you when you refused to make loans to American manufacturers to build plants to manufacture aviation engines to be sold to the British, because you felt it was not in the interest of national defense. I sponsored--"

H.M.Jr: Pardon me. That is wonderful.

Foley: "I sponsored the Lend-Lease Act because I felt it would immeasurably strengthen the defenses of the United States, and I think the policy of that act should be carried

- 8 -

out in the manner which is consistent with sound public policy and to protect the fiscal interests of the United States.

"When the Lend-Lease Bill was under consideration, the British Government owed American manufacturers a billion four hundred million dollars on orders already placed. This sum will largely have to be met during this year. The British have enough gold and dollar exchange assets to meet these outstanding commitments."

H.M.Jr: A little louder.

Foley: "The question is how the British convert these dollar exchange assets into dollars. In carrying out a policy of selling, not only those securities listed on the Stock Exchange, but also the so-called direct investments in American industries which are not listed on the Exchanges, the British Treasury was negotiating for the sale of American Viscose to the Morgan-Stanley Syndicate during the Congressional debate on the Lend-Lease Bill. Although I had no part either in the selection of the syndicate or in the negotiations leading up to the contract and, in fact, didn't even see the contract between the British Treasury and the Morgan-Stanley group until six weeks after it had been executed, I think it would be extremely unfortunate to rescind this sale now.

"In the long run, it is even more important that the British have the goodwill of the American public than a few more million dollars of exchange and to pledge Viscose stock as security for a loan from the RFC more than two months after the press had announced the sale of Viscose by the British

- 9 -

would, in my opinion, undermine public confidence in the good faith of the British and impair this Government's effort to furnish them effective material aid.

"On April 16, 1941, one month after the sale had been agreed upon, the British Treasury delivered to the Morgan-Stanley Syndicate all shares of stock which the British Treasury had acquired from Courtauld, and for these shares, which represent ninety percent of the outstanding stock, the purchasing syndicate paid thirty-six million four hundred sixty thousand on account."

"On May 20, 1941, you told me that you had not seen for six or seven weeks Mr. Samuel Salvage, a British subject, formerly Chairman of the Board of Directors of American Viscose--"

H.M.Jr: Is that right, does that check with the record?

Foley: Yes, sir.

".... who, with members of his family, owns nearly one-half of the outstanding stock now held by the Morgan-Stanley group, the other half being still owned by Courtaulds, and you went on to say that you knew of nothing in the way of Morgan-Stanley going ahead with a public offering of the Viscose stock.

"You never mentioned that only two weeks before that date you had definitely offered to make a loan, and yet on the evening of May 20, 1941, the British showed me a copy of a letter dated May 7, 1941, in which you said you would lend forty million dollars to undisclosed interests represented by O. Max Gardner. It was not until the next day, in response to my inquiry that I learned from

- 10 -

you of the offer of May 7, 1941. Finally with your letter to me of May 21, 1941, you sent me a copy of the offer to Mr. Gardner.

"Incidentally, the letter which the British showed me did not contain the following sentence: 'If you wish to pursue it, I would want to discuss it with the Secretary of the Treasury,' which sentence was included in the copy you sent me on May 21, 1941.

"I still do not know who Mr. Gardner represents, and in the matter involving the sale of the largest producer of rayon in the United States, I think principals should be disclosed. The failure of Mr. Gardner to identify his clients in the letter of May 5, 1941, from Mr. Gardner to you in the matter of such importance is of itself disturbing. I share your feeling that the underwriting commission seemed high, but I am told by the SEC that they are not out of line with the fees usually charged for such flotations.

"However, in view of the special considerations involved here, I believe that the bankers might well have been more generous to the British. Like you, I didn't learn until last Tuesday the approximate price at which the shares were to be offered. I also was somewhat surprised, since I had been led to believe the sale would bring more.

"However, for the reasons I have already indicated, I am strongly of the opinion that, taking all the facts and circumstances into consideration, the British are right in electing to sell to the American public rather than to private interests motivated perhaps by monopolistic considerations with

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funds borrowed from the RFC." (Laughter)

H.M.Jr: Comment on it if you want to.

Bell: Well, I think we have all come around to the short form of letter. We think that we will spend the rest of the summer and fall in letterwriting between you and Mr. Jones.

H.M.Jr: That is all right.

Bell: And that this just brings on another answer.

H.M.Jr: Who is "we"?

Bell: White, Cochran, Foley, Gaston, and myself.

H.M.Jr: You are all against that letter?

Foley: Yes.

White: Strongly, I am.

Foley: I think, Mr. Secretary, your future relations with Mr. Jones require further consideration of this letter. I don't see why we should impair your dealings with him by writing that letter. That is a pretty strong letter, and that letter makes him come back. He can't leave that on the record. And then he comes back with a letter which he, perhaps, distorts the truth a little bit in, and he resorts to inuendo and invective, and we have to reply to that. The thing is going to get into the press. The struggle is going to go on then between you and Mr. Jones, which will have to come up to the President for settlement, and at this time the President is carrying such a load. I think it would be better to be magnanimous about this and let the

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reply have a little different spirit.

- H.M.Jr: Well, why don't you do this. Here is a suggestion. Do you (Gaston) concur?
- Gaston: Yes.
- H.M.Jr: Why not withhold any letters and see whether he makes any public remarks, see. If he takes a crack at me in the press, then we can send this letter.
- White: That is different.
- H.M.Jr: See if he will keep his mouth shut. Then when I get back, I just didn't get around to signing it, and I can send the other one.
- Foley: O.K.
- H.M.Jr: What do you think?
- Klotz: I think that is good.
- H.M.Jr: The letter is there, and if he takes a crack at me in the press, we can send the letter. If he doesn't - or if anything appears in the columns while I am gone, we can always send this. If I come back and he has been a good boy and he hasn't said anything, we can send a nice letter. How is that?
- Foley: O.K.
- H.M.Jr: All right. It is a good letter. I would love to sign it. (Laughter)
- Bell: Yesterday afternoon I think we all would have signed it, but it takes cooling off.
- H.M.Jr: It is a peach of a job. For the benefit of

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the people in the room here, what I am doing, and I would like to keep it a secret right up to the time it leaks out, I am accompanying Admiral King tomorrow on the flagship Augusta to Bermuda, and I will be gone about a week. If it gets out, Chick, you can simply say I am going on an educational holiday.

Schwarz: Would you give me some expression as to what to say Monday on cancelling the press conference?

H.M.Jr: I am away.

Schwarz: Just out of the city?

H.M.Jr: Yes, just out of the city. If they find out - is that a good expression, educational holiday?

Schwarz: Sure.

H.M.Jr: Unless there is something important, you fellows settle it. I would like you to.

White: Why "educational holiday"? Aren't you entitled to take a holiday when you want to? Why "educational"?

H.M.Jr: It is not a holiday to go with the Commander of the Atlantic fleet.

White: Well, that may be, but--

Bell: Didn't Harry take an "educational holiday"?  
(Laughter)

H.M.Jr: I don't think when you go with a man - with the Commander of the Atlantic fleet, who is



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"at ready" as I think they call it in the Navy, that it is a holiday.

White: I am quite sure that it is educational, but I don't know whether you have to justify your trips abroad to the public.

H.M.Jr: Then don't call it anything.

Foley: Inspection trip.

White: Inspection trip is all right.

Schwarz: He is accompanying the Admiral to Bermuda.

H.M.Jr: What do you think, Herbert?

Gaston: I think you are just on a trip.

H.M.Jr: Don't pull any mystery on it. If worse comes to worse, I am going down to look at Dan Bell's depository at Bermuda. We are having a lot of trouble with that thing, getting the sailors' dollars, is that right?

Schwarz: If they crowd too much Monday and want to make it a mystery--

H.M.Jr: Just say I am gone with him.

Bell: What is the matter with telling it?

H.M.Jr: You don't have to tell them until Monday.

Schwarz: Monday at three o'clock - about noon Monday.

H.M.Jr: When I say "educational holiday", it is exactly what it is. It is a combination of a holiday and an opportunity to learn something. I mean, that is just what it is.

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Schwarz: A holiday only in the sense that it is away from the Treasury.

H.M. Jr: Yes, that is right. And you golfers or beer drinkers or snuff takers or whatever you have, follow your favorite avocation while I am gone.

Bell: I hope you have a nice trip.

H.M. Jr: Thank you.

5/23'41

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Miss Chauncey:

Attached are the two drafts discussed at 4:30 meeting on Friday, 5/23, and it was decided to send neither. The Secretary liked the longer one the better.

McGuire

Conf # 7 ✓  
Serial 228



THE SECRETARY OF THE TREASURY  
WASHINGTON

May 23, 1941

Dear Jesse:

I have your letter of yesterday and I appreciate your giving me your comments on the sale of the Viscose properties.

I share your feeling that the underwriting commissions seem high but I am told by the S.E.C. that they are not out of line with the fees usually charged for such flotations. However, in view of the special considerations involved here, I believe that the bankers should be as generous as possible toward the British.

Like you, I didn't learn until last Tuesday the approximate price at which the shares were to be offered. I also was somewhat surprised, since I had been led to believe the sale would bring more.

In any event, and notwithstanding the reduced issue price which a declining market has apparently caused, I am strongly of the opinion that the British are right in electing to sell rather than to borrow, in view of the publicity given the sale last March and the statements made to Congress when the Lend-Lease Act was under consideration.

Sincerely yours,

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



THE SECRETARY OF THE TREASURY  
WASHINGTON

*Handwritten:* 5/24/41  
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Dear Jesse:

I have received your letter of May 22, 1941 which is simply inexplicable, unless you have information which you have withheld from me. Let's review the facts.

My attitude on the broad policy of aid to Britain is so well known that I am sure it is unnecessary to reiterate it to you. You will recall, for example, how I remonstrated with you when you refused to make loans to American manufacturers to build plants to manufacture aviation engines to be sold to the British because you felt it was not in the interest of national defense.

I sponsored the Lend-Lease Act because I felt it would immeasurably strengthen the defenses of the United States. And I think the policy of that Act should be carried out in a manner which is consistent with sound public policy and which will protect the fiscal interests of the United States.

When the Lend-Lease Bill was under consideration the British Government owed American manufacturers \$1,400,000,000 on orders already placed. This sum will largely have to be met during this year. The British have enough gold and dollar exchange assets to meet these outstanding commitments. The question is how will the British convert these dollar exchange assets into dollars.

In carrying out a policy of selling not only those securities listed on the stock exchanges but also the so-called direct investments in American industries

*Handwritten:* 4-7

2.

which are not listed on the exchanges, the British Treasury was negotiating for the sale of American Viscose to the Morgan Stanley syndicate during the Congressional debate on the Lend-Lease Bill. Although I had no part either in the selection of the syndicate or in the negotiations leading up to the contract and, in fact, did not even see the contract between the British Treasury and the Morgan Stanley group until six weeks after it had been executed, I think it would be extremely unfortunate to rescind this sale now.

In the long run, it is more important that the British have the good will of the American public than a few more million dollars of exchange. And to pledge Viscose stock as security for a loan from the RFC more than two months after the press had announced the sale of Viscose by the British would, in my opinion, undermine public confidence in the good faith of the British and impair this Government's effort to furnish them effective material aid.

On April 16, 1941, one month after the sale had been agreed upon, the British Treasury delivered to the Morgan Stanley syndicate all shares of stock which the British Treasury had acquired from Courtaulds, and for these shares (which represented 90 per cent of the outstanding stock) the purchasing syndicate paid \$36,460,000 on account.

On May 20, 1941 you told me that you had not seen for six or seven weeks Mr. Samuel Salvage, a British subject formerly Chairman of the Board of Directors of American Viscose, who with members of his family owns nearly one-half of the outstanding stock now held by the Morgan Stanley group (the other half being still owned by Courtaulds), and you went on to say that you knew of nothing in the way of Morgan Stanley going ahead with the public offering of Viscose stock.

3.

You never mentioned that only two weeks before that date you had definitely offered to make a loan. And yet, on the evening of May 20, 1941 the British showed me a copy of a letter dated May 7, 1941 in which you said you would lend \$40,000,000 to undisclosed interests represented by O. Max Gardner.

It was not until the next day in response to my inquiry that I learned from you of the offer of May 7, 1941. Finally, with your letter to me of May 21, 1941 you sent me a copy of the offer to Mr. Gardner.

Incidentally, the letter which the British showed me did not contain the following sentence:

"If you wish to pursue it, I would want to discuss it with the Secretary of the Treasury",

which sentence was included in a copy you sent me on May 21, 1941.

I still do not know whom Mr. Gardner represents and in a matter involving the sale of the largest producer of rayon in the United States, I think principals should be disclosed. The failure of Mr. Gardner to identify his clients in the letter of May 5, 1941 from Mr. Gardner to you in a matter of such importance is, of itself, disturbing.

I share your feeling that the underwriting commissions seem high but I am told by the SEC that they are not out of line with the fees usually charged for such flotations. However, in view of the special considerations involved here, I believe that the bankers might well have been more generous to the British.

Like you, I didn't learn until last Tuesday the approximate price at which the shares were to be offered. I also was somewhat surprised, since I had been led to believe the sale would bring more.

4.

However, for the reasons I have already indicated, I am strongly of the opinion that, taking all the facts and circumstances into consideration, the British are right in electing to sell to the American public rather than to private interests, motivated perhaps by monopolistic considerations, with funds borrowed from the RFC.

Sincerely yours,

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



May 23, 1941  
5:05 p.m.

H.M.Jr: Hello.

Sir Edward  
Peacock: Is that Mr. Morgenthau?

H.M.Jr: Yes, it is.

P: Peacock speaking.

H.M.Jr: Yes.

P: I just thought I'd like to report to you that all the underwriting contracts were signed this afternoon so that the sale is going through without any question.

H.M.Jr: Good. On what day?

P: Well, I don't know how they proceed here but they're signed up now and they'll be - I think on Monday.

H.M.Jr: I see.

P: I think that's the plan.

H.M.Jr: Well, I hope it will go well.

P: Oh, I hope so. I agreed this morning that they should make the price 24.

H.M.Jr: I see. I got that message.

P: It was just one of those little differences. The one was going to make the underwriters happy; the other wasn't, and so I agreed that they should do that and they think it will go quite well now.

H.M.Jr: All right. Well, thank you so much for calling.

P: I just wanted to be sure that you knew.

- 2 -

H.M.Jr: Well, I appreciate it. I think it  
is all for the best.

P: I'm sure it is, sir.

H.M.Jr: Yes. Thank you.

P: Good-bye.



OFFICE OF THE DIRECTOR

## TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

May 23, 1941

MEMORANDUM TO THE SECRETARY:

Weekly Report - Lease-Lend Purchases  
(5/16 - 5/23/41)

Purchases to 5/16/41.....	\$ 4,058,549.62
Purchases 5/16 to 5/23/41.....	449,057.28
	<hr/>
Total to 5/23/41.....	\$ 4,502,606.90

<u>Requisitions Pending</u>	<u>Estimated Cost</u>
Cleared by O.P.M. ....	\$ 168,376,438.15
Awaiting clearance by O.P.M. ....	2,995,539.14
	<hr/>
Total pending requisitions.....	\$ 171,371,977.29

Arrangements have been made with the Office of Defense Aid Reports and the Bureau of the Budget to formally request a \$10,000,000 fund which may be used to make urgent purchases which otherwise would be delayed due to the necessary routine to obtain funds for each requisition.

*Clifton E. Mack*  
 Clifton E. Mack  
 Director of Procurement

Attachment

May 23, 1941

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-38	Swift & Co. Fertilizer Works	U. K.	Horn & Hoof Meal	255 L.T.	\$ 15,187.82
DA-TPS-45	The American Metal Co., Ltd.	U. K.	Zinc, Pig	2,160,000 lbs.	159,408.00
DA-TPS-46	American Smelting & Refining Co.	U. K.	Zinc, Pig	1,000,000 lbs.	73,800.00
DA-TPS-47	International Mineral & Metals Corp.	U. K.	Zinc, Pig	200,000 lbs.	14,760.00
DA-TPS-101	U.S. Phosphoric Products Corp.	U. K.	Phosphatic Fertilizer	3,500 S.T.	99,225.00
DA-TPS-102	The Phosphate Mining Co.	U. K.	Phosphatic Fertilizer	500 S.T.	14,175.00
DA-TPS-103	The Phosphate Mining Co.	U. K.	Phosphatic Fertilizer	500 S.T.	14,737.50
Total Purchases 5/16 to 5/23/41.....					\$ 391,292.82
Increase due to actual cost being in excess of encumbered amounts previously used.....					\$ 57,764.46
TOTAL					\$ 449,057.28

## MEMORANDUM FOR THE SECRETARY.

May 23, 1941.

Mail during the past week has kept up in volume but has developed few new angles, and, therefore, there are fewer quotations giving different points of view.

There were the usual number of abusive letters, in the ratio of 5 anonymous ones to 3 signed. These attack HMJr. personally. Those attacking the President are usually signed, and sometimes are copies of letters sent to anti-Administration newspapers. The no convoys mail continues heavy, with a ratio of 13 against convoys to 3 for them. Several of the former demand that Stimson and Knox be dismissed. The general "keep out of war" mail is equally heavy, and about half of them attack England specifically. Out of 10 of these letters, 2 said that they would buy no bonds if the money were used to aid England. There was one letter saying that no bonds would be bought unless they were used to aid England.

There is a continued demand for a cut in Government expenditures, with 3 out of 5 of those who mention this saying they will not buy bonds until the Government takes the lead. Two protest the appeal for funds when Nazi agents and bunds flourish here. There were fewer attacks on the Administration labor policy, and only 2 letters urging that strikes be prohibited during the emergency. There were 3 pro-Lindbergh letters to 1 against him. Of the letters demanding that Government expenses be cut, about half mentioned CCC, NYA, and WPA by name.

The early part of the week there were many reminders of the "shooting war" remark. Two of these spoke of it throughout as Wall Street's war, and 2 asked a referendum. One urged that America take the lead in bringing peace as soon as possible.

In regard to taxes, there were 4 for a sales tax, to 1 against, and the usual scattered demand for a lottery. New taxes were urged on -- tax free securities, real estate, corporations deriving profits from the defense program, labor unions, soft drinks and beer, cosmetics, bachelors and childless couples, cigarettes, high incomes, and "Wall Street", postage and document stamps. Protests against taxes on soft drinks, incomes of elderly people, musical instruments, fuel oil, and small exemption given on children. There was one protest against the subsidizing of cooperatives as tending to raise the tax paid by all classes of people.

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Memorandum for the Secretary.

May 23, 1941.

The last two days have brought in many letters about supposedly lagging bond sales. Some of these tell of difficulties or delays in buying bonds. Others simply complain of high taxes, lowered incomes, etc.

A number have suggested 1-cent stamps for use like Christmas seals or something of the sort.

One bitter criticism on delay in the Bloff trial. "Sacrifices asked from good citizens while big-shot criminals are humored".

Safe Deposit Associations continue their campaign against the tax on safe deposit boxes.

The Student Defenders of Democracy are sending circular letters urging messages of support be sent the President in order to counteract the "loud minority of Isolationists".

#### Quotations from Sample Letters

N. P. Zech, Wilmette, Ill., has four sons; grew up and were educated, graduating with honors. Decided that provision disallowing exemption after the age of 18 was drawn by a bunch of bachelors or heads of families consisting of husband, wife and dog. Hears bitter comment everywhere on proposed reduction of exemption on dependents under 18. The middle-class, salaried man allots his money to certain definite obligations -- FEA, life insurance, education, medical expenses, etc. Heavier income taxes on this group will break his spirit and reduce earning capacity.

W. F. Heartrant, Jersey City Heights, N. J. Agrees with John Maynard Keynes that daily Clipper service is needed. Urges the Secretary to promote the idea.

H. L. Deas, President, Surgical Equipment Company, New Orleans, presumes gentlemen in Washington interested in hearing from voters and taxpayers. Firm has been paying taxes many years, cheerfully, and will face additional ones in interest of national defense. However, as small corporate ones with modest profits, and carrying many credit accounts with Doctors and Hospitals, always faces problem of getting cash for current payments. Both State and Government taxes assessed on merchandise, corporate franchise income, occupational license tax, Social Security, etc. Frequently have to borrow money and pay interest. There should be

Memorandum for the Secretary.

May 23, 1941.

special consideration for firms which can never be liquid, as opposed to institutions like telephone company which can shut off service, or automobile firms which sell on basis of costs and profits.

T. J. Davis, Sandpoint, Idaho. "How come little Finland, recently overrun by the ferocious Slavs can pay on her war debt and the mighty British Empire default on hers?"

William D. Mooney, Los Angeles, suggests sending new 80-ton Douglas airship on tour of country. Admission one dollar's worth of defense stamps. Stamps and bonds would be sold at entrance to display. When exhibited recently in California, 59,000 viewed the plane from 500 feet away.

Lester Bartley, New York City, tells of apathetic bond clerk from whom he attempted to buy defense bond. Indicates both civil servants and public are not aroused to sense of imperative need. All very well to talk of war hysteria and high pressure methods, but we did win the World War, and the Liberty Bond campaigns drew in every member of the community. It is hard to arouse emotion or enthusiasm by talking in general terms of threats to civil liberty. Curb hysteria but inject more real leadership and emotional enthusiasm into present sale campaign.

W. L. Stockton, Clarkston, Mont., has been President of Montana State Bureau, sat in on drafting of McNary-Haugen Bill and tried to sell to President Coolidge, who vetoed it twice. Believes AAA program one of crimes of the times, and is in complete accord with HWR's stand toward agriculture. Will send further views on parity prices and stabilizing incomes if invited to do so.

C. G. Fitzpatrick, Detroit, Michigan. Two good reasons why defense bonds are not being taken by public. (1) Congress and others in authority threaten such heavy taxes all are afraid to put funds in bonds. (2) Average salaried worker is expected to make all sacrifices. Labor wages are up, farmers subsidized, while middle-class investments are wiped out and taxes doubled.

J. L. Levary, Wilmington, Del. sends copy of letter he wrote to editor, Wilmington Morning News, criticizing what he regards as unpatriotic editorial on bonds and urging editor to keep quiet if he cannot support President's efforts to rouse country to seriousness of situation.

J. L. Godfrey, Louisville, Ky., wants several copies of Mr. Graves' address to send son-in-law to distribute there. "Write some more speeches. You have a gift for phrase making and are not afraid of doing some enlightening research".

*J. L. Levary*

C O P Y

May 23, 1941

My dear Mr. President:

Each week I have been sending you a survey of American opinion about the Lend-Lease policy and the American attitude toward the war generally. I think you might like to see two additional opinion surveys which are made at the Treasury regularly, one on taxes and one on defense bonds. All these reports are based on clippings from hundreds of newspapers in all parts of the country.

I shall be sending all three of these every week, in the belief that they may interest you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The President,  
The White House.

FK/hkb

5/23/41

3 encl.

File to Mr. Thompson (Carbon only)

By Messenger 5/26/41 Z 942



May 23, 1941

My dear Eleanor:

I am enclosing herewith last night's column by Raymond Clapper, which you may have missed reading.

I think you will find it very interesting.

Affectionately yours,

(Signed) Henry

Mrs. Franklin D. Roosevelt,  
The White House.

By Messers

THE WASHINGTON DAILY NEWS, THURSDAY, MAY 22, 1941

## Startling Facts By Raymond Clapper



I WON'T try to polish up this one. It is better left raw.

Too many polished words are being handed out in the public about the defense program. Glowing announcements are made in the press. They only cause bitter laughter inside where the real facts are known. Among the unpleasant facts, not advertised in the ballyhoo, are these:

**FIRST**, the Army is appallingly slow in letting contracts. Forty per cent of the funds available to the Army have not been contracted for. Some of these funds have been available since last fall, all of them since the lend-lease funds were appropriated.

**SECOND**, OPM is making no real effort to use all private machine-tool facilities. Already in sight is need for 41,200,000,000 in new machine tools for next year. Our commercial machine-tool plants can produce but \$750,000,000 worth of tools a year. But many large industries have private tool-making facilities, so-called captive plants. These have not been pressed into service. Ford brings out a new six-cylinder model this year. That must have taken a good chunk of machine-tool facilities.

**THIRD**, the ordnance program is sick. Yet some experts say that 75 to 80 per cent of the tools needed for ordnance are machines already in existence.

**FOURTH**, tanks, desperately needed by the British, have been held up partly because they were shoved down almost at the bottom of the priority list. Yet Britain has had to shoot tanks thru Gibraltar on a risky emergency trip in order to have even half a chance of meeting the Germans on equal terms in Africa. We may assume that meant taking them out of England, where every tank is needed.

**FIFTH**, there is no complete inventory or census of scattered machine tools thruout the country—by types and location. In other words, after a year of defense effort, with a most urgent need for every machine tool, we don't even know where all of them are. If anybody knows, it is being kept a secret from OPM.

**SIXTH**, months ago economists said we were facing a steel shortage. The big steel companies said there was plenty of capacity. Now tanks, ships and freight cars are all fighting for steel. Tank steel will be a tight squeeze if we ever get into medium tank production.

**SEVENTH**, these instances are symptomatic of the general illness—lack of planning, lack of drive, hesitation about making anybody unhappy. William S. Knudsen, who knows production, is too modest. He won't take the ball. OPM has no authority to make contracts. That rests with the Army, Navy and Maritime Commission.

Mr. Knudsen waits until he is told to do something, then he does it very well. His assistant, John Biggers, chief of production for OPM, wants to be nice to everybody. He can't get tough. He doesn't want to disrupt any industry. He pulls his punches.

Samuel Fuller, head of raw materials, is inclined to underguess the needs.

Edward H. Stettinius, now in charge of priorities but at the start in charge of raw materials, took the word of the steel industry and the aluminum industry that there would be enough in both industries and ignored warnings to the contrary.

Harry Hopkins is trying to do a gigantic job working in his bedroom in a bathrobe and just hasn't the physical stamina.

**WE ARE** racing into a general bottleneck next year that will choke our whole program down—unless there is planning for it now and action on a far more sweeping and more ruthless scale than has been the case thus far. No wonder the British sigh wearily when they think about it.

THE WASHINGTON DAILY NEWS, THURSDAY, MAY 22, 194

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C O P Y

May 23, 1941

Dear Ros:

You were of such great help to us on the tax statement last week that I just want to send you this line of appreciation.

It was more than good of you to come down from New York and to give so much of your time. I am deeply grateful.

Sincerely yours,

(Signed) Henry M

Mr. Roswell Magill,  
Columbia University,  
New York, N. Y.

Enc. 1  
Statement of John L. Sullivan  
before Ways and Means Committee  
on Mon., May 19, 1941

FK/hkb

5/22/41

MAY 23 1941

My dear Mr. Eccles:

I have read with interest your letter of April 24, 1941 and the enclosures, all relating to the bank holding company bill recently introduced by Senator Glass. I find nothing in the material submitted which persuades me that the bill introduced by Senator Glass does not provide an effective way of meeting what is admittedly a problem.

The Board apparently believes that existing bank holding companies should be permitted to continue to exist, but that some slight change should be made in the governmental machinery regulating their activities. Such a position is clearly in conflict with my views, and, in my judgment, with the recommendation made to Congress by the President in his monopoly message in 1938.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Marriner S. Eccles,  
Chairman, Board of Governors of  
the Federal Reserve System,  
Federal Reserve Building,  
Washington, D. C.

Orig. to Eccles by spec. messenger  
5-24-41 - 9:00 A.M.

JJO:G Jr./DWB/ELS  
May 23, 1941

(Initialed) E.H.F., Jr.    DWB    UFM    FD

## TREASURY DEPARTMENT

## Inter Office Communication

May 20, 1941

TO: Secretary Morgenthau  
FROM: E. H. Foley, Jr.

Attached hereto is a suggested reply to Mr. Eccles' recent letter relative to the bank holding company bill.

His letter and the accompanying data require little discussion as they merely reiterate the stock objections which we had all known would be made.

It is the fact, of course, as Mr. Eccles points out, that the Interdepartmental Committee in March, 1938, did not agree on any specific bill. It is equally true, however, that it did agree upon a statement which was included in the President's message to the Congress of April 29, 1938. In that message the President recommended the enactment of legislation which would "make provision for the gradual separation of banks from holding company control or ownership". Our bill carries out that recommendation.

In his letter Mr. Eccles takes exception to what you had to say in the January 21 meeting to the effect that the Federal Reserve Board has done nothing effective about the holding company problem since 1933. A complete answer to that is that if there has been any improvement in the situation since 1933 it certainly has not been due to activities of the Federal Reserve Board.

In a statement attached to Mr. Eccles' letter the official position of the Federal Reserve Board is stated. The Board is opposed to a death sentence and objects to having its jurisdiction over bank holding companies curtailed. It would apparently look with favor only on legislation which would, as a practical matter, maintain the status quo. The Board does not express itself as opposed to increased control over bank dividends generally, but is opposed to conferring authority upon the Federal Deposit Insurance Corporation with respect to the payment of dividends by state banks which are members of the Federal Reserve System. The Board also suggests that if bank holding companies are to be dissolved the statutes relative to branch banking should be modified so as to permit bank holding company groups to convert themselves into branch banking systems.

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Mr. Eccles suggests that the Board would be glad to confer further with the other federal banking agencies in an endeavor to work out a program. In view of the position taken by Mr. Eccles and by the Board I do not think there is anything to be gained by further conferences.

(Initialed) E.H.F., Jr.

Letter to  
Mr. Eccles attached.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

OFFICE OF THE SECRETARY

April 24, 1941

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

My dear Mr. Secretary:

At the conclusion of the conference at the Treasury on January 21 regarding bank holding company legislation, it was agreed that the Board should transmit to you its objections to S. 310 together with an alternative program for dealing with the bank holding company situation. I advised that these two reports would be the same as would be furnished by the Board to the Senate committee if it became necessary to make a report. You stated at the time that there was no hurry and in view of more urgent matters engaging your attention as well as that of the Board, this reply has been delayed. Since, however, the bank holding company question may receive active consideration at this session of Congress, and in view of the President's request that the four banking agencies endeavor to get together on a program, I am transmitting herewith a memorandum of the Board's criticisms of S. 310 and a separate memorandum outlining an alternative program for dealing with the bank holding company problem.

While on this matter, the Board feels that it should correct what it believes to be erroneous statements made at the meeting on January 21 respecting the record on the entire bank holding company situation and the Board's position in relation thereto. The transcript of that meeting contains statements by you to the effect that S. 310 represented what was agreed to by the Interdepartmental Committee in March 1938, that you were taking up where the matter was left off, that you were taking the initiative in the matter because no one else would, that the Board, after seven years, had done nothing about it, and that the bank holding company situation was unhealthy and unwholesome.

Since the meeting referred to, the Board has made a detailed review of the record from 1935 to date, with particular reference to the discussions in 1938 and the extent of any agreement at that time. From this review, the Board has confirmed the views it has previously held in a number of particulars.



First of all, the agreement in 1938 was limited to general policy only and the report of the Committee's discussions showed disagreement on important phases of the problem. The agreement on a recommended text to be used in the President's monopoly message was coupled with the statement that a death sentence would require consideration of branch banking statutes as a part of the problem. There was no agreement whatever upon any specific bill; and as to those matters agreed to in 1938, as you and the others on the Committee were advised, Mr. Ransom expressed his own views and not those of the Board, and he asks that you be advised that the letter of March 17, 1938, to you from Jesse Jones satisfactorily expressed his views then and now. Moreover, the Board feels that whatever views it held in March of 1938 could hardly constitute a commitment as to the bill S. 510 prepared by your staff in 1941, differing drastically from any bill heretofore proposed by anyone and containing features to which the Board must inevitably object.

Bearing upon the matter of the agreement as well as the matter of the Board's position respecting the need of legislation, it is to be noted that on March 10, 1938, at a meeting in the Treasury, I handed you a memorandum containing proposals for legislation prepared by the Board's staff. Subsequently Mr. Ransom handed you additional material, relating to a possible program for new legislation. These proposals were not pressed later that year as it was made known by Senator Glass that his committee would not give active consideration to the holding company bills then pending. Nevertheless the Board in its Annual Report for 1938, called attention to the need of amendments to the holding company statutes.

The Board feels that it has fully discharged its administrative responsibility under the statutes. For nearly eight years, it has devoted time and attention to the situation and, in cooperation with other agencies of Government also having responsibility in this field has worked out solutions of many important administrative and supervisory problems. Since 1935 the number of bank holding company affiliates and the number of their subsidiary banks have decreased materially. Several bank groups have been terminated completely and two of the presently existing groups have considerably reduced the number of their banks and the cities served by them, while others have reduced to lesser degrees. Except in three relatively unimportant cases there has been no expansion outside of that occurring on the west coast. Any other improvements in the situation could be mentioned and the Board is willing to let the record speak for itself. It sees no basis in your assertion that the situation is unhealthy and unwholesome and believes that your reference to all the difficulties you have had with the bank holding company situation can relate to only one organization. In this case the Board believes that the banking aspect of the problem is not due to ownership through the holding company mechanism but

Honorable Henry Morgenthau, Jr. - 5

rather to a domination amounting to complete control by a single personality who has been able to maintain stockholder and director support. It is doubtful that amendments to the bank holding company statutes, even though drastic, offer the best solution to this particular kind of problem. Although the Board is fully aware of the desirability of strengthening the controls over bank holding companies, it has not felt that the situation has been of such importance in relation to other more fundamental problems in the banking field as to justify separate and prior consideration by Congress, particularly in the light of pressing reasons that have existed over this period making it inadvisable to sponsor piecemeal legislation.

The Board is most willing to confer with the other Federal banking agencies in an endeavor to work out a program. It is desirous of having its proposals subjected to practical and constructive criticism and is willing to modify them in the light of any valid criticism and hopes that the other agencies will approach the problem in the same spirit.

Yours sincerely,



M. S. Eccles  
Chairman

enclosures - 2

April 24, 1941

DRAFT OF STATEMENT RELATING TO THE BILL S. 310  
SUITABLE FOR SUBMISSION TO APPROPRIATE  
COMMITTEES OF CONGRESS

This refers to the bill S. 310 "To regulate the control of insured banks by holding companies and for other purposes."

For a number of reasons, the Board does not approve the enactment of this bill in its present form. It is the view of the Board, however, and has been for some time, that the existing provisions of the statutes which provide for the regulation of holding company affiliates of banks which are members of the Federal Reserve System should be amended in several respects in order that the activities of these companies may be more effectively supervised and controlled.

In its Annual Report to Congress for 1939, the Board called attention to the unsatisfactory provisions of existing holding company statutes and it has been prepared to recommend to Congress specific amendments which it feels would be desirable; but in view of the fact that the Senate Banking and Currency Committee has been authorized to conduct a comprehensive review of banking matters the Board has expected that a review of the bank holding company statutes would be included in this contemplated over-all review. In the event that your Committee desires to review bank holding company statutes independently of such an over-all review, there is attached an outline of the modifications which the Board believes should be made in these statutes.

The bill S. 310 would add to the existing duplication and overlapping of authority relating to the Federal supervision of banks and their associated companies and in this respect the Board feels that the enactment of the bill would be highly undesirable.

Since 1933, the Reserve Board has been charged by Congress with the responsibility for the supervision of holding company affiliates of banks which are members of the Federal Reserve System, and in several instances since 1933 Congress has enacted laws which recognize the Board's responsibility in these matters. The most recent instance of this kind was involved in the enactment on August 22, 1940 of the Investment Company Act of 1940. When this act was being considered by Congress, it appeared that holding company affiliates supervised by the Reserve Board might in some instances also be investment companies within the definitions contained in the Investment Company Act and subject to supervision by the Securities and Exchange Commission. Full consideration with regard to this problem was laid before the appropriate committees of Congress and an exception was incorporated in the bill.

which exempted holding company affiliates subject to the Board's supervision from duplicate supervision by the Securities and Exchange Commission as investment companies. Without repealing the authority heretofore vested in the Board to supervise holding company affiliates, the bill S. 510 would provide for additional supervision of these companies by the Federal Deposit Insurance Corporation, and there would seem to be no warrant for this duplication of supervision of bank holding companies.

The bill would provide for the dissolution within a comparatively short time of bank holding companies which would be defined in general as any company which holds or controls more than 10 per cent of the voting securities of an insured bank. In addition to the known holding company affiliates of member banks which, in general, are defined as companies controlling a majority of the stock of the bank or a majority of the shares voted for the election of its directors or controls in any manner the election of a majority of the bank's directors, the provisions of the bill might include many companies which are not now considered holding companies of banks. While the existing definitions of holding company affiliates undoubtedly should be modified, in passing, the question is raised as to whether the holding of as little as 10 per cent of the securities of a bank is not too restrictive a basis upon which to determine that a company holding bank stock is a holding company.

The requirement for termination of holding companies within a comparatively short period might have serious effects on the banking structure. It is reasonable to believe that one of the probable results of such a requirement would be the liquidation of some subsidiary banks and the termination of banking facilities in some communities (shares of bank stock could not be sold for their actual value in some cases and the holding company would have to liquidate the assets of the bank in justice to the shareholders of the holding company). Other results might be the transfer of control of some well-managed banks to undesirable or weak management; the distribution of a small number of fractional shares of subsidiary banks to numerous shareholders resulting in a lack of any responsible group being substantially interested in the management of the banks; financial loss to many shareholders through attempts to dispose of fractional shares or a small number of shares of various subsidiary banks; and loss of confidence in some banks by depositors and the public with the possibility of weakening and wrecking them.

If Congress decides to fix a definite time within which all bank holding companies must be dissolved, it is essential, in order to avoid some of the evils above referred to, that it give consideration to what modifications should be made in the statutes relating to branch banking.

In addition to the duplication of supervision of holding company affiliates, the bill would also provide for additional duplication of supervision of banks which are not members of groups of banks and are not controlled by holding companies. The bill provides for the restriction by the Federal Deposit Insurance Corporation of payment of dividends by State insured banks whether or not members of the Federal Reserve System and for the restriction by the Comptroller of the Currency of payment of dividends by national banks. The bill also provides that the Federal Deposit Insurance Corporation shall have an over-all authority to administer the provisions of the bill and to issue rules and regulations, including definition of banking, as may be necessary to carry out the provisions of the bill. The Federal Deposit Insurance Corporation would also be given authority to make investigations to determine whether any individual bank or other company has violated or is about to violate any provisions of the bill or any rule or regulation issued thereunder by the Federal Deposit Insurance Corporation. Such investigations could also be made to aid the Federal Deposit Insurance Corporation in prescribing rules and regulations under the bill or in obtaining information to serve as a basis for recommending further legislation concerning the matters to which the bill relates.

Under these broad powers, it would appear that the Federal Deposit Insurance Corporation would be vested with authority to duplicate the supervision which the Reserve Board now exercises over State member banks and the Comptroller of the Currency now exercises over national banks, not only through restriction of dividend payments of these banks (either directly or through regulations controlling the actions of the offices of the Comptroller of the Currency with respect to dividend payments), but also through the examination of national banks and State member banks as well as nonmember insured banks.

The existing authority for Federal duplication of supervision of banks is highly undesirable, and this additional authority for duplication of supervision of banks appears to the Board to be entirely unwarranted.

With respect to the authority which would be vested in the Federal Deposit Insurance Corporation and the Comptroller of the Currency to prevent a bank from declaring or paying a dividend, it has been noted that such supervisory authorities could prevent such payment if in their judgment the payment "would not be compatible with the best interest of such bank, its depositors or other creditors, or with the public interest." The Board suggests that consideration be given to whether the grounds on which payment of dividends might be prevented should not be more specifically stated in the statute rather than in such broad general language.

For the above principal reasons, the Board would not favor the enactment of the Bill S. 510 in its present form.

April 24, 1941

OUTLINE OF SUGGESTED BANK HOLDING COMPANY BILL

Bank Holding Companies

1. Define a "bank holding company" as an organization having at least two "subsidiary" banks, one of which is an insured bank. Provide that an organization shall be a "subsidiary" of another if 20 per cent or more of its voting shares are owned, directly or indirectly, by the latter or if the Board determines that its policy and management are subject to a controlling influence by the latter.
2. Repeal voting permit provisions and definition contained in the present bank holding company law. Require all bank holding companies to furnish Reserve Board information relating to their relationships and be subject to supervision by Reserve Board.
3. Prohibit any new bank holding company.
4. Prohibit future acquisition of any bank stocks, directly or indirectly, by a bank holding company; except acquisition of additional stock in banks more than 50 per cent of the stock of which was owned by the bank holding company on January 1, \_\_\_\_\_, where, in judgment of Reserve Board, it would be in public interest and Reserve Board grants its permission for such acquisition.
5. Prohibit acquisition of additional bank offices by a bank holding company through establishment of branches or through merger, consolidation, or purchase of non-controlled banks or their assets by banks controlled by a bank holding company.
6. Require all subsidiary banks of bank holding companies to become members of the Federal Reserve System. In this connection, authorize Reserve Board to waive requirements of law for membership where necessary.
7. Continue authority in Reserve Board to make such examinations of each bank holding company, its subsidiary banks and subsidiary companies, and to require submission of such information and reports by such institutions as it deems necessary and to require correction under its rules and regulations of unsound practices and policies by subsidiary banks.
8. With necessary minor modifications, retain present requirements of law with regard to conservation of resources and profits of each bank holding company while the value of its readily marketable assets other than bank stocks is less than the prescribed percentage of bank stocks owned by the holding company.

9. Prescribe penalties for violation, by a bank holding company or a subsidiary, of the law or the Board's regulations or orders, such as limitation on payment of dividends by subsidiary banks, limitation on payment of dividends by a bank holding company, limitation on payment of fees to a bank holding company or a subsidiary thereof by subsidiary banks, limitation on voting of stock in subsidiary banks by a bank holding company, removal of officers or directors of a bank holding company.

10. Prohibit any subsidiary bank from making a loan, directly or indirectly, to its bank holding company or to any subsidiary of the bank holding company or stock of such company or of any subsidiary thereof.

While the provisions relating to bank affiliates are closely intertwined in the existing statutes with the bank holding company provisions, no suggested changes relating to affiliates are recommended in the foregoing program since none were contained in S. 310. If bank holding company legislation is enacted, however, it may well be that some appropriate changes should be made in the affiliate provisions.

MAY 23 1941

Dear Mr. Director:

Reference is made to the letter to me, dated May 12, by John G. Blandford, Jr., Assistant Director of the Budget, and to previous correspondence relative to a proposed bill submitted by the Navy Department "To safeguard the naval vessels of the United States."

There was enclosed with Mr. Blandford's letter a letter, dated May 2, from the Secretary of the Navy, which adheres to the position previously expressed by him that the proposed legislation should be submitted to the Congress in the form in which it was submitted to the Bureau of the Budget on February 4, 1941.

It is noted that you have informed the Navy Department in your letter of May 12 that there would be no objection to the submission of the proposed legislation to the Congress for its consideration but that your office has also advised the Treasury Department that there would be no objection to its submitting a report to the Committee to which the bill may be referred setting forth its objections to the enactment thereof.

It seems to me highly undesirable that these two major departments of the Government should be in the position of giving contrary advice to a Committee of the Congress on an important matter. I would therefore suggest that to avoid this unhappy result you make a further effort to bring about agreement by asking the Secretary of the Navy to designate a representative to appear before you, or one of your assistants, together with a representative to be designated by me, in a final effort to arrive at a recommendation satisfactory to both Departments.

Sincerely yours,  
(Signed) E. Morgenthau, Jr.  
Secretary of the Treasury.

Honorable Harold Smith,  
Director of the Budget,  
Washington, D.C.

FILE TO MR. GASTON

By Messenger // 12



THE COMMANDANT OF THE UNITED STATES COAST GUARD

Washington

15 May 1941.

MEMORANDUM FOR - Assistant Secretary Gaston

The attached letter dated 12 May 1941, from the Director, Bureau of the Budget, with inclosures, is referred for your information.

If desired, I would be glad to discuss this matter with you, at your convenience, on Wednesday of next week, after my return from New London.

May I ask for the return of these papers when you have finished with them.

/s/ R. R. Waesche

R.R. Waesche  
Rear Admiral, U.S. Coast Guard,  
Commandant.

Inclosures:

## EXECUTIVE OFFICE OF THE PRESIDENT

Bureau of the Budget

Washington, D.C.

May 12, 1941

My dear Mr. Secretary:

Reference is made to the letter of March 3, 1941, from Administrative Assistant Thompson, and to previous correspondence relative to a proposed bill submitted by the Navy Department "To safeguard the naval vessels of the United States."

There is enclosed herewith, for your information, a copy of a letter dated May 2, 1941, from the Secretary of the Navy in response to a request from this office for a further expression of the Department's views in the light of the objections interposed to the enactment of the legislation by the Treasury Department and also a copy of our letter of this date to the Secretary of the Navy advising him that there would be no objection to the submission of the proposed legislation to the Congress for its consideration but that this office had advised the Treasury Department that there would be no objection to its submitting a report to the Committee to which the bill may be referred setting forth its objections to the enactment thereof.

Very truly yours,

/s/ John B. Blandford, Jr.

Assistant Director.

The Honorable,

The Secretary of the Treasury.

## Enclosures:

- Copy of Navy's letter of 5/2/41.
- Copy of Budget's letter of this date to Navy Department.

May 12, 1941

My dear Mr. Secretary:

This is in reference to your letter of August 6, 1940, and to subsequent correspondence, regarding a draft of legislation proposed by the Navy Department upon the subject of "Safeguarding the naval vessels of the United States."

The originals of the revised draft of bill submitted to this office on February 4, 1941, and the explanatory letters of transmittal are returned herewith, and you are advised that there would be no objection to the submission thereof to the Congress for its consideration.

The Treasury Department has been advised by this office that there would be no objection to it submitting a report to the Committee to which the bill may be referred setting forth its objections to the proposed legislation.

Very truly yours,

/s/ John B. Blandford, Jr.

Assistant Director.

The Honorable,

The Secretary of the Navy.

(Through Lt. Com. George L. Russell)

Enclosures:

Original of revised draft of bill.  
Original of explanatory letters of transmittal.

Office of the Secretary

A17-2/A18(400806)  
L RF.

DEPARTMENT OF THE NAVY

Washington

May 2, 1941.

Sir:

Reference is made to your letter dated March 6, 1941 requesting further comment from the Navy Department on the proposed bill "To safeguard the naval vessels of the United States". Enclosed with your letter was a copy of the letter from the Treasury Department, expressing the opinion that the proposed legislation is not necessary.

As previously stated, the purpose of the proposed legislation is to protect naval vessels and their anchorages against certain dangers that might result from the presence or movement of foreign or domestic shipping. The Navy Department recognizes that in most cases this can be accomplished by the Coast Guard, operating under regulations issued by the Secretary of the Treasury, but that in some cases, it can not. Had the Navy Department considered the Coast Guard capable of providing complete protection at all times, in all places, and under all circumstances, the proposed legislation would never have been submitted.

As originally submitted, the proposed legislation specifically preserved to the Treasury Department and to the War Department their existing legal authority to control shipping. This was done in order that the continued operation of representatives of those departments in ordinary cases might not be disturbed. As the proposed legislation was designed to take care of cases which were out of the ordinary, and in which the Navy Department visualized the need for emergency action, it was considered necessary to subordinate existing authority to that vested in whatever naval officer would be concerned under the terms of the proposed bill.

In the light of the foregoing, which was made clear to the Treasury Department some time ago, the suggested method of administration is not acceptable to the Navy Department.

The position of the Navy Department may be summarized as follows:

(a) All that is desired by the proposed legislation is legal authority for naval officers to protect their commands in those cases where ordinary control of shipping by the Coast Guard will not suffice. It is entirely conceivable that in many places the Coast Guard will not even be present.

(b) Except in cases of emergency, this authority would not be invoked, and thus little or no interference with the normal functions of the Coast Guard is anticipated. If, in an emergency, interference would in fact result, the Coast Guard should be willing to cooperate.

(c) In view of the apprehensions of the Treasury Department that the authority of the Coast Guard will be infringed upon, the Navy Department is entirely willing and in fact prefers to preserve to the Treasury Department existing authority to control shipping.

(d) The suggestions of the Treasury Department are not new. They have already been discussed at great length, and there is nothing more to be said on the subject, except that further discussion will operate only to prolong the delay.

The proposed legislation has been under consideration for some months, and it represents the considered opinion of the Navy Department. In order that the jurisdiction over shipping may be put on a workable basis, it is recommended that the proposed legislation be submitted to the Congress in the form in which it was submitted to the Bureau of the Budget on February 4, 1941, as soon as possible.

Very respectfully,

FRANK KNOX.

The Director  
Bureau of the Budget  
Executive Office  
of the President  
Washington, D. C.

MAY 23 1941

Dear Mr. Secretary:

Reference is made to your letter of May 17, signed by Mr. Ferrestal as Acting Secretary, stating that the Navy Department has urgent need for the use of a portion of the Coast Guard property on Ediz Hook, near Port Angeles, Washington, for a section base and that the issuance of a permit granting the Navy Department permission to occupy this site at the earliest practicable date would be greatly appreciated.

The Coast Guard reservation on Ediz Hook, Port Angeles, Washington, is used as an Air Station. On the reservation are a hangar for aircraft, ramp for seaplanes, two runways for the landing and take-off of aircraft, barracks building for personnel, lighthouse and quarters for keepers, and other facilities required for the operation of an air station. This unit is necessarily under a single command and should remain so.

The Commandant, Thirteenth Naval District, and the Coast Guard Commander of the Seattle District have tentatively agreed upon the location and construction by the Navy of certain buildings and other facilities for Naval use and joint Naval-Coast Guard use. The Department confirms these tentative agreements and authorizes such construction on this reservation as will not interfere with, or jeopardize, the operation of the air station and of aircraft, both land planes and seaplanes, title to the property to remain vested in the Coast Guard.

If satisfactory to you a permit giving effect to these tentative agreements will be executed. In the meantime I perceive no objection to your proceeding with a construction program as agreed to between the Commandant,

- 2 -

Thirteenth Naval District and the Commander, Seattle District,  
United States Coast Guard.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of the Navy.

HEG/mah  
5-22-41

*File to Mr. Gaston*

By Messenger W<sup>C</sup>

(SC)NE/ND13  
Doc. No. 30440

DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
WASHINGTON

CONFIDENTIAL

May 17, 1941.

Sir:

The Navy Department has urgent need for the use of a portion of the Coast Guard property on Ediz Hook, near Port Angeles, Washington, for a section base. The property desired lies to the west of the existing Coast Guard buildings and is shown on a copy of a plan enclosed, bearing the legend "Map of Ediz Hook, U. S. Coast Guard Air Station", revised April 11, 1941, to show the work proposed to be constructed by the Navy Department.

It is understood that preliminary negotiations have been made by the Commandant, Thirteenth Naval District, and the Commander, Seattle District, United States Coast Guard, relative to the proposed transfer, and that the Commandant, United States Coast Guard, was advised thereto by letter dated April 12, 1941, file No. 220, from the Commander, Seattle District, United States Coast Guard.

The issue of a permit granting the Navy Department permission to occupy this site at the earliest practicable date would be greatly appreciated.

Respectfully,

(Signed) James Forrestal

Acting

The Honorable  
The Secretary of the Treasury

Enclosure



CONFIDENTIALMEMORANDUM

May 23, 1941

To: PRICE ADMINISTRATION COMMITTEE

From: R. K. Thompson, Secretary

Annexed hereto are:

1. Minutes of the meeting of May 21.
2. Supplement No. 1 to price schedule No. 1 and a printed pamphlet containing price schedule No. 5, press releases pertaining to it, and the revocation order.

CONFIDENTIALSUMMARY OF STENOGRAPHIC TRANSCRIPT OF MEETING OF  
PRICE ADMINISTRATION COMMITTEE

May 21, 1941

11:00 a.m.

Chairman: Mr. Henderson

Present: Miss Elliott, Messrs. Stevens, Ayres, Ryder, Nelson,  
Ezekiel, Pike, Lubin, O'Connell, Goodloe, Shaughnessy,  
Galbraith, Thompson1. Crude oil prices

Mr. O'Connell raised a question concerning what is being done about crude oil prices. Mr. Henderson announced that Mr. Shaughnessy, assistant to Commissioner Pike of the SEC, will become a member of the OPACS staff serving as chief of the section on petroleum, coal and products, and that a meeting with oil producers will be held on May 23 as a preliminary to discussing prices.

(Upon Mr. Henderson's departure, Mr. Galbraith assumed the chair.)

2. Hide prices

Mr. Galbraith reported that the meeting with representatives of four of the largest packing companies on May 15 was not entirely satisfactory because the packers maintained throughout that they were unable to do anything about advancing hide prices. He added that the OPACS is now drafting a restraining order on hide prices with 14¢ or 15¢ per hide as the basis.

Mr. Galbraith asked for the consensus of the committee on the wisdom and feasibility of OPACS requesting the removal of the 10 per cent ad valorem tariff on hides. Mr. Stevens pointed out that under the Trade Agreement Act the maximum cut would be to 5 per cent, but that this method would take less time than a reconsideration under Section 336 of the Tariff Act. Mr. Ezekiel raised the possibility of removing this tariff completely under the provision in the Tariff Act so providing for an emergency. Mr. Pike suggested the possibility of solving the problem by building up a hide stock pile and in this connection Mr. Nelson stated that he would like to survey the entire question of purchasing a supply of tanned leather through additional capacity which tanneries will undoubtedly build up.

3. Commodity exchanges

Mr. Galbraith reported that meetings are being held with the commodity exchanges handling the major imported commodities in

which there has been speculation recently. He reported a fairly successful meeting with the cocoa exchange on May 20, and that meetings with the pepper exchange, the rubber exchange, and the coffee exchange will be held on May 21, May 22 and May 23, respectively. As pointed out in the committee meeting last week, OPACS is requesting the exchanges to increase substantially the marginal requirements. Mr. Pike raised the question whether some of the people in the Trading and Exchange Division of the SEC might be of service to OPACS and Mr. Galbraith raised the possibility of requesting the SEC's cooperation in keeping watch on the commodity exchanges.

#### 4. Combed yarn

Mr. Galbraith reported that a price schedule is being drawn for combed yarn at 40¢ on the 30-single basis with an additional 2¢ to cover recent increases in the cost of raw materials. Mr. Ezekiel raised the question whether the industry is operating at maximum capacity and whether the price policy should not be directed at maintaining such a price as would call for a material increase in production. Mr. Ryder suggested that the Textiles Division of the Tariff Commission might be able quickly to ascertain the proportion of spindles being operated at present and what still remains to be done so far as additional shift operations are concerned.

#### 5. Aluminum scrap

Mr. Lubin pointed out that the aluminum die-casters believe that a great deal of aluminum scrap could be unfrozen if an announcement were made that the present price, which has been set up to June 30, will continue indefinitely. Only 14 per cent of the amount of scrap sold to the smelters in January 1941 was sold in April since scrap dealers are all awaiting higher prices. He added that the smelters are also complaining of bootlegging in scrap sales. Mr. Galbraith announced that a compliance unit is being organized which will take a few of the spectacular cases and give them some publicity.

#### 6. Shipping rates

Mr. Ezekiel pointed out that the Maritime Commission is taking steps to freeze shipping rates at a general level of three or four or seven or eight times what they were. He expressed his belief that shipping rates should be frozen at reasonable levels, or about where they have been, since that is the general tendency in other price situations and since shipping rates are reflected in the prices of many commodities. Mr. Galbraith reported that OPACS has been in touch with the Maritime Commission concerning shipping rates and what powers are available for effecting formal control.

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The committee adjourned at 12 noon to meet Wednesday,  
May 28 at 11:00 a.m.

OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY  
WASHINGTON, D. C.

100:16

## TITLE 32 - NATIONAL DEFENSE

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION  
AND CIVILIAN SUPPLYPrice Schedule No. 1  
(As amended)

Supplement No. 1

Second-Hand Machine Tools

Pursuant to Section 5 of Price Schedule No. 1, and to facilitate the application of the Schedule, it is directed that the maximum prices of second-hand machine tools are to be computed in terms of percentages of the prices of equivalent new machine tools as of March 1, 1941, and shall not be computed with reference to current prices of new machine tools.

Issued this seventh day of May, 1941.

LEON HENDERSON  
ADMINISTRATOR

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

  
John E. Hamm, Deputy Administrator

PRICE SCHEDULE No. 5

*Bituminous Coal*



PRICE STABILIZATION DIVISION  
NATIONAL DEFENSE ADVISORY COMMISSION  
WASHINGTON, D. C.

**Foreword<sup>1</sup>**

**OFFICE FOR EMERGENCY MANAGEMENT**

**OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY**

1. All price schedules, instructions, announcements, forms, and notices heretofore issued, promulgated, or adopted, and all committees formed, by the Advisers on Price Stabilization and Consumer Protection, members of the Advisory Commission to the Council of National Defense, or by the Price Stabilization and Consumer Divisions of the Advisory Commission to the Council of National Defense, are hereby ratified, adopted, and continued in effect, until modified, terminated, or superseded, as price schedules, instructions, announcements, forms, notices, and committees, of the Office of Price Administration and Civilian Supply and the Administrator thereof.

2. This ruling is issued under, and in execution of the purposes of, Executive Order No. 8734, issued by the President on April 11, 1941. Issued this 15th day of April 1941.

**LEON HENDERSON,**  
*Administrator.*

<sup>1</sup> Federal Register, April 16, 1941, Vol. 6, No. 74.

## Price Schedule No. 5

### BITUMINOUS COAL

WHEREAS the Price Stabilization Division of the Advisory Commission to the Council of National Defense is charged with functions related to the maintenance of price stability and the prevention of undue price rises and price dislocations; and

WHEREAS the Nation's production of bituminous coal has in large part ceased as a result of a failure of the mine operators and employees to negotiate a wage agreement, and unless production is promptly resumed, there will be a shortage in the supply of bituminous coal available to meet the demand therefor; and

WHEREAS on account of such shortage and fears of shortage a serious and perhaps excessive and disastrous rise in the prices of bituminous coal is clearly threatened, which price rise will have an injurious effect upon the Nation's economy, because of the importance of bituminous coal as the prime source of energy for industry and as the prime source of heat for domestic consumers; and

WHEREAS it is difficult and perhaps impossible to maintain price stability and prevent excessive and unwarranted price increases in the absence of specific maximum standards set with the utmost expedition and at all levels of sale; and

WHEREAS the prompt establishment of such standards is necessary to prevent the kind of price policy which leads to a weakening of the defense effort through disastrous inflation, undue burdens upon the Government, economic dislocations, price spiraling, and profiteering, and the establishment of such standards is otherwise necessary in the public interest and in the interest of national defense; and

WHEREAS on the basis of information made available through the cooperation of the Bituminous Coal Division of the Department of the Interior, and on the basis of other information secured by the Price Stabilization Division, I find that the maximum prices set forth below in this Price Schedule constitute reasonable limitations, in the present emergency, for bituminous coal,

PSD105:1

Now, THEREFORE, in order to facilitate cooperation with the Government in maintaining price stability and in preventing excessive and speculative price increases injurious to the defense program and to the public interest and welfare, IT IS DIRECTED THAT:

1. *Ceiling Price.*—On or after April 3, 1941, no person selling bituminous coal, whether producer, distributor, retailer, or any other seller, shall sell or deliver bituminous coal, or offer to sell or deliver bituminous coal, at a price exceeding the ceiling price. The ceiling price shall be the price received by such seller for a similar sale or delivery made on March 28, 1941. A similar sale or delivery shall refer only to a sale or delivery involving the same size and quality of coal, the same intended use, the same or nearby delivery and transportation points, and the same method of transportation: *Provided*, That nothing herein shall prevent the seller from continuing to receive such price differentials on the basis of quantity sold or delivered as have customarily been received by such seller. In the event that no similar sale or delivery was made by such seller on March 28, 1941, the ceiling price shall be the price received by such seller for the latest similar sale or delivery made prior to March 28, 1941. In the event that no similar sale or delivery was previously made by such seller, the ceiling price shall be determined by appropriate adjustment of the applicable price on most similar sales.

A lower price than the ceiling price may be charged, demanded, or offered: *Provided*, That nothing herein shall be construed to authorize the receiving of a price lower than that prescribed pursuant to the Bituminous Coal Act of 1937. The price limitations set forth in this Schedule shall not be evaded whether by direct or indirect methods, or by charges for service or other charges not previously made by the seller of the coal.

2. *Modification.*—This Price Schedule is issued upon the basis of presently existing conditions. In the event of a substantial resumption of production of bituminous coal, this Price Schedule will be revoked as soon as practicable; and in the event of any other substantial change in conditions, this Price Schedule will be adjusted, or revoked, as may be appropriate. Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Price Stabilization Division for approval of any modification thereof.

3. *Supplements.*—In order to facilitate the application of this Schedule, Supplements further stating its scope will be issued from time to time as may be necessary or appropriate.

4. *Enforcement.*—In the event of refusal or failure to abide by the price limitations contained in this Schedule, this Division will make every effort to assure (a) that Congress, the various Federal, State, and local agencies and committees, including defense organizations, and the public are fully informed of the instances of such profiteering or noncooperation; and (b) that the powers of the Government are fully exerted in order to protect the public interest in the maintenance of fair prices. Persons who have evidence of the demand or receipt of prices above the limitations set forth, or of speculation, manipulation of prices, or hoarding, are urged to communicate with the Price Stabilization Division.

Issued this 2d day of April 1941.

LEON HENDERSON,  
*Commissioner.*

### **Supplement No. 1<sup>1</sup>**

#### **BITUMINOUS COAL**

Price Schedule No. 5, issued April 2, 1941, established maximum prices on bituminous coal because of the substantial cessation of production resulting from failure of mine operators and employees to negotiate a wage agreement.

Numerous inquiries have been made regarding the application of Price Schedule No. 5 to districts and fields where substantial production of coal has been or will shortly be resumed, under an agreement between mine operators and employees which provides that any general wage agreement reached in the Appalachian Conference be made retroactive to April 1, 1941. In considering such inquiries we have consulted with representatives of the Bituminous Coal Division and other experts. The essential fact which has been brought to our attention is the unique position of the bituminous coal industry. Because of its depressed condition, Federal legislation has been passed in order that bituminous coal prices might be kept up to a level at least sufficient to return to producers their average costs. Price Schedule No. 5 establishes as maximum prices the actual prices charged on March 28, 1941. We have been informed that, generally speaking, these maximum prices are approximately the same as the minimum prices fixed by the Bituminous Coal Division.

With maximum prices thus established at approximately these minima, it is apparent, if production is to go forward, that a determination must be made now regarding the application of Price Schedule No. 5 to newly mined coal. In making this determination, consideration has been given not only to the factors recited above but

<sup>1</sup> Federal Register, April 17, 1941, Vol. 6, No. 75.



to the need for protecting consumers by preserving the March 28, 1941, price for coal heretofore mined, and carefully limiting any increase in price to increased costs. In addition, consideration has been given to the manner in which the industry has customarily treated similar problems arising under substantially similar conditions.

ACCORDINGLY, PURSUANT TO AND UNDER THE AUTHORITY VESTED IN ME BY EXECUTIVE ORDER 8734, IT IS DIRECTED THAT:

(1) Bituminous coal producers may (a) demand and receive for coal mined under retroactive wage agreements prices which do not exceed the maxima heretofore set, and (b) at the same time enter into a collateral agreement whereby the purchaser agrees that when Price Schedule No. 5 is revoked by this Office following substantial resumption of production, the purchaser will pay the producer a sum, to be agreed upon between the parties, not to exceed the increase in costs, at the normal rate of production, since March 28, 1941.

(2) Any person purchasing from a producer under such an agreement may, in delivering such coal upon resale, (a) demand and receive prices which do not exceed the maxima heretofore set, and (b) at the same time enter into a similar collateral agreement whereby the next purchaser agrees in his turn to pay the original purchaser such additional sum as the producer may obtain pursuant to the preceding paragraph.

(3) Similar agreements providing for the passing on of the additional sum obtained by the producer may be entered into by subsequent purchasers.

Issued this 16th day of April 1941.

LEON HENDERSON,  
*Administrator.*

#### **Press Release<sup>1</sup>**

Moving swiftly to prevent run-away or excessive prices due to the bituminous coal strike, Price Commissioner Leon Henderson of the National Defense Advisory Commission today issued a price schedule freezing bituminous coal prices at or below the March 28, 1941, prices. The ceiling prices apply to producers, distributors, retailers, and all other sellers of bituminous coal.

In the event of a substantial resumption of production of bituminous coal, these ceiling prices will be revoked as soon as practicable.

The move was made after consultation and in cooperation with the Bituminous Coal Division of the Department of the Interior, and the

<sup>1</sup>April 2, 1941.

ceiling prices were issued by the Price Stabilization Division with the approval of Miss Harriet Elliott, Director of the Consumer Protection Division of the Advisory Commission.

Mr. Henderson explained that he had acted expeditiously to make sure that coal prices do not get out of hand and to prevent repetition of the unfortunate experience of the World War, when bituminous coal prices soared to fantastic heights. He added that he was keeping a vigilant eye on prices for other fuels, including anthracite coal, and would take appropriate steps to prevent excessive prices for such fuels.

"Stabilizing bituminous coal prices is doubly important," Mr. Henderson said, "because bituminous coal has a dual character and is a basic industrial commodity, as well as a commodity entering into the cost of living of the average consumer. Because the price of coal enters into the cost of practically every other commodity and because it affects the cost of living, run-away coal prices might touch off a spark leading to other price increases and having spiraling and inflationary results."

The price schedule provides that no producer, distributor, retailer, or other person shall sell, deliver, or offer coal at prices exceeding those received by the seller on similar sales or deliveries made March 28, 1941. If no similar sale was made March 28, the seller is limited to the price received by him on the latest date prior to March 28, 1941.

Mr. Henderson said that he is asking retail coal distributors to use their best judgment in allocating their limited supplies so as to prevent hardships to consumers. Through Frank Bane, Director of the Division of State and Local Cooperation of the National Defense Advisory Commission, the aid of state and local defense councils has also been enlisted. The following telegram was sent today by Mr. Bane to all State and local defense councils:

"In view of bituminous coal strike and in order to prevent run-away prices, Leon Henderson of the National Defense Commission has today issued price schedule freezing prices for bituminous coal, at or below prices charged March 28. These ceiling prices will be revoked when production is substantially resumed. Ceiling prices apply to producers, distributors, retailers, and all other sellers. We should appreciate your cooperation in helping to publicize and enforce this price ceiling and to prevent any taking of advantage of the possible emergency. We suggest that you contact all coal distributors and retailers in your region and assist them in allocating their stocks in the interest of national defense and community needs."

Any seller suffering hardships or inequities in the operation of the Schedule may present his case to the Price Stabilization Divi-

sion by petition for modification, Mr. Henderson said. He added, however, that since the coal to be sold in the weeks to come has been produced or acquired prior to the stoppage of production, there is an absence of any increased cost and any price rise would therefore represent an attempt to take undue advantage of the emergency and to take large profits on existing stocks of coal.

The Price Schedule provides that in the event of any failure to observe the ceiling prices, the Price Stabilization Division will "make every effort to assure (a) that Congress, the various Federal, State, and local agencies and committees, including defense organizations, and the public are fully informed of the instances of such profiteering or noncooperation; and (b) that the powers of the Government are fully exerted in order to protect the public interest in the maintenance of fair prices."

Persons who have evidence of violations of the ceiling prices, or of speculation or hoarding, are urged to communicate with the Price Stabilization Division.

#### **Press Release<sup>1</sup>**

The coal price schedule issued April 3, freezing coal prices at or below the prices charged March 28, does not prevent a producer from asking higher prices when selling or offering for sale coal to be mined after the mines resume operation and to be delivered after revocation of the schedule, Price Commissioner Leon Henderson of the National Defense Advisory Commission announced today.

The statement was made by Mr. Henderson in a telegram replying to an inquiry from John A. Luse, executive secretary of the Bituminous Coal Producers Board No. 7, Washington, D. C. Mr. Luse asked whether a producer, in quoting prices now on deliveries to be made after the strike ends, may provide for increases to cover increased wage costs.

In reply Mr. Henderson said that the price schedule "contains no prohibition with respect to sales or offers of sale relating to coal to be mined after mines resume operation and to be delivered after price schedule is revoked".

He explained that the "schedule will be revoked as soon as practicable after substantial resumption of production".

#### **Press Release<sup>2</sup>**

Modification of the bituminous coal price schedule to avert hardship for mines where work has been resumed under retroactive wage

<sup>1</sup> April 5, 1941.  
<sup>2</sup> April 16, 1941.

agreements during strike settlement negotiations was announced today by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply.

This modification took the form of a supplement which permits bituminous coal sellers operating under such conditions to sign collateral agreements with purchasers.

Under such agreements, an operator is permitted to obtain, for coal mined after the price schedule is revoked and there has been substantial resumption of production, an agreed sum equal to the maximum price set up in the schedule plus the increase in costs necessitated by the retroactive wage agreement.

"Because of the depressed nature of the bituminous coal industry," Mr. Henderson said, "the actual prices on March 28, 1941, which constitute the maximum prices contained in Price Schedule No. 5, approximate the minimum prices fixed by the Bituminous Coal Division. The industry is practically unique in that these prices, generally speaking, do no more than to return to producers their average costs. In the event, therefore, that a wage increase is made retroactive, hardship and inequity to producers and other sellers might result unless this relief is granted.

"Consumer protection will not be diminished by the supplement, since the March 28 price ceiling is maintained for all coal above ground. Collateral agreements are not permitted unless the coal is newly mined under a retroactive wage agreement. Moreover, future compensation is limited to actual increases in cost at the normal rate of production."

#### **Press Release<sup>1</sup>**

The price schedule issued April 2 setting a ceiling on prices on bituminous coal and the supplement to it issued April 16 were revoked yesterday by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply. Mr. Henderson warned, however, that price action would be renewed if unreasonable prices are charged.

The bituminous coal price schedule set a ceiling for all stages of the distribution process at levels prevailing March 28, 1941. The purpose was to avert price increase because of curtailed supplies due to the coal strike. The schedule stated that it would be revoked when substantial resumption of bituminous coal production was achieved.

This schedule was modified by a supplement issued April 16. The supplement provided relief for mines which reopened under a retroactive wage agreement.

The revocation was made after consultation with the Bituminous Coal Division of the Department of the Interior, with which division

<sup>1</sup>May 1, 1941.

Mr. Henderson's office has cooperated in the administration of the schedule.

"Although the schedule is revoked," Mr. Henderson emphasized, "no reason exists for any unreasonable price increases in bituminous coal. Preliminary statistics computed by the Bituminous Coal Division indicate that the average cost of producing coal in 1940 decreased approximately 18 cents per ton under the average costs obtaining in 1936 and 1937, upon which the division based its minimum prices. Many producers, therefore, will be able to absorb any cost increases because of wage adjustment, and price increases in many areas will thus be unnecessary.

"If unreasonable prices are charged by either producers, distributors, or dealers," Mr. Henderson continued, "price action with regard to bituminous coal will be promptly reinstated. If a ceiling again becomes necessary it may have to be imposed at a level lower than that to which coal prices have become inflated. Persons affected by any unreasonable price increases are urged to communicate with this office.

"In the event of any temporary shortage in bituminous coal after resumption of production, due to transportation or other causes we ask that all sellers of coal favor defense industries wherever possible. Such patriotic action will make unnecessary any attempt at rationing the supply in the areas affected."

Mr. Henderson expressed his appreciation for the excellent cooperation received from state and local defense councils in connection with the coal schedule.

## TITLE 32—NATIONAL DEFENSE

### Chapter XI—Office of Price Administration and Civilian Supply

#### PRICE SCHEDULE No. 5

##### *Order of Revocation*<sup>1</sup>

###### BITUMINOUS COAL

Because of the cessation of production of bituminous coal resulting from the failure of mine operators and employees to negotiate a wage agreement, the Office of Price Administration and Civilian Supply of the Office for Emergency Management on April 2, 1941, issued Price Schedule No. 5, fixing a ceiling price upon bituminous coal. The Schedule provided for its revocation as soon as practicable in the event of a substantial resumption of bituminous coal production. To avoid hardship, Supplement No. 1, authorizing collateral agreements where production was resumed subject to a retroactive wage agreement, was issued April 16. We are now informed that as a result of an agreement reached yesterday between operators and employees, substantially all bituminous mines will be reopened this morning, subject either to a new wage agreement, or to wage negotiations the result of which is to be made retroactive to the date of resumption.

ACCORDINGLY, PURSUANT TO AND UNDER THE AUTHORITY VESTED IN ME BY EXECUTIVE ORDER 8734, IT IS DIRECTED THAT:

Price Schedule No. 5, and Supplement No. 1 thereto, are hereby revoked.

Issued this 1st day of May, 1941.

LEON HENDERSON,  
*Administrator.*

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL  
JOHN E. HAMM, *Deputy Administrator.*

<sup>1</sup> Federal Register, May 2, 1941, Vol. 6, No. 88.

MAY 23 1941

Dear Leon:

Referring to your letter of May 16 with respect to obtaining information from corporate tax returns filed with the Bureau of Internal Revenue, it seems to me that the most effective way to handle the problem would be for you to request, as you need them, copies of the transcript cards which are prepared in the Bureau from the tax returns themselves.

I would prefer that as you require such information with respect to a particular company or industry, you request it in accordance with the usual procedure, rather than ask us to comply with a blanket request for such information as regards all corporations over a certain size.

Of course, as was indicated by your letter to me under date of April 16, any information obtained by your office in accordance with the procedure herein outlined, is to be kept confidential.

Sincerely yours,

(Signed) Henry

Secretary of the Treasury.

Hon. Leon Henderson  
Administrator  
Price Administration and  
Civilian Supply,  
Washington, D. C.

JJO'C:rgs  
5/21/41

By Messenger 5<sup>00</sup>  
File to Mr. Thompson

Washington, D.C.

2000 Massachusetts Avenue, N.W.

May 16, 1941

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

Dear Henry:

In accordance with your letter of April 22, representatives of this office have discussed with Mr. O'Connell and Dr. Atkeson the easiest way of obtaining, for the purposes of the O.P.A.C.S., certain information in the corporate income tax returns for the year 1940.

In these discussions a simpler technical way of obtaining this information was found than we had originally envisaged. It now appears that we can obtain all the information needed for our purposes from the transcript cards which the Bureau of Internal Revenue prepares in its ordinary course of business. My request, therefore, is for photocopies of the transcript cards for all corporations with over \$250,000 assets in the manufacturing, mining and construction industries. If there are difficulties in making copies of all these returns available to us at one time, it would be agreeable if we obtained them industry by industry over some period of time.

If this request meets with your approval, I suggest that the technical details be worked out in the near future between representatives of the two offices.

Sincerely,

/s/ Leon

Leon Henderson  
Administrator

DRAFT OF PROPOSED CIRCULAR TELEGRAM TO  
THE AMERICAN MISSIONS IN THE AMERICAN REPUBLICS

AMERICAN EMBASSY,  
.....

The Treasury Department is currently studying various aspects of transfers of dollar accounts--particularly European and Asiatic--from the United States to Latin America, and has requested a report on the following questions:

1. To what extent are the Central Bank and commercial banks accepting dollar deposits for European and Asiatic account?
2. To what extent are local branches or affiliates of European and Asiatic banks transferring dollar deposits to the Central Bank and to other local banks?
3. To what extent do the exchange control authorities regard such dollar deposits as part of their exchange availabilities? Does a commercial bank have to turn over such deposits to the exchange control authorities? If so, why does it accept dollar deposits?
4. Do the Central Bank and commercial banks maintain dollar reserves behind such dollar deposits?
5. To what extent may dollar deposits be freely withdrawn or transferred by the depositors?

You are instructed to approach as discreetly as possible the appropriate authorities with regard to the foregoing inquiry and to report



- 2 -

to the Department by telegraph. You may find it desirable to emphasize the fact that the information given you will be for the strictly confidential use of this Government.

COPY:lap-5/23/41

## PARTIAL PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Rio de Janeiro.

DATE: May 23, 1941, 7 p.m.

NO.: 336.

Reference is made to the Embassy's telegrams nos. 373 and 416 dated April 29 (2 p.m.) and May 6 (11 a.m.), respectively.

On May 2 the Federal Reserve Bank of New York telegraphed the Bank of Brazil in reply to the latter's telegram dated April 29:

"We cannot cable to Banque Nationale du Royaume de Yougoslavie but Minister of Yugoslavia to the United States has been informed of your cable. We would have no authority to agree to condition suggested by you but we are authorized by our Treasury and State Departments to say that if transfer is made to us funds will be blocked under existing freezing order covering Yugoslavian property, and that our government will not issue license permitting withdrawal until after consultation with you and after satisfying itself that instructions for such withdrawal are authorized. In the meantime you will be in a position to get whatever confirmation from Yugoslavian authorities you may deem appropriate covering the transfer to us."

We are certain that the German forces which occupy Yugoslavia will endeavor in the near future to claim the funds deposited with the Bank of Brazil by the Yugoslav National Bank. Therefore you are requested to again take this matter up urgently. You may point out that, in its telegram, the Federal Reserve Bank gives assurances to the Bank of Brazil of a very substantial protection if it will comply with the Yugoslav Government's request and transfer the funds. This matter has again been discussed

by

-2-

by the Department with the Yugoslav Minister here and he believes that because of the authority which the Government of Yugoslavia can exercise over the Yugoslav National Bank under existing law, in due course it will be possible for the Government of Yugoslavia to furnish all the required documentation to support the action which may be taken by the Bank of Brazil pursuant to the instructions regarding the disposal of these funds received from the Government of Yugoslavia.

You are authorized to state that the Government of the United States greatly desires that immediate transfer of these funds be made <sup>and</sup> that the Government of the United States will cooperate with the Bank of Brazil in the securing of the required confirmation from the authorities of the Yugoslav Government. It should also be emphasized that, as set forth in the telegram which the Federal Reserve Bank of New York sent to the Bank of Brazil, the Government of the United States will not issue any license allowing withdrawals from the funds which are transferred from the Bank of Brazil until after the Bank of Brazil has been consulted.

The Yugoslav Minister at Rio de Janeiro is being instructed (by telegraph) <sup>by the Yugoslav Minister at Washington</sup> to coordinate action with that taken by you.

HULL  
(SW)

860H.51/1033  
EA:FL:MSG EU RA  
EA:MSG

Copy of Letter from A. Mexico City, May 23, 1941

The President made declarations yesterday to the press insisting upon his intentions for reform, at the same time pointing out that things are under consideration and that he prefers to take well considered steps in time and not taking steps quickly which are likely to have to be retroceded again. This sounds like very good rhetoric but the people here are getting very fidgety and in my opinion are perfectly justified in being so and the great optimism which reigned a few months ago is gradually turning into a decided pessimism.

Responsible for this is the fact that nothing is being done. The old trend of affairs is still keeping on notwithstanding that the labor situation is somewhat better. The defects of the administration are not bettered in any way, as is usually the case when a new Government comes in as all officials are careful at the beginning so that nothing can be said against them or they might lose their jobs.

To the contrary, all defects are even bigger than ever.

The principal danger consists in that the people have come to believe that the President is a weak man and that is a terrible thing for Mexico.

The lower class element and especially the population away from the towns have got an extremely fine sense of feeling the strength of the Government better than we here in towns, and once they have found out that they can play with the Government it is a free fight for all for the spoils.

Examples are already visible. The communistic feat of trampling on the Mexican flag and hoisting the Bolshevik flag as practised by some schoolmasters in Guerrero and their vindication by the Minister of Education (of well known communistic ideas), in face of all official information which pointed to the veracity of facts as described above, simply shows that even in the Cabinet there is a complete dissension with the ideas of the President. The fact that in face of public opinion and in view of some independent reports the schoolmasters as described above were finally arrested, does not help matters much.

The fact that communistic elements take out and sell freely the sugar as warehoused in one Hacienda in Veracruz is a bad sign, but the fact that the Government has not taken, to my knowledge, any stand against it makes it much worse.

How can confidence, so essential to the well being of this country, be regained when things happen as above, if you consider that this sugar was pawned to one of the principal banks in Mexico.

Apparently people are still believing that the President's brother, who is expected to enter the Cabinet soon, will make matters change; however the fact remains that unless such changes take place and very soon, I must be pessimistic for the near future of Mexico.

-2-

If the communists have free hands as above, what a beautiful camp of activity for the 5th column!!

The death of Mr. Javier Sanchez Mejorada is undoubtedly a very strong loss to the mining industry. He was an exceptional man as far as his position was concerned. He was honest, had filled several public positions with credit, was no politician and had everywhere an open door. While of course no man is irreplaceable it will be difficult to find a good successor.

RECEIVED  
Treasury Department  
MAY 27 1941  
Division of  
Monetary Research

W.T. 1032/13/41.

BRITISH EMBASSY,  
WASHINGTON, D.C.,  
May 23rd, 1941.SECRET

Dear Cochran,

Further to my letter of May 19th forwarding you information from our Legation at Caracas, London now draw my attention to a similar proposal made to Peru, and which was notified to you on February 8th in our memorandum W.T.92/1/41, reading:-

"We are informed by our Legation at Lima that Central Reserve Bank of Peru have received a cable from the State Bank of Moscow making known their intention of opening a free dollar account in Lima and asking for general conditions."

London have, as yet, received no evidence of money having actually been transferred in the case above quoted, and have asked me to inquire whether there is any knowledge of it here. They point out that, both in this case and in the Venezuelan case reported on May 19th, the schemes seem obviously designed to avoid the effects of any possible Freezing Order.

Yours sincerely,

(Signed) R. J. Stopford

Mr. Merle Cochran,  
U. S. Treasury Department,  
Washington, D. C.

HWA:TMI

COPY - 5/23/41 - dm

JT

GRAY

LONDON

Dated May 23, 1941

Rec'd 11:55 a.m.

Secretary of State,  
Washington.

2070, May 23, 5 p.m.  
FOR TREASURY.

Invoice certified 23d covering 13,664 fine ounces  
gold price 168 shillings fine ounce value 114,778 pounds  
by BIAFRA about 24th Swiss Bank Corporation London to  
same New York.

WINANT

RR

DES

PLAIN

Relaid

H. H. Good

LONDON

Dated May 23, 1941.

Rec'd 3:07 p.m.

Secretary of State,  
Washington.

2072, May 23.

~~XX~~

Ministry of Information announces that British Government has concluded economic agreement with French Equitorial Africa under which Government undertakes to purchase total output of palm kernels palm oil peanuts and beniseed. Government also undertakes to purchase considerable proportion of coffee crop very large quantities of timber and to ensure sale of commercial saleable cotton crop up to 20,000 tons. Agreement operates retrospectively dating from October 1, 1940 to September 30, 1941. Purchases involved are stated to be already well under way.

British Government undertakes to make all purchases in pounds sterling converted at official rate of 176.625 francs to pound and to place such sterling at disposal of authorities of French Equitorial Africa as well as to facilitate so far as possible supply of essential imports from sterling area.

WINANT

RR



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P  
Y

GMW

PLAIN

Chungking via H. R.

Dated May 23, 1941

Rec'd 12:43 p.m.

Secretary of State,  
Washington.

200, May 23, 2 p.m.

According to press reports the Chinese Government has announced regulations governing the issue of a United States dollars ten million Yunnan-Burma Railway gold loan, authorized by the industries of finance and communications to issue Government bonds at United States dollars ninety eight on July 1, 1941, up to a total of United States dollars ten million, bearing five per cent interest. The loan is to be redeemed within twenty-five years beginning in 1944 and railway revenue surplus will be earmarked for the sinking fund for payment of interest and redemption. Deficiencies will be made up with National Treasury revenues. Bonds will be issued in one thousand, one hundred, fifty and five dollar denominations. The Central Bank of China is the paying agent for this loan.

Sent to the Department, repeated to Peiping and Shanghai.

GAUSS

HTM

COPY:mg:5/26/41

May 23, 1941

Under Secretary Hall

Mr. Cochran

When you and Messrs. Bernstein and White and I yesterday afternoon were terminating our discussion of final arrangements with respect to our group proceeding to China, I telephoned Mr. George Acheson, Assistant Chief of the Far Eastern Division of the Department of State. In answer to my inquiry, he told me that a note from the Chinese Embassy, to the effect that the Chinese Government had accepted the recommendations of the Secretary of the Treasury for the appointment of Messrs. Fox and Taylor, had been received, and that the letter transmitting this to the Treasury Department had just left his desk, and would have to be initialed by several officers before signature and dispatch to us. I asked that he provide me informally, as soon as possible, a copy of the Chinese note, in order that we might see this text before our representatives depart. I have this morning received the attached copy. The official communication from the Department of State transmitting such note is still to come.



ENC: dm: 5.23.41

CHINESE EMBASSY  
WASHINGTON

May 16, 1941

Sir:

With reference to your note of May 2, 1941 and my note of May 10, 1941, I have the honor to inform you that the Chinese Government is pleased to accept the recommendations of the Secretary of the Treasury regarding the appointment of Mr. A. Samuel Fox as American member of the Chinese Stabilization Board and Mr. William E. Taylor as alternate member of the Board and assistant to Mr. Fox. Provision will be made by the Chinese Government for the payment of the salaries and expenses of Mr. Fox and Mr. Taylor. It is also noted that Mr. Walter F. Fress has been designated to assist Mr. Fox and Mr. Taylor in the performance of their functions.

In regard to the names and nationalities of the other members of the Stabilization Board, I am instructed to state that the Chinese Government has decided to appoint Mr. CHEN Kung-yu (K.P. Chen), former General Manager of the Shanghai Commercial and Savings Bank, Mr. HSI Teh-sun (T.H. Hsi), General Manager of the Banking Department of the Central Bank of China, and Mr. FHI Yui-yoo, Assistant General Manager of the Bank of China, as Chinese members of the Board and to designate Mr. Chen as Chairman of the Board. These appointments will be formally announced as soon as official recommendation is received from the British Government for the appointment of a British member.

I shall be much obliged if you will be so good as to convey the above information to the Secretary of the Treasury.

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

HU SHIH

COPY - 5/23/41 - dm

## TELEGRAM SENT

DES

May 23, 1941.

5 p.m.

AMERICAN CONSUL,

HONG KONG (CHINA) VIA N.R.

INFO: AMEMBASSY, CHUNGKING  
AMEMBASSY, PEIPING.

123.

Mr. A. Manuel Fox, American member of the Chinese Stabilisation Board, Mr. William H. Taylor, alternate American member of the Board and assistant to Mr. Fox, and Mr. Walter F. Freese, American assistant to Mr. Fox and Mr. Taylor, are scheduled to arrive at Hong Kong by Pan American Clipper plane June 3. They bear special passports to which British and Chinese visas have been affixed. Please facilitate their admission to Hong Kong and render any other assistance which may be appropriate and necessary.

Sent to Hong Kong. Repeated to Chungking, Peiping.

HULL  
(15GH)

FE:GA:OJL FE PD

Copy: jpt

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE May 23, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£64,000
Purchased from commercial concerns	£12,000

The Federal Reserve Bank of New York sold £10,000 in registered sterling to the American Express Company.

Open market sterling was quoted at 4.03-1/2, and the only reported transactions consisted of £3,000 purchased from commercial concerns.

The Cuban peso, which improved to 2-5/16% discount yesterday, moved off to 2-1/8% today.

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

Canadian dollar	12-13/16% discount
Swiss franc	.2321
Swedish krona	.2385
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2375
Brazilian milreis (free)	.0505
Mexican peso	.2070

In Shanghai, the yuan was unchanged at 5-13/32¢, and sterling was again quoted at 3.91-5/8.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, the price fixed for both spot and forward silver was 23-3/8d, off 1/16d in each case. The U.S. equivalent of this price is 42.44¢.

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

We made three purchases of silver totaling 250,000 ounces under the Silver Purchase Act. All of this silver consisted of new production from various foreign countries, bought for forward delivery.

*JMP*

**CONFIDENTIAL**

BRITISH EMBASSY,  
WASHINGTON, D.C.

May 23rd, 1941.

PERSONAL AND SECRET.

Dear Mr. Secretary,

I enclose herein for your  
personal and secret information a copy  
of the latest report received from  
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

TELEGRAM FROM LONDON DATED MAY 21st.

1. Naval.  
Reported 11 enemy merchant ships, 2 large warships, 3 destroyers with 10 to 12 aircraft passed through Kattegat northwards May 20th.
2. Suez Bay May 18th.  
York hit by bomb further extensive damage May 20th, Widnes mine sweeper damaged by near miss.
3. May 20th.  
Heavy casualties inflicted on convoy south of Iceland by U-boat. 6 ships torpedoed, 2 being tankers.
4. One or 2 enemy aircraft damaged attacking Suez canal north kilometres 60 night of May 17th, May 18th.
5. We have occupied Guardafui lighthouse.
6. Gnat bombed Gezala aerodrome night of May 17th, May 18th.
7. Creta.  
18.30/20 further airborne attack developed. Approximately 3,000 men dropped at 18.30/20 1,200 not accounted for, fighting continuing Maleme Ganea areas and at 21.00/20 situation in hand. Parachute troops landed P.M. May 20th Herakleon aerodrome - Retimo - Candia. Prisoners 2000 seaborne attack west of Herakleon on May 21st. Troop carriers which attempted to land mostly crashed and parachutists in Herakleon were reported in English battle dress.
8. Military.  
Iraq. We have occupied point H2 on pipe-line (30 miles northeast of Rutba).
9. Royal Air Force.  
Greece. Night of May 18th, May 19th. 7 Wellingtons made effective night attack on aerodromes at Hassani and Alousis.
10. German Air Force.  
May 20th and night of May 20th, 21st. Enemy

/activity



2.

activity against the United Kingdom afloat.

11. Iraq. May 20th.  
10 ME 110's attacked Fallujah; 3 HAI.111's  
and 4 ME 110's twice machine gunned and bombed Habbaniya  
aerodrome. 2 hangars containing trainer aircraft set  
on fire, 5 aircraft damaged, 7 others damaged on the  
ground.

12. Home Security.  
Night of May 20th, May 21st.  
2 aerodromes Cornwall and 1 Norfolk attacked  
but little damage reported.

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CONFIDENTIAL

MILITARY INTELLIGENCE DIVISION  
WAR DEPARTMENT  
Washington, May 23, 1941

TENTATIVE LESSONS BULLETIN  
No. 108  
G-2/2657-235

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction, see Letter TAG 350.05 (9-19-40) M-B-M.

BRITISH NOTES ON CAMOUFLAGESOURCE

These notes are based upon information prepared by the British War Office in September 1940.

CONTENTS

1. GENERAL
2. DISRUPTIVE PAINTING
3. HUTTED CAMPS
4. TENTED CAMPS
5. NETTING AND STRIPS
6. VEHICLES
7. FIELD DEFENSES

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CONFIDENTIALBRITISH NOTES ON CAMOUFLAGE1. GENERAL

There exists a mistaken impression that only artists are capable of good camouflage work, and in consequence, camouflage has been either considered a sort of magic rite or omitted altogether. In fact, excellent results can often be obtained by exercise of common sense, imagination, and attention to detail; it is only in exceptional cases that the services of a specially trained officer are required.

The main factor in any camouflage problem is the range from which the object is to be concealed. This is determined by the form of attack. It is obviously impracticable to conceal large installations such as factories from close range view. Here the presumed form of attack is high level bombing, and the ruling policy is that objectives be rendered inconspicuous to view from an enemy bomber flying above 5,000 feet. Allowing time for recognition, aiming run, and time of fall of the bomb, this means that the target should be inconspicuous at a horizontal range of about five miles. The underlying principle is to make the enemy bomb an area rather than a specific target, or else to delay him in the area while he reconnoiters it.

Camouflage is an adjunct to some means of active defense which will prevent the enemy from reconnoitering before bombing; it cannot be regarded as protection by itself. No attempt is made to defeat the camera, because, in the final event, the bomb aimer has to lay by eye.

On the other hand, gun positions and field defenses, being comparatively small, can be concealed from fairly close view. The most dangerous form of attack is dive or low-level bombing and machine gun fire from the air; the horizontal range of these is from 400 to 500 yards. Certain defenses such as pill boxes, machine gun posts, and OP's may be worth concealing from still closer view on the ground.

This question of range is of the greatest importance because it determined the type and elaboration of camouflage to be adopted. The normal eye can detect against a normal background an object which subtends one minute of arc at the eye; a normal background is anything other than a skyline or a violent contrast. This angle is equivalent to three inches at 300 yards, one foot six inches at one mile, three feet at two miles, and so on. If the object is to be conspicuous, or in other words, if the camouflage pattern is to "tell," it must be three or four times greater than this.

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The corollary of this is that the pattern on huts and buildings which are to be viewed at five miles or more must be very large to have any effect. On the other hand, much more detail is required at 500 yards if the camouflage is to be convincing, because absence of detail would be unnatural. The comparatively small wavy patterns that can be seen everywhere on huts and buildings are quite useless as camouflage; so are similarly sized patterns on pill boxes. In the first example the patterns are too small, and in the latter too large.

2. DISRUPTIVE PAINTING

Most of the misconceptions of camouflage center in the term "disruptive painting" and account for the ineffectual patterns so often seen on buildings alleged to be camouflaged.

One method of concealing the identity of an object is to destroy its shape, so that an observer looking for a specific form is unable to reconstruct it from the pieces he sees. This is achieved by the use of strongly contrasting adjacent tones, on one of which his vision, both mental and physical, is concentrated, while the remainder is neglected; the whole object is thus broken up into dissociated pieces. The basic principles are that the pattern must cross the contours of the object so as to break its edges, under surfaces must be lighter than upper surfaces, and the color used must be present in the background. A striking example of this is the zebra, whose stripes cross his body and limbs and coincide with the light and shade of the thin bush country he frequents. He is very difficult to detect so long as he remains still. On an athletic field, however, he would be conspicuous.

An exaggerated form of disruptive painting is dazzle painting, the sole purpose of which is to distort the shape of an object and not to make it invisible.

Disruptive painting is a positive menace when executed by the inexperienced; it should be left to experts.

3. HUTTED CAMPS

Camps are usually laid out in regular lines to facilitate administration. There are numerous straight roads and paths, often of concrete, one or more parade grounds, and possibly a recreation ground. Most of the huts are comparatively small when viewed from five miles. The whole forms a pattern unlike any ordinary collection of houses or new buildings. It is useless to paint patterns on each building unless the pattern can be continued on the ground to confuse the regular appearance of the layout, but

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such ground patterning is almost impossible to maintain against the ravages of traffic and daily use. In consequence, all that can be done is to tone down all light areas so that visibility from the air is reduced, particularly at night. In addition, it is essential to prevent reflection from the smooth surfaces of roofs and areas of concrete, for paint alone has no value when viewed "up sun," and the surface will look light, whatever its color. Texture must be added in the form of chippings on concrete, or grit on roofs and glass.

To the air observer, roof surfaces reflect more light than the vertical surfaces of walls and therefore appear lighter. Since the whole object of camouflage painting is to break down a three dimensional structure to two dimensions, it is necessary to paint walls a lighter tone than roofs in order to counter the difference of tone which causes the appearance of solidity.

The main cause of difficulty in camouflaging camps is the low ratio of building to total ground area. In large factories the reverse is usual, buildings are much bigger, and there is a larger canvas on which to continue the picture of the surroundings.

4. TENTED CAMPS

There is more scope for concealment of camps when advantage can be taken of natural shadows of woods and hedges. All tents are to be painted in two colors, green and brown. Although the pattern on bell tents is necessarily too small to be effective at long range - and in general practice the same applies to the patterns usually applied on marquees - it reduces the range of visibility, particularly in favorable surroundings. When regular camps are pitched, the silhouette and shadow of tent on tent makes the task of concealment impracticable; all that can be achieved by painting is to make them less conspicuous, especially at night.

5. NETTING AND STRIPS

Ever since netting and strips were evolved as a form of camouflage in 1916, there has been an almost universal belief in the magic properties of netting, even unadorned, to hide objects under it. While eye and camera-proof concealment is difficult to effect without considerable experience, a degree of concealment, which may often be sufficient, can be reached if the fundamental principles are understood.

The function of a camouflage net is to conceal what is underneath it and at the same time not to give away the fact that

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something is concealed. Thus the appearance of the site must not be changed, and the net must not cast a tell-tale shadow. This is an ideal which can be attained in previously selected favorable surroundings, such as ground containing the natural shadow of trees, hedges, or bushes, or otherwise rough and broken. The middle of a grass field or golf fairway is not a good spot. If the choice of site is determined by other considerations, there are two alternatives:

a. Conceal as best you can and confuse the enemy by means of decoys, or

b. Rely, like the rhinoceros, on strength rather than on concealment.

The object of using netting and strips instead of solid cover is to achieve sufficient hiding power with less weight of material, less shadow, and more texture - that is, less reflection of light. Shrimp netting, ungarnished, is sometimes issued where projections on the weapon would prove a nuisance to larger meshed nets.

A common instance of this hiding power is the screen used for reproducing photographs in the press, where the picture consists of a large number of dots so spaced that they present an unbroken surface at viewing distance; the action of the small mesh and thick strand of the shrimp net is similar.

The color of scrim strips used must, in general, be lighter than the ground because of the amount of dark color seen through the gaps.

At least 60 per cent of the center of the nets must be garnished in order to conceal what is underneath. The object itself must also be darkened if it is of a light color. The distribution of strips towards the edges must be very irregular in order to make its shadow shapeless. The net must be much larger than the object to be covered, in order to prevent oblique view under the edges.

#### 6. VEHICLES

The purpose of the pattern adopted for vehicles - dark splashes of gas-proof paint on a background of khaki green - is to facilitate concealment when advantage can be taken of natural shadows. Out in the open such patterning is not of much value except possibly at medium range. Netting with hessian strips carried by many vehicles is intended for use when a park has to

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be formed in open country. In this event, nets must be spread from vehicle to vehicle to hide intervening spaces and shadows. When vehicles are parked singly, the net should be extended to posts or to a convenient tree. Nets can also be used to supplement existing cover.

7. FIELD DEFENSES

Enough has been said to illustrate the difference in technique for large and comparatively small objects. Work on deep dugouts, subways, and mining must be concealed from the start.

The forms of attack to be guarded against take place in two stages. The first is by reconnaissance plane and photography during construction, while the second is close range attack during occupation. In the first stage, overhead cover must be used to conceal all signs of work, and access and plans must be worked out before sod is turned.

Pillboxes, OP's, and machine gun posts will have to stand observation at 400 to 500 yards; at this range fairly small details are appreciable. Common objects of the locality will suggest many appropriate disguises. It is not sufficient to paint typical green and black wavy lines on a pillbox with a hedge as a background; an impression of the hedge itself coupled with natural or artificial foliage, or something to break the outline, is essential. Special care must be taken to work the loopholes into the shadow scheme or conceal them by natural looking means. Since natural foliage will soon fade, it is not a permanent solution.

Opportunity should always be taken, if possible, to look at the finished work from the enemy's point of view.

CONFIDENTIAL

RESTRICTED

G-2/2657-220; No. 399 M.I.D., W.D. 12:00 M., May 23, 1941.

SITUATION REPORTI. Western Theater.

Air: Limited activity on both sides.

II. Crete.

Hard fighting continued in the Malemi area, where the Germans hold the airport, and at Candia, Suda Bay and Canea. German air-borne reinforcements continue to arrive. German sea-borne reinforcements have, generally speaking, been intercepted. British naval units have been repeatedly attacked by German bombers.

III. Mediterranean and African Theaters.

Ground: No change.

Air: Axis. Renewed attacks on Tobruk.

R.A.F. Harassing attacks in Libya.

IV. Middle Eastern Theater.

Ground: Fairly heavy fighting in the Fallujah area (35 miles west of Baghdad). Principal Iraqi strength is located in the area Mosul-Baghdad.

Air: German air force continues to build up in the Mosul area. Now estimated at several squadrons.

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# CONFIDENTIAL

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Paragraphs of Code Schleggen  
Received at the War Department  
at 18:27, May 23, 1941.

London, filed 14:54, May 23, 1941.

## I. Naval Information.

1. On the night of May 21 two Axis cruisers and three destroyers were observed in the vicinity of Lampedusa.
2. Two cruisers and three destroyers were observed off Pantelleria on May 21, also seven freighters and four destroyers.
3. One aircraft carrier which may have been the SHAM (22,146 tons) and one other naval craft, possibly the HELEN HEYDEN (mine laying cruiser, 5,225 tons), were sighted off Goetria, St. Lucia Island.
4. OT Bergen one battleship of the BISMARCK class (35,000 tons) and one of the HIFER class with one destroyer and six freighters were observed.

## II. Air Activity.

1. British Air Activity over the Continent.
2. Daylight May 21. British bombing planes attacked shipping on the Norwegian coast and damaged one freighter.
3. Night of May 21-22. The Coastal Command bombed German naval units in the harbor of Bergen.
4. Daylight May 21. Eight British bombing planes attacked Heligoland and 18 performed bombing missions over Bithune with an escort of three fighter squadrons.
5. German Air Activity over Britain.
6. Night of May 22-23. No operations took place.
7. Daylight May 22. Operations on a limited scale were confined to defensive patrols in the Calais-Dover area. One bomber was sighted

CONFIDENTIAL

over Sussex and one over Wiltshire.

3. Air Losses British Sector.

2. British.

(1) Harlight Mar 21. One bomber was lost in the attack on Heligoland, and one bomber and six fighters were lost over Rotterdam.

1. German.

(1) Harlight Mar 21. Five German fighters were shot down and eight damaged in the attack on Rotterdam.

(2) Harlight Mar 22. British fighter squadrons shot down two German planes over the Channel.

4. British Air Activity Middle East Theater.

2. Harlight Mar 21.

(1) Libya. A large number of motor vehicles in convoy were destroyed by British bombing near Sigeia and Brega.

(2) Greek planes based on Egypt subjected airfields in southern Greece employed by the Germans as bases for operation against Crete to heavy attack.

(3) Iraq. British planes attacked with bombs and machine guns the Iraq forces attempting to seize Fallujah. A large gasoline dump was set on fire, and an enemy troop column was bombed 15 miles northeast of Baghdad. Fighter planes were active over Mosul.

3. German Air Activity Middle East Theater.

2. Night of Mar 21-22.

(1) Malta. Three formations of German planes were observed over Malta but no bombs were dropped. Elsewhere in the theater there was no air activity in either Iraq or Syria. This office is sending forward

a cable message on the situation in Crete.

6. German Air Losses Middle East Theater.

8. Enlight No. 22. In fighter operations over Mosul  
British shot down two German planes and damaged some others.

END

**Distribution:**

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

-3-

CONFIDENTIAL

Paraphrase of Code Sublogram  
Received at the War Department  
at 17:00, May 23, 1941

London, filed 18:15, May 23, 1941.

1. As was reported on May 22 the Royal Navy sank a German troop convey on the night of May 22-23. An additional convey of about 30 ships was met with near the Isle of Malos and when the last information was received here they were still being followed and attacked. The British ships were being subjected to severe attacks by dive bombers.

2. British military authorities report that one battalion of reinforcements has been sent to Crete from Egypt by ship arriving on the night of May 22-23. The situation in regard to ammunition is satisfactory. It is planned to send bombers from Egypt to the vicinity of Malami.

3. Up to 15:00 May 23 intense fighting was continuous, but outside of the Malami area where the airfield had been captured and is still held by the Germans military authorities here consider that the situation is under control. Combat orders which have been taken from prisoners reveal that the Germans had as their mission the capture of the Suda Bay vicinity. In this they have not been successful as the British still maintain themselves on perimeter defense lines and have their base organizations intact.

4. The situation in the Herakleion and Retimo areas is quiet and mopping up operations are going on. Supplies were dropped from 14 German planes but were seized by the British.

5. In the vicinity of the Malami airport the situation is not so satisfactory. Some of the British artillery has been put out of action

CONFIDENTIAL

by bombing and more Germans have been landed by gliders, air transports and parachutes. Some of the gliders were equipped with engines so that they could be landed in the water near the shore and reach the beach under their own power. The counterattack made by the British was repulsed and the Germans, after receiving air-borne reinforcements, attacked in return.

LEN

**Distribution:**

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

-2-

**SECRET**

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

Date 5-26-41 (A. C. S.)  
Initials

Paragraphs of Code Sablogram  
Received at the War Department  
at 9:35, May 23, 1941.

Ankara, filed May 22, 1941.

In further elaboration of my despatch No. 215, the British have been informed that French Colonial Troops reported in Iraq have been sent there with the purpose of containing the Arabs within Syria.

In regard to highway connections with Teheran, 1,600 kilometers is the total distance. (Reference 209).

All information on Axis ships passing through Barcelona has been made available to the British through Turkish sources. This is later information than that forwarded in number 198.

**KLMS**

**Distribution:**

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

**SECRET**

302  
**SECRET**

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

Date MAY 26 1941 (B.P.)

Initials

**Receipt of Code Sublogram  
Received at the War Department  
at 07:44, May 25, 1941.**

Cairo, filed 19:55, May 25, 1941.

1. German airplanes have been observed on Malce Island. Captured Germans have reported that their headquarters have made arrangements for the same concentration and tactics of troops for May 21 as for May 20.

2. The results of British attacks on airfields in Greece on the night of May 20-21 are not known.

3. Military authorities at Crete are still anticipating an attack by sea. 2,500 of the 3,500 air-borne troops in the Gouss area have been taken care of. During the hours of darkness, on May 20-21 there was little activity, but the attack on Suda Bay and Malce was resumed at 06:30, May 21.

4. ~~Info.~~ Three Bf-109's and four Bf-110's made bombing raids on Habbaniya. Sources we consider authoritative but unofficial inform us that the Free French in Trans-Jordan are planning to invade Syria. The French Army in Syria is being transferred to Lebanon.

5. There are approximately 2,000 German motor transport vehicles in the Gouss area, together with large number of tanks. Numerous supply dumps have been observed.

**FINISH**

**Distribution:**

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

**SECRET**

303  
**SECRET**

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

Date MAY 26 1941 )  
Initials

Paragraphs of Code Sublogram  
Received at the War Department  
at 07:44, May 25, 1941.

Cairo, filed 23:55, May 21, 1941.

On account of the failure of communications from Crete on May 21, the following information on the situation there is incomplete.

1. The British bombing of Greek airports on the night of May 20-21 was without success.
2. The last message received from the Army station at 16:00 May 21 stated that the German troops which had taken Malindi airfield were being held under artillery and machine gun fire. The best information is that attacks by air-borne troops were as persistent on May 21 as on May 20.
3. No air force messages have been received since 09:10, May 21.

**YELIENS**

**Distribution:**

Secretary of War  
State Department  
Secretary of Treasury  
Under Secretary of War  
Chief of Staff  
Assistant Chief of Staff, G-2  
War Plans Division  
Office of Naval Intelligence  
Air Corps  
G-5

**SECRET**



**CONFIDENTIAL**

**Paraphrase of Code Cablegram  
Received at the War Department  
at 10:48, May 23, 1941**

**Sofia, filed 14:10, May 23, 1941.**

I have been unable to authenticate certain information given to me by head of the Bulgarian Press who received his information from a German source.

This informant stated that at Aviak 130 German planes had landed on May 21. In addition 21,000 Germans had landed on Crete as of the same date.

**JADWIN**

**Distribution:**

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

**CONFIDENTIAL**

CONFIDENTIAL

305

Paraphrase of Code Radiogram  
Received at the War Department  
at 11:31, May 24, 1941

Budapest, filed 1365, May 24, 1941.

1. The war resulted in great destruction of bridges in Jugoslavia. It is known that 81 bridges were destroyed in the Hungarian occupied area including the large TISVET and DANUBE RIVER bridges, the cost of these bridges is estimated at six million dollars.

2. A German warship believed to be a destroyer (?) descended the DANUBE on May 21st; also a river boat loaded with storm troopers. A considerable number of German airplanes flew over Budapest on May 23rd.

PARTRIDGE

Distribution:

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

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**CONFIDENTIAL**

306

**Paragraph of Code Cablesgram,  
Received at the War Department  
at 9:55, May 23, 1941.**

**Rome, filed May 23, 1941.**

**According to present information Italian troops are moving toward the frontiers of Switzerland.**

**The fact that Alpine units are taking part in maneuvers in the North and that troops are returning from Albania, accounts somewhat for these reports. However this does not explain wholly the number of troops reported to be along this frontier.**

**Since any damaging of railroad tunnels along these frontiers would greatly interfere with future Italian-German traffic, particularly vital coal imports transiting through Switzerland, it is not believed that Italian forces would be used in this area for political pressure against Switzerland. Because of Italian sensitiveness to these economic needs, this theory is precluded.**

**FINIS**

**Distribution:**

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

**CONFIDENTIAL**

**SECRET**<sup>307</sup>

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

Date MAY 24 1941 ( )

Initials

Paraphrase of Cole Sublogram  
Received at the War Department  
at 7:44, May 23, 1941.

Cairo, filed 13:47, May 23, 1941.

1. South of Gapsze on May 18 a fight took place between British and Axis tanks. The battle involved thirty tanks on each side. Successful close support was rendered by 28 Blenheim and one Hurricane squadron.

2. Great Britain's lack of aircraft and shortage of suitable types prevented extensive use of liaison and observation of action. Lighters, requiring fighter protection even for artillery spotting, have not been successfully employed since Britain lost control of the air.

3. Operating in the Western Desert are three army cooperation squadrons which include one Hurricane, one mixed Hurricane-Lyonsder, and one Martin squadron. The squadron of Martins is used for strategical reconnaissance with medium long-range operation. The Hurricane squadron furnishes tactical reconnaissance and direct support by observing and attacking motor transport convoys and armored car columns in the rear of the enemy line. The Hurricane-Lyonsder squadron is employed in the same way closer in. During skirmishes involving armored vehicles, all squadrons and other available aircraft furnish close support when possible.

**YELLEN**

**Distribution:**

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

**SECRET**

**SECRET**

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

Date MAY 26 1941 *REP*  
InitialsParaphrase of Code Sablogram,  
Received at the War Department  
at 07:44, May 25, 1941.

Cairo, filed 13:47, May 20, 1941.

1. Low performance planes such as the Lynxers have not been found satisfactory by the British. In the fighting in Libya they are only serviceable behind the lines, for artillery observation and close-in reconnaissance. In Greece, they were of no value whatever. Accordingly Hurricanes were withdrawn from their proper combat missions to convey Lynxers. As the latter must have fighter support the British air forces have determined that all observation should be by planes with high performance which are equipped for distant observation and can ward off attack by their own means, or escape, by reason of their speed.

2. When enough planes are available the British intend to divide their air command in the Libyan Desert into three groups.

a. A striking force consisting of medium bombers and fighters, for use by the Army commanders as tactical support.

b. Army cooperation for liaison with ground troops, artillery spotting and observation. For this purpose medium bombers, fighters, and observation planes are employed.

c. A tactical group consisting of bombers and fighters especially equipped for long-range observation with the mission of tactical reconnaissance and attacking tactical targets.

3. This is the same arrangement which the Germans have used, employing Junkers 88's, He-17's and He 111's for medium range tactical re-

**SECRET**

**SECRET**

309

commitments, and, for direct or close support No-109's and 110's.  
NS 126's are employed for Army cooperation and liaison.

**YELLS**

**Distribution:**

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

**SECRET**

COPY

310

DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
FE 893.51/7219

May 24, 1941

My dear Mr. Secretary:

Further reference is made to your letter of April 30, 1941, the text of which was sent on May 2 to the Chinese Ambassador, in regard to the appointment of members of the Chinese Stabilization Board in accordance with the provisions of the agreement dated April 1, 1941, between the National Government of China, the Central Bank of China, and the Secretary of the Treasury of the United States.

I take pleasure now in enclosing herewith for your information a copy of a note of May 16 from the Ambassador, transmitting the reply of the Chinese Government to your recommendations and giving a list of the Chinese members of the Stabilization Board.

Sincerely yours,

(Signed) Cordell Hull

Enclosure:

As stated above.

The Honorable  
Henry Morgenthau, Jr.,  
Secretary of the Treasury.

*original in "Original Documents File"*

CHINESE EMBASSY  
WASHINGTON

May 16, 1941

Sir:

With reference to your note of May 2, 1941 and my note of May 10, 1941, I have the honor to inform you that the Chinese Government is pleased to accept the recommendations of the Secretary of the Treasury regarding the appointment of Mr. A. Manuel Fox as American member of the Chinese Stabilization Board and Mr. William H. Taylor as alternate member of the Board and assistant to Mr. Fox. Provision will be made by the Chinese Government for the payment of the salaries and expenses of Mr. Fox and Mr. Taylor. It is also noted that Mr. Walter F. Frese has been designated to assist Mr. Fox and Mr. Taylor in the performance of their functions.

In regard to the names and nationalities of the other members of the Stabilization Board, I am instructed to

Mr. CHEN

Honorable Cordell Hull,

Secretary of State



state that the Chinese Government has decided to appoint Mr. CHEN Kwang-pu (K.P.Chen), former General Manager of the Shanghai Commercial and Savings Bank, Mr. HSI Teh-mou (T.M.Hsi), General Manager of the Banking Department of the Central Bank of China, and Mr. PEI Tsu-yee, Assistant General Manager of the Bank of China, as Chinese members of the Board and to designate Mr. Chen as Chairman of the Board. These appointments will be formally announced as soon as official recommendation is received from the British Government for the appointment of a British member.

I shall be much obliged if you will be so good as to convey the above information to the Secretary of the Treasury.

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

HU SHIH

## U. S. COAST GUARD

From: Secretary of the Treasury

For Mr. Harold Graves, Office of the Secretary.

While I am gone make special effort to get General Motors, Ford, Chrysler, Glen Martin, Pratt and Whitney, United Aircraft, Consolidated Aircraft, Boeing, Douglas Aircraft, to put in some form of payroll deduction plan in cooperation with labor to buy our defense bonds.

24 May 1941

May 24, 1941

TO: MR. GRAVES  
FROM: THE SECRETARY

I wish you would look up how much the Army and Navy have for paid advertising in magazines or newspapers. I see that they have a half a page ad in Time this week. Let me know when I get back.

May 24, 1941

TO: MRS. KLOTZ  
FROM: THE SECRETARY

Please make a memo that Mrs. Franklin Roosevelt has set aside Wednesday evening, June 11th, to come to our house to hear Harry White's report. I just want to put it on my calendar. *(entered by m m c)*

Monday, please get in touch with Dick Ince and tell him if he can sell Mrs. Morgenthau's Pere Marquette at \$30.00 a share or better, to go ahead and do it. *-TAKEN CARE OF-*

*Long to the Secretary*

THE WHITE HOUSE  
WASHINGTON

316

May 24, 1941

My dear Mr. Secretary:

I have received your letter of May 2, 1941 regarding the construction of border stations and the proposed Appraisers Stores building in Los Angeles.

Last fall I directed that during the present emergency no further contracts be let for public buildings embraced in the present authorized program. Subsequently, I authorized the release of the Laredo border station because of its defense significance and the traffic congestion at that point.

It is noted that with three exceptions the stations listed in your letter are to be located on the Canadian border. While these stations may be of some small benefit with respect to national defense, I do not believe their construction at this time is justified.

My understanding is that the limit of cost for the Appraisers Stores building in Los Angeles will have to be increased before construction may be undertaken. In this case, as in many others, there is no strong urgency from a defense viewpoint and the release of this project would result in demands for the release of equally meritorious projects elsewhere.

The amount involved in connection with the projects referred to by you is not great, but I think the money necessary for them may be used more advantageously at this time for defense purposes.

Sincerely yours,



The Honorable,

The Secretary of the Treasury.

COPY

The University of North Carolina  
Chapel Hill

Department of  
Economics and Commerce

May 24, 1941.

Hon. Henry Morgenthau, Jr.  
Secretary of the Treasury.

Dear Mr. Secretary:

This is to indicate my acceptance, on the terms stated in your letter of May 22, of the commission to serve as consultant in connection with the Treasury Department's inquiry into Federal, State, and local revenue needs.

May I add that I appreciate the tremendous fiscal strain to which all levels of government are likely to be submitted during the coming years, and that I welcome the opportunity of assisting you to the extent of my ability in your efforts to adapt our revenue systems to the requirements of the present emergency.

I am writing to Luther Gulick to let him know that it will be possible for me to report to him in Washington on the morning of June 9th.

Sincerely yours,

/s/ Clarence Heer

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, (Paris) Vicky

DATE: May 24, 1941, 10 p.m.

NO.: 284

The following telegram is from Matthews for the Treasury Department:

I am told in confidence by Gariguel that the proposal was put forward in the present negotiations between the French and Germans for reducing the costs of the German army of occupation to 240,000,000 francs daily (they are 400,000,000 now). There is, however, a catch in this, he said, because the Germans are insisting that the 240,000,000 francs be paid in "transferable" francs; he presumes the Germans hope to use them in foreign markets by devious means.

German balances in the Bank of France he told me are now some 55,000,000,000 francs. The Germans are spending about half, approximately, of what they are receiving each day for occupation army costs.

Considering the present easy money conditions in France, the conversion operation of the Credit National loan is going along satisfactorily.

Bank of France note circulation is a little less than 250,000,000,000 francs now, Gariguel said.

I am not sure whether Gariguel has full information or not, but he says that not more than one-third of the Belgian gold in Africa has been delivered to the Germans up to the present.

END OF MESSAGE.

LEAHY.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bucharest.

DATE: May 24, 1941, 11 a.m.

NO.: 471.

I have been informed by a reliable source that Dr. Clodius of Germany's Economic Ministry is in this city again. Apparently the purpose of his visit here is to find a way to finance the heavy disbursements of Germany in Rumania for exports of oil and for supplies obtained for the German army, and he did not come, as was at first believed, to consult with the competent Rumanian authorities <sup>on</sup> the 1941 export quotas. I am informed that the latter subject will not be discussed until the size of the harvest is known more accurately than it is right now.

The National Bank, I understand, is being pressed by Dr. Clodius to supply lei in increasing amounts against mark credits in Berlin which cannot be disbursed on account of the inability of Germany to export in sufficient quantity to Rumania. It appears that the National Bank is offering resistance to this pressure on the grounds that only by a further inflationary expansion of the note issue can additional lei be furnished.

The expansion of the Rumanian National Bank's note issue since August 1939 from 42 billion lei to 71 billion lei is indicative of the present degree of inflation.

Considering



-2-

Considering that the population of Rumania has been decreased by one third since August 1939 as a result of the territorial sessions in 1940, there has been a 100-percent increase in note circulation per capita.

Apparently one of Dr. Clodius' proposals for providing more lei without expanding the note circulation is the required deposit at the Rumanian National Bank of all Rumanian debts owed outside the country with no guarantee that these debts (they are estimated to be in the amount of two billion lei) will be paid to the creditors abroad when the war is over. It appears that this proposal is being resisted by the Rumanian authorities.

Further information has come to my attention that the Germans are trying to stop the issuance of further dollar transfer permits for the importation of United States motion pictures for two reasons: (1) the indirect propaganda value of the United States films; and (2) the desire of the German film distributors to acquire a monopoly of the film market of Rumania. Applications for dollar transfers recently made by U.S. film distributors have been turned down. In this connection I propose to make appropriate representations if such seeming discrimination continues because motion pictures are now the sole remaining U.S. import physically possible and Rumania obviously still holds sufficient blocked dollars to pay for the motion pictures.

GUNTHER

EA:NSG

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE May 24, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£18,000
Purchased from commercial concerns	£ 2,000

Open market sterling was steady at 4.03-1/2. There were no reported transactions.

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

Canadian dollar	12-3/4% discount
Swiss franc	.2321
Swedish krona	.2385
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2375
Brazilian milreis (free)	.0505
Mexican peso	.2070
Cuban peso	2-9/16% discount

In Shanghai, the yuan and sterling were again unchanged at 5-13/32¢ and 3.51-5/8, respectively.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

The Treasury authorized the Federal Reserve Bank of New York to effect the following transfer of gold in its vaults:

\$18,567,000 from the account of the Banco de Portugal to Banco de Portugal Gold Account G.

As the gold is the property of the Portuguese Government this transfer is being made to a separate account in order to comply with the terms of the license issued to the Federal Reserve Bank of New York under the Gold Reserve Act as well as the terms and conditions under which the Federal opened the Banco de Portugal account.

BRITISH EMBASSY,  
WASHINGTON, D.C.

PERSONAL AND  
SECRET

May 24th, 1941

Dear Mr. Secretary,

I enclose herein for  
your personal and secret information  
a copy of the latest report received  
from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Wahjex*

The Honourable,  
Henry Morgenthau, Jr.,  
United States Treasury,  
Washington, D.C.

Telegram from London dated May 22nd.

1. Naval. Thirteen thousand four hundred ton French tanker bound for Casablanca intercepted by Dismade eight hundred miles east of Bermuda being taken in.
2. Two enemy cruisers, three destroyers sighted off Lampedusa p.m. 21st. Later two cruisers, three destroyers sighted off Panellaria and convoy of seven ships, four destroyers.
3. P.M. 21st. Santa Lucia reported one aircraft carrier, one other war ship off Castries - probably Bearn and Maille Bertin.
4. Twenty first, Juno bombed and sunk southeast of Crete, six officers and ninety-nine ratings saved.
5. P.M. 21st. One Bismarck, one Hipper, one destroyer, six merchant vessels sighted Bergen.
6. Italians at Takom surrendered a.m. May 20th - H.M.S. "Clive" embarked prisoners.
7. 21st. Thorshaven and Sumbo Sydero (Faroes) machine-gunned.
8. Fokke Wulf aircraft shot down by S.S. "Ugent" three hundred and fifty miles west of Ireland, 19th.
9. Crete. Dive bombing machine gunning resumed Canea area early twenty-first followed by more parachute troops Maleme and south west of Canea. 1500 21st. Maleme Aerodrome and part of Herakleon harbour in enemy hands. Estimated at 1505 enemy convoys were approaching Crete one of thirteen ships, one of fifteen ships, one of nine ships, one of seventeen fishing vessels escorted by two and three destroyers respectively. At 2250 RAD with Dido, Orion, Ajax and two other destroyers engaged one convoy seventeen miles north of Canea. We sunk one destroyer, two merchant ships and number of Galques. At about 0930/midnight convoy of  
thirty/

- 2 -

thirty vessels twelve miles south of Milo. Six British destroyers reported ten miles distant. Otherwise convoy situation obscure. 0722 C/22 reported from Suda no sea borne landings during night owing to the presense of our light forces.

10. MILITARY CRETE

Situation up to 3:20 p.m. May 21st generally. No reports of any sea borne landings night of 20th May, 21st or during May 21st. Strenuous enemy attack estimated at one parachute regiment attacking East of Maleme areas and South West of Canea, Retimo and Herakleon.

11. During fighting May 20th our casualties comparatively light, enemy's were heavy.

12. HERAKLEON AREA. At 7 a.m. on May 21st call for assistance was issued to any of His Majesty's ships in neighbourhood. By 3 p.m. Herakleon town partly occupied by enemy who had mounted machine guns on the mole.

13. RETIMO SECTOR. Enemy attack on aerodrome reported successfully held no further reports of fighting this area.

14. CANEA. Suda Bay sector at 4 a.m. 21st heavy air attacks lasting one hour directed mainly on our anti-aircraft defenses. Further parachute landing south west of Canea 3:15 p.m. heavily engaged by artillery and machine guns.

15. Maleme Sector during morning heavy air attack forced our troops to withdraw to east of aerodrome but aerodrome still under fire. Later report stated Maleme aerodrome and area west held by enemy.

- 3 -

enemy. Elsewhere in this sector coast line in our hands.

16. ETHIOPIA, Amba Alagi; approximately 5,000 prisoners have been counted total taken in this area between eighteen thousand and nineteen thousand including the Duke of Aosta, five generals, many senior officers.

17. ITALIAN EAST AFRICA; Remaining centres of Italian resistance areas Gondar, Chelsea and Simma - estimate of eight thousand white, nine thousand native troops former area, twenty thousand white, twelve thousand native latter.

18. IRAQ, Falujah, May 19th. Three hundred prisoners and considerable quantity of stores and equipment have been taken.

19. ROYAL AIR FORCE, 21st. Eight Blenheims successfully attacked Heligoland, one missing. Later eighteen Blenheims with escort of three fighter squadrons attacked oil refinery near Bethune inflicting strategic damage. Five enemy fighters destroyed, eight damaged, our loss one Blenheim, six fighters.

20. LIBYA, 20th, Hurricanes destroyed Junker fifty two's and Messerschmidts one hundred and tens on the ground Mechile.

21. SYRIA, Night of 19th/20th. Five Hurricane attacked Damascus aerodrome, damaged two German aircraft.

22. GERMAN AIR FORCE, Malta attacked four times between 19th and 21st during attacks on Luqa and Takali aerodromes by fifteen - twenty fighter bombers, one Beaufort, two Welsley's destroyed, four other aircraft damaged.

23. IRAQ, 21st. Two Messerschmidts 110's damaged three of our aircraft Habbaniya aerodrome.

RESTRICTED

G-2/2657-220; No. 400 M.I.D., W.D. 12:00 M., May 24, 1941.

SITUATION REPORTI. Western Theater.

Air: German. Small scale attacks last night on airfields in the Midlands and eastern England.

British. Normal night operations centering around Cologne. Attacks were also made on Dusseldorf, the occupied regions and the French Coast.

II. Cretan Theater.

British. Greek forces have recaptured Rethymo and Herakleion. A British attempt to recapture the Malemi airfield has been repulsed by the German air landing troops. The German forces in this area have been reinforced. The German communique of May 23rd states that "the western portion of Crete is firmly in German hands."

III. African Theater.

No change in the situation.

IV. Middle Eastern Theater.

No important developments.

RESTRICTED

Paraphrase of Code Cables  
Received at the War Department  
at 11:40, May 24, 1941

**SECRET**

By authority A. C. of S. -2

Date MAY 27 1941

Initials  
327

London, filed 15:08, May 24, 1941.

1. Referring to your cable of May 13 requesting all available information concerning Rudolf Hess, please be advised that after hearing a great variety of discussions on the subject, the majority seem to have settled on the theory that Hess fled from Germany in fear of liquidation after a struggle inside the Nazi party.

2. No evidence of change in military dispositions or policies as a result of his arrival have yet come to light.

3. Any information which he has given the British as yet has not been made available but is kept as the closest secret and whatever he says is treated as a matter of state of the first importance.

4. The whole case is undergoing popular discussion with many fantastic surmises. It has been proved that no acquaintanceship had ever taken place with the Duke of Hamilton and that the letter which he claims he sent the Duke was never received in England.

LEE

**Distribution**

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

**SECRET**



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By authority A. . . of S., 0-2

Date MAY 28 1941 ( )

Initials

Paraphrase of Code Sublogram  
Received at the War Department  
at 11:30, May 28, 1941.

London, filed 15:30, May 28, 1941.

The following information was given me under the promise of utmost secrecy.

1. The German battleship and cruiser which were observed on May 21 in the harbor of Bergen, Norway left there by the evening of the 22d. It is not known where they are now.

2. In the operations of the Royal Fleet against German transports attempting to land by sea on Crete, the British ships have been subjected to the most severe air bombing beyond all question which naval vessels have ever experienced. The casualties to date are as follows:

**HMS GLOUCESTER** (cruiser 9100 tons)

**HAMMER** (destroyer 1690 tons)

**FLY** (cruiser 8000 tons)

**KELLY** (destroyer 1695 tons)

**GRAYSON** (destroyer 1375 tons)

were sunk. The battleships **WARSPITE** (30,600 tons) and **VALIANT** of the same burden were damaged, as were also the cruisers **MAJAD** (5450 tons) and the **AJAX** (6985 tons). The anti-aircraft ship **CARLEILE** (4200 tons) was also damaged. The extent of damages to these ships has not been reported but all resulted from direct hits with bombs.

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Receipts of Code Intelligence  
Received at the War Department  
at 10:40, May 24, 1941.

Moscow, filed May 24, 1941.

1. Japanese Military Attache gives the following information: Stalin in conversation reveals desire, since fall of France, for mastery of Europe should the United States and England be able to weaken Germany so that the U.S.S.R. can give the final blow; Stalin favors extinction of Yugoslavia and the establishment of a Balkan Red Union with constituent republics for Serbia, Croatia, Montenegro, and Bulgaria, a project long advanced by the Secretary of the Communist International Dimitroff, who is now living in Moscow. According to the same source, the greatest shortage in the U.S.S.R. is in the [a].

2. There is no indication as yet of Soviet military activity in the south. The provisions of the new Soviet-German agreement are not known, but reliable information indicates the U.S.S.R. will not permit transport of troops across Soviet territory, although it will furnish grain to Germany up to the starvation point.

3. The 1903 class of conscripts which is scheduled for mobilization this autumn has been ordered to troops immediately following present school examination, according to an excellent source. (See M/A, Moscow 1849, p. 5).

4. The Japanese Military Attache says that key men are being taken from Far Eastern units to form cadres for new divisions in western U.S.S.R.

THRU

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**SECRET**  
By authority A. C. of S., G-2  
Date MAY 27 1941 (Initials)

Paraphrase of Code Cablegram  
Received at the War Department  
at 11:15, May 26, 1941.

London, filed 15:30, May 26, 1941.

In regard to your request of May 17th for information on Gambia, Sierra Leone, Portuguese Guinea, Gold Coast and Nigeria, please be advised that I am sending the first installment with Colonel Bremer on May 26. I have been granted an interview with the Commander in Chief of the British forces in West Africa Tuesday. More of the desired information will be procured from the War Office.

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Paraphrase of Code Calligram  
Received at the War Department  
at 12:11, May 24, 1941.

London, filed 15:30, May 24, 1941.

Following is a summary of British Military Information  
to 11:00, May 24.

1. British bombers based on Egypt attacked the German  
forces at the Matruh airfield which was also shelled by the Navy  
on the night of May 24-25.

2. The operations of the British fleet against the  
German troop convoy of 20 ships, which we reported in our cable  
of May 23, are apparently still under way. American correspondents  
in Cairo are sending news dispatches in regard to it.

3. The situation in Crete as regards the Retimo area  
is satisfactory. German forces were in position against the  
Retimo-Canea road denying it to the British, but the road is now  
open. The town of Candia has been mopped up, but at the airport  
of Heraklion additional landings took place on May 23d. All  
material including field pieces and ammunition dropped from German  
planes was captured by the British. Operations are being continued  
by Greek and British units.

4. In the Suda Bay—Canea vicinity there were very  
heavy German air attacks on May 23d. It was evident that it was  
hoped to capture Suda Bay. A few small Greek fishing boats

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disembarked troops on the peninsula northeast of Gama and these units are now trying to fight their way to Malend airport where the situation has become worse. The Germans have seized the entire landing field and have forced the British back under severe artillery and mortar fire coordinated with air and ground attacks. The British have taken up a defensive line east of Malend.

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Paraphrase of Code Cables  
Received at the War Department  
at 09:03, May 24, 1941.

London, filed May 24, 1941.

1. British Air Activity over the Continent.

a. Daylight, May 23. Shipping off the Netherlands and French coasts were attacked by bombers which scored a direct hit on one 8,000 ton freighter and on a tanker. Both were believed sunk. Offensive missions were performed over the French and Belgian coasts.

b. Night, May 23-24. All planes were grounded.

2. German Air Activity over Britain.

a. Night of May 23-24. Four enemy planes were observed over the Reading-Oxford area and two over Wittering.

b. Daylight, May 23. The only German air activities were limited to reconnaissance missions over shores with one plane observed in the vicinity of Lowestoft.

3. British Air Activity - Middle East Theater.

a. Daylight, May 23.

(1) Egypt. Planes based on Egypt again bombed Bengasi. Fighter squadrons were active in the area of Tobruk and Bardia.

(2) Malta. A freighter was sunk by British bombers based on Malta near Pantellaria. Land and fleet based aircraft attacked the German positions at Malindi on the Island of Crete.

(3) Iraq. Fighter planes attacked emergency landing fields at Mosul.

4. German Air Activities - Middle East Theater. Daylight

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May 23.

a. It is estimated that 100 air transports landed on the sea shore at Maleni at five minute intervals all day long. The only other German air activity was uninterrupted severe bombing from low flying planes, in connection with the landing of airborne troops at Maleni airfield. This airfield is strongly held by the Germans.

5. German Air Losses - Middle East Theater. Daylight, May 23.

a. Sixteen troop air transports were set on fire at Heraklion, Crete.

b. In the British bombing of Mosul airfield one airplane was shot down and several others damaged.

c. One Junkers 52 was shot down over Crete.

d. Three German bombers were shot down in the course of British offensive patrols in the vicinity of Tobruk and Bardia.

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Paraphrase of Code Cablegram  
Received at the War Department  
at 07:45, May 25, 1941

London, filed 12:10, May 25, 1941.

1. British Air Activity over the Continent.

a. Daylight, May 24.

Axis shipping off the Netherlands and Norwegian coasts were bombed and three freighters, averaging 2,000 tons were observed to have been struck.

b. Night, May 23-24. A large number of heavy bombers were active against Cologne with smaller raids taking place over Boulogne and the docks at Dunkerque. Oil tanks at Rotterdam were also attacked and numerous airfields in Germany and Holland were bombed. The Coastal Command operated against Saint Nazaire.

2. German Air Activity over Britain.

a. Night, May 24-25. German air activities over Britain were in reduced proportions, centered on shipping at Lowestoft and Norwich. One plane was observed over Portland.

b. Daylight, May 24. German air activity was on a reduced scale, centering on the Liverpool-Manchester area and between Dover and the Isle of Wight.

3. German Air Losses, British Theater.

a. Daylight, May 24. Fighters shot down one plane

4. British Air Activity, Middle East Theater.

a. Daylight, May 24.

(1) Libya. Bengasi was again bombed by British planes.

(2) Creta. British bombers based on Egypt bombed and machine

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gunned 150 Junkers-52's on the ground at the Malawi airfield. Bom fighters also machine gunned troops being unloaded from air transports on the field.

(3) Iraq. A motor convoy was bombed on the road between Fallujah and Baghdad.

(4) Syria. No Axis planes were observed during reconnaissance.

5. German Air Activity, Middle East Theater.

a. Daylight, May 24.

(1) Greta. Eighty German air transports landed at Malawi. One unit of Junkers-52's, each towed six gliders.

(2) Cyprus. German planes made reconnaissance flights over the island but dropped no bombs.

(3) Iraq. Axis planes made two machine gun attacks on the airfield and the British camp at Habbeniya.

(4) Germans have concentrated 30 long-range bombers in Denmark and southern Norway. Another group of similar planes is based on Trondheim.

6. German Air Losses, Middle East Theater.

a. Daylight, May 24.

(1) Greta. Ten Junkers-52's were destroyed in attacks on the Malawi airport. Four others were destroyed by fighters.

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Paraphrase of Code Sahlegren  
Received at the War Department  
at 07145, May 25, 1941

**SECRET**

By W. H. B. J. A. C. of S., G-2  
Date MAY 27 1941 ( W )  
Initials

London, filed 13:30, May 25, 1941.

The following is a summary of British Military Intelligence information to 11:00, May 25.

1. Situation in Crete since our cable of May 24.

a. The town of Candia was severely bombed by 36 bombers with heavy destruction. Following this raid German planes dropped supplies and later 1,000 troops landed from parachutes west of the town. British forces attempted to attack but were pinned to the earth by bombing and machine gun fire.

b. The Germans still are maintaining themselves at a point about two miles southwest of Candia.

c. At Retimo uninterrupted waves of bombers attacked with bombs and machine guns British defense positions and Germans are still holding positions west of the airfield. The Ganea-Malmei road has again been blocked by the enemy. In the last mentioned spot 80 more air transports landed German troops. Unconfirmed reports speak of small tanks also having been transported by air. Defense positions and anti-aircraft defenses have been subject to very heavy dive bombing and machine gun attacks which have been, as well, numerous against the town of Ganea where scores of British ordnance motor vehicles and the hospital with all its equipment and supplies have been destroyed. The Malmei airport is in the hands of the Germans who are employing mortars and infantry guns thought to be .75-mm. in support of their troops.

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2. Syria. It is now thought by British Military Intelligence that French forces in Syria would resist any British invasion despite the fact that one French colonel of cavalry had joined the British in Iraq with a few officers and men.

3. Libya. There has been a heightening of armed car activity in the vicinity of Sollum.

4. Greenland. Information has been received that German intelligence agents now at Spitzbergen are for employment in Greenland and also that German planes have been photographing Iceland.

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Paraphrase of Code Cablegram  
Received at the War Department  
at 20:23, May 24, 1941

Ankara, filed 18:05, May 24, 1941.

This is answer to G-2 cable number 201. The railroad to Hiculi which is about 27 miles east of Diyarbakir has been constructed. The completion of the rest of the line has been delayed due chiefly to a shortage of rails, according to advice from foreign office to our Ambassador. Along the Tigris River there is under construction about 175 miles of railroad.

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Insightness of Gato Chikagawa  
Received at the War Department  
at 19:44, May 29, 1941.

Cairo, filed 20:00, May 29, 1941.

The following are the observations made by Pihson and Reed from their experiences in a three weeks' trip with the 7th Armored Brigade in the Desert, during which time the operations against Sidi Aasia, Solima, Saganza, Halfaya took place (May 14 to May 19).

1. A captured German officer reported that the supply situation as to fuel and water of the forward elements was satisfactory and that the objective of the Axis in North Africa was to capture Egypt in 30 days. When he was questioned as to when the 30 days had started he answered that there was still ample time remaining.

2. The observers commented on the shortage of armored combat vehicles of the type of cruiser and infantry tanks. The British armored cars and light tanks are of small value for any other employment than reconnaissance or screening.

3. Shortages exist in all kinds of artillery.

4. The cooperation between air and armored units is poor. There are no observation planes and fighters and bombers were used only rarely and in small numbers. The air force were unable to seize local air superiority and had no favorable effect on the operations as a whole. On May 15 Reed witnessed the shooting down of a Hurricane plane probably by a British armored car. Within an hour two Hurricanes attacked the 11th Hussars and wounded seven men. This may have been intentional.

5. The 7th Armored Brigade went into action without any reserves although even a small reserve would have made possible a more offensive

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attitude. The commanding general justified his actions by saying that he did not have enough tanks.

6. The failure of securing reliable information in regard to strength of the enemy and his capabilities of action was remarked.

7. Armored force vehicles were not satisfactorily maintained in the field through failure to carry sufficient spare parts.

8. The main coast road west of Hlirah is in such a bad state of repair that the supply of the British forces was definitely embarrassed.

9. In general the feeling seemed to prevail that no risk should be taken which might involve losing tanks or vehicles. When the attack was opened on May 15th neither the Axis ground troops nor air forces showed an aggressive spirit. Their armored vehicles were withdrawn whenever the two forces engaged but in no action was their withdrawal boldly followed up. The 7th Armored Brigade failed to advance until small concentrations of vehicles were painstakingly reassembled and these reconnaissance operations, repeated continuously, consumed most of the day. The circumstance that the mission failed and there were no casualties, either to men or vehicles from enemy action, reveals the lack of the spirit of the offensive. The position of the 7th Brigade that evening was generally along the Libyan border. On the next day 20 Axis tanks were observed in movement south of Cyrenaica and before the end of daylight May 16, the British had retired without action to a line generally south of Sidi Salimian and had given up the offensive.

10. The spirit of men and younger officers was good but the higher ranks appeared to be apprehensive that forces supporting them were insufficient in size. Thus, their attitude was defensive rather than aggressive. This feeling must prevail until the British have at least an

such covered equipment as the Axis. High morale among all units is contingent upon early successful operations. It is evident that the force employed is not sufficient to perform its mission and that pending the arrival of sufficient equipment the operations should have been deferred.

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