

C
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P
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Willard Hotel, Washington, D. C.

Telephone Republic 7860

BRITISH PURCHASING COMMISSION

5th July 1941.

Dear Mr. Bell,

You will remember that I left with you a note for the Secretary and that I also wrote to you personally on the 25th June about the remaining obligations to the State of France.

I should be most grateful if you could let me know whether you are now in a position to indicate your Government's views on the matter, in particular on the suggestion that if important supplies were held up as a result of French action the U.S. Government should place priority orders and lease-lend us the material.

Yours sincerely,

(Signed) F. Phillips

Mr. D. W. Bell,
U. S. Treasury,
Washington, D.C.

Copy:lg 7/7/41



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

July 5, 1941

MEMORANDUM TO THE SECRETARY:

Weekly Report - Lease-Lend Purchases
(6/27 - 7/5/41)

Purchases to 6/27/41.....	\$ 19,033,399.59
Purchases 6/27 to 7/5/41.....	26,816,379.27
<hr/>	
Total to 7/5/41.....	\$ 45,849,778.86


<u>Requisitions Pending</u>	<u>Estimated Cost</u>
Cleared by O.P.M.....	\$ 191,724,788.09
Awaiting clearance by O.P.M.....	22,212,877.00
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Total Pending Requisitions.....	\$ 213,937,665.09

We have been advised by the Division of Defense Aid Reports that the Procurement Division will be called upon to purchase a substantial quantity of commercial items under the proposed Dutch program for use in the Netherland East Indies.

We also have a general list of proposed Argentinean requirements, and at the request of Mr. Hopkins a study is now being made to determine estimated costs; also to specify those items which should be purchased through the Procurement Division and those commodities which should be purchased directly by the Government of Argentina.

Offers have been requested on 10,000,000 yards of Greige Goods for the Chinese to be used in making soldiers uniforms, and we have received firm offers on approximately 800,000 Cotton Blankets, likewise for the Chinese, on which contracts are now being made.


 Clifton E. Mack
 Director of Procurement

Attachments-6 

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-252	Woodstock Typewriter Co.	U. K.	Typewriters	1,500	\$ 106,125.00
DA-TPS-236	Jones & Laughlin Steel Corp.	"	Tin Plate	15,435 pkgs	169,299.90
DA-TPS-236	Weirton Steel Co.	"	Tin Plate	7,056 "	74,051.12
DA-TPS-239	Follansbee Steel Corp.	"	Tin Plate	4,256 "	44,645.12
DA-TPS-237	Bethlehem Steel Export Corp.	"	Tin Plate	7,500 "	80,058.00
DA-TPS-241	Granite City Steel Co.	"	Tin Plate	2,500 "	31,981.25
DA-TPS-240	The Youngstown & Tube Co.	"	Tin Plate	11,726 "	184,398.06
DA-TPS-78	International Harvester Export Co.	"	Agric. Impl. Spare Parts		76,044.40
DA-TPS-269	The Public Printer	"	Chipboard	2,350 lbs	98.79
DA-TPS-271	The Public Printer	"	Paper #2 Kraft	2,800 "	167.48
DA-TPS-279	The Public Printer	"	Paper		4,496.93
DA-TPS-112	International Harvester Export Co.	"	Spare Parts for Tractors		32.44
DA-TPS-118	" " " " "	"	Spare Parts for Farm Equip.		3,508.25
DA-TPS-270	The Public Printer	"	Envelopes		1,752.00
DA-TPS-251	Morey Machinery Co. Inc.	"	Slotter 8"	1	1,700.00
DA-TPS-114	International Harvester Export Co.	"	Spare Parts for Farm Equip.		180.55
DA-TPS-117	" " " " "	"	Spare Parts for Farm Imple.		3,853.78

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<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-124	International Harv.Export Co.	U.K.	Spare Parts for Farm Equip.	\$	7,133.13
DA-TPS-121	" " " "	"	" " " "	"	1,126.24
DA-TPS-116	" " " "	"	" " " " Imple.	"	21.28
DA-TPS-250	Acheson Graphite Corporation	"	Electrodes	7,900,480 lbs	967,808.80
DA-TPS-120	International Harv.Export Co.	"	Spare Parts for Farm Equip.	"	1.60
DA-TPS-125	" " " "	"	" " " "	"	25.00
DA-TPS-288	G. M. Laboratories, Inc.	"	Photo-Electric Cells	50,000	127,500.00
DA-TPS-266	Crucible Steel Co. of America	"	Sheets, Stainless Steel	20,160 lbs	9,701.68
DA-TPS-265	Allegheny Ludlum Steel Corp.	"	Tubing, Stainless Steel,	6,000 Ft	4,273.00
DA-TPS-115	International Harv.Export Co.	"	Spare Parts for Farm Equip.	"	927.68
DA-TPS-119	" " " "	"	" " " "	"	66.51
DA-TPS-228	The L. S. Starrett Co.	"	12 Gauges; 24 Calipers	"	1,646.88
DA-TPS-254	Aluminum Co. of America	"	Aluminum Alloy, Round Forging Stock	59,400 lbs	18,085.20
DA-TPS-253	" " " "	"	Tubing, Alum. Alloy	"	5,634.90
DA-TPS-255	" " " "	"	Aluminum Rods	90 G.T.	57,456.00
DA-TPS-280	The American Brass Company	"	Tubing, Brass	5,000 lbs	1,266.00
DA-TPS-256	Hess-Hawkins Co.	"	Carbon Paper	1,000 bxs	555.00

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-219	Bay City Shovels, Inc.	U.K.	Truck Cranes	8	\$ 37,781.62
DA-TPS-217	Allis-Chalmers Mfg. Co.	"	Crane Winches & spare parts	2	5,088.59
DA-TPS-224	Shell Chemical Co.	"	Acetone	35,840,000 lbs	1,702,400.00
DA-TPS-336	The David J. Joseph Co.	"	Heavy Melting Scrap	60,000 G.T.	957,000.00
DA-TPS-299	R.C.A. Manufacturing Co.	"	Photo-Electric Cells		243,750.00
DA-TPS-306	Callite Tungsten Corp.	"	Machines, Wire Joining	4	4,120.00
DA-TPS-233	Firestone Tire & Rubber Co.	"	Rims	1,818	7,010.64
DA-TPS-234	Goodyear Tire & Rubber Co.	"	Tractor Tires & Tubes	152	12,315.16
DA-TPS-113	International Harv. Export Co.	"	Spare Parts for Farm Equip.		376.51
DA-TPS-249	Tennessee Valley Authority	"	Calcium Metaphosphate	5,000 T	220,100.00
DA-TPS-304	Wm. C. Ballantyne	"	Thumb Tacks	100 bxs	7.75
DA-TPS-187	Chase Brass & Copper Co.	"	Brass Rod & Wire		164,633.00
DA-TPS-189	Revere Copper & Brass Co.	"	Brass Rod & Wire		127,838.00
DA-TPS-262	Bethlehem Steel Exp. Co.	"	Tool & Die Steel		299,572.00
DA-TPS-263	Crucible Steel Co. of America	"	Tool & Die Steel		441,843.36
DA-TPS-307	U. S. Steel Exp. Corp.	"	Carbon Steel-		6,044,373.50
DA-TPS-308	Bethlehem Steel Export Corp.	"	Carbon Steel		2,047,610.50
DA-TPS-310	Great Lakes Steel Corp.	"	Carbon Steel		673,058.00

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<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-311	Inland Steel Corp.	U.K.	Carbon Steel		831,964.00
DA-TPS-312	Northwestern Sheet & Wire Co.	"	Carbon Steel		69,680.00
DA-TPS-313	Youngstown Sheet & Tube Co.	"	Carbon Steel		836,637.50
DA-TPS-314	Wheelbig Steel Corp.	"	Carbon Steel		456,000.00
DA-TPS-315	Sharon Steel Corp.	"	Carbon Steel		97,375.00
DA-TPS-316	Wickwire-Spencer Steel Co.	"	Carbon Steel		64,500.00
DA-TPS-318	Allan-Wood Steel	"	Carbon Steel		396,000.00
DA-TPS-335	Hyman-Michael	"	Steel Scrap		317,410.00
DA-TPS-337	Luria Steel & Prod. Corp.	"	Steel Scrap		152,000.00
DA-TPS-338	Pickens-Mather Co.	"	Pig Iron		559,440.00
DA-TPS-340	Dreifus Iron & Steel Corp.	"	Steel Scrap		288,450.00
DA-TPS-341	Chas. Dreefus Co.	"	Steel Scrap		433,440.00
DA-TPS-328	Jones & Laughlin Steel Corp.	"	Carbon Steel		751,551.00
DA-TPS-329	Armco International Corp.	"	Carbon Steel		651,000.00
DA-TPS-351	U. S. Steel Export Corp.	"	Carbon Steel		191,393.00
DA-TPS-352	Andrews Steel Co.	"	Carbon Steel		63,000.00
DA-TPS-264	Anaconda Sales Corp.	"	Copper		267,120.00
DA-TPS-309	Republic Steel Corp.	"	Carbon Steel		1,425,977.70

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-342	Commercial Steel & Chem. Corp.	U.K.	Steel Scrap		\$ 433,440.00
DA-TPS-343	Harcon Corp.	"	Steel Scrap		396,960.00
DA-TPS-344	Schiavone-Bonomo Corp.	"	Steel Scrap		155,200.00
DA-TPS-391	Republic Steel Corp.	"	Nickel Chrome Steel		304,523.31
DA-TPS-392	Heintz Mfg. Co.	"	Drop Forgings		82,800.00
DA-TPS-377	Timken Roller Bearing Co.	"	Chrome Steel Tubing		850.74
DA-TPS-378	Timken Roller Bearing Co.	"	Chrome Steel Tubing		12,053.55
DA-TPS-379	Timken Roller Bearing Co.	"	Chrome Steel Tubing		13,020.65
DA-TPS-380	Timken Roller Bearing Co.	"	Chrome Steel Tubing		13,696.64
DA-TPS-381	Timken Roller Bearing Co.	"	Chrome Steel Tubing		10,865.34
DA-TPS-382	Timken Roller Bearing Co.	"	Chrome Steel Tubing		1,134.32
DA-TPS-393	Crucible Steel Co. of America	"	Carbon Steel		59,510.00
DA-TPS-416	Revere Copper & Brass	"	Copper Bus Bar		67.11
DA-TPS-417	American Brass Co. Inc.	"	Brass Tubing		216.30
DA-TPS-419	Niagara Motors Corp.	"	Drop Forgings		28,960.00
DA-TPS-437	Pittsburgh Coke & Iron Co.	"	Pig Iron		387,960.00
DA-TPS-438	Shenanco Furnance Co.	"	Pig Iron		231,225.00
	Metals Reserve	"	Copper		205,000.00

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-246	New Jersey Zinc Sales Co.	China	Zinc		\$ 165,000.00
DA-TPS-272	Crucible Steel Co. of America	"	Zinc		372,984.40
DA-TPS-273	Copper Weld Steel Co.	"	Zinc		152,619.11
DA-TPS-274	U. S. Steel Exp. Co.	"	Zinc		69,720.00
DA-TPS-275	Mc Louth Steel Corp.	"	Zinc		97,440.00
DA-TPS-276	Weirton Steel Co.	"	Zinc		234,000.00
DA-TPS-277	Cold Metal Proass Co.	"	Zinc		133,400.00
DA-TPS-347	Annaconda Sales Corp.	"	Copper		132,129.00
DA-TPS-348	American Smelting & Ref. Co.	"	Copper		115,198.00
DA-TPS-349	American Metals	"	Copper		117,304.00
DA-TPS-350	International Mineral & Metal	"	Copper		63,488.00
	Metals Reserve	"	Copper		48,175.00

Total Purchases 6/27 to 7/5/41.....\$ 26,816,379.27

DELIVERED TO MISS TULLY BY
MR. WILDY OF SECRET SERVICE

7/5/41. Copy given Comm'r of
Customs.

CONFIDENTIAL

July 5, 1941

Dear Miss Tully:

Enclosed is a memorandum which I have prepared
for the Secretary of the Treasury. Mr. Morgenthau
has instructed me to have it placed in your hands.

Yours sincerely,

(Signed) JOHN C. WILEY

John C. Wiley.

Miss Grace Tully
The White House
Washington, D. C.

d. e. Johnson

CONFIDENTIAL

July 8, 1941

MEMORANDUM FOR SECRETARY MORGENTHAU:In re: Japanese Shipping.

On the afternoon of July 2, 1941, New York telephoned Commissioner Johnson of Customs and stated that rumors were persistent in shipping circles in New York that (1) all Japanese vessels had been ordered to be in home waters by July 30, 1941, and that (2) principal officers of the Mitsui and Mitsubishi shipping companies had been ordered to proceed to Japan by July 15.

Simultaneously, a Naval Intelligence Agent in New York reported to the Navy Department that definite confidential information was received from Japanese lines and executives that all Japanese ships must be in the Pacific Ocean by August 1, 1941.

Stanley Hornbeck of State Department subsequently received a personal letter from a prominent oil man in New York with similar information.

Today, Commissioner Johnson received a report from New York that ten high officials of the Mitsui Steamship Company had shipped their personal effects to Japan April 22 last. One of these officials, Mr. Katsumori, said to be the General Manager of this company in New York, is leaving July 7 for the West Coast to sail for Japan.

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However, New York Customs made a check of the offices of Mitsui, Mitsubishi, K. K. K., Yamashita, O. S. K., the Yokohama Specie Bank, and other Japanese concerns and found no signs of liquidation of or unusual activities in these offices; except that Mitsui is giving up Pier 30 in Brooklyn which it has under lease.

After checking with ONI, it appears that by July 23 all Japanese ships along the Atlantic and Gulf Coasts of North America will have gone through the Panama Canal into the Pacific. New Orleans Customs reports that the SS AMAGISAN MARU which was originally scheduled to arrive there on July 9 for cargo and to proceed to San Diego for bunkers, had received orders from New York directing the vessel to proceed from New Orleans direct to Japan.

There is no precise information with regard to Japanese shipping in the Caribbean and South Atlantic waters. There are, however, seven or eight Japanese ships in those waters and one is expected to go through the Canal shortly. The others are probably so located that they could be taken around the Horn or the Cape within fairly short order.

There have been no sailings from Japan for East Coast ports of either North or South America since June 24.

Except for press reports with regard to the requisitioning by the Japanese Government of certain Japanese ships in the Pacific, there has been no information as yet to indicate any change in Japanese shipping schedules to West Coast ports. ONI, however, has just

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received a report from Lima, Peru, stating that all Japanese ships on the West Coast of South America had been ordered to depart for Japan. Instead of bunkering as usual in Los Angeles, they will take on fuel at Talara. ONI has not yet had time to verify this story.

Honolulu Customs reports that Japanese vessels sailing for Japan are repatriating local Japanese to full capacity.

San Francisco Customs says that Mitsui and Mitsubishi have given instructions to their employees that their families are to go back to Japan immediately. Seattle Customs reports that a substantial number of native and foreign-born Japanese have been departing for Japan for the past thirty days. During the last six weeks Japanese residents in that area have been cancelling their life insurance in substantial numbers. San Francisco states that the Sun Life Insurance Company, which handles the bulk of Japanese life insurance there, has noted an increase in Japanese cancellations with their company during the past four months.

The abrupt withdrawal of Japanese ships from the Atlantic can hardly be explained solely by Japanese tonnage requirements, no matter how pressing. Moreover, the fact that this Japanese action coincided with the Imperial Council, which was held in Tokyo in the presence of the Emperor on July 2, may be more than accidental.

The inference may be drawn that the Japanese Government is taking sweeping measures either as a precaution in view of the rapidly developing situation in respect of the Soviet Union, or in

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anticipation of positive measures which have already been decided on by the Imperial Council.

United States Customs officers at New York, New Orleans, San Francisco, Los Angeles, San Diego, Seattle, Portland and Honolulu are on the alert and are watching developments closely.

(Signed) JOHN C. WILEY

John C. Wiley.

FIELD ORGANIZATION *News Letter*

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



JULY 5, 1941. NUMBER 7.

TO THE FIELD STAFF:

This Fourth of July was one of the most significant Independence Days in our national history. This Day of Days is always the occasion for a rededication of ourselves to those ideals that have made this a great nation.

July 4, 1941, was marked indelibly as the day of great awakening of vast millions of Americans to their new responsibilities as citizens. Voices were raised in praise of national strength and the potential power of a united nation that realizes our critical position caused by a war across the seas.

The great obligation of the thousands of volunteers engaged in the Defense Savings Program was recognized. The principles and purposes of Defense Savings were heralded before patriotic rallies, over the radio, in the press, in the motion picture houses, in advertisements throughout the length and breadth of the land.

The power of the spoken word, again and again focused attention upon the opportunity of every man, woman and child to play a part in the great Program of Defense by investing in Defense Savings Securities.

Sincerely yours,

GALE F. JOHNSTON

Field Director, Defense Savings Staff

**STATE CHAIRMEN SELECTED FOR
FLORIDA, MAINE, MONTANA, NEW JERSEY, AND OREGON**

To the roster of distinguished citizens serving as the Chairmen of Defense Savings Committees in their states and introduced in earlier issues of the NEWS LETTER, we are honored to add the following names:

FLORIDA

Linton E. Allen
President, First National Bank
Orlando

MAINE

Walter S. Wyman
President, New England Public
Service Corporation

MONTANA

A. A. Hoere
Cashier, Federal Reserve Bank
Helena

NEW JERSEY

Albert W. Hawkes
President, Congoleum-Nairn, Inc.
Kearny

OREGON

Palmer Hoyt
Publisher, Portland Oregonian

INTRODUCING THE TEXAS COMMITTEE

HONORARY CHAIRMAN:

Governor W. Lee O'Daniel

CHAIRMAN: Tom Miller

Mayor of the City of Austin

Dr. N. B. Buie
Marlin

Gene Hows
Amarillo

Mrs. J. W. Walker
Texas Federation of
Women's Clubs

George A. Butler
Houston

Clifford E. Jones
Texas Technological
College

H. H. Williamson
Director of Extension
Service, A. & M.
College of Texas

Mrs. O. H. Carlisle
Houston

Ed R. Krohn
El Paso

Mrs. Fannie Campbell
Womack
Palatine

Jason G. Carter
Fort Worth

Dr. Pat M. Neff
President
Baylor University

L. A. Woods
State Supt. of
Public Instruction

Miss Clara Driscoll
Corpus Christi

Mrs. Hal C. Peck
Midland

H. A. Wroe
American National
Bank of Austin

Fred F. Florence
Republic National
Bank of Dallas

John D. Rogers
Navasota

Houston Herte
San Angelo

John H. Shary
Mission

Angus G. Wynne
Longview

Karl Hohlitzelle
Dallas

O K L A H O M A
Every Group To Be Reached

The Oklahoma State Committee, well organized and fully representative, held its initial meeting Tuesday, June 24. Plans for a complete organization in every county, city, and town in the State were perfected at a session lasting half of the day. Highlights of the meeting are most interesting:

THE GATHERING WAS OPENED by the Honorary Chairman, Governor Leon C. Phillips, in a message to the citizens of Oklahoma over a State-wide hook-up of 17 radio stations. In a 30-minute broadcasting period, messages followed from State Chairman Li H. Wentz, National Field Director Gale F. Johnston, State Administrator H. C. Jones, and Frank Scofield, Texas State Administrator.

THE PURPOSES AND AIMS of the Defense Savings Committee were presented by means of a series of well prepared charts by Administrator Jones. He gave a picture of the work to be done in educating every citizen of the State.

THE PART BANKS WILL PLAY was ably presented by R. Otis McClintock, President of the First National Bank of Tulsa and representative of banking on the State Committee. Mr. McClintock explained how banks may (1) act as fiscal agents; (2) provide depositors with a draft program to "Buy a Bond a Month"; (3) furnish payroll allotment plans for their own employees; and (4) operate stamp banks for the convenience of customers.

ROUND TABLE DISCUSSION of the problem of educating the citizens of the State and methods for the convenient and systematic purchase of securities followed, with Chairman Wentz, Administrator Jones, and Deputy Administrator William H. Stephens leading the discussion. Special mimeographed outlines plus the literature of the Defense Savings Staff were presented to each member of the Committee. Mayor R. A. Hefner of Oklahoma City expressed his belief that the hundreds of public employees of the City of Oklahoma City, and other Oklahoma civil employees, would welcome an opportunity to purchase regularly and systematically and expressed approval of the purchase plan being used by the Federal employees throughout the nation. Clarence Roberts, editor of the Oklahoma Farmer Stockman, explained his plans for enlisting the cooperation of farmers and stockmen throughout the State.

The members of the Committee and their assigned fields of activities are:

Indian Committee -
Honorable Earl Welch, Chief
Justice, Oklahoma Supreme Court

Women's Organizations -
Mrs. Mary Martin, Guthrie

Retail Merchants -
Roy L. Sanford, President,
Oklahoma Retail Merchants Assn.

Agriculture -
Tom W. Cheek, President, Oklahoma
Farmers Union, and Editor,
Oklahoma Union Farmer

(Oklahoma State Committee - Continued)

Petroleum Industries -

K. S. Adams, President,
Phillips Petroleum Corporation

County Agents -

Dr. E. E. Scholl, State Director,
Extension Service,
Department of Agriculture

Youth Organizations -

Elmer Harber,
Oil producer and banker

Labor -

David Fowler, President,
Oklahoma CIO; Harry Schwartz,
President, Tulsa Federation of
Labor; Ira Finlay, Editor,
Labor's Voice.

Newspapers -

Tom R. Phillips, President,
Oklahoma Press Association

Professional Group -

Luther Bohanon, Attorney

Banking and Finance -

R. Otis McClintock, President,
First National Bank of Tulsa

Industry and Trade -

L. C. Hutson, President,
Chickasha Cotton Oil Company

Livestock -

Clarence Roberts, Editor,
Oklahoma Farmer Stockman

Religious Organizations -

Bishop Charles E. Selecman
Reverend Francis C. Kelley
Dr. Robert N. Nancy
Rabbi Joseph Blatt

Radio and Theatre -

L. C. Griffith, President,
Griffith Amusement Company

Fraternal Organizations -

William H. Powell, Grand Master,
Masonic Lodge

Education

Paul R. Taylor, Superintendent,
El Reno City Schools

American Legion -

T. P. Gilmer, Past State Commander,
American Legion

Trucking -

Roy Woods, President,
United Transports, Inc.

Speaker's Bureau -

Stephen S. Chandler
Attorney and Member of Oklahoma
City Planning Association

* * * * *

ARMAMENTS DISPLAYED NEAR TREASURY BUILDING

An Army P-39 interceptor pursuit plane, the only single-motored craft of its type mounting a 37-mm shell-firing cannon, has been placed on display near the Treasury to stimulate the sale of Defense Savings Bonds and Stamps. The speedy Airacobra will be open to inspection at Pennsylvania Avenue and 14th Street, along with other armaments being manufactured for the United States and Great Britain. Price tags on each weapon will show the direct relationship between purchases of Bonds and Stamps and National Defense.

F L O R I D A
Initial Meeting Great Success

THE FLORIDA DEFENSE SAVINGS COMMITTEE held its first meeting on June 26 with State Administrator John L. Fahs and 14 members of the State Committee in attendance and began mapping the details of an intensive campaign.

MEMBERS OF THE STATE COMMITTEE indicated various ways in which they could immediately aid the program:

Linton E. Allen, President of the First National Bank of Orlando and Chairman of the Florida State Committee, reported that the employees in his bank had accepted the recently installed Defense Savings payroll allotment plan, 100%.

Nathan Mayo, State Commissioner of Agriculture, announced that he would incorporate an endorsement of Defense Savings Bonds and a strong appeal to buy these Bonds in the bi-monthly Farm Bulletin of his Department.

J. L. Cartwright, public relations executive of Sparks Theatres, Inc., suggested that patriotic prologues dramatizing Defense Savings could be developed for the special children's matinees and morning shows offered by many theatres in the State. Defense Savings Stamps might be given to the first of a given number of children attending a performance.

John B. Sutton, general solicitor of the Atlantic Coast Line Railway, informed the Committee that his company, as well as the Florida East Coast Railroad, had installed a Defense Savings Payroll allotment plan and that Defense Savings Stamps would be placed on sale at all railroad ticket windows.

J. E. Kavanaugh, general manager, Meyer Hotels, has addressed a letter to all members of the Florida State Hotel Association, calling upon them to make it convenient for their employees to purchase Defense Savings Bonds and Stamps. He assured the Committee that hotel operators would see to it that during the Winter months, night club entertainers publicize the Defense Savings Program in appropriate ways.

MAYORS, COUNTY COMMISSIONERS AND OTHER MEMBERS of local Defense Savings Committees will meet with State Chairman Linton E. Allen, State Administrator Fahs, Deputy State Administrator Karl Lehman in five meetings to be held early in July in each of Florida's five Congressional districts.

All members of the Florida State Committee will be introduced in a subsequent issue of the NEWS LETTER.

M A S S A C H U S E T T S
Keeping Program Before Public

Radio Station WORL in Boston is contributing to the Massachusetts Defense Savings Committee one hour of radio time each Sunday for a program which features American music and talks on National Defense and Defense Savings by leading citizens and public officials.

Gordon Wayne, special events announcer for WORL, directs the program. Charles T. Brooks, Deputy Collector of Internal Revenue, Boston, represents the Defense Savings Committee in arranging the program and Harold G. Jackson, chairman of the State Speakers Bureau for the Defense Savings Committee, helps secure speakers.

"Star of the Month" Contest, conducted by the Boston Globe, will use Defense Savings Bonds as prizes. Winner of the first Bond in this contest was Joe Cronin, manager of the Boston Red Sox.

The graduating class of the East Hampton high school selected a Defense Savings Bond for the school's educational fund as its class gift, thus indicating, commented the local paper, that the theme of the graduation ceremonies, "Youth Speaks on Democracy and Education," meant more than words to them.

Many city and town treasurers are investing trust and special funds in Defense Savings Bonds.

Many business houses have placed Defense Savings Stamps on sale. Rust Craft Publishers reports that weekly purchases of these stamps by their employees and customers have averaged more than \$200.

* * * * *

— BUILDING EDUCATIONAL FUNDS —

Parents can use Defense Savings Bonds to excellent advantage to assure a college education for their children. Dr. Ernest Martin Hopkins, President of Dartmouth College, recently pointed out that "by registering those bonds in the names of their sons and daughters, parents can assure for them a college education later on."

(Note: It may be worth pointing out that all parents -- and not merely those whose children are just 10 years younger than college entrance age -- can use Defense Savings Bonds to build educational sinking funds.)

MISSOURI
Further Progress Reported

MISSOURI CONGRESSMEN have been asked by State Administrator Dan Nee to comment on the Defense Savings Program in statements which will be published in newspapers of their districts and throughout the state.

PAYROLL ALLOTMENT PLANS are being installed by many prominent business firms in Missouri. The following are additions to the list published in NEWS LETTER No. 3:

ANHEUSER-BUSCH BREWING COMPANY - ST. LOUIS
 ARMOUR & COMPANY - ST. JOSEPH
 CROWN DRUG COMPANY - (85 STORES IN MISSOURI)
 GRIESEDECK BROS. BREWING COMPANY - ST. LOUIS
 HARZFELD'S - KANSAS CITY
 HYDE PARK BREWING COMPANY - ST. LOUIS
 INTERNATIONAL SHOE COMPANY - (45 FACTORIES with
 headquarters in St. Louis)
 MILGRIM'S CHAIN GROCERIES - KANSAS CITY
 SIELOFF PACKING COMPANY - ST. LOUIS

BOY SCOUT THRIFT CLUBS are being organized in every Scout troop in Missouri.

"DEFENSE-O-GRAMS," pithy, pointed paragraphs on the Defense Savings Program by State Administrator Nee, are being sent each week to editors of all Missouri periodicals.

PATRIOTIC RALLIES, sponsored by local Defense Savings Committees, are being scheduled for many committees during July. State Administrator Nee will be the principal speaker at the rallies planned for

Bowling Green
 Canton
 Cape Girardeau
 Carruthersville
 Hannibal
 Kahoka

Kennett
 Kirksville
 Memphis
 New Madrid
 Poplar Bluff
 Shelbina

CLUB STARTS MEMBERS ON ROAD TO BOND OWNERSHIP

St. Joseph, Mo.—The Armour Men's Social Club has presented each member with a Defense Savings Stamp and album. H. L. Croul, president of the Club, stated that the Club decided to purchase these stamps with funds from its treasury in order to bring the Government's Defense Savings Program to the direct attention of every member.

The Armour plant in St. Joseph recently announced a Defense Savings Payroll Allotment Plan.

FROM BORDER TO BORDER --

MINNESOTA
Moving Into High

Farmers in Minnesota will learn of the Defense Savings Program through their soil conservation organization. State Administrator Arthur D. Reynolds recently addressed a meeting of the field men of the State Conservation Committee and these men gladly accepted the responsibility of carrying the message to the 90 county and 5000 township conservation committeemen.

Salary allotment plans are now in operation in the following Twin City Banks:

Federal Reserve Bank of Minneapolis
First National Bank of St. Paul
American National Bank
Farmers and Mechanics Bank of Minneapolis

The latter three banks are working out the details of salary allotment plans for several large industrial concerns.

County Committees are being set up in all parts of the State by State Administrator Reynolds and Deputy State Administrator Lief Gilstead as rapidly as the necessary field work can be done. The recent convention of the League of Minnesota Municipalities was addressed by Deputy Administrator Gilstead and at that time mayors and other city officials, assembled from all parts of the State, pledged their full support in the development of Defense Savings Committees in their communities.

T E X A S
Forging Ahead

44 cities in Texas were visited by State Administrator Scofield during the past month. He reports that in practically all of them committees are at work publicizing the Defense Savings Program, making plans for meetings and rallies to be held during the Summer, and organizing to bring payroll allotment and other systematic saving plans to the attention of all regularly employed persons. Bankers, ranchers, postmasters and business leaders in all lines are rallying to the support of the Defense Savings Program, according to Administrator Scofield.

Rodeo Spectators at Mason heard an appeal from State Administrator Scofield to participate in the Defense Savings Program. At the same time, Boy Scouts distributed folders describing Defense Savings Bonds and Stamps.

A Defense Bond essay contest in Galveston brought in several thousand entries.

LEADING DETROIT FIRMS
Adopt Defense Savings Payroll Allotment Plans

Here are a few of the firms in Detroit which have made it possible for their employees to purchase Defense Savings Bonds by authorizing salary allotments:

CHRYSLER CORPORATION
 EX-CELL-O CORPORATION
 FEDERAL MOTOR TRUCK COMPANY
 GENERAL MOTORS CORPORATION
 FEDERAL RESERVE BANK OF DETROIT
 WOLVERINE TUBE COMPANY
 NATIONAL BANK OF DETROIT
 MICHIGAN BELL TELEPHONE COMPANY
 U. S. RUBBER COMPANY (Detroit Plant)

In addition to concerns which have adopted salary allotment plans, many others have arranged for employees to receive, at their option, part of their pay in Defense Savings Stamps; have designated "group agents" to act for their fellow employees on pay day in purchasing Stamps or Bonds requested; or have established stamp banks in their cashiers' offices.

Some of the concerns in this group are:

ALL BREWERIES IN DETROIT
 DAISY VALLEY CHEESE COMPANY
 HAMMOND-STANDISH PACKING COMPANY
 DETROIT STREET RAILWAYS
 BUHL & SONS HARDWARE COMPANY
 EDSON-MOORE WHOLESALE COMPANY
 U. S. WAREHOUSE

MANUFACTURERS' REPRESENTATIVES TO INSTALL ALLOTMENT PLANS

The Detroit Association of Manufacturers' Representatives, following a meeting addressed by Chairman Frank Isbey, appointed George M. Miller of the Pillsbury Flour Company, Defense Savings Chairman for their group. Mr. Miller is also the Vice-Chairman of the Detroit City Defense Savings Committee. He plans to get in touch with each member of his Association and render assistance in establishing Defense Savings payroll allotment plans and stamp banks. The Association represents approximately 4,000 employees.

UNION ESTABLISHES COMMITTEE ON DEFENSE SAVINGS

The Detroit Council #43 of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, AFL, has established a Defense Bond and Savings Committee under the chairmanship of Bert Brennan. This committee has made a special appeal to the 30,000 members of their union to "buy a share in America."

INQUIRIES ON PAYROLL ALLOTMENT PLANS INVITED BY TREASURY

In a recent letter to trade association executives in all parts of the country, the Secretary of the Treasury requested their cooperation in the Defense Savings Program and said in part:

"It is important that the Treasury convey—as often as possible—to every employed man and woman in the United States information about these government obligations. . .

"The success of this campaign will depend upon the number of Americans purchasing bonds and stamps from their current earnings and the continuity of their purchases. A systematic purchase plan is probably the most convenient and effective way of accomplishing this end. . . Undoubtedly, the employees of some of your members will inquire about a systematic savings plan, if they have not already done so. . . The Treasury will be glad to be consulted by and to assist employers in setting up payroll savings plans for the purchase of bonds.

"The assistance of your organization and that of its members will be invaluable in our efforts to spread information about Defense Savings Bonds and Stamps and to make sure that their purchase and sales are based upon our long cherished democratic way of doing business."

Detailed information with reference to the installation of Defense Savings Payroll Allotment Plans is now available from the Office of the Field Director, Defense Savings Staff.

All State Administrators have received a supply of the bulletin just released entitled, "Salary Allotment Plan as Applied to the Defense Savings Program." Copies of this bulletin will gladly be made available to others, upon request.

PUBLIC UTILITY ADOPTS ALLOTMENT PLAN

The payroll allotment method of purchasing Defense Savings Bonds has been made available to the employees of the Mississippi Power & Light Company, which operates throughout the western part of the State. In presenting the plan, Rex I. Brown, President of the Company and member of the Defense Savings Committee for Mississippi, said:

"Your money, as well as going into the safest investment apparent at this time, will further one of the most important objectives in the National Defense Program and, in addition, lay a foundation for better conditions following the Defense activities. . . This particular plan, of course, is a vital part of our Nation's Defense Program and I am sure you will give it your loyal support on a purely voluntary basis."

RADIO PROGRAMS
Which Will Boost Defense Savings Bonds
During Coming Week

MONDAY, JULY 7.		
4:00 P.M. (EST)	"Home of the Brave" (General Foods)	N.B.C. Red Network
9:15 P.M. (EST)	"Spud Imperial Time" (Axton-Fisher)	M.B.S. 17 Station Network
TUESDAY, JULY 8.		
6:00 P.M. (EST)	"Fred Waring" (Ligget & Myer)	N.B.C. Red Network
WEDNESDAY, JULY 9.		
11:00 A.M. (EST)	"Kate Smith Speaks" (General Foods)	C.B.S.
* * * * *		
8:00 P.M. (EST)	"Millions for Defense"	C.B.S.
Guest Stars:	LOWELL THOMAS - BOB HOPE - BING CROSBY - DOROTHY LAMOUR - DOROTHY LAYNOR - AL GOODMAN and his Band - A Twelve Voice Choir.	
(The Treasury Hour - Time contributed by the Texas Company)		
* * * * *		
9:15 P.M. (EST)	"Danger is My Business" (Axton-Fisher)	M.B.S. 17 Station Network
THURSDAY, JULY 10.		
7:30 P.M. (EST)	"The Aldrich Family" (General Foods)	N.B.C. Red Network
9:15 P.M. (EST)	"Professor Quiz" (Ligget & Myer)	C.B.S.
FRIDAY, JULY 11.		
8:30 P.M. (EST)	"Your Happy Birthday" (Axton-Fisher)	N.B.C. Blue Network

The Treasury Hour

Don't miss our own program, "Millions for Defense," on Wednesday evenings, 8 to 9 P.M. (EST). This is a 13 week series. The first broadcast made a tremendous hit. Some committees may want to schedule their meetings during July, August, and September for Wednesday evening in order to listen to this program together.

Perhaps in some communities arrangements can be made to bring the program to group audiences in parks or elsewhere over public address systems.

ALLOTMENT PLAN AVAILABLE TO PUBLIC EMPLOYEES

THE CITY OF HARTFORD, CONNECTICUT—through George H. Gabb, City Treasurer—has notified all of its employees that they may now purchase Defense Savings Bonds on the payroll allotment plan.

"We have the option of paying more taxes, an increased cost of living and probably both, or buying the safest investment in the world bearing a good rate of interest," Mr. Gabb pointed out.

"With the defense of all that a free people hold dear at issue we cannot escape the responsibility of making every reasonable sacrifice to support our Government and at the same time conserve our own resources through the liberal buying of Defense Savings Bonds."

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FLORIDA INDUSTRIAL COMMISSION (state agency administering unemployment compensation program) reports that 100% of its 500 employees want to participate in the Defense Savings salary allotment plan which the Commission is installing.

* * * * *

EDITORS TO FEATURE DEFENSE SAVINGS

EDITORS OF FOREIGN LANGUAGE AND COMMUNITY NEWSPAPERS in Metropolitan Detroit were tendered a luncheon on June 19th by Michigan State Chairman Frank Isbey. Mr. John S. Knight, publisher of the Detroit Free Press and newspaper representative on the Detroit Defense Savings Committee, presided. The Defense Savings Program was explained in detail to these editors and they all agreed to feature material about Defense Savings Bonds and Stamps prominently in their columns.

MONROE, MICHIGAN, BACKS PROGRAM

ROTARY AND KIWANIS CLUBS in Monroe, Mich., recently met jointly with the Monroe Defense Savings Committee to hear an address by Chairman Isbey. Postmaster A. C. Maurer (who organized a Defense Savings parade and rally on May 1 and who has been extremely active in promoting the sale of Defense Savings Bonds and Stamps during the past two months) reports that, as a result of this meeting, the City of Monroe and several business establishments introduced voluntary payroll allotment plans for their employees.

* * * * *

WATCH THAT FOLLOW THROUGH!

Detroit newspapers recently carried photographs of two school girls from the Grausel Intermediate School exchanging Defense Savings Stamp albums, which they began about a month ago to fill with Defense Savings Stamps, for Bonds. This is the "follow through" to be encouraged.

BISHOP OF KANSAS CITY URGES PURCHASE OF DEFENSE BONDS

In a letter addressed to the clergy and laity of the Diocese of Kansas City and published in the Kansas City Star as well as in church papers, Bishop Edwin V. O'Hara makes a strong plea for the purchase of Defense Savings Bonds. Bishop O'Hara's letter reads in part as follows:

"A vast defense program commensurate with America's needs will require finances on an extraordinary scale which must be met — and willingly met — by increased taxation. And finally, after all that is possible is done by this means, the United States government will have to borrow large sums for the successful prosecution of a program of preparation for adequate national defense. It then becomes the patriotic duty of every citizen to share according to his means in the purchase of United States Defense Savings Bonds. The fact that these savings bonds are both the safest and the most profitable investment of funds for the average citizen does not in any way detract from the element of good citizenship manifested by their purchase.

"May I in conclusion emphasize the truth that religion enforces the duties of good citizenship. Nowhere can this truth be clearer than in our own great and beloved country where law and American tradition alike safeguard the sacred liberties of human beings which find their warrant in religious teaching.

"We have in America a country to the defense of which we mutually pledge to each other our lives, our fortunes, and our sacred honor. We shall not fail to provide for her adequate defense."

* * * * *

DEFENSE SAVINGS IN CLASSROOMS OF THE NATION

SCHOOL CHILDREN will learn of the Defense Savings Program through a comprehensive educational effort which will get under way in the Fall.

The National Committee on Education and Defense, coordinating body representing the 59 leading associations of teachers, school superintendents, universities, etc., has pledged full support to the Defense Savings Program and will cooperate in getting the program before the 30,000,000 school children of the nation.

* * * * *

A BABY IN UNCLE SAM'S HAT and the words "Preserve the Cradle of Liberty, Buy U. S. Defense Bonds" appeared on the cover of 7,000,000 copies of the Sunday supplement magazine This Week for June 29.

ANY BONDS TODAY?

Written at the suggestion of Secretary Morgenthau, this song is Irving Berlin's effective contribution to the Defense Savings Program. It will be heard and sung by millions and will remind us all that:

Verse:

"The tall man with the high hat and the whiskers on his chin
Will soon be knocking at your door and you ought to be in
The tall man with the high hat will be coming down your way
Get your savings out when you hear him shout - 'any bonds today?'

Chorus:

"ANY BONDS TODAY?
Bonds of freedom that's what I'm selling.
ANY BONDS TODAY?
Scrape up the most you can -
Here comes the freedom man -
Asking you to buy a share of freedom today.

"Any stamps today?
We'll be blest if we all invest in the U. S. A.
Here comes the freedom man
Can't make tomorrow's plan -
Not unless you buy a share of freedom today.

"Any Bonds today?
All you give will be spent to live - in the Yankee way.
Scrape up the most you can -
Here comes the freedom man -
Asking you to buy a share of freedom today.

Interlude

"First came the Czechs and then came the Poles
And then the Norwegians with three million souls.
Then came the Dutch, the Belgians and France,
Then all of the Balkans with hardly a chance.
It's all in the Book if only you look
It's there if you read the text.
They fell ev'ry one at the point of a gun.
America mustn't be next."

The song has been copyrighted in the name of the Secretary of the Treasury.

ADVICE FROM BANKS

"Anyone who buys the United States Defense Savings Bonds benefits both his country and himself. Everyone realizes that our country's defense is vital and must be financed. The purchase of government bonds by individuals and corporations out of savings or surplus funds rather than by banks reduces the danger of inflation, which would hurt everyone.

"For investment, we know of nothing else which is as attractive as the new United States Defense Savings Bonds. . . .

"The security is absolute, the yield is liberal compared with other bonds of prime security, and the holders' right of redemption means that an investor in them cannot lose his principal. We are urging their sale and recommending them to our customers and advertising them, feeling that by so doing we are not only helping our country but benefitting the bank's customers and friends."

--Edward E. Brown, President,
First National Bank of Chicago

Banks in Gastonia, N. C. have advised depositors:-

"If . . . you should decide to invest a portion of your funds on deposit here . . . we strongly suggest that you consider United States Defense Savings Bonds. They carry a fair rate of interest and their purchase is a direct contribution to the defense of our country."

"DOUBLE 100%!"

EVERY officer and employee of EVERY savings bank in the State of Vermont have joined "100% Clubs" by agreeing to purchase Defense Savings Bonds regularly, according to an announcement by Levi P. Smith, Vermont chairman for defense savings of the mutual savings banks of the state. In a recent statement, Mr. Smith, who is the President of the Burlington Savings Bank, said:

"Believing that this emergency is the greatest threat to our civilization which has ever confronted the American people, the Burlington Savings Bank pledges its services . . .

"Believing that the time for complacency, delay, hesitation and division has passed, the Burlington Savings Bank urges you to take your place now in the ranks of America's defenders."

QUOTABLE QUOTES--

"There is no room in America today for complacency. . . No matter how fast defense production climbs, it will not be fast enough to meet the need nor to satisfy our state of mind--our anxiety.

"Our defense expenditures are now running at the rate of \$9,000,000,000 to \$10,000,000,000 a year. The end of the year will undoubtedly see this rate stepped up to as much as \$15,000,000,000 yearly, possibly more. . .

"Fifteen billion dollars is more than all the wages and salaries paid by all the manufacturing plants in the United States in any one year.

"It is twice the value of all the agricultural products produced in the United States in any recent year by our 6,000,000 farm families. . .

"With the expenditure of these billions, we must guard against inflation and run-away prices."

--Jesse H. Jones, Secretary of Commerce and
Federal Loan Administrator, in Domestic
Commerce.

In a recent message to his employees, Walter W. Head, President of the General American Life Insurance Company, said:

"You and I, together with all other Americans, are being given an opportunity to actively and affirmatively participate in the defense program through the plan which the United States Treasury Department has developed for the sale of defense bonds.

"You all know that I am an optimist but the clouds which obscure the future make it imperative for everyone to recognize the meaning of and to play his or her part in the country's united effort to make its defense program effective.

"Recognizing the advantages to the employees of the Company of being permitted to allot a part of their salary each month to the purchase of such bonds, the Company has made effective a payroll allotment plan. . .

"This plan is being put into effect because it is believed that there is a desire among the employees for an arrangement which provides an opportunity and way for each one of us to avail himself of the defense savings program which the government has developed."

QUALIFIED ISSUING AGENTS FOR DEFENSE SAVINGS BONDS

I. POST OFFICES

All first, second, and third class post offices and more than 10,000 fourth class post offices were issuing agencies by the end of June and additional fourth class post offices were qualifying daily.

Total number of postal sales agencies - More than 16,500

II. BANKS, BUILDING AND LOAN AND SAVINGS AND LOAN ASSOCIATIONS, FEDERALLY CHARTERED CREDIT UNIONS, AND A FEW OTHER SPECIALLY AUTHORIZED AGENTS.

The following table shows these non-postal issuing agents as of July 2, classified by Federal Reserve Districts and by type:

FEDERAL RESERVE DISTRICT	NATIONAL BANKS	STATE BANKS	MUTUAL SAVINGS BANKS	BLDG. & LOAN AND SVGS. & LOAN ASSOCS.	CREDIT UNIONS, ETC.	TOTAL
Boston	270	214	272	54	23	833
New York	538	386	161	181	51	1,317
Philadelphia	473	221	9	58	8	769
Cleveland	397	442	4	206	9	1,058
Richmond	288	388	8	83	11	778
Atlanta	196	334	4	65	9	608
Chicago	452	1,103	5	216	14	1,790
St. Louis	211	455	-	60	3	729
Minneapolis	286	436	2	24	2	750
Kansas City	502	486	-	98	7	1,093
Dallas	394	227	-	57	11	689
San Francisco	172	198	4	160	9	543
	<u>4,179</u>	<u>4,890</u>	<u>469</u>	<u>1,262</u>	<u>157</u>	<u>10,957</u>

GRAND TOTAL - More than 27,457

These figures indicate that approximately 81% of National Banks, 53% of State Banks, and 84% of Mutual Savings Banks have now qualified as issuing agents for Series E Defense Savings Bonds.

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PATRIOTISM IN SPORTS



Robert (Lefty) Grove, star pitcher of the Boston Red Sox, purchasing Defense Savings Bonds from Cashier Charles Hall of the National Shawmut Bank of Boston.

BOY SCOUT TROOP TO BUY A BOND A MONTH!



Honor Scouts Gale Eldridge and James Huff of Troop 313 in Detroit, accompanied by Troop Treasurer Clayton W. Nowlin, purchase a \$100 Defense Savings Bond from Fred H. Jones, assistant manager of the Woodward-Brady Branch of the Bank of Detroit. Troop 313 has decided to invest troop funds in Defense Bonds each month. The troop is sponsored by the Canfield Police Station.

UNITED STATES SAVINGS BONDS
 Report on Sales during May and June, 1941
 (All figures in thousands)

Item	All Sales				Post Office Sales	Bank Sales			
	Total	Series E	Series F	Series G	Series E	Total	Series E	Series F	Series G
1. Number of bond units									
May	1,133	991	24	119	453	680	537	24	119
June	1,092	998	17	77	492	600	505	17	77
Total	2,226	1,988	41	196	945	1,280	1,043	41	196
2. Dollar volume (issue price)									
May	\$438,288	\$114,895	\$ 45,521	\$277,872	\$ 42,836	\$395,451	\$ 72,059	\$ 45,521	\$277,872
June	268,965	98,725	22,965	147,275	40,788	228,176	57,936	22,965	147,275
Total	\$707,252	\$213,620	\$ 68,486	\$425,146	\$ 83,625	\$623,627	\$129,995	\$ 68,486	\$425,146
3. Number of purchasers, excluding second co- owners									
May	520**	475	5	39	218	302**	258	5	39
June *	486**	456	4	25	225	261**	231	4	25
Total	1,005**	932	9	64	443	563**	489	9	64

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

July 5, 1941.

Source: Number of units sold by post offices, as estimated by the Post Office Department on the basis of actual sales by 111 larger post offices, has been adjusted to the basis on which dollar volume is shown; i.e., deposits by postmasters with the Treasurer of the United States on account of proceeds of sales of Series E bonds. All bank figures are based on Federal Reserve Bank reports (daily reports prorated to weekly reports for Series E; daily reports for Series F and G) and include their own sales. Estimates of number of purchasers are based on special reports by the Federal Reserve Banks covering the period May 1 through May 21, and, in respect to Series E, on similar data for Series A-E.

* Includes estimated purchasers in June who were also purchasers in May. Thus totals represent the number of different purchasers in the two-month period.

** Each series of bonds has been considered separately in estimating number of purchasers; hence totals are overstated in respect to purchasers of more than one series.

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

CCC 5/8 Percent Notes Maturing on August 1, 1941

Ownership of the \$202.6 Millions Outstanding by
the Various Classes of Investors, April 30, 1941

(Dollar figures are millions)

	: Amount	: Percent of
	: owned	: total
1. Banks		
a. 6 large N.Y.C. commercial banks....	\$ 38.3	18.9
b. 1,031 other commercial banks.....	98.6	48.7
c. 29 mutual savings banks.....	<u>4.3</u>	<u>2.1</u>
Total 1,066 banks.....	\$141.2	69.7
2. Insurance companies.....	<u>28.5</u>	<u>14.1</u>
Total for which ownership data are available <u>1/</u>	\$169.7	83.8
3. All other investors.....	<u>32.9</u>	<u>16.2</u>
Total amount outstanding.....	<u>\$202.6</u>	<u>100.0</u>

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

July 5, 1941.

1/ Government agencies and trust funds do not own
any of this issue.

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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 5, 1941

For Miss Gurnea

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£19,000
Purchased from commercial concerns	£ 9,000

Open market sterling was quoted at 4.03-1/2. The only reported transactions consisted of the sale of £4,000 to commercial concerns.

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

Canadian dollar	11-1/2% discount
Argentine peso (free)	.2380
Brazilian milreis (free)	.0505
Uruguayan peso (free)	.4380
Mexican peso	.2370
Cuban peso	1-3/16% discount
Japanese yen	.2358

In Shanghai, the yuan was quoted at 5-1/4+, and sterling at 3.91-1/2.

On July 3rd the Federal Reserve Bank of New York purchased from the Manufacturers' Trust Company, N. Y., approximately 104,000 Swedish kronor at 23.90¢ per krona, for the account of the Central Bank of Turkey. The Turkish Bank stated that the kronor were to be used in payment of commercial transactions and consular officers' expenses.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$3,864,000 in gold from Canada to the Federal Reserve Bank of New York for account of the Government of Canada, for sale to the New York Assay Office.

The Treasury issued licenses under both the Gold Reserve Act and Executive Order No. 8389, as amended, permitting the Federal Reserve Bank of New York to effect the following transfers of gold in its vaults:

\$1,125,000 in gold coin from the National Bank of Denmark's account to B.I.S. account No. 2. Gold in the latter account is the property of the B.I.S. This coin will be converted into United States Assay Office bars and then transferred to the account of the Swiss National Bank.

- 2 -

The aforementioned transfers represent a purchase of gold by the B.I.S. from the Danish Bank and a sale of gold by the B.I.S. to the Swiss Bank, with payment being made through the respective accounts on the books of the Federal.

A handwritten signature in cursive script, appearing to be 'W. J. ...', is written in the center of the page.

CONFIDENTIAL

DES

PLAIN

LONDON

Dated July 5, 1941

Rec'd 12:54 p.m.

Secretary of State,
Washington.

2856, Fifth.

The temper of the press comments mentioned in the fourth paragraph of the Embassy's No. 2770 of July 1 and of Parliamentary questions on the Viscose deal were such as to cause the Chancellor of the Exchequer to invite a specific question on the amount received and commissions paid. In reply to this question in the House of Commons on Thursday, Sir Kingsley Wood presented a full Government statement giving all the details and figures, saying that: "As I think it desirable that the House should be fully informed on the sale of the American Viscose Corporation, I am circulating in the official report, a full statement which will show in detail the various payments made in connection with the transaction." Asked whether he considered the services rendered were commensurate with the figure of commission expenses, et cetera paid, he said: "I would refer the honorable member to the figures, but as regards the transaction generally I take full responsibility."

The statement

-2- 2856, July 5, 1941 from London

The statement is not here quoted since all relevant facts are known to the Treasury. The particulars set out include the following sentence: "The agreement was varied in a material detail in that the item under the participation by the syndicate in the proceeds of sale, namely, \$946,817 was reduced voluntarily by the syndicate from 10 percent to 5 percent.

Some press comments on the statement follow:

The TIMES city editor points out that the difference between the gross proceeds of \$62 million and the Exchequer receipts of \$54 million represents about 12½ percent but that "it would clearly be wrong to dub it simply as bankers profit" and further asserts that "it is difficult for anyone in this country to judge whether a ratio of this sort is high or not by United States standards in the special circumstances of the issue". He concludes his comment as follows: "There is no necessary relation of course between the sum of \$54,445,515 received by the Treasury and the price payable by the Treasury to Courtaulds."

The DAILY TELEGRAPH city editors state that: "Everybody realizes that the sale in New York was rushed through under the pressure of political necessities. The question for the British Government in its arrangements with Courtaulds is whether the whole of the sacrifice should be borne by the company or whether in view of the exceptional circumstances

3- 2856, July 5, 1941 from London

circumstances this is a case for special consideration".

The FINANCIAL NEWS in publishing a full report of the Chancellor's statement notes that it makes no attempt to discuss wider aspects of the transaction such as the ability of the American security markets to provide an adequate channel for this type of transaction under present conditions or the probable trend of near-term Viscose profits in relation to war-time operating conditions and notes the voluntary reduction by the syndicate from 10 percent to 5 percent of its participation in the proceeds of the sale, following this point with the statement quoted below: "It will be recalled that Mr. Jesse Jones, the United States Federal Loan Administrator, was recently asserted to have declared that banking profits on the deal were too high, and that the United States Treasury was seeking a refund amounting to \$1,000,000

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YDEPARTMENT OF STATE
WashingtonIn reply refer to
EA 840.51 Frozen Credits/2383

July 5, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith copies of telegram no. 931, dated July 3, 1941, from the American Embassy at Rome concerning Italian funds frozen in the United States.

Enclosure:

no. 931 from Rome,
July 3, 1941.

Copy:lg 7/7/41

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ROME

Dated July 3, 1941

Rec'd 6 p.m.

Secretary of State.

Washington.

931. July 3, 8 p.m.

It seems to be the impression of Italian officials here as expressed today by Rocco, Chief of the Foreign Press Section of the Ministry of Popular Culture, that the treatment of Italians in the United States is so unfavorable that the Italian Government is "playing naturally the only card it has of reciprocity". When asked for an example of our unfavorable treatment he cited the difficulties that the Italian personnel in the United States were experiencing in the disposal of their cars and other personal possessions. Rocco appeared to be under the impression that the dollars received for the sale of possessions were blocked and could not be taken out of the country and thus could not be used for traveling expenses.

My understanding from your 458, July 1, noon and your 468, July 2, 6 p.m. is that the dollars derived from such sales if placed in the bank accounts of such officers will be returned to them before their departure in Italian currency certificates.

Before

-2- 931, July 3, 1941 from Rome

Before attempting to clarify the situation I should
be glad to know whether my understanding is correct.

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DEPARTMENT OF STATE

Washington

In reply refer to
EA

July 5, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of telegram no. 2669, dated July 3, 1941, from the American Embassy at Berlin repeating telegram no. 36, dated June 30, from the American Consul General at Amsterdam reporting a Netherlands decree concerning foreign securities owned in the Netherlands.

Enclosure:

No. 2669 from Berlin,
July 3, 1941.

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Berlin

Dated July 3, 1941

Rec'd 2:45 p.m.

Secretary of State

Washington

2669, third.

Following is Amsterdam's 36, thirtieth, to the Embassy. "Refer Amsterdam's despatch 608 of August 20, 1940. Press of June 28 reports that ORDINANCE JOURNAL of June 27 contains decree further concerning the registration of foreign securities and empowering the Ministry of Finance to order that Netherlands residents deliver for sale or transfer as desired to the Netherlands Bank, foreign securities which they own now or may obtain hereafter. The Provisions of Article 44, sections three to nine inclusive of foreign currency decree 1941, are applicable to the foregoing."

MORRIS

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C O R R E C T I O N

Reference No. 2589, referred to in Cable No. 2690, from
Berlin, dated July 5, should be No. 2588.

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7-10-41

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24 JUL 10 1941

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24 JUL 10 1941

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: July 5, 1941, 4 p.m.

NO. 1 700

Reference is made to telegram no. 505, dated July 3, 5 p.m., from the Department.

This morning I again reviewed with them the matter of the Yugoslav funds.

If the funds are guaranteed against any ensuing loss which, for instance, might be the result of an award by an arbitration tribunal or court of justice, they are completely disposed to transfer the funds as requested.

It has been pointed out by them that the United States is in a much better position than Brazil to withstand possibly losing \$11,000,000 but, they have stated, the Federal Reserve Bank refuses to take the risk that the United States is asking the Bank of Brazil to take.

As outlined in the Embassy's previous telegrams, their stand is liberal and cooperative but they insist that they will not go any farther unless we guarantee them against the risk which we have requested them to take.

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Paraphrase of Code Cablegram
Received at the War Department
at 18:32, July 5, 1941.

London, filed 16:30, July 5, 1941.

1. British Air Activity over the Continent.

a. Night of July 3-4. 35 tons of high explosive bombs and 6000 incendiaries were dropped upon Bremen; and 88 tons of high explosive bombs and 9500 incendiaries were dropped upon Essen.

b. Day of July 4. Bremen was attacked with 8 Blenheims with good results. The seaplane base at Nordersay was bombed by 5 Blenheims and the chemical works at Choeques by 12, also with good results. Fighter aircraft were dispatched as follows: 369 in the protection of shipping; 213 on offensive patrols; 76 on interception patrols; and 33 on special patrols.

c. Night of July 4-5. During this night Great Britain dispatched the following number of bombers to the targets named: Lorient, 47; Brest, 88; Cherbourg, 4; Cologne, 2; Dortmund, 2; Frisian Islands, 3; and Basseldorf, 1. Two bombers also dropped leaflets over Paris and Chalons.

2. German Air Activity over Britain.

a. Day of July 5. Against Britain were employed 15 reconnaissance aircraft and 15 long range bombers. Over German territory 345 fighters maintained defensive patrols.

b. Night of July 3-4. Only two reconnaissance aircraft were sent out by Germany.

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c. Night of July 4-5. There was activity on an increased scale in the area of Bristol, Plymouth, Birmingham and Coventry.

3. Aircraft Losses Reported.

a. British losses. Four Blenheims were unreported from the raid on Bremen of July 4. One was also unreported from the attack on Nordernoy. On the same day three Spitfires were lost.

b. Axis losses. Germany's losses were as follows on July 4: 15 Me-109's shot down, 7 Me-109's probably destroyed; and 14 of the same damaged.

4. British Air Activity. Other Theaters.

a. Middle Eastern Theater. No change in the situation was reported.

LEB

Distributions

Secretary of War
State Department
Secretary of Treasury
Chief of Army Air Forces
Assistant Chief of Staff, G-3
War Plans Division
Office of Naval Intelligence (2)
G.H.Q.
Air Corps.
G-3

CONFIDENTIAL

Paraphrase of Code Sublogram
Received at the War Department
at 11:22, July 6, 1941

London, filed 12:48, July 6, 1941.

1. British Air Activity over the Continent.

a. Night of July 4-5. Great Britain dropped the following numbers of tons of high explosive bombs upon the objectives named: 62 on Lorient, 11 on various targets in Germany; 68 on the Scharnhorst and the Gneisenau, consisting of two 4000 pound bombs and three 2000 pound armor-piercing bombs; and 60 on the Bogen.

b. Night of July 5. Three Stirling bombers attacked the steel works at Lille, dropping thirteen tons of bombs, and one dropped five tons of high explosive bombs upon the Alboville railway yards, both attacks being successful. Seven Heinkel's attacked shipping in the Elbe area, six a convoy in Suderote pass, and seven shipping off Ameland. These attacks were reported by the Air Ministry to be very successful, it being believed that six vessels, totaling 22,000 tons, and warehouses and docks were seriously damaged. Authentic information is also said to be possessed by the Air Ministry to the effect that in the attack upon the Bogen direct hits on the stern were obtained and that one bomb went down the funnel.

c. Night of July 5-6. Bombers were dispatched as follows: 22 to Melsfeld; 20 to Osnabruck; 24 to Munster; 7 to St. Nazaire; 14 to Rotterdam; and 12 to Magdeburg. Five bombers also carried leaflets over Paris, Vichy, and Limoges.

2. German Air Activity over Britain.

a. Day of July 4. 15 reconnaissance aircraft and 5 long range bombers operated against England. Over German territory 120 fighters conducted defensive patrols.

b. Night of July 4-5. 10 night fighters and 80 long range bombers were employed.

c. Day of July 5. Activity of this day consisted of defensive fighter patrols along the French coast and reconnaissance over the Channel.

d. Night of July 5-6. Over the Thames Estuary and the coast of Wales there were a few operations.

3. Aircraft Losses Reported.

a. British losses. Two Heinkel's were lost and two damaged during the daylight operations of July 5. Three Spitfires were also lost during that day. Four British bombers were unreported from the raids of the night of July 5-6.

b. Axis losses. German aircraft casualties were as follows for the day of July 5: two He-100's shot down, one He-100W probably destroyed and five He-100's damaged.

4. British Air Activity, Other Theaters.

a. Middle Eastern Theater. There was no change reported.

It is considered by the Air Ministry in London that the Russian Air Force is operating efficiently. Its information is also to the effect that all German parachute troops have been removed from Greece to some unknown area.

Distribution:

Secretary of War; State Department; Secretary of Treasury; Chief of the Army Air Forces; A. G. of S., 6-3; WFD; GSI (2); GSI; 6-3; AS

CONFIDENTIAL

ADDRESS OF MOST REV. JOSEPH F. HULLLEY, BISHOP
OF ST. AUGUSTINE, OVER THE COLUMBIA BROADCASTING
SYSTEM NETWORK, JULY 6, 1941 -
WASHINGTON, D. C.

I have accepted the kind invitation of Columbia Broadcasting System to speak on the subject "Papal Pronouncements and American Foreign Policy" because I consider that an address on this topic might serve some useful purpose at the present time. People with short memories are apt to forget the heroic struggle of the Pope in our day for human liberty and for human dignity just because a few Catholic publicists in America have been giving expression to views which are comforting to the Axis powers. Due to my past connection with the Papal Secretariate of State, I deem it well to say at the outset that this address is delivered without any mandate from the Holy See; that I use only documents of public record; and that I engage only my own authority.

Let me pass in brief review some recent pronouncements of the Pope touching the present world conflict and its antecedents. In His Encyclical Letter Mit Brennender Sorge addressed to Germany in 1937, Pope Pius of blessed memory, stated that religious freedom in that country was beset on all sides; that Government officials were using their positions to induce Catholics to apostatize from the Faith; that Patriarchate had been laid bare which aim at nothing less than a war of extermination, "later he referred to the hooked cross of National Socialism, the swastika, as "the enemy of the Cross of Christ." On Christmas Eve 1937, he declared textually: "We will call things by their real names. In Germany there is a real religious persecution, a persecution so terrible and so grave as has rarely been seen before. A persecution in which are lacking neither brutality nor violence nor the snares of falsehood and lies."

The war prepared by the Nazis in cold blood for over six years came closer and another Pope sat on the Throne of Peter. From the first hour of his Pontificate, Pius XII sought to fling himself across the path of those who wanted war. On August 24, 1939, in an appeal for peace to the rulers of Europe and their people, he said: "Nothing is lost by peace; but everything may be lost by war." Pronounced before the war broke out, and on the day following the Russo-German pact, this appeal was directed in the first instance to Germany; England and France were passionately desirous of peace and were leaving no stone unturned to preserve it. Indeed, then as now, the world knew who was the disturber of the peace. Their knowledge was to receive terrible confirmation a week later when Christian Poland was assaulted by the panzer legions of paganism. It is typical of the unscrupulous methods of American apologists for Nazis that this phrase of the Pope, uttered before the war began, is now being used by them to dissuade America from steps necessary to safeguard her national interests.

Pope Pius XII issued his first Encyclical in October 1939. It condemned the scourge of war; prayed that martyred Poland might have a resurrection in peace and justice; it laid severe strictures upon the German doctrine of race, the paganizing of youth and cynical infidelity to the plighted word. The reference to Germany was so unmistakable that only the most garbled accounts of the Encyclical found their way into the controlled German press.

On Christmas Eve 1939, in his annual Allocution, Pius XII enunciated the following five points of a just and honorable peace: 1. The right to life and independence of all nations, great and small. The will of one nation to live must not mean the sentence of death passed upon another. 2. Cessation of the race for armaments. 3. A juridical institution to guarantee the fulfillment of treaties. 4. Respect for the rights of racial minorities. 5. Acceptance of the law of God, and of the Spirit of Justice and of universal charity as the basis of international relations.

On January 7, 1940, in his reply to President Roosevelt's letter announcing the nomination of Mr. Myron Taylor, the Pope wrote: "This appointment is an exemplary act of fraternal and hearty solidarity between the New and the Old World in defiance against the chilling breath of aggressive and deadly, godless and anti-Christian tendencies that threaten to dry up the fountainhead whence civilization has come and drain its strength."

Spring came and the murderous hosts of Nazi Germany once again, contrary to solemn treaty, without provocation and without previous declaration of war, invaded Holland, Belgium and Luxembourg. To King Leopold of Belgium, heroic son of a heroic father, *sent these words of a Hero Pope: "When for the second time against their will and rights, the Belgian people see their territory exposed to the cruelties of war, and profoundly moved, we send Your Majesty and all your beloved nation the assurance of Our paternal affection. Praying Almighty God that this hard trial may result in the reestablishment of full liberty and the independence of Belgium. We accord with all

to the King of the Netherlands and to your people. Our apostolic benediction." Similar messages were sent to the Queen of Holland and to the Grand Duchess of Luxembourg. The above messages were published in the Vatican newspaper, the *Osservatore Romano*, and were banned from circulation in Italy, and priests and laymen were beaten in some streets of Rome for reading or possessing it. It was one of the first attempts of the Axis to intimidate the Pope--and it failed as it was bound to fail. It is that day to this--down to the preaching last Sunday of that beautiful, appealing, and inspiring message of hope and encouragement--Pope Pius XII has not ceased to raise his voice against the evils of totalitarianism. He has condemned the wholesale murder of Jews, the persecutions and insanities in Germany; he has worked silently but effectively to alleviate the lot of war prisoners and of refugees; his radio station has continued to tell the world the awful truth about Poland.

This is a brief retrospect of the Papal attitude towards the issue of this war. I shall leave it to you, my hearers, to judge if it gives any comfort to those who have looked the flood of destruction and hatred upon the world; if it can, by any stretch of imagination, be construed as lending approval to those publicists who would deter us from defending our Christian civilization against the might of encroaching paganism.

Let us turn now to the Foreign Policy of the United States Government.

I do not intend to imply that there is or has been any concerted action between our Government and the Holy See. As everybody knows, the Holy See is concerned primarily with the religious and with the supernatural, entering the field of secular affairs only where the primary interests of God and souls are involved. The Holy See and our Government have pursued independent policies, each in its own sphere. As you may read, nonetheless, a striking parallelism between their attitudes where moral questions were at issue.

Before the war American Foreign Policy was directed to the preservation of the peace, on the principle that "nothing is lost by peace; everything may be lost by war." It indulged in no falsely suave diplomacy of inaction and indifference; keenly alive to its duty as a great Christian power, our Government made intelligent, earnest, well-timed and repeated endeavors to stave off war by finding a common ground upon which potential aggressor and potential victims could meet. After the war started, the same high minded efforts were made to circumscribe it. I have already noted the words in which Pope Pius XII bore public witness to the labors of President Roosevelt in favor of the peace. When the full story is known--and I venture to express the hope that our State Department may issue a White Paper on the subject in the near future--we in America will have reason to feel proud of the role played by our Government, and to rest secure in the knowledge that no stone was left unturned, in parallel efforts with the Holy See, to safeguard the peace of the world.

It is history, of course, that we failed. We failed because one nation, confidently arrogant in its armed might, wanted war. This war is Germany's doing; it is a war of stark aggression; a war for European and world domination. And if you do not believe that the Nazi aims at our continent, then explain to me why his agents have spun their network all over Central and South America; why he has planted them here in this country by the thousands. It is therefore sheer ignorance mixed with folly to speak of this war, with a shrug of the shoulders, as if it were but another war of imperial conquest upon which Americans may look in philosophic indifference. Thank God, our Government never simulated a dishonoring neutrality which the American people did not and could not feel towards religious persecution and aggression. The war is rather an assault of one race against the world; in the words of a profound historian, the Hungarian Kolnai, it is a war against the West; it is a revolution of irreligion and paganism against the Christian ethic and the Christian civilization.

When we were compelled to face the realities of the war in Europe, which was also potentially a war against us and all the peoples of Christendom, we discussed and we agreed upon a national policy and upon a Government to enforce that policy. We did that last November when we chose a President and gave him the mandate to afford all possible aid short of war to the democracies. It now appears that there has developed a conflict between these two aims, aid to the democracies on the one hand and avoidance of war on the other. Indeed from the first, it was seen that we were taking sides in the war, and that it might be difficult to avoid being involved. We knew the risk; and we took it. It was a superb policy, and statesman-like genius presided at its conception. But as an enunciation of the American will in a war-torn world, it called for constant interpretation; it was of necessity subject to the condition which is implicit in all understandings *rebus sic stantibus*, that is to say, as long as matters remain as they are, and are not radically changed by contingency and vicissitude. If the conditions under which that policy was approved should change, then the policy must change; if those conditions change rapidly, then we must be prepared for a rapid change in the policy. What shall be our guide should such a necessity arise? I think it is abundantly clear to any one who will give it a moment's reflection. Behind our dual policy, there stands a single permanent, indefeasible principle: the will and the right of our nation to live.

...to your people Our Apostolic benediction." Similar
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indefeasible principle: the will and the right of our nation to live.

... arising from that principle; in the light of that principle it must be
... conflict between the necessarily provisional terms of a policy
... by the basic principle of national security. The question of peace
... is the last analysis is a question which can be decided only with reference
... safety of this Union.

Since then we are confronted with a conflict between aid to the allies and
... of war, who shall decide? Certainly not the people, for they have neither
... the experience, nor access to the facts, nor in many cases the understanding which
... are required. Nor does the Constitution demand it. The form letters and the chain
... telegrams and the threatened demonstration on the White House lawn are therefore
... beside the point. I have an abiding faith in government by the people; but I
... do not believe that questions of national security, in an epoch of crisis, should be
... submitted directly to them. It would be a lumbering process involving fatal delay,
... and fatal leakage of plans to potential enemies. Nor is the record of democratic
... in the pre-war period such as would inspire much confidence. In France the
... will of the nation to live was paralyzed by the interminable acrimonious debates in
... press and forum; by sabotage on the left; and confusion of counsels on the right.
... There were elements in France as there are here, which preferred civil war to a war
... against a foreign foe.

England: The case of the English people differed from that of the French in
... degree but not in kind. If they are today fighting for time, with their backs
... against the wall, it is to a great extent because ten millions of them who signed the
... round robin for peace almost at any price paralyzed the military preparations of the
... nation. And the boys at Oxford, not unlike some of our own university men, voted to
... fight only on their own terms. It is all well to say that they are now battling
... heroically for God and country. But it is opportune to recall that it was their
... stupidity which laid their island open to attack, and brought them to the brink of
... disaster. Let us admire the English people in their magnificent penance, but let us
... not emulate their sin and folly.

To the Congress, under the Constitution, belongs the weighty responsibility of
... deciding war. That is clear, but I am afraid that it is not a complete answer to
... the practical question. For it is manifestly impossible that the day to day deci-
... sions which must be taken often in the greatest secrecy should be submitted to the
... Congress for discussion. Such matters are lawfully the competence of the Executive.
... Furthermore in times of emergency the powers of the Executive are very properly
... enlarged by Congress. In the very nature of the case, therefore, and with the full-
... est legality, important decisions of far reaching effect must be taken by the Presi-
... dent both in his capacity as Chief Executive and in his capacity as Commander in
... Chief. To all practical intents, it is up to him to safeguard the interests of the
... nation in times of great emergency. As the Commander in Chief of our armed forces
... and as the one charged with the conduct of foreign affairs, he must be ready to act
... fast and decisively should the need arise, and it is all to the good that he is
... equipped by the Constitution and by Congressional enactment to do so.

In the present circumstances, we must not lose sight of the fact that the
... declaration of war, the constitutional prerogative of the Congress, is no longer in
... style; the Nazi has seen to that. We must, too, face the fact that we have already
... left the political and diplomatic zone, and have entered the zone of strategy. I
... believe this to be true not only of ourselves, but of almost every country in the
... world. Since the Nazi had from the first marked us as his enemy, it is well that we
... accept that fact, even though it has not yet pleased him to make war upon us. But
... his policy of limited objectives, that policy by which he betrayed and enslaved a
... continent, is fast approaching the point of showdown with us. It will be folly if
we do not appraise our whole relationship with the Axis powers from the standpoint
of strategy. We may not, we must not, wait for the start of hostilities before we
... make our dispositions. Pre-war strategy is so all-important today that wars are won
... or lost before they enter the shooting phase. With the example of all the countries
... of Europe before us, let us pray for peace but prepare for war. Even though we hope
... to avoid war, we must put this country, its economy, its finance, its very thinking,
... on a footing of preparedness for war in the shortest possible time. Any other
... course may be literally national suicide. Let me say immediately that I pray with
... all my soul that we shall never need to go to war; that our aid to our friends and
... our own military strength may be such as to bring about the discouragement and the
... defeat of the enemy of Christendom. It is not the business of a Churchman to call
... for war. But neither may any Churchman do anything other than encourage a Government
... to protect by all prudent and necessary means its sacred national interests,
... a fortiori, when the interests of religion the world over are placed in jeopardy by
... a ruthless persecutor of the Church of Christ. The Faith which I profess and love
... teaches that war is a legitimate, though extreme, instrument of a just national
... policy. From time to time, we Churchmen are obliged to quote the Scriptures to
... Governments which would encroach upon our sphere—"Render unto God the things that
... are God's," I believe that our Government in this awful hour may with justice say
... to certain Churchmen "Render unto Caesar the things that are Caesar's."

My great fear is that we will not be permitted to have the choice between war and peace; that the Nazi will not let us have peace as he did not let the nations of Europe have peace. Many qualified observers think that our only choice is when we shall enter the war. In other words, that we shall sooner or later be forged into the Nazi lust for world domination. That is why this country is honey-combed with Nazi operatives, both American and foreign; that is why Central and South America are covered by a network of Nazi agents. In this view, which has much to be said for it, the questions which America has to answer are three: 1) Shall we enter the war now or later? 2) Shall we enter the war on our own terms or on terms dictated by Nazi strategy? 3) Shall we enter the war with Allies or shall we bear the brunt of it alone?

If there is any merit to the foregoing considerations, born of experience and of study, it may be all boiled down to this: Since our problem is primarily a strategic one, it should be left to the Commander in Chief who alone, in constant, personal communication with the Congress and in consultation with his military and naval advisers, is capable of bringing us safely through the dangers which encompass us.

Let me add a word about the latest development: the Russo-German war. On the subject of Communism the Christian stand has been defined by Pius XI in his Encyclical on Atheistic Communism. On the subject of National Socialism it has been defined by the same Pontiff in his Encyclical to Germany. I am convinced that these two documents give us the one safe guide to the ideological questions involved in this war, which has pitted Nazi against Communist. The Nazi and his sympathizers over here are trying to make out that it is a holy crusade against Communism. Crusade for whom? Not God, but the enemy of God, wills it; its standard is not the Cross, but the swastika which a great Pontiff called the foe of the Cross of Christ; the Pope of Poland is scarcely a recommendation for Christian Knights; and the recluse of Berchtesgaden is badly cast for the role of Peter the Hermit. The bald facts of the "crusade" are these: on Sunday morning June 22nd, the Nazis, in violation of a treaty, launched an unprovoked and undeclared war of aggression against the Communists, their former partners in crime. America's attitude toward this new war should not be swayed by Red or Nazi propaganda; it must be based on purely strategic considerations. In point of urgency the Nazi remains Enemy No. 1 of America and of the world.

There is much talk these days of national unity. It is our imperative need. Unity of thought; unity of purpose; unity of action. May I add that we have, too, great need of the virtues of reverence and obedience! In a free people, these things must come from an inner discipline based upon conscientious conviction. If we are to be united, there is only one center around which, as a nation, we can rally: that center is Washington. If our union is to be real and effective, we must school ourselves to reverence and obey our lawful authorities, our President, in the first place, and our Congress. They personify the ideals and the will of this country. They have led us admirably in this crisis, not of their making. They are for peace—for peace as long as it is consistent with the highest interests of the nation. In the anxious hours of deliberation and decision which they, especially our President, must pass they are deserving of our deepest sympathy, of the comfort of our prayers. Patriotic men, bent on the protection of our beloved land,—I have confidence in them. I confess that I have no confidence in anyone who seeks in a time of crisis to undermine legitimate authority; who speaks disparagingly or distrustfully of our highest magistrates. I have no confidence in those who oppose the steps by which we achieved our present stage of defense; I have no confidence in those who reserve all their fault-finding for America and who praise the Nazi with faint condemnation. They may be good men; and some of them are; but be their station high or low, Americans; to whom they are giving bad example of division, should disregard their counsels.

Among them is a small but noisy group of Catholics. We have suffered long from their tantrums. We have blushed with shame when they noted up before company as tantrum children will do in every family. Years ago they established the crank school of economics; latterly they have founded the tirade school of journalism; they are now engaged in popularizing the ostrich school of strategy. The school may change its curriculum, but the same professors hold the chairs for they are special-ists in the universe of knowledge. Many Catholics are inclined to apologize for them; but I think that is unwise. They are embarrassing, but not significant and quite harmless as long as their tantrums do not lead them to break the furniture. They will disappear in time like those other exhibitionists—the marathon dancers and the flagpole sitters—who amused America for a while and vanished.

The American people will be wise if they turn themselves as individuals to the task of moral rearmament. The years which lie ahead will probe us with relentless fingers to find and to exploit our moral weaknesses. A democracy, above all forms of government, must find its strength in the virtue of the people; its greatest danger is decadence from within. It is my most fervent prayer that we may set ourselves with a will to the task of sanctifying ourselves, our homes and our public life, to the end that in these days of trial and reckoning we may be and remain a Christian people among the nations, a people acceptable to Almighty God.

Delivered to Mr. Searles, Usher at the
White House, 7/6/41, by Secret
Service Operative Hassan. ✓

July 6, 1941

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Strictly Confidential

MEMORANDUM FOR SECRETARY MORGENTHAU:

In re: Japanese Shipping.

The following message has been received by Coast Guard
from the Commandant of its Honolulu District:

"Probable suspension of service by other
vessels in addition to N. Y. K. Line is indicated
by current intercepts. A marked departure in
past 36 hours from usual routine by Japanese
ships as pertains communication practices."

The above reference to N. Y. K. Line having suspended
service has been carefully checked by Coast Guard Intelligence
here and by ONI and it appears to be the first word that has
come in on the subject.

(Signed) J. C. Wiley

John C. Wiley.

DEFENSE SAVINGS STAFF

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ADVANCE NOTICE RADIO PROGRAMS

SUNDAY - JULY 6, 1941

Time: 5:00 - 5:05 P.M.

Program: Esso News

Station: WMAL

Time: 6:30 - 7:00 P.M.

Program: Gulf Oil Co. World News

Station: WJSV

Time: 7:30 - 8:00 P.M.

Program: One Man's Family

Station: WRC

Time: 7:30 - 7:45 P.M.

Program: Crime Doctor

Station: WJSV

Time: 9:00 - 10:00 P.M.

Program: Take It or Leave It

Station: WJSV

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

July 7, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Gaston
Mr. Graves
Mr. Bell
Mr. Cochran
Mr. Haas
Admiral Waesche
Mr. Johnson
Mr. Thompson
Mr. Foley
Mr. Blough
Mr. Kuhn
Mr. Odegard
Mr. White
Mr. Schwarz
Mrs. Klotz

Thompson: I understand Dr. White is going to bring up this project for auditing the returns of foreign property.

H.M.Jr: Harry, he says you are going to bring up something on auditing foreign property.

White: About what?

Thompson: This matter of auditing the returns of alien property.

White: Well, we have been having a series of meetings in which the Department of Justice and the SEC and the Department of Commerce and Pehle's division of Treasury and so on

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have met. These are the forms, which are not final, because those groups are --

H.M.Jr: Don't leave those here, Harry. Harry, Harry. (Laughter)

White: It is good for insomnia.

H.M.Jr: That is what I thought.

White: They have reached almost a final conclusion. These are the census reports which are much more comprehensive than the last ones we did, largely because the Department of Justice wants more information and because we also need and feel we can get more information than we had the last time.

They will involve possibly as many as a million returns, because there are census reports of all foreign held American property. I think the order calls for them to be completed within ninety days, something of that kind.

H.M.Jr: Do State and Justice want us to do it?

White: State has been in on the committee meetings and has passed on the various forms, but I don't know whether they have any interest in it. They played a very passive role in this part of the census reports.

H.M.Jr: Did you put it up at this meeting that you had here?

Foley: Sure, Mr. Secretary, it was in the Executive Order that we should do it, that we should take the census of the property.

(Mr. Graves entered the conference.)

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H.M.Jr: What Executive Order?

Foley: The Executive Order that extended the freeze control to Germany and Italy.

White: They wanted the Census reports. In fact, you remember they wanted the census reports many months ago in lieu of the freezing order. They thought we could get this to begin with.

At the time we felt there was no use in getting this, because it might drive funds out of the country, so they want it.

(Mr. Gaston entered the conference.)

White: There never has been any question of --

H.M.Jr: Hello, Herbert. Glad to see you. Is everything all right?

Gaston: Everything is all right as far as I know.

Foley: There is no --

H.M.Jr: Well, let me boil this thing down. Who outside the Treasury doesn't want you to do it?

Foley: Nobody.

H.M.Jr: Who inside the Treasury doesn't want you to do it?

Foley: Nobody.

H.M.Jr: Well, go ahead and do it. I told him the other day - I told you (Thompson) O.K. last week.

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Thompson: Yes. It is a question of money --

H.M.Jr: Have you got it?

Thompson: The appropriation doesn't include it, and we will have to go to Congress for a deficiency. I think we can go ahead and use what we have and go up for a deficiency.

H.M.Jr: Do you say yes?

Thompson: Yes.

H.M.Jr: All right. That is settled.

What else?

Thompson: That is all I have.

White: We are --

H.M.Jr: That is settled. (Laughter)

Bell: You lose your case.

White: I was going to another subject.

H.M.Jr: Catch your breath, Harry. What else?

Thompson: That is all.

H.M.Jr: You will get the money for Harry and Harry will do the work, right?

Thompson: That is right. If the Budget throws us down, we will have to stop it.

H.M.Jr: Mr. Bell?

Bell: This is a report to the President on the appraisal of the Commodity Credit assets.

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H.M.Jr: Something about a Social Security Board report, a meeting with the Social Security Board.

Bell: That must be the thing I asked you about, as to whether you would see Roy Blough and me some time this week on the Social Security.

H.M.Jr: Sure. When?

Bell: At your convenience.

H.M.Jr: You mean you and Roy?

Bell: Yes, and John - well, John won't be here this week.

H.M.Jr: Eleven-fifteen? Have you got anything this morning?

Bell: Are you going to do Commodity Credit financing this morning or wait until tomorrow morning?

H.M.Jr: I won't clear it today. I have reasons.

Bell: Tomorrow morning?

H.M.Jr: Well, I mean I don't want to do anything today.

Bell: I see. All right.

 Bob Rouse is starting out talking with the bankers and so forth.

H.M.Jr: Well, he had better go very easy and sit tight today and see what happens.

Bell: All right, I will tell him. Eleven-fifteen is all right with me unless Roy has something on the Hill.

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Blough: It is all right.

Bell: That is all I have.

H.M.Jr: All I can say is, using the President's own language, which I don't think is very apropos, he said he expected that the little red hen would lay an egg today unless somebody laid it before, and that is all he said. He said that a couple of times.

So I want to sit tight. It is no little red hen and it is no little egg.

Bell: All right.

Graves: You sent word to me the other day to get two copies of the Des Moines Register.

H.M.Jr: Yes.

Graves: I have those from the second to the fifth and I have sent out to Des Moines --

H.M.Jr: Is there anything in there about defense --

Graves: I saw nothing, did you, Ferdie?

H.M.Jr: There is nothing?

Graves: Nothing. I didn't know exactly what you were after, but I thought perhaps it was our bond thing.

H.M.Jr: Well, I told Senator Herring - O.K., they are going to put on a big drive.

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Graves: Nothing in here about it.

H.M.Jr: Let somebody watch it each day.

Graves: All right. I have nothing else.

H.M.Jr: Harry?

White: On March 20 you wrote to Welles in response to a letter from him that you will be ready to take up monetary discussions with the Mexican Treasury whenever they regarded the moment appropriate. They called me up to say that they now have reached that stage of negotiations where they would like to have us begin these discussions. I asked them to send a letter to you to that effect, which they are doing. They are eager to get started quickly. I have a copy of the letter. I suppose the original is on your desk.

H.M.Jr: It hasn't got here yet.

White: Well, if it isn't there, you will receive it today.

H.M.Jr: A letter from Mexico?

White: And there is a delegate here, Mr. Monteros, who has been appointed to enter negotiations, or discussions, rather. We have done the preparatory work on it and we have a good deal of material ready.

H.M.Jr: Well, Harry, this letter from Stimson (June 30) to Knudsen on an inventory about - well, stuff that they - how much we manufacture and all that --

White: I tried to get in touch with Cox to find out how it originated. We have been trying to get in touch with each other and probably will do so this morning. It is the identical thing you asked for.

H.M.Jr: That is what I thought.

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- White: Except that you asked for a little more. You asked about Canada as well.
- H.M.Jr: This only came in this morning?
- Klotz: He hasn't seen it.
- H.M.Jr: Read this, Harry. Don't take it from the room, though, will you please? Then give it to Mrs. Klotz. It is the Secretary of the British Supply Council. They are putting Geoffrey Crowthers to work on this thing, and I have asked them - but I don't want that memo to leave the room.
- Anything else?
- White: Collado also said that the Colombian Ambassador, who has been here over a month and who was told to wait until the Stabilization Fund Bill was passed, has got to leave in a week from now, and they would like at least to begin some discussions with him, since the bill has passed.
- H.M.Jr: Well, I will have to have a talk with you and Bell on this. I don't know how I am going to handle all this stuff. I am not going to do it badly, and I just don't know how to handle it. I just don't know how we are going to handle this stuff. There aren't enough hours in the day. The first time I can take this thing up is tomorrow at eleven thirty. Have it written down what you want, Harry. Bell and White and Cochran and Foley, please. Anything that has to do with South America.
- Bell: What time is that?
- H.M.Jr: Eleven thirty tomorrow.
- White: There are a few other things which I will have to see you about that you have been postponing. If I can get some time today.
- H.M.Jr: You can ask Steve. You won't get today unless they have to be settled today.

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White: No, tomorrow will be all right.

H.M.Jr: All right.

Schwarz: There was very good reaction to the tax anticipation note announcement. If you didn't see the Friday and Saturday stories, I have saved some of those.

H.M.Jr: All right.

Bell: The Washington Post had an excellent editorial yesterday.

H.M.Jr: I didn't see it.

Schwarz: That is all.

Odegard: Nothing.

H.M.Jr: Did you have a chance to think about that? have you got some answers?

Odegard: Yes.

H.M.Jr: Could you stay a minute afterward, please?

Odegard: Yes.

H.M.Jr: George?

Haas: Here is the distribution of CCC. You will notice it is quite different from the RFC.

H.M.Jr: Has Dan got that?

Haas: Yes.

Bell: The situation is just reversed from what it was in the RFC.

Haas: It is another price guessing job on that one.

H.M.Jr: All right.

As I say, I don't want to do any pricing today.

Bell:

O.K.

H.M.Jr:

You know, somebody has told me that the Treasury makes a review every day of what happens at Ways and Means. Is that right?

Blough:

Yes.

H.M.Jr:

I never see it. It has never been shown to me. I wish that you would show me tomorrow a summary of just what this - where the tax bill stands as of today.

Blough:

All right.

H.M.Jr:

Is that Tarleau's job or your job?

Blough:

That is Tarleau's job. He has a man down there who writes up a rather extended set of minutes each day, and those are all available.

H.M.Jr:

Well, if he gets it to me Wednesday - if you will give it to me Wednesday morning. I want to know, and I want this group to know just where does the tax bill stand as of last Saturday.

Blough:

You know that the Committee has now adjourned for a week or so.

H.M.Jr:

I know. I would like to know where it is as of Saturday, last Saturday.

Blough:

Yes.

H.M.Jr:

All right.

Blough:

Easily.

- H.M.Jr: Thank you.
Ferdie?
- Kuhn: Dean Acheson asked whether he could have the Barth reports sent to him regularly. Will that be all right?
- H.M.Jr: Fine.
During your (Gaston's) absence, I had these two gentlemen sit in so they can make a report today.
The stuff that you have been doing (Johnson) with Wiley, we will skip that at this meeting.
- White: Mr. Secretary, I have been reading those reports. I think they are excellent, and I think they ought to be given wide circulation.
- H.M.Jr: What reports?
- White: Those reports, personalities. They are a very good job. It seems to me there are a lot of people in Washington who would be glad to get them.
- Kuhn: Harry, those already go to quite a list of Government officials outside the Treasury.
- White: Excuse me, I didn't know it.
- Kuhn: The Secretary has--
- H.M.Jr: If there is somebody that you would like particularly to have it go to, give their name to Kuhn.
- White: Yes, there are several persons.

H.M.Jr: Give their names to Kuhn.

White: I will do that.

Johnson: Will you see Wiley this morning?

H.M.Jr: I will see Wiley and you this morning, yes.

Johnson: All right, sir.

H.M.Jr: I will see you at a quarter of twelve.

Johnson: All right, sir.

H.M.Jr: You had better be here, Herbert, to find out what they have been doing.

Johnson: I will bring Herbert up in the meantime.

H.M.Jr: Will you do that?

Johnson: Yes, sir. That is all.

Waesche: Nothing, Mr. Secretary.

Cochran: Donald Heath came in town Friday. He will be in town all this week, if you care to see him.

H.M.Jr: Remind me again, will you please?

Cochran: All right, sir

I spoke to Bell and Thompson and White on Coe, and we have arranged a temporary increase in salary to take care of that situation in London.

H.M.Jr: All right.

Cochran: Do you want to initial that? We can fix a letter.

White: Before you do, I would like to talk with Coe

about it. May we just postpone it?

H.M.Jr: All right.

White: I would like to talk to him some first.

H.M.Jr: All right.

Cochran: We are fixing a cablegram to China in regard to clerical help for Fox.

H.M.Jr: All right.

White: What did you tell him about that? The man he has asked for, I happen to know. Did you take it up with him?

Cochran: No, I will show you the message.

White: Did you send that message already?

Cochran: No, it was not sent.

H.M.Jr: Anything else?

Cochran: That is all.

H.M.Jr: Herbert?

Gaston: Nothing.

H.M.Jr: I will see you during the day. I will see you at a quarter of twelve.

Gaston: Fine.

H.M.Jr: The boys did nothing to disgrace you while you were gone.

Gaston: I didn't think they would, but I am very glad to hear it.

H.M.Jr: I am glad you are back.

Gaston: I hope my record is as good.

H.M.Jr: It is all right as far as I am concerned.

O.K.

July 7, 1941
9:57 a.m.

HMJr: Hello.

Fiorello
La Guardia: Hello, Henry?

HMJr: Yes, Fiorello.

L: How are you?

HMJr: I'm fine, how are you?

L: Say Henry, I've got a proposition.

HMJr: Yeah.

L: I could dispose of 20 million dollars
of your War Savings Bonds.

HMJr: You want to do what?

L: I want to buy 20 million dollars of
your War Savings Bonds.

HMJr: You do?

L: Yeah.

HMJr: For what, the city?

L: Well, they're not for the city. You see,
we have a retirement fund and each member
has his own account.

HMJr: Yeah.

L: - And while I don't think we could buy it
in the name of every member of that fund -
and we carry a separate cash account for
every member - we could justify it on the
ground of the hundred thousand membership
and come within the limits.

HMJr: Well....

L: We could do it very quietly or very
noisily, just as you want it. If we do

- 2 -

it quietly, you'll handle it; if we do it noisily, I'm the boy to handle it, or is it just the other way around?

HMJr: (Laughs) That's wonderful. Well, let me put it this way - if it's legal, we'll do it noisily, but if it's a borderline I will do it quietly.

L: Say, look....

HMJr: Well, now how could I get the facts?

L: Yeah. The comptroller can come down tomorrow,....

HMJr: Wonderful.

L: Who should he confer with?

HMJr: Me.

L: All right, what time?

HMJr: Just a minute. I've been wanting to meet him for a long time.

L: He's a - he's a good comptroller.

HMJr: So they tell me.

L: You bet.

HMJr: Is - which will be - well, I'll - does he come down by train or by air, or what?

L: (Talks aside) Air. I guess he'll come down with me. I leave on the 8:30.

HMJr: That gets you in when?

L: At 10 o'clock your time.

HMJr: Ten o'clock. I can - I'll see him 10:30.

L: 10:30?

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HMJr: Yeah.

L: Say, Henry?

HMJr: Yeah.

L: I've got an awful good record in the office I'm going to send to you. It's called, "I've Got a Date with a Bond and Not a Blond".

HMJr: (Laughs)

L: It's very snappy.

HMJr: Well, let McGoldrick bring it along.

L: All right, I'll see that he does.

HMJr: Let McGoldrick bring it along.

L: Then - 10:30.

HMJr: 10:30 tomorrow.

L: Right, goodbye Henry.

HMJr: Goodbye.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 7, 1941

Secretary Morgenthau

E. H. Foley, Jr.

As you suggested, I spoke to Joseph D. McGoldrick, Comptroller of the City of New York. He wants to talk to you with reference to the pension funds of the City of New York with a view to investing some \$20 millions of these funds in United States defense securities.

Without going into the legal set-up of the pension fund or funds it is probable that they, at least in effect, constitute trust funds with either the City of New York or certain of its officials acting as trustee. In any event the funds can purchase Treasury bonds and Treasury notes either on the open market or by subscription at the time of issue. A more serious question arises in connection with savings bonds of Series F and Series G. Undoubtedly a proper form of registration can be worked out but under existing regulations no pension fund can purchase more than \$50,000 of Series F or Series G, or any combination of the two series issued in any one year.

The limitation on amount is one imposed by regulation, not statute, and the amount can, of course, be raised by your action, not, I think, in any individual case but as a general provision. Also by regulation, each trust fund is treated as an entity without reference to the number of beneficiaries. You will remember that prior to January 23, 1940, the holdings of savings bonds by trust funds were regulated by the number of the beneficiaries of the fund and as a result several pension funds with many beneficiaries acquired large holdings. The situation became so acute, both as to the size of holdings and as to the difficulties of administration, that the Second Amendment to Department Circular No. 530 became effective January 23, 1940, limiting each trust to a single holding (at that time, \$10,000) irrespective of the number of beneficiaries. This could, of course, be changed by regulation but if done undoubtedly the Department would immediately revert to the difficulties and expensive operation in existence prior to January 1940.

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Aside from amendment of the regulations either as to the maximum amount of holdings or as to the method of computing the holdings of trusts, I see no possibility of the City of New York acquiring an amount in excess of \$50,000 for any of the trust funds in its control, whether pension or retirement.

S. M. F. L.

UNITED STATES SAVING BONDS

DEFENSE SERIES F—12-YEAR APPRECIATION BONDS

Issued on a Discount Basis at 74 Percent of Maturity Value, Investment Yield—Approximately 2.53 Percent to Maturity

DEFENSE SERIES G—12-YEAR CURRENT INCOME BONDS

Issued at Par, Bearing Interest at the Rate of $2\frac{1}{2}$ Percent Per Annum

REDEEMABLE BEFORE MATURITY, AFTER SIX MONTHS FROM DATE OF ISSUE, AT OPTION OF OWNERS, AT FIXED REDEMPTION VALUES, ON THE FIRST DAY OF ANY MONTH, ON ONE MONTH'S NOTICE

Issued only in registered form, not transferable; the aggregate amount of bonds of either series or of the two series combined originally issued to any one person during any one calendar year that may be held by that person at any one time may not exceed \$50,000 (issue price).

1941
Department Circular No. 524
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, April 15, 1941.

I. OFFERING OF UNITED STATES SAVINGS BONDS OF DEFENSE SERIES F AND DEFENSE SERIES G

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, offers for sale, to the people of the United States, through the Federal Reserve Banks, two issues of United States Savings Bonds, designated Defense Series F and Defense Series G, hereinafter referred to as Series F and Series G. The bonds of Series F will be issued on a discount basis, the issue price of each bond being 74 percent of its maturity value; they will mature and be payable at face value 12 years from their respective issue dates, but will be redeemable before maturity, at the option of owners, at fixed redemption values. The bonds of Series G will be issued at par, and will bear interest at the rate of $2\frac{1}{2}$ percent per annum, payable semiannually; they will mature and be payable at face value 12 years from their respective issue dates, but will be redeemable before maturity, at the option of owners, at fixed redemption values. Descriptions of the bonds of both series, their terms, and the conditions of their issue and redemption are hereinafter fully set forth. The bonds will be placed on sale beginning May 1, 1941, and the sale will continue until terminated, as to either or both series, by the Secretary of the Treasury.

II. DESCRIPTION AND TERMS OF BONDS

1. The bonds of Series F and Series G will be issued only in registered form, in denominations of \$100, \$500, \$1,000, \$5,000 and \$10,000 (maturity values), at prices hereinafter set forth. Each bond will bear the facsimile signature of the Secretary of the Treasury, and will bear both an imprint in color (brown for Series F and blue for Series G) and an impression of the Seal of the Treasury. At the time of issue, the issuing agent will inscribe the name and address of the owner on each bond, will enter the date as of which the bond is issued in the upper right corner, and will imprint his dating stamp (with current date) in the circle in the lower left corner. The bonds shall be valid only if duly inscribed and dated, as above provided, and delivered by an authorized agent following receipt of payment therefor.

2. The bonds of each series will, in each instance, be dated as of the first day of the month in which payment of the issue price (or, in case of bonds purchased by mail, the application accompanied by remittance to cover the issue price) is received by an agent authorized to issue the bonds; the bonds will mature and be payable at face value 12 years from such issue date. The bonds of either series may not be called for redemption by the Secretary of the Treasury prior to maturity, but they may be redeemed prior to maturity, after six months from the issue date, at the owner's option, at fixed redemption values, as hereinafter provided.

3. Bonds of Series F will be issued on a discount basis at 74 percent of their maturity value. No interest as such will be paid on the bonds, but they will increase in redemption value at the end of the first year from issue date, and at the end of each successive half-year period thereafter until their matu-

ity, when the face amount becomes payable. The increment in value will be payable only upon redemption of the bonds. A table of redemption values for each bond appears on its face. The purchase price of bonds of Series F has been fixed so as to afford an investment yield of about 2.53 percent per annum compounded semiannually if the bonds are held to maturity; if the owner exercises his option to redeem a bond prior to maturity the investment yield will be less.

4. *Bonds of Series G* will be issued at par, and will bear interest at the rate of 2½ percent per annum, payable semiannually from date of issue. Interest will be paid by check drawn to the order of the registered owner and mailed to his address. Interest will cease at maturity, or, in case of redemption before maturity, at the end of the interest period next preceding the date of redemption. A table of redemption values for each bond appears on its face, and the difference between the face amount of the bond and the redemption value fixed for any period represents an adjustment (or refund) of interest. Accordingly, if the owner exercises his option to redeem a bond prior to maturity, the investment yield will be less than the interest rate on the bonds. Bonds of Series G may be redeemed at par (1) upon the death of the owner, or a coowner, if a natural person, or (2), as to bonds held by a trustee or other fiduciary, upon the death of any person which results in termination of the trust, in whole or in part. If the trust is terminated only in part redemption at par will be made only to the extent of the pro rata portion of the trust so terminated, to the next lower multiple of \$100. In any case request for redemption at par must be made within 4 months after the date of death and in accordance with the regulations governing savings bonds.

5. Tables at the end of this circular show separately for bonds of Series F and those of Series G (1) the redemption values, by denominations, during the successive half-year periods following issue, and (2) the computed investment yields (a) on the issue price from issue date to the beginning of each half-year period, and (b) on the current redemption value from the beginning of each half-year period to maturity at the end of the 12-year period.

6. The bonds will not be transferable, and will be payable only to the owner named thereon, except in case of death or disability of the owner or as otherwise specifically provided in the regulations governing savings bonds, and in any event only in accordance with such regulations. Accordingly they may not be sold, and may not be hypothecated as collateral for a loan.

7. *Taxation.*—For the purpose of determining taxes and tax exemptions, the increment in value of savings bonds of Series F represented by the difference between the price paid and the redemption value received therefor (whether at or before maturity) shall be considered as interest, and such interest on such bonds of Series F, and interest on bonds of Series G, is not exempt from income or profit taxes now or hereafter imposed by the United States. 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.

III. PURCHASE OF BONDS

1. *Agencies.*—Savings Bonds of Series F and Series G may be purchased, while this offer is in effect, upon application to any Federal Reserve Bank or to the Treasurer of the United States, Washington, D. C. Sales agencies, duly qualified under the provisions of Treasury Department Circular No. 657, and banking institutions generally, may submit applications for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. *Payment for bonds.*—Every application must be accompanied by payment in full of the issue price. Any form of exchange, including personal checks, will be accepted, subject to collection. Checks, or other forms of exchange, should be drawn to the order of the Federal Reserve Bank, or the Treasurer of the United States, as the case may be. Any qualified depository, pursuant to the provisions of Treasury Department Circular No. 92 (Revised February 23, 1932, as supplemented), will be permitted to make payment by credit for bonds applied for on behalf of 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.

3. *Postal savings.*—Subject to regulations prescribed by the Board of Trustees of the Postal Savings System, the withdrawal of postal savings deposits will be permitted for the purpose of acquiring savings bonds.

4. *Other agencies.*—The Secretary of the Treasury, in his discretion, may designate agencies other than those herein designated for the sale of, or for the handling of applications for, savings bonds of Series F and Series G.

5. *Form of application.*—In applying for bonds under this Circular, care should be exercised to specify whether those of Series F or Series G are desired, and these must be furnished: (1) instructions for registration for the bonds to be issued, which must be in one of the authorized forms; (2) the post office address of each person (or other entity) whose name appears in the registration; (3) address for delivery of the bonds; and (4), in case of bonds of Series G, address for mailing interest checks. The use of an official application form is desirable, but not necessary. The application should be forwarded to the Federal Reserve Bank of the district, accompanied by remittance to cover the purchase price (\$74 for each \$100 face amount of bonds of Series F, or \$100 for each \$100 face amount of bonds of Series G).

6. *Issue prices.*—The issue prices of the various denominations of bonds of Series F and Series G follow:

SERIES F					
DENOMINATION (maturity value)	\$100	\$500	\$1,000	\$5,000	\$10,000
Issue (purchase) Price	\$74	\$370	\$740	\$3,700	\$7,400

SERIES G					
DENOMINATION (maturity value)	\$100	\$500	\$1,000	\$5,000	\$10,000
Issue (purchase) Price	\$100	\$500	\$1,000	\$5,000	\$10,000

IV. LIMITATION ON HOLDINGS

1. The amount of United States Savings Bonds of Series F, or of Series G, or the combined aggregate amount of both series, originally issued during any one calendar year to any one person, including those registered in the name of that person alone, and those registered in the name of that person with another named as coowner, that may be held by that person at any one time shall not exceed \$50,000 (issue price). Any bonds acquired on original issue which create an excess must immediately be surrendered for refund of the issue price, as provided in the regulations governing savings bonds.

V. AUTHORIZED FORMS OF REGISTRATION

1. United States Savings Bonds of Series F and Series G may be registered as follows:

(1) In the name of natural persons (that is, individuals) whether adults or minors, in their own right, as follows:

(a) In the name of one person,

(b) In the names of two (but not more than two) persons as coowners, and

(c) In the name of one person payable on death to one (but not more than one) other designated person;

(2) In the name of an incorporated or unincorporated body, in its own right (except a commercial bank, which, for this purpose, is defined as a bank that accepts demand deposits);

(3) In the name of a fiduciary; and

(4) In the name of the owner or custodian of public funds.

2. *Restrictions.*—Registration is restricted, in the case of individuals, to those who are residents of the Continental United States, the Territories and Insular Possessions of the United States, the Canal Zone, the Philippine Islands, or citizens of the United States temporarily residing abroad. The same restrictions will apply to the registration of bonds in any other authorized form.

3. Full information regarding authorized forms of registration will be found in the regulations governing savings bonds. In every form of registration, the post office address must be given, and if more than one name appears the post office address of each must be furnished.

VI. DELIVERY AND SAFEKEEPING OF BONDS

1. Federal Reserve Banks are authorized to deliver bonds of Series F and Series G duly inscribed and dated upon receipt of the issue price. Unless delivered in person, bonds issued will be delivered

by registered mail within the Continental United States, the Territories and Insular Possessions of the United States, the Canal Zone and the Philippine Islands. No deliveries elsewhere will be made. If purchased by citizens of the United States temporarily residing abroad, bonds will be delivered in the United States, or held in safekeeping, as the purchaser may direct. Delivery should not be accepted by any purchaser until he has verified that the correct name and address are duly inscribed on the face of the bond, that the bond is duly dated as of the first day of the month in which payment of the face price was received by the agent, and that the dating stamp (with current date) of the issuing agent is imprinted in the circle in the lower left corner of the bond.

2. Savings bonds of Series F or Series G will be held in safekeeping without charge by the Secretary of the Treasury if the holder so desires, and in such connection the facilities of the Federal Reserve Banks, as fiscal agents of the United States, will be utilized. Arrangements may be made for such safekeeping at the time of purchase, or subsequently.

VII. PAYMENT AT MATURITY OR REDEMPTION BEFORE MATURITY

1. *General.*—Any savings bond of Series F or Series G will be paid in full at maturity, or, at the option of the owner, after 6 months from the issue date, will be redeemed in whole or in part at the appropriate redemption value prior to maturity, on the first day of any calendar month, on one month's notice in writing, following presentation and surrender of the bond, with the request for payment properly executed, all in accordance with the regulations governing savings bonds.

2. *Notice of redemption.*—When a savings bond of Series F or Series G is to be redeemed prior to maturity, a notice in writing of the owner's intention must be given to and be received by a Federal Reserve Bank of the Treasury Department not less than one calendar month in advance. A duly executed request for payment will be accepted as constituting the required notice.

3. *Execution of request for payment.*—The registered owner, or other person entitled to payment under the regulations governing savings bonds, must appear before one of the officers authorized by the Secretary of the Treasury in witness and certify requests for payment, establish his identity, and in the presence of such officer sign the request for payment, adding the address to which the check is to be mailed. After the request for payment has been so signed, the witnessing officer should complete and sign the certificate provided for his use. Unless otherwise authorized in a particular case, the form of request appearing on the back of the bond must be used.

4. *Officers authorized to witness and certify requests for payment.*—The officers authorized to witness and certify requests for payment of savings bonds are fully set forth in the regulations governing savings bonds, such officers including United States postmasters and certain other post office officials, and the executive officers of all banks or trust companies incorporated in the United States or its organized Territories, including officers at domestic and foreign branches who are certified to the Treasury Department as executive officers.

5. *Presentation and surrender.*—After the request for payment has been duly executed by the person entitled and by the certifying officer, the bond must be presented and surrendered to a Federal Reserve Bank, or to the Treasury Department, Washington, at the expense and risk of the owner. For the owner's protection, the bond should be forwarded by registered mail, if not presented in person.

6. *Disability or death.*—In case of the disability of the registered owner, or the death of the registered owner not survived by a coowner or a designated beneficiary, instructions should be obtained from the Treasury Department, Division of Loans and Currency, Washington, D. C., before the request for payment is executed.

7. *Method of payment.*—The only agencies authorized to pay or redeem savings bonds are the Federal Reserve Banks and the Treasury Department. Payment in all cases will be made by check drawn to the order of the registered owner or other person entitled to payment, and mailed to the address given in the request for payment.

8. *Partial redemption.*—Partial redemption of a savings bond of Series F or Series G, of a denomination higher than \$100 (maturity value) at current redemption value is permitted, but only in multiples of \$100 (maturity value). In case of partial redemption the remainder will be released in authorized denominations bearing the same issue date as the bond surrendered.

VIII. SERIES DESIGNATION

1. Savings bonds of Series F, offered hereunder, to be issued during the calendar year 1941, will be designated Series F-1941, and those of Series G will be similarly designated Series G-1941. Bonds of other series which may be issued in subsequent calendar years will be similarly designated by the letter followed by the year of issue.

IX. GENERAL PROVISIONS

1. All savings bonds of Series F and Series G, issued pursuant to this circular, shall be subject to the regulations prescribed from time to time by the Secretary of the Treasury to govern United States Savings Bonds. The present regulations governing savings bonds are set forth in Treasury Department Circular No. 539, Fourth Revision, dated April 15, 1941, copies of which may be obtained on application to the Treasury Department, or to any Federal Reserve Bank.

2. The Secretary of the Treasury reserves the right to reject any application for savings bonds of either Series F or Series G, in whole or in part, and to refuse to issue or permit to be issued hereunder any such savings bonds in any case or classes of cases if he deems such action to be in the public interest, and his action in any such respect shall be final.

3. Federal Reserve Banks, as fiscal agents of the United States, are authorized to perform such services as may be requested of them by the Secretary of the Treasury in connection with the issue, delivery, safekeeping, redemption, and payment of savings bonds of Series F and Series G.

4. The Secretary of the Treasury may at any time or from time to time supplement or amend the terms of this circular, or of any amendments or supplements thereto, information as to which will be promptly furnished the Federal Reserve Banks.

5. The offerings of United States Savings Bonds of Defense Series F and of Defense Series G, pursuant to this circular, are separate and distinct from the concurrent offering of Defense Savings Bonds of Series E pursuant to Department Circular No. 653, dated April 15, 1941.

6. By notice heretofore given to the Postmaster General and to other designated sales agencies, the sale of United States Savings Bonds of Series D, pursuant to Department Circular No. 506, dated December 15, 1938, as amended, will terminate at the close of business on April 30, 1941.

HENRY MORGENTHAU, Jr.,

Secretary of the Treasury.

OTHER SERIES

Defense Savings Bonds of Series E are also offered for sale concurrently with those of Series F and Series G. They are intended primarily to provide for the investment of small or moderate amounts saved from current income by individuals, and their issue is restricted to individuals in their own right, with the amount originally issued to any one person during any one calendar year that that person may hold limited to \$5,000 (maturity value). Full particulars regarding Defense Savings Bonds of Series E are set forth in Treasury Department Circular No. 653, dated April 15, 1941, copies of which may be obtained from the Treasury Department, Washington, or from any Federal Reserve Bank.

UNITED STATES SAVINGS BONDS—DEFENSE SERIES F
TABLE OF REDEMPTION VALUES AND INVESTMENT YIELDS

Table showing: (1) How United States Savings Bonds of Defense Series F, by denominations, increase in redemption value during successive half-year periods following issue; (2) the approximate investment yield on the purchase price from issue date to the beginning of each half-year period; and (3) the approximate investment yield on the current redemption value from the beginning of each half-year period to maturity. Yields are expressed in terms of rate percent per annum, compounded semiannually.

MATURITY VALUE ISSUE PRICE	\$100.00 \$74.00	\$500.00 \$370.00	\$1,000 \$740	\$5,000 \$3,700	\$10,000 \$7,400	(2) Approximate investment yield on purchase price from issue date to beginning of each half- year period	(3) Approximate investment yield on current redemption value from be- ginning of each half-year period to maturity
Period after issue date	(1) Redemption values during each half-year period						
	Not redeemable					Percent	Percent
First ½ year	\$74.00	\$370.00	\$740	\$3,700	\$7,400	0.00	1.10
½ to 1 year	74.50	371.00	742	3,710	7,420	.27	1.84
1 to 1½ years	75.00	372.00	745	3,725	7,450	.40	2.13
1½ to 2 years	75.50	373.00	749	3,745	7,490	.61	2.43
2 to 2½ years	76.00	374.00	754	3,770	7,540	.70	2.71
2½ to 3 years	76.50	375.00	760	3,800	7,600	.80	3.00
3 to 3½ years	77.00	380.00	767	3,835	7,670	1.03	3.15
3½ to 4 years	77.50	383.00	776	3,880	7,760	1.19	3.20
4 to 4½ years	78.00	388.00	787	3,930	7,860	1.34	3.24
4½ to 5 years	78.50	393.00	797	3,985	7,970	1.49	3.29
5 to 5½ years	79.00	398.50	809	4,045	8,050	1.63	3.37
5½ to 6 years	79.50	404.50	822	4,110	8,220	1.76	3.39
6 to 6½ years	80.00	411.00	835	4,175	8,350	1.87	3.29
6½ to 7 years	80.50	418.00	848	4,240	8,450	1.96	3.31
7 to 7½ years	81.00	424.00	861	4,305	8,610	2.05	3.32
7½ to 8 years	81.50	430.00	874	4,370	8,740	2.09	3.32
8 to 8½ years	82.00	437.00	887	4,435	8,870	2.14	3.33
8½ to 9 years	82.50	443.00	900	4,500	9,000	2.19	3.34
9 to 9½ years	83.00	450.00	914	4,570	9,140	2.24	3.35
9½ to 10 years	83.50	457.00	929	4,645	9,290	2.29	3.36
10 to 10½ years	84.00	464.50	945	4,725	9,450	2.34	3.37
10½ to 11 years	84.50	472.50	962	4,810	9,620	2.40	3.38
11 to 11½ years	85.00	481.00	980	4,900	9,800	2.46	3.39
11½ to 12 years	85.50	490.00					3.40
MATURITY VALUE (12 years from issue date)	\$100.00	\$500.00	\$1,000	\$5,000	\$10,000	2.53	

*Approximate investment yield for entire period from issuance to maturity.

UNITED STATES SAVINGS BONDS—DEFENSE SERIES G
TABLE OF REDEMPTION VALUES AND INVESTMENT YIELDS

Table showing: (1) How United States Savings Bonds of Defense Series G (paying a current return at the rate of 2½ percent per annum on the purchase price, payable semiannually) change in redemption value, by denominations, during successive half-year periods following issue; (2) the approximate investment yield on the purchase price from issue date to the beginning of each half-year period; and (3) the approximate investment yield on the current redemption value from the beginning of each half-year period to maturity. Yields are expressed in terms of rate percent per annum, compounded semiannually, and take into account the current return.

MATURITY VALUE ISSUE PRICE	\$100.00 \$100.00	\$500.00 \$500.00	\$1,000 \$1,000	\$5,000 \$5,000	\$10,000 \$10,000	(2) Approximate investment yield on purchase price from issue date to beginning of each half- year period	(3) Approximate investment yield on current redemption value from be- ginning of each half-year period to maturity
Period after issue date	(1) Redemption values during each half-year period						
	Not redeemable					Percent	Percent
First ½ year	\$100.00	\$500.00	\$1,000	\$5,000	\$10,000	0.10	1.50
½ to 1 year	97.80	494.00	993	4,940	9,880	.30	1.62
1 to 1½ years	96.90	489.00	978	4,890	9,780	.44	1.73
1½ to 2 years	96.00	484.50	969	4,845	9,690	.61	1.84
2 to 2½ years	95.20	481.00	962	4,810	9,620	.80	1.94
2½ to 3 years	95.00	478.00	956	4,780	9,560	.75	2.04
3 to 3½ years	95.10	475.50	951	4,755	9,510	.88	2.13
3½ to 4 years	94.80	474.00	948	4,740	9,480	1.04	2.23
4 to 4½ years	94.70	473.50	947	4,735	9,470	1.20	2.33
4½ to 5 years	94.70	473.50	947	4,735	9,470	1.35	2.43
5 to 5½ years	94.90	474.50	949	4,745	9,490	1.51	2.53
5½ to 6 years	95.20	476.00	952	4,760	9,520	1.66	2.63
6 to 6½ years	95.50	477.50	955	4,775	9,550	1.79	2.74
6½ to 7 years	95.80	479.00	958	4,790	9,580	1.89	2.85
7 to 7½ years	96.10	480.50	961	4,805	9,610	1.98	2.97
7½ to 8 years	96.40	482.00	964	4,820	9,640	2.12	3.08
8 to 8½ years	96.70	483.50	967	4,835	9,670	2.18	3.19
8½ to 9 years	97.00	485.00	970	4,850	9,700	2.25	3.30
9 to 9½ years	97.00	485.00	970	4,850	9,700	2.27	3.40
9½ to 10 years	97.50	487.50	975	4,875	9,750	2.31	3.51
10 to 10½ years	98.20	489.50	979	4,905	9,810	2.35	3.62
10½ to 11 years	98.20	491.00	982	4,910	9,820	2.39	3.74
11 to 11½ years	98.60	493.00	986	4,930	9,860	2.44	3.85
11½ to 12 years	99.20	496.00	992	4,960	9,920		
MATURITY VALUE (12 years from issue date)	\$100.00	\$500.00	\$1,000	\$5,000	\$10,000	2.50	

*Approximate investment yield for entire period from issuance to maturity.

REGULATIONS GOVERNING UNITED STATES SAVING BONDS

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, April 13, 1941.

Department Circular No. 530
Fourth Revision
Final Version
of the Public Debt

UNIFORMS OF UNITED STATES SAVING BONDS, AND OTHERS CONCERNED:

Department Circular No. 530, Third Revision, dated March 27, 1940 (Part 315 of Subtitle B of Title 31, Code of Federal Regulations, Supp. II), as amended, is hereby further amended and issued as a Fourth Revision, effective May 1, 1941, to read as follows: The following regulations governing United States Saving Bonds are published for the information and guidance of all concerned.*

SEC. 315.1 APPLICABILITY

(a) *Applicability of these regulations.*—These regulations apply generally to all United States Savings Bonds of all series whatever having any issue dates whatever except as otherwise specifically provided herein. Defense Savings Bonds of Series E, Savings Bonds of Defense Series F and Savings Bonds of Defense Series G may hereinafter be referred to as savings bonds, or bonds of Series E and G respectively.

SEC. 315.2 REGISTRATION

(a) *General.*—United States Savings Bonds will be issued only in registered form. The name and complete post office address of the owner and that of the coowner or designated beneficiary, if any, and the date as of which the bond is issued will be inscribed on the bond at the time of issue by an authorized issuing agent. The form of registration need not express the actual ownership of and interest in the bond and, except as otherwise specifically provided in these regulations, the Treasury Department will treat as owner the ownership of and interest in the bond so expressed. No designation of an attorney, agent or other representative to request or receive payment on behalf of the owner, nor any restriction on the right of such owner to receive payment of the bond, other than provided in these regulations, may be made in the registration or otherwise.

(b) *Restrictions on registration.*—The following restrictions on the registration of savings bonds shall apply whether on original issue or on authorized resale: (1) Registration of savings bonds sold on and after April 1, 1940, shall be restricted to residents (whether individuals or others) of the Continental United States, the Territories and Insular Possessions of the United States, the Canal Zone, the Philippine Islands, or to American citizens temporarily residing abroad, and this restriction applies to owners, coowners and designated beneficiaries; (2) registration of Savings Bonds of Series D sold on and after April 1, 1940, and of Savings Bonds of Series E sold after May 1, 1941, shall be restricted to natural persons (that is, individuals), whether adults or minors, in their own right; savings bonds sold on and after May 1, 1941, may not be registered in the names of commercial banks which, for this purpose, are deemed to be banks that accept demand deposits.

(c) *Forms of registration.*—Subject to the restrictions and exceptions set forth in the next preceding paragraph, the following forms of registration are authorized:

- (i) In the names of natural persons (that is, individuals), whether adults or minors, in their own right as follows:
 - (a) In the name of one person, for example, "John A. Jones".
 - (b) In the names of two (but not more than two) persons in the alternative as coowners, for example, "John A. Jones OR Mrs. Ella S. Jones". No other form of registration establishing coownership is authorized.
 - (c) In the name of one (but not more than one) person, payable on death to one (but not more than one) other person, for example, "John A. Jones, payable on death to Miss Mary E. Jones"; the first person named is hereinafter referred to as the owner or registered owner and the second named as the beneficiary or designated beneficiary.

The full name of the owner and that of the coowner or beneficiary, if any, should be used, except that if there are two given names, initial of one may be used. The name may be preceded by any applicable title such as "Dr.", "Rev.", etc., and in the case of women may be preceded by "Mrs.", "Miss", or other appropriate title. A married woman's own given name should be used, not that of her husband, for example, "Mrs. Mary A. Jones", not "Mrs. Frank B. Jones". A minor, whether or not under legal guardianship, may be named only as owner, coowner, or beneficiary, except that if the funds used for the purchase of the bonds already belong to the minor he may be named only as owner, without coowner or beneficiary. If a person named in the registration of a bond is under legal disability or is incompetent or similar legal representative of his estate has been appointed, or is otherwise legally qualified, the registration should be made with such facts by the addition of appropriate words, for example, "Frank Jones, a minor under legal guardianship", or "Henry Jones, incompetent under legal guardianship". Bonds should not be registered in the name of a person under disability for reasons other than minority, unless a legal representative of his estate has been appointed.

IMPORTANT.—The above forms of registration are the only ones authorized for bonds of Series E; for Series F and G the above forms are authorized, and in addition the forms set forth in the following subparagraph.

(d) *Trusts.*—In the names of beneficiaries of a single duly constituted and wholly independent trust estate, considered as an entity, in the forms set forth in the following subparagraph: *Provided, however,* That if two or more trusts (other than trusts under wills) have been, or are, established by the same grantor substantially similar in terms and for the benefit of the same person, such trusts will be considered together as an entity, and not as distinct and independent trusts; *Provided further,* That bonds will not be registered in the name of a trustee of a trust established for the benefit of the grantor and revocable by him.

(e) *Executors, administrators, etc.*—In the names of executors, administrators, or other similar legal representatives of the estate of a single decedent appointed by a court of competent jurisdiction or otherwise legally qualified, followed by adequate identifying reference to the estate, for example, "John A. Smith, administrator of the estate of Henry J. Smith, deceased", or "First National Bank and Mrs. Mary C. Jones, executors of the will of Alfred Jones, deceased".

*Series 315.1 to 315.24 inclusive, are prescribed under the authority of H. R. 351 (47 S. C. 20), the Second Liberty Bond Act, as amended, and the Public Debt Act of 1941.

The date of maturity is also inscribed on Savings Bonds of Series A, Series B and Series D.

and redeemable before maturity at face redemption value less than the face amount of the bond. 31 provided herein.

(8) Approximation bonds.—No interest at such is paid on savings bonds issued on a discount basis. Such bonds increase in redemption value at the end of the first year from issue date and at the end of each successive half-year period thereafter until their maturity when the full amount becomes payable. The instrument in value represents interest and is payable only on redemption of the bonds whether at or before maturity.

(9) Current interest bonds.—Each such bond bears interest at a specified rate computed on the face amount thereof and payable semiannually.

(1) Terms and method of interest payments.—Interest at the rate specified in Savings Bonds of Series G will be paid semiannually by check drawn on the bonds as inscribed (except in case of bonds in the form "A, payable on death to B"), and mailed to the address of the owner or, in case of co-owners, unless otherwise specifically directed, to the owner's check order on the face of the bonds. Checks for interest on bonds inscribed in the form "A, payable on death to B" will be payable to A thereafter. Full advantage of interest at the rate specified may be secured only if the bonds are held to maturity. If savings bonds of Series G are redeemed before maturity in accordance with the provisions of Section 315.8 (b) (2) hereof, the difference between the face or full maturity value and the redemption value then payable is shown in the table of redemption values on the face of each bond will represent an adjustment of the interest to the rate appropriate for the shorter time, as set forth in the table attached to the certificate of issue.

(2) Release during interest period.—If a Savings Bond of Series G is redeemed for any reason between interest payment dates, interest for the entire period will be paid, on the next interest payment date, by check drawn in the order of the person in whose name the bond is redeemed.

(3) Change of address.—In case the owner of savings bonds of Series G changes his address, a notice of the change should immediately be forwarded to the Treasury Department, Division of Loans and Currency, Washington, D. C. Such notice should refer to all bonds for which it is desired that the address for delivery of interest checks be changed and should on the face of the bond.

(4) Termination of interest.—In case of redemption prior to maturity of savings bonds of Series G in accordance with the provisions of Section 315.8 (b) hereof, interest will cease on the last day of the interest period next preceding the date of redemption. In case of partial redemption, interest on the amount redeemed will cease on the last day of the interest period next preceding the date of partial redemption, and thereafter will be paid only on the balance amount remaining after partial redemption.

(5) Qualification of checks.—Whenever possible a single check will be issued on each interest payment date for interest on all savings bonds of Series G due to one owner on that date.

(6) Enforcement of checks.—Checks for interest must be enforced in accordance with the requirements of the Treasurer of the United States, by the payee, either personally or by an attorney-in-fact. Forms for the appointment of such attorney are obtained from the Treasurer of the United States, Washington, D. C., or from any Federal Reserve Bank.

Sec. 315.8 GENERAL PAYMENT AND REDEMPTION PROVISIONS

(a) Payment at maturity.—A savings bond of any series will be paid at or after maturity at its full face or maturity value, but only following presentation and surrender of the bond for such purpose with a request for payment properly signed and verified as provided herein.

(b) Redemption before maturity.—A savings bond may not be called for redemption by the Secretary of the Treasury prior to maturity, but may be redeemed in whole or in part at the option of the owner, prior to maturity under the terms and conditions set forth in the offering circular of each series and in accordance with the provisions of these regulations, but only following presentation and surrender for that purpose with a request for payment duly signed and verified as provided herein.

(1) Series A, B, C, D and E.—A savings bond of Series A, B, C, D, or E will be redeemed, in whole or in part, at any time after 90 days from the issue date, at the appropriate redemption value as shown on the face of the bond.

(2) Series F and Series G.—A savings bond of Series F or G will be redeemed, in whole or in part, at the option of the owner, on one month's notice in writing, on the first day of any month after six months from the issue date, at the appropriate redemption value as shown on the face of the bond. The notice of the owner's intention to redeem must be received by a Federal Reserve Bank or the Treasury Department not less than one calendar month in advance of the day payment is issued, and may be in the form of a duly executed request for payment. The bond, with the request for payment duly signed and verified as hereinafter provided, should be surrendered with the notice, if separate notice is given, and to the same agency to which the notice is given. (See Section 315.7 (c) (1) for provisions as to interest in the case of bonds of Series G redeemed prior to maturity.)

(3) Defunct Series G—redeemable before maturity at par or less.—A savings bond of Series G will be redeemed at par before maturity, in whole or in part, but only after six months from the issue date: (1) upon the death of the owner, or a co-owner, if a natural person, or (2) as to bonds held by a trustee or other fiduciary, upon the death of any person which results in the termination of the trust, in whole or in part. If the trust is terminated only in part, redemption at par will be made only to the extent of the pro rata portion of the trust so terminated, to the next lower multiple of \$100. In any case before maturity at par before maturity must be given in accordance with the provisions of the most preceding subparagraph of desire to redeem at par before maturity must be given in accordance with the provisions of the most preceding subparagraph and must be received by the Treasury Department or a Federal Reserve Bank within four months after the date of death.

(4) Form and date of request.—Requests for payment must be received within six months of the date of receipt of a bond by a Federal Reserve Bank or the Treasury Department, and unless otherwise authorized in a particular case the form of request appearing on the back of the bond must be used. Payment of a savings bond pursuant to a duly executed request will be made on the earliest day consistent with these regulations unless otherwise specifically requested.

(5) Execution of request for payment.—

(1) Identification of owner's signature.—The registered owner in whose name the bond is inscribed, or such other person as is entitled to payment under the provisions of these regulations, must appear before one of the officers authorized by the Secretary of the Treasury to certify requests for payment (see paragraph (c) of this section), establish his identity, and in the presence of such officer sign the request for payment in ink, adding, in the space provided, the address to which the check issued in payment, is to be mailed. A signature in a request for payment made by mark (8) must be witnessed by at least one person in addition to the certifying officer and must be attested by an endorsement on the back line substantially as follows: "Witness to the above signature by mark" followed by the signature and address of the witness. If the name of the registered owner or other person entitled to payment, as it appears in the registration or in an evidence on file in the Treasury Department, Division of Loans and Currency, has been changed by marriage or in any other legal manner, the signature on the request for payment should show both names and the manner in which the change was made, for example, "Miss Mary T. Jones, born by marriage Mrs. Mary T. Smith," or "John Smith, now by court order John Smith". In the case of a change of name other than by marriage, the request must be supported by satisfactory proof of such change, unless already on file. No request signed in the presence of an agent or a person acting under a power of attorney will be recognized by the Treasury Department except as specifically provided in Section 315.8 hereof.

(2) Identification of request.—After the request for payment has been signed by the owner, the certifying officer should complete and sign the certificate provided (see paragraph (f) of this section), and the bond should then be presented and surrendered as provided in paragraph (a) of this section.

(3) Certifying officer.—The request for payment must be signed in the presence of, and be certified by, one of the following officers, who are hereby authorized to certify requests for payment:

- (i) United States post office.—
 - (A) Acting postmaster or any other postmaster, acting postmaster, or inspector in charge, and in addition:
 - (1) At any post office of the first class (main office): The assistant postmaster, superintendent of mails, his paid assistant, superintendent of money orders, money-order cashier, assistant cashier, bookkeeper, or foreman, or clerk temporarily in charge of the post office; and
 - (2) At any post office of the second or third class: The assistant postmaster or, if there is none, the clerk temporarily in charge of the post office in the absence of the postmaster; and
 - (3) At any classified branch or station: The superintendent, assistant superintendent, assistant cashier, bookkeeper, or foreman, or, in the absence of all such officials, the clerk temporarily in charge of the branch or station.

(4) The Commission on paragraph (f) (1) and (2) of this section.

(5) At banks, trust companies, branches thereof and authorized sales agencies.—

- (i) Any executive officer of any bank or trust company incorporated in the United States or its organized territories, including officers at domestic or foreign branches who are certified to the Treasury Department as executive officers;
- (ii) Any executive officer of incorporated banks and trust companies in the organized territories and insular possessions of the United States and in the Commonwealth of the Philippines doing business under Federal charter or organized under Federal law;

(6) Executive officers of Federal Reserve Banks and branches thereof, including managing directors, assistant managers, cashiers and assistant cashiers; and Federal Reserve agents and assistant Federal Reserve agents;

(7) Executive officers of Federal Land banks;

(8) Executive officers of Federal Home Loan banks;

(9) Executive officers of corporations not included in the preceding paragraphs, and of other organizations, which have qualified under the provisions of Department Circular No. 857 as issuing agents for bonds of Series G, provided that the signatures and titles of such officers shall have been properly certified to the Treasury Department, and further provided that all certificates in requests for payment shall be authenticated by a legible impression of the corporate seal, if any, otherwise by a legible imprint of said issuing agent's dating stamp.

(10) For general instructions to such officers see paragraph (f) (1) and (2) of this section.

(11) United States officials.—Judges, clerks, and deputy clerks of United States courts, including United States courts for the organized territories, insular possessions, and the Canal Zone; United States attorneys; United States collectors of Customs and other duties; United States collectors of Internal Revenue and their deputies; commanding officers of the United States Army, Navy, Marine Corps, and Coast Guard, but only by members of their respective commands, members of their families and civilian employees at Army Posts or Naval Bases or stations (such officers should indicate his rank; the organization which he commands, and state that the person signing the request is one of the class whose requests he is authorized to certify); the officer in charge of any home, hospital, or other facility of the Veterans Administration, but only for payments and members of such facilities.

(12) For instructions to such officers see paragraph (f) (1) of this section.

(13) Officers authorized in particular localities.—In addition to the officers listed above, the following officers are authorized to certify requests for payment of United States Savings Bonds in the localities specified:

- (i) Washington, D. C.: Certain officers of the Treasury Department;
- (ii) Alaska: Governor, Treasurer, and United States Commissioner;
- (iii) Canal Zone: Governor, paymaster or acting paymaster, collector or acting collector, the Paymaster General, and also postmasters and acting postmasters in the Bureau of Posts;
- (iv) Commonwealth of the Philippines: The United States High Commissioner, his Executive Assistant, and the Chief Clerk in his office; Treasurer of the Commonwealth and the city treasurer of Manila and Iloilo; judges and clerks of courts of record whose signatures and official positions are certified by the Secretary of Justice;
- (v) Guam and American Samoa: Governors, and naval and marine officers authorized to administer oaths for naval parties and administration;
- (vi) Hawaii: Governor and Treasurer;
- (vii) Puerto Rico: Governor and Treasurer;
- (viii) Virgin Islands: Governor and Commissioner of Finance.

(14) For instructions to such officers see paragraph (f) (1) of this section.

(15) In foreign countries.—In a foreign country requests for payment may be signed in the presence of and be certified by any United States diplomatic or consular representative, or manager or other executive officer in charge, or assistant manager of a foreign branch of a bank or trust company incorporated in the United States, who is certified to the Treasury Department as an executive officer. If such an officer is not available, requests for payment may be signed in the presence of and be certified by a notary or other officer authorized to administer oaths, but his official character and jurisdiction must be certified by a United States diplomatic or consular officer under the seal of his office.

(16) For instructions to such officers see paragraph (f) (1) of this section.

(17) Special provision.—In the event none of the officers authorized to certify requests for payment of savings bonds is readily accessible, the Commissioner of the Public Debt is authorized to make special provision for any particular case.

tion of the bond, (2) proof that the debts of the decedent and of his estate have been paid or provided for, (3) affidavit of credibility by two disinterested persons having personal knowledge of the decedent and his family, and (4) a death certificate or other proof of the death of the decedent. The evidence should be submitted only in the form established for that purpose, which may be obtained as above provided. No payment or release will be permitted without administration of an estate, unless the person entitled as minor or incompetent, except to them or in their names, in whole or in the extent of their interest in the decedent's entire personal estate, or upon compliance with the provisions of Sections 315.9 and 315.10 hereof, receives a payment of savings bonds registered in the names of such persons.

(b) *Form of registration on release.*—In no case will release as authorized in this section be made in the names of two persons as co-owners, nor will bonds of Series D bearing issue dates on or after April 1, 1940, or bonds of Series K, be released except in the names of natural persons (that is, individuals) in their own right.

(c) *Limitation on release.*—Any release authorized by this section will be made only subject to the limitations set forth in Section 315.10.

Sec. 315.17 CREDITORS' RIGHTS AND JUDICIAL PROCEEDINGS

(a) *Judicial proceedings.*—The ownership of a savings bond or interest therein may be transferred by established through legal proceedings. *Provided, however,* that no such proceedings will be recognized if they would give effect to an attempted release, transfer (other than of the bond or would defeat or impair the rights of survivorship conferred by these regulations upon owners and beneficiaries. Payment, or partial payment in accordance with the provisions of Section 315.8 (g) hereof, in an amount not in excess of the interest so transferred or established, will be made upon presentation and surrender of the bond with the request for payment duly executed, at the redemption value current 30 days after the proceedings have become final, or current at the time the bond is presented for payment, whichever is earlier. A bond or interest therein will not be released as the result of judicial proceedings except in the case of a determination of ownership as between owners, in which case the bond may be released in the names of the respective owners, to the extent of their respective interests as determined by such proceedings, and only in authorized denominations. The request for payment or release must be supported by a certified copy of the judgment or decree of court through which the ownership was transferred or established, certified copies of the records with respect to any necessary supplementary proceedings, and a certificate by the clerk of the court showing that an appeal, motion for new trial, or other proceeding which may result in modifying the judgment or decree has been taken, made, or applied for, that the time for such action has expired (or that such proceeding has been finally terminated), and that the judgment or decree is in full force and effect and has become final under the laws of the jurisdiction. The Secretary of the Treasury may in any case require such further information, documents, and security as he may deem necessary.

(b) *Bankruptcy and insolvency.*—Payment (but not release) of a savings bond will be made to a duly qualified receiver or trustee in bankruptcy of the estate of the registered owner, adjudicated bankrupt or insolvent, upon request for payment duly executed by said receiver or trustee and supported by satisfactory proof of his appointment and qualification.

Sec. 315.18 PLEDGE WITH SECRETARY OF TREASURY OR FEDERAL RESERVE BANKS

(a) *Deposit under Department Circulars No. 164 and No. 487.*—Notwithstanding any other provisions of this or any other circular, a savings bond may be pledged by the registered owner in lists of surety under the provisions of Department Circular No. 164, amended. *Provided,* that the bond approving officer is the Secretary of the Treasury. In such cases an irrevocable power of attorney shall be executed authorizing the Secretary to request payment, and payment of the bond will, if it becomes necessary, be made upon such request at the then appropriate redemption value. No pledge to a bond approving officer other than the Secretary of the Treasury will be permitted. A savings bond may also be deposited as security with a Federal Reserve Bank under the provisions of Department Circular No. 487 by an institution certified under that circular as an issuing agent for Defense Savings Bonds of Series K. In no other cases are savings bonds suitable for use as collateral, nor will a power of attorney to request payment be recognized in any other case.

Sec. 315.19 REISSUE AND DENOMINATIONAL EXCHANGE

(a) *General.*—Release of savings bonds in a different form of registration will be made only in the following instances and only in denominations and forms of registration authorized for the bonds surrendered:

- (1) To correct an established error in the original issue;
- (2) To show a change in the name of an owner or beneficiary whether by marriage or otherwise;
- (3) As specifically provided in this circular.

Releases pursuant to (2) and (3) above will be made only at the Treasury Department, Division of Loans and Currency, Washington, D. C., upon a request which must be signed by the person authorized by these regulations to make such request, in the presence of, and be certified by, an authorized officer in accordance with Section 315.8 (d) and (e). Requests for release should be executed on appropriate forms which may be obtained from the Division of Loans and Currency or from any Federal Reserve Bank. Bonds held in excess of the prescribed limit, calculated in accordance with Section 315.4 hereof, will not be released except insofar as release may be made pursuant to subparagraph (1) above.

(b) *Limitation on release.*—In any case where release is authorized by these regulations, the Treasury Department reserves the right to treat the receipt of a bond and appropriate request for release thereof by a Federal Reserve Bank or the Treasury Department as determining the date upon which the release so requested is effective.

(c) *Denominational exchange.*—Exchange as between authorized denominations of savings bonds will not be permitted except in case of partial redemption or authorized release.

(d) *New bonds on release.*—In all cases of release the savings bonds will be of the same series, will bear the same issue date, and will have the same rights and privileges as the savings bonds surrendered.

Sec. 315.20 FURTHER PROVISIONS

(a) *Regulations prescribed.*—These regulations are prescribed by the Secretary of the Treasury as governing United States Savings Bonds issued under the authority of Section 22 of the Second Liberty Bond Act, approved September 24, 1917, as amended, and pursuant to the various Department Circulars offering such bonds for sale. The provisions of Treasury Department Circular No. 201, as amended, have no application in such savings bonds except as hereinbefore specifically provided.

(b) *Prevention of rights.*—Nothing in these regulations contained shall be construed to limit or restrict any existing rights which holders of savings bonds heretofore issued may have acquired under the statutes offering such bonds for sale, or under the regulations in force at the time of purchase.

(c) *Additional proof: bond of indemnity.*—The Secretary of the Treasury in any case arising under these regulations, may require such additional proof as he may consider necessary or advisable in the position, and may require a bond of indemnity with satisfactory sureties, or an agreement of indemnity, in any case where he may consider such a bond or agreement necessary for the protection of the Government of the United States.

(d) *Correspondence and forms.*—Correspondence in regard to any transactions in United States Savings Bonds under the provisions of these regulations should be addressed to the Treasury Department, Division of Loans and Currency, Washington, D. C. All evidence required in support of such transactions should be filed with that division. Appropriate forms for use in connection with such transactions may be secured from that division or from any Federal Reserve Bank.

(e) *Regulations, amendments, or circulars.*—The Secretary of the Treasury may at any time, in from time to time, prescribe additional, supplemental, amendatory or revised rules and regulations governing United States Savings Bonds.

HENRY MORGENTHAU, Jr.
Secretary of the Treasury.

(Filed with the Division of the Federal Register, April 29, 1941)

U. S. GOVERNMENT PRINTING OFFICE: 19-39861

tion of the bond, (2) proof that the debts of the decedent and of his estate have been paid or provided for, (3) adequate creditability by two disinterested persons having personal knowledge of the decedent and his family, and (4) a death certificate or other proof of the death of the decedent. The evidence should be submitted only on the form established for that purpose, which may be obtained as above provided. No payment or release will be permitted without administration for that purpose unless the persons entitled are minors or incompetents, except to them or in their names, in whole or in the extent of their interest in the decedent's entire personal estate, or upon compliance with the provisions of Sections 315.8 and 315.10 hereof governing payment of savings bonds registered in the names of such persons.

(b) *Form of registration or release.*—In no case will release as authorized in this section be made in the name of two persons as co-owners, nor will bonds of Series D bearing issue dates on or after April 1, 1940, or bonds of Series K, be released except in the names of natural persons (that is, individuals) in their own right.

(c) *Limitation on release.*—Any release authorized by this section will be made only subject to the limitations set forth in Section 315.10.

Sec. 315.17 CREDITORS' RIGHTS AND JUDICIAL PROCEEDINGS

(a) *Judicial proceedings.*—The ownership of a savings bond or interest therein may be transferred or established through valid judicial proceedings. Provided, however, that no such proceedings will be recognized if they would give effect to an attempted voluntary transfer *inter vivos* of the bond or would defeat or impair the rights of survivorship conferred by these regulations upon spouses and beneficiaries. Payment, or partial payment, will be made upon presentation and surrender of the bond with the request for payment of the interest so transferred or established, will be made upon presentation and surrender of the bond with the request for payment duly executed, at the redemption value current 30 days after the proceedings have become final, or current at the time the bond is presented for payment, whichever is earlier. A bond or interest therein will not be released as the result of judicial proceedings except in the case of a determination of ownership as between owners, in which case the bond may be released in the names of the respective owners, to the extent of their respective interests as determined by such proceedings, and only in authorized denominations. The request for payment or release must be supported by a certified copy of the judgment or decree of court through which the ownership was transferred or established, certified copies of the records with respect to any necessary supplementary proceedings, and a certificate by the clerk of the court showing that no appeal, motion for new trial, or other proceeding which may result in modifying the judgment or decree has been taken, made, or applied for, that the time for such action has expired (or that such proceeding has been finally terminated), and that the judgment or decree is in full force and effect and has become final under the laws of the jurisdiction. The Secretary of the Treasury may in any case require such further information, documents, and security as he may deem necessary.

(b) *Bankruptcy and insolvency.*—Payment (but not release) of a savings bond will be made to a duly qualified receiver or trustee in bankruptcy of the estate of the registered owner, adjudicated bankrupt or insolvent, upon request for payment duly executed by and assented to in writing and supported by satisfactory proof of his appointment and qualification.

Sec. 315.18 PLEDGE WITH SECRETARY OF TREASURY OR FEDERAL RESERVE BANKS

(a) *Deposit under Department Circulars No. 184 and No. 657.*—Notwithstanding any other provisions of this or any other circular, a savings bond may be pledged by the registered owner in lieu of surety under the provisions of Department Circular No. 184, amended. Provided, that the bond approving officer is the Secretary of the Treasury. In such cases an irrevocable power of attorney shall be executed authorizing the Secretary to request payment, and payment of the bond will, if it becomes necessary, be made upon such request at the then appropriate redemption value. No pledge to a bond approving officer other than the Secretary of the Treasury will be permitted. A savings bond may also be deposited as security with a Federal Reserve Bank under the provisions of Department Circular No. 657 by an institution certified under that circular as an issuing agent for Defense Savings Bonds of Series E. In no other cases are savings bonds suitable for use as collateral, nor will a power of attorney to request payment be recognized in any other case.

Sec. 315.19 REISSUE AND DENOMINATIONAL EXCHANGE

(a) *General.*—Release of savings bonds in a different form of registration will be made only in the following instances and only in denominations and forms of registration authorized for the bonds surrendered:

- (1) To correct an established error in the original issue;
- (2) To show a change in the name of an owner or beneficiary whether by marriage or otherwise;
- (3) As specifically provided in this circular.

Reissues pursuant to (2) and (3) above will be made only at the Treasury Department, Division of Loans and Currency, Washington, D. C., upon a request which must be signed by the person authorized by these regulations to make such request, in the presence of, and be certified by, an authorized officer in accordance with Section 315.8 (d) and (e). Requests for reissue should be executed on appropriate forms which may be obtained from the Division of Loans and Currency or from any Federal Reserve Bank. Bonds held in excess of the prescribed limit, calculated in accordance with Section 315.4 hereof, will not be released except insofar as release may be made pursuant to subparagraph (3) above.

(b) *Limitation on reissue.*—In any case where reissue is authorized by these regulations, the Treasury Department reserves the right to treat the receipt of a bond and appropriate request for release thereof by a Federal Reserve Bank or the Treasury Department as determining the date upon which the reissue as requested is effective.

(c) *Denominational exchange.*—Exchange between authorized denominations of savings bonds will not be permitted except in cases of partial redemptions or authorized reissue.

(d) *New bonds on reissue.*—In all cases of reissue the savings bonds will be of the same series, will bear the same issue date, and will have the same rights and privileges as the savings bonds surrendered.

Sec. 315.20 FURTHER PROVISIONS

(a) *Regulations provided.*—These regulations are prescribed by the Secretary of the Treasury as governing United States Savings Bonds issued under the authority of Section 22 of the Second Liberty Bond Act, approved September 24, 1917, as amended, and pursuant to the various Department Circulars offering such bonds for sale. The provisions of Treasury Department Circular No. 20, as amended, have no application to such savings bonds except as hereinbefore specifically provided.

(b) *Preservation of rights.*—Nothing in these regulations contained shall be construed to limit or restrict any existing rights with respect to savings bonds (including interest) issued and may have acquired under the immediate offering such bonds for sale, or under the regulations in force at the time of purchase.

(c) *Additional proof; bond of indemnity.*—The Secretary of the Treasury, in any case arising under these regulations, may require such additional proof as he may consider necessary of advisors in the premises; and may require a bond of indemnity with satisfactory evidence of an agreement of indemnity, in any case where he may consider such a bond or agreement necessary for the protection of the interests of the United States.

(d) *Correspondence and forms.*—Correspondence in regard to any transactions in United States Savings Bonds under the provisions of these regulations should be addressed to the Treasury Department, Division of Loans and Currency, Washington, D. C. All evidence required in support of such transactions should be filed with that division. Appropriate forms for use in connection with such transactions may be secured from that division or from any Federal Reserve Bank.

(e) *Supplements, amendments, or revisions.*—The Secretary of the Treasury may at any time, or from time to time, prescribe additional, supplemental, amendatory or revised rules and regulations governing United States Savings Bonds.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

(Filed with the Division of the Federal Register, April 20, 1941)

U. S. GOVERNMENT PRINTING OFFICE: 1941-20011

July 7, 1941
10:33 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

William
McReynolds: Good morning sir.

HMJr: Hello, Mac.

M: How are you feeling?

HMJr: Fine.

M: That's swell.

HMJr: What's on your mind?

M: Well, - a - the President sent over here
some time ago some correspondence about
Eleanor McAdoo, who apparently is broke -
she's doing these broadcasts about
President Wilson, you know.

HMJr: Yeah.

M: And she had a trust fund established by
McAdoo when they were divorced which he
was keeping up - the stuff he had in
there wasn't producing any revenue to
amount to anything and now he's dead
and there was nothing in his estate, so
she's getting nothing.

HMJr: Yeah.

M: The President sent word that he would
like to have her be given some kind of
a place - he'd be glad to issue any
order - executive order that was necessary
to make her available for it and would I
try to find some place that we could put
her.

HMJr: Yeah.

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W: Now, I asked Harold and he said he thought they could use her in connection with, maybe the advertising Bond Campaign.

RMJr: I see.

W: Without disturbing her out there.

RMJr: Yeah.

W: And of course, I didn't make any - inquiring around to see if there was a possibility any place.

RMJr: Now, where would she want to work?

W: Well, she'd probably stay at her home out there in California and do radio work and tie it up in connection with her - with the broadcasts she is doing on the Wilson record. I don't know just what he had in mind she could do.

RMJr: Well, supposing I talk to Harold about it?

W: Yeah, yes. Well, of course I wouldn't go naturally in connection with the Treasury any place any further without talking first to you about it.

RMJr: But you have talked to Harold?

W: Well, just - just bare inquiry as to whether there was any possibility.

RMJr: Well, is there a - is there any other place you could put her?

W: Well, I haven't found any place that seems any prospect. I - and of course, there - it's just a question of trying to find a place, if there's nothing we can do why naturally there's nothing we can do.

RMJr: Well.....

W: There's a - I looked over the list trying to find something there on the coast and you know there's some of these

old places of Comptrollers of Customs
but - we've tried to get abolished...

HMJr: Yeah.

M: One that isn't filled out in San Francisco
but I - I haven't said anything to anyone.

HMJr: Well, I tell you what you do to save
your time and mine - why don't you come
over or talk with Harold about it, see?

M: Okay.

HMJr: And then tell Harold to talk to me.

M: Okay, I'll do that.

HMJr: How's that?

M: Fine.

HMJr: Take care of yourself.

M: I shall, thank you and same to you.

HMJr: Goodbye.

M: Goodbye.

July 7, 1941
11:15 a.m.

RE SOCIAL SECURITY BOARD

Present: Mr. Bell
Mr. Haas
Mr. Blough

Bell: Altmeyer has been talking to us from time to time. He submitted a memorandum on the Board program for legislation in which he told us that the President - that the President will transmit it to Congress.

Roy has had one or two conferences with him. This is just a sketch of the legislation, and I thought we might explain each one of those paragraphs to you.

H.M.Jr: I will take as much of it as I can.

Blough: Did you say go ahead?

H.M.Jr: Yes. I will listen as long as I can.

Blough: We divided into five sections the public assistance. That is the Federal aids - grants to states for the indigent, aged, blind, dependent children. Then the old age and survivor's insurance. Then the unemployment insurance.

H.M.Jr: I am with you.

Blough: Then certain other recommendations and then finally some recommendations with

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regard to defense, the effects of defense on the Social Security program.

Now, with respect to public assistance, they have made three recommendations. First, they would like to have the Federal law provide for a liberalized and simplified eligibility test so that we will get more uniform eligibility of indigent, aged, in the states than we now have. At the present time they have all sorts of rules, and in some states a person can get aid where in another state he couldn't possibly get aid.

Bell: It is now based on the state conception of it.

Blough: On the state rule, and some of them have good rules and some have bad rules as the Board views it. They don't indicate any particular amount that that would cost. It is more a matter of getting it generally uniform. There would be some minor additional cost.

Bell: But it would bring all the low states up to the high states?

Blough: It would bring all the low states up and it would mean that perhaps a million more people would be eligible and probably higher payments to many of those who are already eligible.

The second recommendation with regard to public assistance that they make is the introduction of variable Federal grants, grants which would be larger, which would constitute a larger proportion of the total payment in the case of states which have low incomes, poor states, in other words, and they would get a bigger percentage.

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At the present time it is fifty-fifty, but their proposal would be that a state like Mississippi wouldn't get fifty-fifty. It would get something more than fifty-fifty, maybe two thirds and one third, depending on the income of the people of the state, the average per capita income or some measure of that kind.

Bell: That proposal was fifty-fifty, but not less than fifteen dollars per person contributed by the Federal Government.

Blough: There have been a variety of methods proposed and they don't recommend at this time any particular one. They think that would cost between thirty and a hundred and seventy-five million dollars additional, depending on the plan that was adopted.

They also proposed somewhat higher grants for dependent children and aid to the blind, which would cost from ten to sixty million dollars more, so that whole recommendation would run from forty to two hundred and thirty-five million dollars more, according to their proposal.

They make a third proposal under public assistance --

Bell: By the way, that number three is really just general relief, isn't it?

Blough: That is what I am coming to. They make a proposal which is here number three, which is to have another category of public assistance, which could be called general relief. That general relief category would be on the same basis as the old age assistance is, the aid to dependent children is,

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so that the Federal Government would be giving fifty-fifty or whatever percentage is given for these others for the support of general relief.

H.M.Jr: Can I interrupt you?

Blough: Sure.

H.M.Jr: I can't concentrate on this thing. It is a terrific subject.

Bell: It is a big subject. One time I suggested that you might do it at the house one evening.

H.M.Jr: It is terrific.

Bell: It is really a big subject. You ought to take an hour and do it leisurely.

H.M.Jr: No, I couldn't. This is terrific.

Blough: All right. Would you like for me to write out a little more about each of these so you can have something to read?

H.M.Jr: No, let the thing go until I get a breathing spell.

Bell: It is something I thought you might have to face some day at the White House.

H.M.Jr: Well, that is perfectly possible.

Bell: I don't think the President would send up a report without getting something from the Treasury on the physical aspects of it.

H.M.Jr: The chances are that he might, but I can't do it now.

- 5 -

Let me talk about financing. George can stay.

I just can't do this now.

Blough:

It is quite all right, Mr. Secretary, of course. I will hold myself open for whenever you want it.

June 17, 1941

MEMORANDUM FOR THE SECRETARY

The 1941 Legislative Program of the Social Security Board

The 1941 legislative program of the Social Security Board extends over all the fields of social security.

- A. With respect to public assistance (aid to the aged, the blind, and the dependent children) the Board is recommending:
1. The liberalization and simplification of eligibility tests under the old-age assistance program with a view to raising the standard of assistance in the less liberal States.
 2. The introduction of variable Federal grants for old-age assistance, aid to dependent children and aid to the blind, with a view to making larger Federal grants to low income States and to States where cash assistance is now inadequate.
 3. The introduction of Federal grants to States to provide assistance to needy persons now ineligible for aid under the existing public assistance programs (general relief).
- B. With respect to old-age and survivor's insurance, the Board is recommending:
1. The extension of payroll taxation and coverage to farmers, agricultural labor, domestic service workers, employees of non-profit institutions, government employees, businessmen and other non-covered groups.
 2. The broadening of the insurance program to include cash benefits for unemployment due to temporary disability and permanent disability.

- 2 -

C. With respect to unemployment insurance the Board is recommending:

1. The liberalization of benefits with a view to improving the protection afforded those who under existing laws are disqualified from benefits after a few weeks and to those whose protection is now inadequate.
2. The extension of payroll taxation and coverage to all wage workers.
3. The conversion of the present Federal-State unemployment insurance system to a straight Federal system.

D. The Board is also recommending:

1. That in addition to the cash benefits for temporary and permanent disability, consideration be given to other proposals for meeting the risks arising out of insecurity of health. It is suggesting that hospitalization benefits be included at this time.
2. The consolidation of all social security programs into one national security system, to provide for a more uniform program, including the collection of one social security contribution by the Treasury in lieu of the present separate taxes.

E. The Board is considering three amendments to the present act to meet conditions arising out of the defense program:

1. The protection of the social insurance rights of workers engaged in military service.
2. The possibility of a Federal system of unemployment allowances for demobilized men, should the need arise.
3. The possibility of developing a system of dependents' allowances for the needy families of men who enter military service, should the need arise.

E-Riebidad
6/17/41

July 7, 1941
11:30 a.m.

RE FINANCING

Present: Mr. Bell
Mr. Haas

H.M.Jr: What is the difference here?

Haas: You will notice there, Mr. Secretary, on the RFC issue the New York banks held forty percent and some of the banks like the Guaranty will not buy this.

It is a peculiar situation. Guaranty will not buy it because their lawyers are apprehensive, but Morgan and Company, you notice on the second sheet the names of the companies, own it and the Guaranty is a Morgan bank.

Bell: The Chase and Guaranty, I understand, have had opinions from their counsel that this setup was unconstitutional and while they may subscribe, they will not hold them.

I understand National City is a buyer of these securities.

Haas: There is a peculiar distribution there.

H.M.Jr: You know that bank of North Dakota seems to be in on all this stuff. They have showed up in all of this.

- 2 -

- Bell: There is a New Orleans bank that usually buys this short term stuff.
- Haas: They are accustomed to having the original paper.
- H.M.Jr: What were you thinking of doing for them, just so I can have my mind on it?
- Bell: Well, I think we ought to avoid a 1944 maturity for two reasons, because during that year we have got a number of maturities amounting to seven billion nine. I haven't got my sheet with me.
- The other reason is that I don't think we ought to put this on a comparable basis with the RFC, because we might have to give a little better rate or a little shorter maturity in order to make it go. We might have to put it '43 and possibly '45.
- H.M.Jr: I would rather go out longer.
- Bell: I would think we could put it in '45.
- Haas: I thought about January 15, '45.
- H.M.Jr: How much does that bring?
- Haas: There is a difference of opinion. We haven't worked it out yet. As a preliminary, we have one and an eighth. It would be with a premium of about a half, sixteen thirty-seconds.
- H.M.Jr: I would rather go out to '45.
- Bell: We have always stuck to shorter maturities for this Commodity Credit because of the type of business it does. It works theoretically on a year to year basis. We have

- 3 -

done it for that reason. But I think it is more in theory than anything else.

Haas: It is right now.

Bell: Yes.

H.M.Jr: Well, I want to see what happens today.

Bell: Well, I think we can go out to '45, probably at one and an eighth.

H.M.Jr: I would rather go out a little bit longer. Jones wants his one percent and all that.

Bell: Well, that isn't necessarily a factor here, although I think they would like to have as low a rate as possible so as to keep down their cost.

H.M.Jr: Well, one and an eighth is cheap enough.

Well then, let's just wait and see.

Bell: Tomorrow will be all right.

H.M.Jr: All right.

Bell: I told Rouse just to kind of slow up on his contacts and not hurry them any. He said that he had only contacted a couple, and he told them that he didn't know whether it would be announced today, but he was just making some preliminary survey. He talked that way.

H.M.Jr: Thank you all.

July 7, 1941

1869

CONFIDENTIAL; To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be published or given out until the READING of the President's Message has begun in the Senate or the House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY
Secretary to the President

TO THE CONGRESS OF THE UNITED STATES:

I am transmitting herewith for the information of the Congress a message I received from the Prime Minister of Iceland on July first and the reply I addressed on the same day to the Prime Minister of Iceland in response to this message.

In accordance with the understanding so reached, forces of the United States Navy have today arrived in Iceland in order to supplement, and eventually to replace, the British forces which have until now been stationed in Iceland in order to insure the adequate defense of that country.

As I stated in my message to the Congress of September third last regarding the acquisition of certain naval and air bases from Great Britain in exchange for certain over-age destroyers, considerations of safety from overseas attack are fundamental.

The United States cannot permit the occupation by Germany of strategic outposts in the Atlantic to be used as air or naval bases for eventual attack against the Western Hemisphere. We have no desire to see any change in the present sovereignty of those regions. Assurance that such outposts in our defense frontier remain in friendly hands is the very foundation of our national security and of the national security of every one of the independent nations of the New World.

For the same reason substantial forces of the United States have now been sent to the bases acquired last year from Great Britain in Trinidad and in British Guiana in the south in order to forestall any pincers movement undertaken by Germany against the Western Hemisphere. It is essential that Germany should not be able successfully to employ such tactics through sudden seizure of strategic points in the south Atlantic and in the north Atlantic.

The occupation of Iceland by Germany would constitute a serious threat in three dimensions:

The threat against Greenland and the northern portion of the North American Continent, including the Islands which lie off it.

The threat against all shipping in the north Atlantic.

The threat against the steady flow of munitions to Britain -- which is a matter of broad policy clearly approved by the Congress.

It is, therefore, imperative that the approaches between the American and those strategic outposts, the safety of which this country regards as essential to its national security, and which it must therefore defend, shall remain open and free from all hostile activity or threat thereof.

As Commander-in-Chief I have consequently issued orders to the Navy that all necessary steps be taken to insure the safety of communications in the approaches between Iceland and the United States, as well as on the seas between the United States and all other strategic outposts.

This Government will insure the adequate defense of Iceland with full recognition of the independence of Iceland as a sovereign state.

In my message to the Prime Minister of Iceland I have given the people of Iceland the assurance that the American forces sent there would in no way interfere with the internal and domestic affairs of that country, and that immediately upon the termination of the present international emergency all American forces will be at once withdrawn, leaving the people of Iceland and their Government in full and sovereign control of their own territory.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE
July 7, 1941.

MESSAGE SENT BY THE PRIME MINISTER OF ICELAND
TO THE PRESIDENT

In a conversation of June 24th, the British Minister explained that British forces in Iceland are required elsewhere. At the same time he stressed the immense importance of adequate defense of Iceland. He also called my attention to the declaration of the President of the United States to the effect that he must take all necessary measures to ensure the safety of the Western Hemisphere -- one of the President's measures is to assist in the defense of Iceland -- and that the President is therefore prepared to send here immediately United States troops to supplement and eventually to replace the British force here. But that he does not consider that he can take this course except at the invitation of the Iceland Government.

After careful consideration of all the circumstances the Iceland Government, in view of the present state of affairs, admit that this measure is in accordance with the interest of Iceland, and therefore are ready to entrust the protection of Iceland to United States on the following conditions:

1. United States promise to withdraw all their military forces land, air and sea from Iceland immediately on conclusion of present war.
2. United States further promise to recognize the absolute independence and sovereignty of Iceland and to exercise their best efforts with those powers which will negotiate the peace treaty at the conclusion of the present war in order that such treaty shall likewise recognize the absolute independence and sovereignty of Iceland.
3. United States promise not to interfere with Government of Iceland neither while their armed forces remain in this country nor afterwards.

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2. United States further promise to recognize the absolute independence and sovereignty of Iceland and to exercise their best efforts with those powers which will negotiate the peace treaty at the conclusion of the present war in order that such treaty shall likewise recognize the absolute independence and sovereignty of Iceland.
3. United States promise not to interfere with Government of Iceland neither while their armed forces remain in this country nor afterwards.

4. United States promise to organize the defense of the country in such a way as to ensure the greatest possible safety for the inhabitants themselves and assure that they suffer minimum disturbance from military activities; these activities being carried out in consultation with Iceland authorities as far as possible. Also because of small population of Iceland and consequent danger to nation from presence of a numerous army, great care must be taken that only picked troops are sent here. Military authorities should be also instructed to keep in mind that Icelanders have been unarmed for centuries and are entirely unaccustomed to military discipline and conduct of troops toward the inhabitants of the country should be ordered accordingly.

5. United States undertake defense of the country without expense to Iceland and promise compensation for all damage occasioned to the inhabitants by their military activities.

6. United States promise to further interests of Iceland in every way in their power, including that of supplying the country with sufficient necessities, of securing necessary shipping to and from the country and of making in other respects favorable commercial and trade agreements with it.

7. Iceland Government expects that declaration made by president in this connection will be in agreement with these promises on the part of Iceland, and Government would much appreciate its being given the opportunity of being cognizant with wording of this declaration before it is published.

8. On the part of Iceland it is considered obvious that if United States undertake defense of the country it must be strong enough to meet every eventuality and particularly in the beginning it is expected that as far as possible effort will be made to prevent any special danger in connection with change-over. Iceland Government lays special stress on there being sufficient airplanes for defensive purposes whenever they are required and they can be used as soon as decision is made for United States to undertake the defense of the country.

This decision is made on the part of Iceland as an absolutely free and sovereign state and it is considered as a matter of course that United States will from the beginning recognize this legal status of the country, both states immediately exchanging diplomatic representatives.

MESSAGE SENT BY THE PRESIDENT OF THE UNITED STATES IN
RESPONSE TO A MESSAGE FROM THE PRIME MINISTER OF ICELAND.

I have received your message in which you have informed me that after careful consideration of all the circumstances, the Iceland Government, in view of the present state of affairs, admits that the sending to Iceland of United States troops to supplement and eventually to replace the present British forces there would be in accordance with the interests of Iceland and that, therefore, the Iceland Government is ready to entrust the protection of Iceland to the United States on the following considerations:

1. United States promise to withdraw all their military forces land, air and sea from Iceland immediately on conclusion of present war.

2. United States further promise to recognize the absolute independence and sovereignty of Iceland and to exercise their best efforts with those powers which will negotiate the peace treaty at the conclusion of the present war in order that such treaty shall likewise recognize the absolute independence and sovereignty of Iceland.

3. United States promise not to interfere with Government of Iceland neither while their armed forces remain in this country nor afterwards.

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You further state that this decision is made on the part of Iceland as an absolutely free and sovereign state and that it is considered as a matter of course that the United States will from the beginning recognize the legal status of Iceland, both states immediately exchanging diplomatic representatives.

- 5 -

I take pleasure in confirming to you hereby that the conditions set forth in your communication now under acknowledgment are fully acceptable to the Government of the United States and that these conditions will be observed in the relations between the United States and Iceland. I may further say that it will give me pleasure to request of the Congress its agreement in order that diplomatic representatives may be exchanged between our two countries.

It is the announced policy of the Government of the United States to undertake to join with the other nations of the Western Hemisphere in the defense of the New World against any attempt at aggression. In the opinion of this Government, it is imperative that the integrity and independence of Iceland should be preserved because of the fact that any occupation of Iceland by a power whose only too clearly apparent plans for world conquest include the domination of the peoples of the New World would at once directly menace the security of the entire Western Hemisphere.

It is for that reason that in response to your message, the Government of the United States will send immediately troops to supplement and eventually to replace the British forces now there.

The steps so taken by the Government of the United States are taken in full recognition of the sovereignty and independence of Iceland and with the clear understanding that American military or naval forces sent to Iceland will in no wise interfere in the slightest degree with the internal and domestic affairs of the Icelandic people; and with the further understanding that immediately upon the termination of the present international emergency, all such military and naval forces will be at once withdrawn leaving the people of Iceland and their Government in full sovereign control of their own territory.

The people of Iceland hold a proud position among the democracies of the world, with a historic tradition of freedom and of individual liberty which is more than a thousand years old. It is, therefore, all the more appropriate that in response to your message, the Government of the United States, while undertaking this defensive measure for the preservation of the independence and security of the democracies of the New World should at the same time be afforded the privilege of cooperating in this manner with your Government in the defense of the historic democracy of Iceland.

I am communicating this message, for their information, to the Governments of all of the other nations of the Western Hemisphere.

July 7, 1941
2:55 p.m.

HMJr: Hello.

Operator: Mr. Eicher is in a committee meeting and it'll take about three minutes....

HMJr: Get him out, get him out.

Operator: All right.

HMJr: Get him out, tell them it's urgent.

Operator: All right.

HMJr: Get him out.

Operator: All right.

2:57 p.m.

HMJr: Hello.

Edward Eicher: Hello, Mr. Secretary.

HMJr: How are you?

E: Very well, thank you.

HMJr: I wouldn't bother you, but you heard the news about Iceland?

E: No.

HMJr: Well, the President has announced that he's landed troops in Iceland.

E: I see.

HMJr: And I think you better find out what's happening in San Francisco.

- 2 -

E: Very well.

HMJr: At the Exchange.

E: We'll do that right away.

HMJr: And would you - if it's all quiet all right, but if it's anything exciting going on out there, would you let me know?

E: We'll let you know right away.

HMJr: Thank you.

E: I'll get our Trading and Exchange Division to work right away.

HMJr: Thank you.

E: All right, sir.

July 7, 1941
3:58 p.m.

HMJr: Hello.

Operator: Chairman Eicher.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Edward Eicher: Hello, Mr. Secretary.

HMJr: Yes, Ed.

E: Ed Eicher talking.

HMJr: Yeah.

E: Here's our first report from San Francisco.

HMJr: Yeah.

E: Directly from the floor of the Exchange.

HMJr: Yeah.

E: Market is dead, prices firm as of the New York close.

HMJr: Yeah.

E: No volume, no excitement.

HMJr: Good.

E: Now, we'll have some more later on.

HMJr: That's enough, that's enough.

E: All right, if I hear anything different I'll let you know.

HMJr: Thank you.

E: You bet.

July 7, 1941

Mr. Liversy

Mr. Cochran

The following message is suggested as reply to Ambassador Gurnea's cablegram No. 254 of June 24, 1941:

'American Embassy,
Chungking.

Reference your 254, June 24, 10 a.m.

Neither State nor Treasury expects your Embassy to provide Fox confidential clerical assistance regularly. Treasury desired that Fox consult with you as to availability of suitable help in China and appreciates your courtesy in lending him provisional assistance. If Fox may not have found a qualified secretary while traveling to Hong Kong and Shanghai he should upon his return to Chungking definitely confirm his needs by cablegram and Treasury will endeavor to arrange for a male secretary to be sent to China by Chen's New York office.'



HMC:dm:7.7.41

July 7, 1941
4:22 p.m.

Harry
White:

Yes sir.

HMJr:

Give me a little memo in the morning about this Chinese business and Mr. Fox being over there.

W:

Right.

HMJr:

Just slip it to me in the morning, and then I'm going to say at the 9:30, I expect to put the responsibility on you.

W:

All right, sir. But does - do you want any of the particulars or just...

HMJr:

I'm not interested. I just wanted - I want somebody - one person who's going to look after it.

W:

I mean, what sort of a memo do you want from me?

HMJr:

Just - just put - when you come in put on my desk - I asked - that I asked you to remind me to bring up the question of who's going to look after Fox in China.

W:

You just want a memo to remind you then.

HMJr:

Yeah.

W:

You don't want me to raise any of the issues that he raises.

HMJr:

No, you settle them.

W:

Right.

HMJr:

You get the responsibility and you settle them.

W:

Okay, sir.

HMJr:

What's - what's fairer?

- 2 -

W: Nothing could be better.

HMJr: (Laughs)

W: Okay, sir (Laughs) All right.

HMJr: Goodnight.

TO:

The Secretary ^{OK-accepted} 311

Mrs. Keynes regrets
that Mrs. Morgan
is not in town ^{but} ~~and~~
will be delighted
to have you alone.

you need not dress-
unless she phones
otherwise tomorrow.

7/7/41

From: LIEUT. STEPHENS

RS

312 ✓

Rm 660

Hotel Mayflower



Telephone District 3000

The Mayflower
 CONNECTICUT AVE AND DE SALES ST.
 Washington, D.C.

July 7, 1941 Monday

Dear Mr Secretary

My husband and I would be very happy if you and your wife, if she is still in town, would come to a very small dinner with us in our room at the Mayflower tomorrow, Tuesday, July 8, at 8 p. m.

My husband thinks that we shall now be leaving Washington before long, and it would be a great pleasure to see you once more before we go.

Yours sincerely
 Liza Keydes

TREASURY DEPARTMENT

313

INTER-OFFICE COMMUNICATION

DATE July 7, 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>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
June 30	4,791	84,619	28,900	31,490
July 1	10,993	133,329	60,000	31,753
2	6,650	182,670	18,000	16,275
3	9,040	154,171	12,000	11,517
4				
5	100	2,738	Nil	Nil
	<u>31,574</u>	<u>557,527</u>	<u>118,900</u>	<u>91,035</u>
Sales from Feb. 22, 1940 to June 28, 1941	<u>9,477,506-1/2</u>	<u>272,045,233</u>	<u>43,673,350</u>	<u>35,935,799</u>
Total Feb. 22, 1940 to July 5, 1941	<u>9,509,080-1/2</u>	<u>272,602,760</u>	<u>43,792,250</u>	<u>36,026,834</u>



TREASURY DEPARTMENT

314

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	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
June 30	84,619	31,490	116,109	
July 1	133,329	31,753	165,082	
2	182,670	16,275	198,945	
3	154,171	11,517	165,688	
4				
5	<u>2,738</u>	<u>Nil</u>	<u>2,738</u>	
	557,527	91,035	648,562	
Sales from Feb. 22, 1940 to June 28, 1941	<u>272,045,233</u>	<u>35,935,799</u>	<u>307,981,032</u>	
Total Feb. 22, 1940 to July 5, 1941	<u>272,602,760</u>	<u>36,026,834</u>	<u>308,629,594</u>	308,629,594
\$ proceeds of non-vested securities sold June 23, 1941 to June 28, 1941			400,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 to June 21, 1941			<u>228,300,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 to June 28, 1941			<u>228,700,000</u>	<u>228,700,000</u>
			GRAND TOTAL	<u><u>537,329,594</u></u>

JMP

July 7, 1941

CONFIDENTIAL

Dear Mr. Knack:

Permit me to acknowledge for the Secretary the receipt of your letter of July 3, 1941, enclosing your compilation for the week ended June 25, 1941, showing dollar disbursements out of the British Empire accounts and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Faithfully yours,



E. Marie Cochran
Technical Assistant to the Secretary

L. V. Knack, Esquire,
Vice President,
Federal Reserve Bank of New York,
New York, New York.

HMC:lap-7/7/41

Marie 7/7/41

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

July 3, 1941.

CONFIDENTIALDear Mr. Secretary: Attention: Mr. E. Merle Cochran

I am enclosing our compilation for the week ended June 25, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

(Signed) L. W. Knobe
L. W. Knobe,
Vice President.

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

Enclosure

Copy:lg 7/7/41

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(in millions of dollars)

Week Ended June 25, 1941.

Strictly
Confidential

PERIOD	DEBITS				CREDITS				Net Incr. (+) or Decr. (-) in Balance	FRANCE			Total Credits	Proceeds of Gold Sales	Other Credits	Decr. (-) in Balance
	Gov't		Other Debits	Total Credits	Proceeds of Sales of		Other Credits (c)	Total Debits		Gov't Expendi- tures (d)	Other Debits	Total Credits				
	Total Debits	Expendi- tures (a)			Gold	Securities Official (b)										
First year of war (8/29/39-8/28/40)*	1,753.2	605.6	1,147.61	628.2	1,356.1	52.0	420.1	+ 35.0	866.3 (e)	415.6 (f)	409.7	1,095.3 (g)	200.2	199.1 (h)	+229.0	
1940																
Aug. 29 - Oct. 2	216.8	244.3	72.8	306.3	291.1	5.0	31.4	- 7.9	8.6	4.4	0.3	1.3	-	1.3	- 7.3	
Oct. 3 - 30	156.7	167.6	38.9	198.5	160.3	0.0	38.0	+ 1.8	0.5	0.3	0.2	0.5	-	0.5	-	
Oct. 31 - Nov. 27	241.0	201.1	39.9	239.0	210.0	18.0	31.5	- 18.5	0.4	0.1	0.7	0.7	-	0.7	- 0.1	
Nov. 28 - Dec. 31	234.6	208.2	27.6	198.0	111.4	26.0	60.6	- 36.6	1.1	-	1.1	0.6	-	0.6	- 1.5	
War period through Dec. 31, 1940	2,782.3	1,425.6	1,356.72	793.1	2,109.6	108.0	575.6	+ 10.8	878.3	421.4	406.8	1,096.4	200.2	198.2	+220.1	
1941																
Jan. 2 - 29	147.4	161.7	34.7	259.9	176.2	52.0	31.7	+ 62.5	1.7	-	1.7	0.5	-	0.5	- 1.2	
Jan. 30 - Feb. 26	144.8	137.8	25.8	101.4	26.6	26.0	48.8	- 63.2	0.2	-	0.2	0.2	-	0.2	-	
Feb. 27 - Apr. 2	219.7	157.6	32.1	237.9	103.7	72.0	62.2	+ 8.2	0.7	-	0.7	1.6	-	1.6	+ 0.9	
Apr. 3 - Apr. 30	126.0	101.9	24.1	216.9	125.6	15.0	78.3	+92.9	0.9	-	0.9	0.9	-	0.9	-	
May 1 - May 25	111.5	90.6	32.0	91.0	6.3	32.0	52.7	-31.6	0.4	-	0.4	0.8	-	0.8	+ 0.4	
May 26 - July 2																
July 3 - July 30																
July 31 - Aug. 27																
Second year of war (8/29/40-8/27/41)																
Aug. 28 - Oct. 1																
Oct. 2 - Oct. 29																
Oct. 30 - Dec. 3																
Dec. 4 - 31																
WEEK ENDED:																
June 4	35.3	30.0	5.3	33.9	-	4.0	29.9	- 1.4	0.2	-	0.2	0.2	-	0.2	-	
11	23.2	16.8	6.4	11.7	-	2.0	9.7	-11.5	0.2	-	0.2	0.1	-	0.1	-0.1	
18	27.8	23.7	4.1	37.1	-	3.0	34.1	+ 9.3	20.4	-	20.4	0.3	-	0.3	-20.1	
25	24.3	15.8	8.5 (f)	12.5	1.8	2.0	8.7	-11.8	0.7	-	0.7	0.1	-	0.1	- 0.6	

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

(See footnotes on reverse side)

Average Weekly Expenditures since
outbreak of War
France (through June 19) 1940 \$19.8 million

Week ended June 25 - million
Cumulation from July 6 \$ 162.7 million

England (through June 19) 1940 27.6 million
England (since June 19) 1940 48.6 million

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

- (a) Includes payments for account of British Purchasing Commission, Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (f) Includes \$4.3 million paid to the Java account at F. R. Bank

STATEMENTS OF CANADIAN AND AUSTRALIAN ACCOUNTS

Week Ended June 25, 1941.

Strictly Confidential

PERIOD	DEBITS					CREDITS			Net Incr. (+) or Depr. (-) in Balance	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Depr. (-) in Balance
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits								
						For Own A/C	For French A/C									
First year of war (8/29/39-8/28/40)*	323.0	16.6	305.4	504.7	412.7	20.9	36.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
1940																
Aug. 29 - Oct. 2	44.3	-	44.3	43.9	16.4	-	27.3	0.2	- 0.4	8.7	2.5	6.2	8.0	6.7	1.3	- 0.7
Oct. 3 - 30	26.7	-	26.7	28.6	14.0	-	14.3	0.3	+ 1.9	10.1	7.5	2.6	7.9	6.5	1.4	- 2.2
Oct. 31 - Nov. 27	35.2	-	35.2	69.6	49.2	-	16.7	3.7	+ 34.4	3.1	0.6	2.5	3.6	2.1	1.5	+ 0.5
Nov. 28 - Dec. 31	48.0	-	48.0	60.6	42.5	-	13.7	4.4	+ 12.6	4.8	-	4.8	6.8	4.8	2.0	+ 2.0
War period through Dec. 1941	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.8	57.8	14.5	43.4	62.4	50.1	12.3	+ 4.5
1941																
Jan. 2 - 29	33.7	-	33.7	33.9	16.9	-	15.0	2.0	+ 0.2	4.8	-	4.8	6.8	5.1	1.7	+ 2.0
Jan. 30 - Feb. 26	31.1	-	31.1	24.3	14.3	-	6.8	3.2	- 6.8	5.0	1.7	3.3	3.8	0.6	2.6	- 1.8
Feb. 27 - Apr. 2	60.9	-	60.9	46.0	23.1	-	19.1	3.8	- 14.9	5.8	0.8	5.0	13.7	12.5	1.2	+ 7.9
Apr. 3 - Apr. 30	34.9	-	34.9	35.9	12.5	-	10.5	12.9	+ 1.0	2.8	-	2.8	5.9	4.6	2.3	+ 3.1
May 1 - May 28	39.2	-	39.2	25.6	15.8	-	0.5	9.3	- 13.7	5.4	-	5.4	4.9	4.1	0.8	- 0.5
May 29 - July 2																
July 3 - July 30																
July 31 - Aug. 27																
Second year of war (8/29/40-8/27/41)																
Aug. 28 - Oct. 1																
Oct. 2 - Oct. 29																
Oct. 30 - Dec. 3																
Dec. 4 - 31																
WEEK ENDED:																
June 4	31.3	-	11.3	9.9	7.6	-	-	6.3	- 1.4	3.1	-	3.1	0.2	-	0.2	- 1.9
11	5.7	-	5.7	4.0	3.6	-	-	0.2	- 1.7	1.5	-	1.5	0.6	-	0.6	- 0.9
18	11.8	-	11.8	26.0	3.5	-	-	22.5	+14.2	3.4	-	3.4	0.2	-	0.2	- 3.2
25	4.1	-	4.1	5.4	2.9	-	-	2.5	+ 1.3	0.9	-	0.9	4.4	4.3	0.1	+ 3.5

Weekly Average of Total Debits Since Outbreak of War Through June 25, 1941 \$ 7.5 million

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

1-2
7/1/41

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

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TELEPHONE: REPUBLIC 7860



Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

7th July, 1941.

Dear Doctor White,

We have now completed our examination of outstanding commitments on contracts placed by the Ministry of Supply other than through the British Purchasing Commission. I enclose a memorandum showing the result. As you will see the amounts are disappointingly small. By the end of this month the total will have fallen to some \$6.4 millions, of which the amount recoverable would be less by whatever compensation would become payable on cancellation of the contracts. Under these circumstances I am doubtful whether it would be worth while pressing you to undertake the work necessary for replacing these expiring contracts by new lease-lend transactions.

Yours sincerely,

F Phillips

Dr. Harry D. White,
Director of Monetary Research,
U. S. Treasury,
Washington, D.C.

July 7, 1941. 1122

MINISTRY OF SUPPLY

RAW MATERIAL CONTRACTS OUTSTANDING AT THE END OF JULY, 1941.

The outstanding contracts are now approximately as follows:-

	Dollars.
Molasses	1,580,000
Zinc	1,709,000
Sitka Spruce	1,293,000
Acetone	543,000
Sulphur	2,431,000
Wood pulp	960,000
Calcium Carbide	<u>100,000</u>
	<u>8,616,000</u>

In practically every case the contracts have been made prior to the 11th March, 1941. The molasses is located in Cuba, but all the other materials are in the U.S.A.

Shipments are proceeding in accordance with space allocated by the Ministry of War Transport, and it is estimated that the total value will be reduced by 2,200,000 dollars during July.

It is probable that in most cases the supplier would be prepared to agree to cancellation, but before opening negotiations it will be necessary to settle the procedure in detail for each case so as not to disturb the arrangements which have been made for the movement of the goods, and to secure that the quantities remain available for the U.K.

In most cases the price at which the material has been bought is lower than the current market price, and if the U.K. cancels the contracts, the U.S. Treasury would under the existing arrangements, presumably call for bids which would be made at current market prices. A substantial profit would therefore accrue to the supplier. It would seem better for the position to be dealt with by a tripartite arrangement under which the U.S. Treasury undertook to re-negotiate the contracts as from an agreed future date in each particular case, so as to avoid any interruption of shipments. Handled in this way the operation might be performed without disturbance to shipment, and maintain the goodwill of the suppliers.

.....

Treasury Department
Division of Monetary Research

322

Date.....19

To:

From:

Received by Mr. White from
Phillips 7/7/41 - Revision of
British document handed to Mr. White
in meeting at his office 7/1/41

2

MEMORANDUM ON CERTAIN TYPES OF CASH EXPENDITURE

I. BRITISH AIR COMMISSION

1. The day to day progress of the air programme is accompanied by a series of unforeseen and largely unforeseeable demands for services entailing almost invariably immediate commitment to cash liabilities against U.K. Government funds if the programme is to advance as it should do.
2. These demands fall into a number of categories:-
 - (a) Supply of parts to meet urgent cabled demands from the various theatres of war for items without which airplanes are grounded. In spite of every precaution to provide a full range of spares, these demands cannot be avoided.
 - (b) Supply of parts and/or labour costs to repair minor damages sustained during delivery from plants to points of departure from the North American continent. In some cases parts can be diverted from existing contracts but not always.
 - (c) Materialization of existing contingent liabilities, e.g., we have been confronted by a shortage of Allison engines accompanied by some acceleration of the airplane delivery programme, the joint effect of which has made it necessary to store airplanes pending receipt of engines.
 - (d) Demands from U.K. for services in England of contractors' personnel.
 - (e) Modification to design (this matter is dealt with separately in Paragraph 4 below).

As regards categories (a) to (d), it is felt that a practical solution would be:

- (i) That the British Treasury representative, in cases of urgency, should pass cash expenditures without reference to the Committee, reporting the total of such expenditure weekly in arrears. The aim would be to restrict such approvals to expenditures not exceeding \$5,000 individually and, (together with approvals under 6(b) below) to \$50,000 in weekly total; and
- (ii) That requirements involving very small sums (say \$500 and under) should not be brought to Committee, but, unless manifestly suitable for lease-lend, should be met in cash. The weekly total of such expenditures would be reported to Committee.

Modification to Design.

Category (e) is dealt with separately since the problem has peculiar features. The necessity for modifications arises from a number of causes, but primarily from ever-changing needs of particular situations arising from operational requirements of the Air Force. The cost ranges in value from a few cents per airplane to some thousands of dollars. Consequently, the liability on a particular contract may vary from a relatively small sum to a very large sum. In general, it is possible to foresee the large modifications but it is almost impossible to give any notice with regard to the smaller ones. For example, it may be found that a particular type of bolt in the fuselage structure shears under the rigorous conditions of service in the field, in spite of the fact that it has been subjected to all known tests prior to approval of the design. In order that the difficulty when reported may be remedied without delay, it is necessary for a spot decision to be given to replace

the bolt with another type of bolt of greater strength as soon as it can be procured.

So far as the larger modifications are concerned, they are often divisible into two parts:

- (a) Those involving a supply of equipment, e.g., a new type of wireless set, and
- (b) Those involving alterations to the structure or fittings of the airplanes, e.g., a new type of fitting for the new wireless set referred to at (a).

It has been the practice since March the 11th, to requisition equipment such as that at (a) under lease-lend, but the work involved at (b) has hitherto been regarded as difficult to exclude from our liabilities since it involves amendment to the B.A.C. contract covering work which is ultimately indistinguishable from any other part of the structure of the airplane.

Two methods have been suggested for bringing cases under 4(b) above within lease-lend.

- (a) An amendment contract to which both the British Air Commission and the U.S. War Department are parties. Technically, this is a very difficult solution for the reason that U.S. Departments are bound by various special laws, regulations and administrative practices in placing contracts and in most cases common contracts could not be worked out.
- (b) The transfer of part of the original contract to the U.S. War Department, e.g., suppose a contract for 100 aeroplanes at \$20,000 each is amended so that the cost becomes \$25,000 a plane, the original British liability for \$2,000,000 would be preserved but would take the form of 80 aeroplanes at \$25,000 each, the balance of 20 planes being taken over by the U.S. War Department. This method is more suitable to larger cases than to small ones.

It should be added that in some cases, e.g., a Sperry Gyroscope Company contract, the contractor has refused to consider giving effect to any alterations to the supplies he is making for us unless we put through the necessary amendment to the contract and bear the costs ourselves.

6. In order that cases of modifications to contracts may be more effectively dealt with it is recommended that:-

- (a) New Equipment required should, as at present, be obtained under lease-lend;
- (b) Cases of modification of design involving a charge of less than \$10,000 each should be dealt with outside lease-lend, being reported weekly in arrear to the Committee.
- (c) Where a modification of design involves a charge exceeding \$10,000, it should be reported to the Committee and every effort made to bring it under lease-lend by one or other of the methods set out in paragraph 5 above.
- (d) If it is decided by the Committee on any case that it is suitable for lease-lend, a definite instruction should be issued to the U.S. Army Air Corps National Division or to the Bureau of Aeronautics of the Navy Department that they should cooperate with us in persuading the contractors to proceed on lease-lend lines. This cooperation will undoubtedly include, in the case of certain contractors, the application of some measure of pressure, which only the United States authorities can bring to bear.

II. OTHER BRITISH PURCHASING MISSIONS

7. The British Purchasing Commission will have a number of cases of types of modification of design somewhat similar to those dealt with in paragraphs 4 to 6 of the first part of the memorandum, and it is suggested that a similar procedure should be applied.

Small urgent cases of new and unforeseen demands are constantly arising in the British Purchasing Commission and other Missions, and it is recommended that they should be treated on the same principle proposed for the British Air Commission in paragraph 3 above, except that the individual values involved tend to be smaller:-

- (a) The British Treasury representative should, in case of urgency, pass cash expenditures without reference to the Committee, reporting the total of such expenditures weekly in arrears. The aim would be to restrict such approvals to expenditures not exceeding \$1,000 individually, or \$50,000 in weekly total (including modifications).
- (b) Requirements involving very small sums (say \$500 and under) should not be brought to Committee, but, unless manifestly suitable for Lease-Lend, should be met in cash. The weekly total of such expenditures would be reported to Committee.

Washington, D.C.,
July 5, 1941.

MEMORANDUM

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FROM British Supply Council in North America
TO Mrs. Henrietta Klotz

Compliments of E.N. Gray

STATEMENT NO. 22AIRCRAFT SHIPPED TO U. K. AND OVERSEAS COMMANDS

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>By Sea during week ending June 14, 1941</u>	<u>By Air during week ending July 6, 1941</u>
<u>FURTISS</u>				
Tomahawk	Middle East	Port Sudan	20	-
<u>UNITED</u>				
Chesapeake	U.K.	U.K.	4	-
<u>CONSOLIDATED</u>				
Catalina	U.K.	U.K. (via Bermuda)	-	3
<u>LOCKHEED</u>				
Hudson V	U.K.	U.K. (via Gander)	-	15
<u>TOTALS</u>			24	18

British Air Commission
July 7, 1941

June 28, 1940, *supra*, and section 2 of the act of June 2, 1941, *supra*.

Section 7. This order shall become effective immediately and shall be published in the **FEDERAL REGISTER**.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,
July 5, 1941

(No. 8817)

(F. R. Doc. 41-4906; Filed July 7, 1941;
9:44 a. m.)

**REGULATION NO. 1 OF THE DIVISION OF
DEFENSE AID REPORTS**

**EVALUATION OF DEFENSE ARTICLES, DEFENSE
SERVICES AND DEFENSE INFORMATION**

Pursuant to the Act of March 11, 1941, Executive Order No. 8751 issued by me on May 2, 1941, and the Military Order issued by me on May 6, 1941, I hereby prescribe the following rules and regulations for the valuation of defense articles, defense services and defense information transferred or received by the United States:

1. The Executive Officer of the Division of Defense Aid Reports, or his designee from that Division, after consultation with representatives of the Treasury Department and the Bureau of the Budget, shall determine the value of defense articles, defense services and defense information transferred or received by the United States. The Executive Officer is also empowered to obtain any information which he may deem necessary to a proper valuation from any department or agency of the Government.

2. Defense articles transferred or received by the United States under the Act of March 11, 1941, shall be valued by the Executive Officer, subject to the procedure set forth in Section 1, by giving such consideration as he deems necessary and proper to the cost, age, character and condition of the defense articles, the degree of depreciation or obsolescence, the use or uses to which the articles are to be or can be put, and any other criteria which he deems relevant to the proper valuation of such defense articles.

3. Defense services rendered or received by the United States under the Act of March 11, 1941, shall be valued by the Executive Officer, subject to the procedure set forth in Section 1, by giving such consideration as he deems necessary and proper to the character, cost, and utility of such services and to any other criteria which he deems relevant to the proper valuation of such defense services.

4. Defense information transferred or received by the United States under the Act of March 11, 1941, shall be valued by the Executive Officer, subject to the procedure set forth in Section 1, by giving such consideration as he deems necessary

and proper to the cost of developing such defense information, the use or uses to which the information is to be or can be put, and any plan, specification, design, prototype or other data conveyed in connection with or as a part of such information, and any other criteria which he deems relevant to the proper valuation of such defense information.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

June 20, 1941.

(F. R. Doc. 41-4773; Filed July 5, 1941; 9:05
a. m.)

Rules, Regulations, Orders

TITLE 10—ARMY; WAR DEPARTMENT

**CHAPTER III—CLAIMS AND
ACCOUNTS**

**PART 37—CLAIMS ON BEHALF OF THE
UNITED STATES¹**

§ 37A Demand upon defendant for settlement of claim. (a) When preliminary investigation indicates that the damage is due to the fault of a commercial concern or its agents, or individuals outside of the military service, such result will be reported immediately to the commanding officer, who, if he approves, will cause demand to be made at once upon the defendant, and confirmed in writing, to have the necessary repairs or replacement made to the satisfaction of the United States.

(b) After completing the investigation, ascertaining the amount of the damage, and fixing the responsibility therefor, the surveying officer will, except in cases where the damage has been completely repaired by or on behalf of the person responsible for it, or when settlement in full has been made in compliance with the demand made under (a) above, cause a demand in writing for the settlement in full of any claim found to exist in favor of the Government to be presented by an officer or other representative to the defendant. This demand will contain a full description of the claim and of the grounds thereof.

(c) If the defendant makes payment of the full amount demanded, or makes the necessary repairs or replacement to the satisfaction of the United States, the commanding officer is authorized to accept a check or draft for such payment even though it contains a form of release; or, on request, to issue to the defendant a receipt or statement containing such a release. (R.S. 161; 5 U.S.C. 22) (Par. 4, AR 35-7220, Mar. 10, 1936, as amended by Cir. 125, W.D., June 28, 1941)

[SEAL]

E. S. ADAMS,
Major General,
The Adjutant General.

(F. R. Doc. 41-4777; Filed July 5, 1941;
9:45 a. m.)

§ 37A is amended.

**TITLE 14—CIVIL AVIATION
CHAPTER I—CIVIL AERONAUTICS
AUTHORITY**

PART 40—AIR CARRIER OPERATING CERTIFICATES (INTERSTATE)

SPECIAL REGULATION

At a session of the Civil Aeronautics Board held at its office in Washington, D. C., on the 2d day of July 1941.

Having had under consideration the application of § 40.3320 of the Civil Air Regulations requiring an applicant for an air carrier operating certificate for the carriage of goods and mail in interstate air transportation to show that any aircraft having engines with maximum power ratings of 400 h. p. or more to be so equipped that the engine rotation may be promptly stopped during flight, and

It appearing that: Certain air carriers are not able to comply with this provision due to an inability to obtain certain parts of equipment necessary to comply with that section because of the present national emergency, and that its action in this matter is required in the public interest.

Now, therefore, The Civil Aeronautics Board, acting pursuant to the authority vested in it by the Civil Aeronautics Act of 1938, as amended, particularly sections 205, 601 and 604 of said Act, makes and promulgates the following regulation:

Notwithstanding the provisions of § 40.3320, an applicant for an air carrier operating certificate for the carriage of goods (including mail) in interstate air transportation shall not be required to show until on or after August 1, 1941, that any aircraft to be used in such air transportation which have engines with maximum power ratings of 400 h. p. or more are so equipped that engine rotation may be promptly stopped during flight.

[SEAL]

DONALD W. NYROP,
Acting Secretary.

(F. R. Doc. 41-4779; Filed July 6, 1941;
9:45 a. m.)

TITLE 16—COMMERCIAL PRACTICES

**CHAPTER I—FEDERAL TRADE
COMMISSION**

(Docket No. 3592)

**PART 3—DROST OF CEASE AND DESIST
ORDERS**

IN THE MATTER OF FRED F. WEISSMAN, INC.

§ 3.65 (a7) *Misbranding or mislabeling—Composition.* In connection with offer, etc., in connection of respondent's coats and other garments, (1) using the term "100% Camel's Hair", or any other term of similar import or meaning, to designate, describe or refer to any fabric or product which is not composed entirely of camel's hair; and (2) represent-

of the United States of America to be affixed.

Done at the city of Washington this 3rd day of July in the year of our Lord nineteen hundred and forty-one, and of the Independence of the United States of America the one hundred and sixty-fifth.

FRANKLIN D. ROOSEVELT

By the President:

SUZANNE WELLES,
Acting Secretary of State.

[No. 24061]

[F. R. Doc. 41-4817; Filed July 7, 1941;
11:08 a. m.]

EXECUTIVE ORDER

REVOKING THE DESIGNATION OF LANCASTER, MINNESOTA, AS A CUSTOMS PORT OF ENTRY

By virtue of the authority vested in me by section 1 of the act of August 1, 1914, 38 Stat. 609, 623 (U.S.C., title 19, sec. 2), it is ordered that the designation of Lancaster, Minnesota, as a customs port of entry in Customs Collection District No. 34 (Dakota), be, and it is hereby, revoked.

This order shall become effective at the close of business on the thirtieth day from the date hereof.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

July 5, 1941.

[No. 8815]

[F. R. Doc. 41-4796; Filed July 5, 1941;
11:28 a. m.]

EXECUTIVE ORDER

SUSPENDING THE PROVISIONS OF THE SATURDAY HALF-HOLIDAY ACT OF MARCH 3, 1931, AS TO CERTAIN EMPLOYEES OF THE GOVERNMENT

WHEREAS section 5 (a) of the act of June 28, 1940, 54 Stat. 676, 678, authorizes the President "to suspend, in whole or in part, for the War and Navy Departments and for the Coast Guard and their field services, during the period of the national emergency declared by him on September 8, 1939," to exist, the provisions of the Act of March 3, 1931 (46 Stat. 1492; U.S.C. 5, 26 (a)), if in his judgment such course is necessary in the interest of national defense, such provisions, in effect, establishing Saturday half-holidays for certain Government employees; and

WHEREAS I find it necessary in the interest of national defense to suspend the provisions of the said act of March 3, 1931, as to certain employees of the Government to which section 5 (a) of the said act of June 28, 1940, is applicable;

NOW, THEREFORE, by virtue of the authority vested in me by section 5 (a) of the said act of June 28, 1940, I hereby suspend for the duration of the national

emergency declared by me on September 8, 1939, to exist, the provisions of the said act of March 3, 1931, (1) as to all civil employees of the War Department and its field services engaged in the performance of labor or duties in the Canal Zone, Puerto Rico, and the Territory of Alaska, and (2) as to all civil employees of the Coast Guard and its field services engaged in the performance of labor or duties in Puerto Rico and the Territory of Alaska.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

July 5, 1941.

[No. 8815]

[F. R. Doc. 41-4805; Filed July 7, 1941;
9:44 a. m.]

EXECUTIVE ORDER

PRESCRIBING REGULATIONS GOVERNING VACATION PAY FOR FIELD SERVICE EMPLOYEES OF THE WAR DEPARTMENT, THE NAVY DEPARTMENT, THE COAST GUARD, AND THE PANAMA CANAL WHO FORGO VACATIONS DURING THE EMERGENCY

By virtue of and pursuant to the authority vested in me by section 3 of the act of June 2, 1941, Public Law 100, 77th Congress, I hereby prescribe the following regulations to govern the administration of section 7 of the act of June 28, 1940, 54 Stat. 676, 678, and section 2 of the act of June 3, 1941, Public Law 100, 77th Congress, providing for payment of compensation in lieu of annual leave to certain employees of the War Department, the Navy Department, the Coast Guard, and The Panama Canal who are required to forego their vacations:

SECTION 1. Except as provided in section 2 of these regulations, the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, and the Governor of The Panama Canal may authorize payment of compensation in lieu of annual leave to those employees of the field services of the War Department, the Navy Department, the Coast Guard, and The Panama Canal whose services cannot be spared without detriment to the national defense and who, through being required to forego their vacations, would permanently forfeit because of excess accumulation, or because of lack of accumulation privileges, any leave due them under existing law and regulations. Such compensation shall be only for the portion of the requested leave which otherwise would be forfeited and shall be, in addition to their regular pay, the equivalent of the pay they would have drawn for such leave: *Provided*, That any compensation in lieu of annual leave shall not be subject to deductions for retirement purposes.

SECTION 2. Employees to which section 1 hereof is applicable who are engaged in construction, manufacturing, processing, and similar pursuits, and whose services are of a character in demand

by private industry and cannot be spared without detriment to the national defense, may be allowed compensation in lieu of current annual leave due them under existing law and regulations, regardless of the amount of accumulated leave to their credit: *Provided*, That the maximum leave in lieu of which such compensation may be paid shall not exceed the amount of accrued leave to the credit of the employee at the time of the payment and in any calendar year shall not exceed the current annual leave to which he is entitled during that calendar year and which he has not taken.

SECTION 3. The number of days for which an employee is granted compensation in lieu of annual leave shall be deducted from the leave to which he is entitled by law or regulation.

SECTION 4. The Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, and the Governor of The Panama Canal may delegate to such subordinate officers as they deem necessary the authority to require employees to forego annual leave when their services cannot be spared without detriment to the national defense and to authorize payment of compensation in lieu of annual leave to such employees in accordance with the provisions of these regulations. Such officers shall be required to authorize specifically in advance all payments of compensation in lieu of annual leave, and specifically to certify that each employee for whom such compensation is authorized was required to forego his vacation because his services could not in the judgment of the certifying officer be spared without detriment to the national defense at that time or at any time during the then current calendar year and that it had been determined that additional qualified employees could not be secured to meet the requirements of the situation. If the employee is deemed to be entitled to compensation under the terms of section 2 above, it must be further certified that he is engaged in construction, manufacturing, processing, or a similar pursuit and that his services are of a character in demand by private industry.

SECTION 5. No employee shall be required to forego his vacation who, because of his physical condition or the character or location of his employment or for any other exceptionally urgent reason, is determined by a responsible officer designated by the head of the proper department or agency to require, in the interest of health or efficiency, all or any portion of the annual leave to which he is entitled under existing law or regulation.

SECTION 6. The Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, and the Governor of The Panama Canal may issue for their respective services necessary instructions not inconsistent herewith to carry out the provisions of section 7 of the act of

July 7, 1941

Dear Mr. Secretary:

The Army has cooperated wonderfully in providing the military equipment with which we have surrounded "Treasury House".

I should like to thank the War Department, through you, for help which has been invaluable to us. The army equipment around our little house has dramatized the meaning of defense bonds as nothing else could have done.

Sincerely yours,

(Signed) H. Morgenthau, ~~SP~~

Hon. Henry L. Stimson,
Secretary of War,
Washington, D. C.

FK/hkb

7/7/41

File to Mr. Thompson

AD 001.1 Washington, D.C.
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10:26b - 1715

JUN 30 1941

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

Replying to your request of June 20, 1941, for military equipment with which to surround the "Treasury House", the War Department will be glad to cooperate by furnishing such units and equipment as may be available.

The Commanding General, Washington Provisional Brigade, has been instructed to make the necessary arrangements direct with Mr. Carlton Duffus of your Department.

It is regretted that it will be impracticable to furnish some of the items requested, such as anti-tank mines, search light batteries, sound detectors, planes and anti-aircraft guns. However, I am confident that the remaining items will make a very satisfactory display.

Sincerely yours,

HENRY L. STIMSON

Secretary of War.

July 7, 1941.

Secretary Morgenthau

Mr. Foley

Re: Negotiations by Motion Picture Producers and Distributors to unblock earnings of American moving picture companies now tied up in Great Britain.

Under the British Exchange Control regulations it appears that the earnings of American motion picture producers and distributors in England cannot be remitted to the United States except under license. The earnings may, however, be credited to blocked sterling accounts in England in the names of the American companies.

I understand that the moving picture people have been negotiating in Washington for some time and that Mr. Mays himself has even been to the White House. The matter is receiving the active consideration of the State Department and I think the problem is for State rather than the Treasury to handle.

In another situation where the funds of an American company are blocked in England, Opie of the British Embassy said that the funds would not be unblocked unless the United States Government intervened.

(Initialed) E. H. F. Jr.

FH:RB:neu
7/7/41

MOVIES SEEK TIED-UP EARNINGS IN BRITAIN
ACTIVE NEGOTIATIONS ARE IN PROGRESS IN
WASHINGTON BY MOTION PICTURE PRODUCERS AND
DISTRIBUTORS OF AMERICA INC TO UNBLOCK
EARNINGS OF AMERICAN MOVING PICTURE PRODUCERS
NOW TIED UP IN GREAT BRITAIN - AT PRESENT
DUE TO EXCHANGE RESTRICTIONS AMERICAN PRODUCERS
CAN BRING HOME ONLY ABOUT A THIRD OF THEIR
ACTUAL PROFITS - DESPITE THE WAR INCOME
OF ENGLISH MOVING PICTURE THEATRES
CONTINUES TO RUN AT SURPRISINGLY HIGH LEVEL
PROBABLY AROUND 80 PC OF NORMAL - IF SOME
WAY CAN BE FOUND TO ALLOW AMERICAN COMPANIES
TO COLLECT THEIR BLOCKED PROFITS IT WOULD
BRING EARNING POWER BACK CLOSE TO NORMAL AND
IN SOME CASES CONSIDERABLY STRENGTHEN CASH
POSITIONS

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1941

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At the request of Mr. Dietz
the Secretary signed this letter
indicating that the motion picture
industry can be of help on the
defense savings program. Mr. Dietz
plans to use this letter in his
contacts with the industry.

July 7, 1941

Dear Mr. Diets:

After our talk in my office the other day, I am more than ever convinced that the building of American morale is an essential part of the Defense Savings program and of the whole national defense effort.

It seems to me that we must do all we can to awaken among the people a new pride in America, a better understanding of free American institutions, and the sense of confidence that America can do any job that it really sets itself to do. In addition, I think it is important and essential to give every American a sense of individual and group involvement in what is going on in the world. In other words, we ought to show American farmers, trade union members, and ordinary citizens in every walk of life that their future is very much at stake at this moment in history. We can do this, I think, without any appeal to hate or fear, but rather by appealing to their common sense.

The motion picture industry can be of immense help in bringing these two messages to the minds of the American people. I am sure that you and we together can work out specific suggestions to be laid before the motion picture companies. In the meantime, I just wanted you to get a general idea of our objectives in this connection. You have been a tower of strength to us all; we shall be still more grateful to you if, in the next few weeks, you can project these ideas onto the screens of America.

Sincerely yours,

(Signed) E. W. Schnitzer, FBI

Mr. Howard Diets,
1540 Broadway,
New York, N. Y.

FK/hkb
7/7/41

File to Mr. Thompson

July 7, 1941

MEMORANDUMFor the Secretary's Diary

The Secretary telephoned July 6 to suggest that we ask Senator George W. Norris to open our series of Sunday broadcasts on July 13. He said that Senator Norris would be eighty years old next week-end, and that it would be our way of paying tribute to him to invite him in this way. If Senator Norris is unavailable, the Secretary suggested that we ask Governor Stassen of Minnesota.

Frederick Kuhn Jr.

DEFENSE SAVINGS STAFF

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ADVANCE NOTICE RADIO PROGRAMS

MONDAY - JULY 7, 1941

Time: 2:00 - 2:15 P.M.

Program: Orphans of Divorce

Station: WMAL

Time: 4:00 P.M. - 4:15 P.M.

Program: Home of the Brave

Station: WRC

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 7, 1941

TO Secretary Morgenthau
FROM Mr. Kuhn

Here are some items about defense bonds which you might wish to announce at your press conference today:

1. The City of Hartford, Connecticut, through the City Treasurer, has notified all of its employes that they may now buy defense savings bonds on the payroll allotment plan.
2. In one city in Texas (El Paso) three hundred firms are now offering payroll allotment plans or selling defense stamps to their employes.
3. The Detroit Council No. 43 of the Teamsters' Union (A.F. of L.) has established a defense bond and savings committee which has made a special appeal to all its 30,000 members to "Buy a Share in America".
4. Mayor Hefner of Oklahoma City has told us that hundreds of public employes of his city and thousands of civil employes in his State will welcome an opportunity to buy defense savings bonds regularly and systematically, and has expressed his approval of the systematic purchase plan now being used by federal employes throughout the country.

These are just a few samples of what is going on throughout the country. The payroll allotment idea is gaining ground everywhere, with the complete cooperation of employes and employers. The newspapermen ought to keep their eyes on this development, as it is one of the most effective ways of checking inflation.

July 7, 1941

TO: MR. FOLEY
FROM: THE SECRETARY

I wonder if you could not have an amendment drawn so that Mrs. Morgenthau and I could buy United States Government securities. My suggestion would be that you have someone talk to both the Democratic and Republican leaders and ask them whether it would be agreeable to them, so we would be sure there would be no opposition to it before we had it introduced.

JUL 7 1941

My dear Mr. President:

Pursuant to the provisions of the Act approved March 8, 1938 (Public 442, 75th Congress), an act to maintain unimpaired the capital of the Commodity Credit Corporation at \$100,000,000, and for other purposes, an appraisal has been made of all the assets and liabilities of the said Corporation as of March 31, 1941. As a result of such appraisal and on the basis of market prices as of March 31, 1941, it has been determined that the liabilities of the Corporation, including capital stock of \$100,000,000, exceed the assets by an amount of \$1,637,445.51. A report of the Committee appointed by me to appraise, on my behalf, the assets and liabilities of the Corporation is attached for your information.

The above Act provides that in the event the net worth of the Corporation, as shown by the appraisal by the Secretary of the Treasury, is less than \$100,000,000, the Secretary of the Treasury, on behalf of the United States, shall restore the amount of such impairment by a contribution to the Corporation in the amount of such impairment, and to enable the Secretary to make such payment there is authorized to be appropriated annually, commencing with the fiscal

- 2 -

year 1938, an amount equal to any capital impairment found to exist by virtue of any appraisal.

In accordance with your message to the Congress on June 9, 1941 (House Document No. 245, 77th Congress), transmitting an estimate of an appropriation to enable the Treasury to make the necessary contribution to restore the capital impairment of the Corporation, there was included in the "Second Deficiency Appropriation Act, 1941" an amount of \$1,637,445.51, as follows:

"Restoration, capital impairment, Commodity Credit Corporation: To enable the Secretary of the Treasury to restore the amount of the capital impairment of the Commodity Credit Corporation as provided by the Act approved March 8, 1938, fiscal year 1941, \$1,637,445.51, or so much thereof as may be necessary."

Faithfully yours,

(Signed) H. Hergert, *SSA*

Secretary of the Treasury.

The President,

The White House.

File to Mr. Thompson

By Messenge,

Enclosure

GEJ/gm
7/2/41

COPY

3436

July 7, 1941

Dear Miss Thompson:

I have your note of July 4, and the proposed draft of a bill to permit guide dogs in the elevators of Federal buildings.

I shall be happy to put Mr. Geisler in touch with our Mr. Lawrence J. Bernard. Mr. Bernard is the Assistant General Counsel who handles our legislative matters on the Hill.

I am sure he will be able to give Mr. Geisler the help he needs in drafting the measure in proper legislative language and securing its introduction.

Sincerely yours,

(Signed) W. Worzenheim, Sr.
Secretary of the Treasury.

Miss Malvina C. Thompson
Secretary to Mrs. Roosevelt
The White House

EHF:mp 7/7/41

Copy to Mr. Thompson

By Messenger

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THE WHITE HOUSE

WASHINGTON

July 4, 1941
Hyde Park, New York

My dear Mr. Secretary:

I am sending you a copy of a proposed bill which has come to Mrs. Roosevelt's attention. Mrs. Roosevelt has suggested to Mr. Herbert F. Geisler, 38 South Dearborn, Chicago, Illinois, the originator of the bill, that he try to see you.

Mrs. Roosevelt thinks it would be a wonderful thing if we could recognize the need that the blind have for these guide dogs and allow them in the elevators of public buildings.

If you cannot see Mr. Geisler, Mrs. Roosevelt hopes you will be good enough to direct him to the proper person.

Very sincerely yours,

/s/ Malvina C. Thompson

Secretary to
Mrs. Roosevelt

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

C
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YPROPOSED DRAFT FOR FEDERAL BILL

Any Federally owned or controlled property, normally open to the general public, shall admit Guide Dogs for the Blind educated by the Seeing Eye, Morristown, N. J., or any other recognized agency provided:

Such guide dogs are accompanied by their blind masters and that such guide dogs are in guiding harness or are on leash. Guide dogs are prohibited from running free or roaming in or on such Federally owned or controlled property.

And provided further that:

Such blind person and his guide dog enter such government property as visiting guests or for business purposes in conformity with rules and regulations lawfully imposed upon the seeing public.

MEMORANDUM FOR THE SECRETARY.

July 7, 1941.

Mail Report

Mail for the past ten days has followed the same lines as indicated in the abstracts of the last two or three weeks. It is still almost entirely "anti" -- anti-war, anti-England, anti-labor, anti-Russia, etc. There are very few letters supporting anything, no matter on which side of the various arguments. In other words, it appears that those who are writing the Treasury are all stirred up in opposition to something rather than in support of anything.

A great number of tax ideas continue to be submitted, as well as ideas in connection with the National Defense program. Letters about the stamps and bonds still contain many complaints of slowness at post-office windows, or inability to reach post-offices because of distance or limited hours. There are a great many requests that stamps be allowed to go on sale at sub-stations, drug stores, and other more accessible spots.

Numerically, the last week brought in mail as follows:

Against convoys or aid to England, varying from simple protests to highly abusive - 20.

Abusive of the Secretary; signed - 1 anonymous - 2

Abusive of the President; signed - 1 anonymous - 2

Stop strikes - 2

Fire Miss Perkins if you want your bonds to sell - 1

Pro-Lindbergh - a printed circular being widely mailed by the author.

Violently against alliance with Russia - 9

Pro-England and help her now - 2

Anti-Catholic influence - 1

A clipping sent anonymously telling of a speech made by a Catholic Prelate urging that America should not help in the war in any way, including money or convoys.

Two letters mention the President's statement that he hopes to keep us out of war, and say that this is a disappointment in view of his earlier pledge.

Memorandum for the Secretary.

July 7, 1941.

Extracts from a number of letters follow:

C. J. Shields, New York State. Copy of letter to the President. "It seems a shame that Secretaries Knox, Stimson, Ickes and Morgenthau, are permitted to make the wild speeches and statements of the type they have in the past few months."

R. B. Fardow, California. "Abnormally low interest rates have severely cramped a large body of citizens well along in years, and now perforce living on their savings. The government has called in bonds and cut its interest rate. Savings banks pay less interest and so do private investments." The writer suggests a bond bearing current interest rather than one which has the ten-year deferred interest plan of the present Defense Bonds. At 4% there would be a big sale of bonds and many sensible citizens who are not reached by relief would profit by these transactions.

James W. Ryan, Chairman, American Bar Association's Committee on Law Protecting Americans and their Property in Foreign Countries and on the High Seas. Mails from his office in New York an eight-page digest on the sinking of the Robin Moor. The conclusion of this analysis of international law in the light of this recent incident is that if the matter is properly handled, Germany will admit the violation of international law and will arrange for prompt payment of an indemnity to the survivors and to the owners of the vessel and cargo. "If she does not, we will necessarily move closer to war."

Carl Coker, New York City. Since stamps have been created for the little fellows, why not try to make it convenient for them to purchase. There are long lines at all post-offices, and banks are not familiar to the "boys and girls" who have 25¢ at a time to invest. These humble citizens patronize cigar stands, grocers, drug stores, etc. The extensive advertising that is being given is largely wasted because there is not a proper distribution to back it up.

Josephine Liotta, New York City. Sends a copy of a long letter analyzing international developments written to Senator Neade. "Ireland, a true little democracy, was unable to secure, for her own protection, arms from the United States. Yet there is no ban on Russia, whose reign of terror would revolt the lowest creature and who has caused trouble and bloodshed from one end of the world to the other. Apparently, in order to crush Hitlerism, we must help Communism. What is to become of little Finland now since this new alliance with Russia?"

The Vice President forwards a number of communications elicited by his appearance on the radio at the round table discussion of Savings Stamps and Bonds. One suggestion is that the Secretary write the President of

- 3 -

Memorandum for the Secretary.

July 7, 1941.

each incorporated concern in the United States, asking that the matter be presented to the employees. In his own office, the workers do not yet know how to get the stamps, where to get them, and why they are being sold.

Approximately 35 pieces of correspondence, addressed to the President, have been received in the Treasury by reference from the White House, urging the need and justice of cutting all non-military expenses by a billion or more in accordance with Treasury recommendations.

Jeff Forbush

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE July 7, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£61,000
Purchased from commercial concerns	£28,000

In the open market, sterling was quoted at 4.03-1/2. The only reported transactions consisted of the sale of £1,000 to commercial concerns.

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

Canadian dollar	11-11/16% discount
Argentine peso (free)	.2375
Brazilian milreis (free)	.0505
Uruguayan peso (free)	.4380
Mexican peso	.2070
Cuban peso	1-2/16% discount
Japanese yen	.2358

In Shanghai, the yuan was quoted at 5-7/32¢, off 1/32¢ and sterling at 2.90-1/2, off 1¢.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, spot and forward silver were both fixed at 23-3/8d, equivalent to 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 no silver purchases today.

TO:

7-10-41

Miss Chauncey *su 7/7* 350

Weekly report "Exports of Petroleum Products, Scrap Iron and Scrap Steel from the United States to Japan, Russia, Spain and Great Britain, as shown by Departure Permits Granted" sent to the following:

The President
Secretary of the Treasury
Secretary of State
Secretary of the Interior
Secretary of the Navy
Secretary of War
Admiral Harold R. Stark
Leon Henderson
Mr. White
Mr. Cairns
Commander Derby

From: MR. GASTON

EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN
AS SHOWN BY DEPARTURE PERMITS GRANTED

Week ended July 5, 1941

	JAPAN	RUSSIA	SPAIN	GREAT BRITAIN
PETROLEUM PRODUCTS				
Crude Oil and Gas Oil (including Diesel Oil)	99,500 Bbls.	--	--	417,899 Bbls.
Crude -				
Blended or California High Octane Crude*	194,613 Bbls.	--	--	--
All Other Crude	--	--	--	74,000 Bbls.
Gasoline -				
Gasoline A**	--	--	--	168,000 Bbls.
Gasoline B*	92,000 Bbls.	162,153 Bbls.	--	355,000 Bbls.
All Other Gasoline	--	--	--	--
Lubricating Oil -				
Aviation Lubricating Oil***	--	--	--	139,187 Bbls.
All Other Lubricating Oil	14,436 Bbls.	--	--	261 Bbls.
Tetraethyl Lead***	--	--	--	--
Boosters", such as Iso-Octane, Iso-Hexane, or Iso-Pentane	--	--	--	--
SCRAP IRON AND SCRAP STEEL				
Number 1 Heavy Melting Scrap	--	--	--	--
All Other Scrap	--	--	--	--

Source: Office of the Secretary of the Treasury, Division of Research and Statistics. July 7, 1941.

Source: Office of Merchant Ship Control, Treasury Department.

*Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.

**Aviation Gasoline.

***As defined in the President's regulations of July 26, 1940.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE July 7, 1941

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending July 5, 1941.

Summary

(1) The FRB index of industrial production, on a preliminary basis, stands at the very high level of 157 for June (1935-1939 = 100) compared with 151 (revised upward) for May. The Federal Reserve Board estimates that the index will probably rise to about 161 in July, which would be 40 points higher than in July last year.

(2) Weekly business indexes reached new high levels in the week ended June 28. The New York Times index rose 1.4 points to 132.8. Barron's index reached 139.0, an increase of 1.0 point over the previous week.

(3) Although general commodity prices have continued to advance, basic commodity prices last week turned rather sharply downward. The greatest declines came in prices of foodstuffs, which had previously been gaining more rapidly than prices of raw industrial materials. Announced intentions to impose price ceilings on cottonseed oil and various textile products were the major bearish influences.

(4) Freight carloadings in the week ended June 28 reached nearly 909,000 cars, the highest figure since the fall of 1930. From this level, the usual seasonal increase would mean an October peak of 1,000,000 cars or over. Freight car orders reached 30,000 cars in June, more than 10,000 cars above the high May total.

(5) The supply situation for pig iron is becoming increasingly acute. Combined with the growing scarcity of steel scrap, this may prove a limiting factor in steel production.

FRB index estimated at 157 in June

On the basis of preliminary data, the Federal Reserve Board has reported confidentially that the index of industrial production stood at 157 in June (1935-1939 = 100) compared with 151 (revised upward) for May. The Board estimates that the index will probably rise to about 161 in July. In comparison, the index last July was 121, and the yearly average for 1940 was 122.

In June, the most striking increases came in armament production, especially machinery, aircraft, shipbuilding, and chemicals. Production of both anthracite and bituminous coal were unusually high for the season. The increase in prospect for July is based on the assumption that the high June rate will continue, although the usual seasonal pattern is downward. Sharp reductions in automobile production and related industries will probably be compensated by further production increases in defense industries.

A weekly estimate of the FRB index is shown in Chart 1, as computed from the New York Times index. This computation is designed as a method of estimating the approximate level of industrial production from the current level of the Times index.

In the lower section of the chart, the estimates on a monthly basis are compared with the actual FRB index back to 1938. For June, the estimate is 155, which is slightly lower than the actual figure of 157. The rise of the estimated index in the course of the month brought the figure for the latest week (ended June 28) to a new high of 158.

Weekly business indexes at new high

A rise of 1.4 points in the New York Times index in the week ended June 28 was confirmed by a further gain in Barron's index of business activity, which also reached a new high with an advance of 1.0 point to 139.0.

The rise in the Times index was largely due to a greater than seasonal increase in electric power production and a contra-seasonal upturn in cotton mill activity. The adjusted indexes of steel ingot production, lumber, and miscellaneous freight carloadings also showed gains, while the remaining components of the index declined.

Preliminary data for the week ended July 5 reveal declines in actual output of steel and automobiles due to holiday influences. However, in both instances operations remained at levels far above a year ago.

Prices of basic commodities lower, while general index rises

The BLS all-commodity index gained 0.5 point further in the week ended June 28, reaching 87.7 (1926 = 100). This broad index has advanced 7.5 points since the beginning of the year. The main increases for the latest week reported were in food prices, with the important exception of fruits and vegetables, which declined 5.6 percent.

Basic commodity prices last week reversed their previous rise and declined rather sharply. Almost all items showed some reduction, but the greater losses were among foodstuffs, which had previously been gaining more rapidly than raw industrial materials. (See Chart 2, upper section.) The outstanding influence was an announced intention of the OPACS to place ceilings on prices of cottonseed oil and certain textile products.

Spot prices of cottonseed oil have declined 13 percent in a week. (See Chart 2, lower section.) Futures prices of both cottonseed oil and lard dropped sharply, but later regained some of the losses when the announced intention to impose a ceiling price on cottonseed oil was not carried out. Print cloth prices declined 21 percent, following an order placing ceilings on cotton textiles.

Railroad traffic, earnings, and equipment orders sharply higher

Freight carloadings continued to climb in the week ended June 28 and reached nearly 909,000 cars -- the highest figure since the fall of 1930. As a result of the upsurge in traffic in the latter part of the month, freight carloadings in June reached the highest level in recent years, and ran 21 percent above June 1940. (See Chart 3, upper section.) Normally a further seasonal expansion of around 11 percent occurs in freight carloadings between late June and early October. On this basis, weekly carloadings would reach a peak of a little over 1,000,000 cars this fall, a figure which is in line with the reported expectation of the Interstate Commerce Commission. In contrast, the Wall Street Journal last week reported that officials of the American Association of Railroads have estimated that peak loadings this year will be not more than 940,000 cars.

- 4 -

The sharp recovery in carloadings during May, following the coal strike in the previous month, was accompanied by a jump in net railway operating income of Class I railroads to a figure 57 percent above the corresponding month of the previous year. (See Chart 3, center section.) In fact, net railway operating income during May of this year was the highest since October 1939, when earnings were at the year's seasonal peak.

The expanded equipment buying program of the railroads, necessitated by the rising volume of traffic, was reflected in a sharp rise in new freight car orders in June to a total of nearly 30,000 cars. This is more than 10,000 cars above the total for May, which in turn was the best previous month in the current buying program. (See Chart 3, lower section.) As a result of the large volume of new freight cars ordered in recent months, the total for the 12 months ending June 30 reached 141,000 cars. This figure exceeds that for any calendar year since 1924, when new freight car orders totaled 144,000.

Increasing concern over pig iron and steel scrap supplies

A critical situation appears to be rapidly developing with respect to supplies of pig iron and steel scrap, which are needed in increased volume to meet the heavy demand for steel. Press reports assert that some plants may shortly be forced to curtail operations because of a shortage of steel scrap, while others describe the pig iron supply outlook as extremely grave. Shortages of these basic materials seem very likely to prove a limiting factor in steel output.

On the other hand, iron ore continues to be shipped down the Great Lakes at an unusually rapid rate. June shipments reached a new high for that month and total ore shipments from the start of the season to July 1 ran no less than 67 percent ahead of the corresponding period a year ago.

New orders for steel booked by the U. S. Steel Corporation during the week ended June 26, the latest available, amounted to 130 percent of capacity, although 13 percent lower than in the previous week. The decline in steel operations of approximately 6 percent during the holiday week was much less than in the previous 2 years, when decreases ran to around 14 percent and 29 percent respectively. During the current week steel operations are scheduled at 96.8 percent of capacity, recovering only part of the decline from 99.9 percent in the pre-holiday week.

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Rural retail sales show relatively wide increase

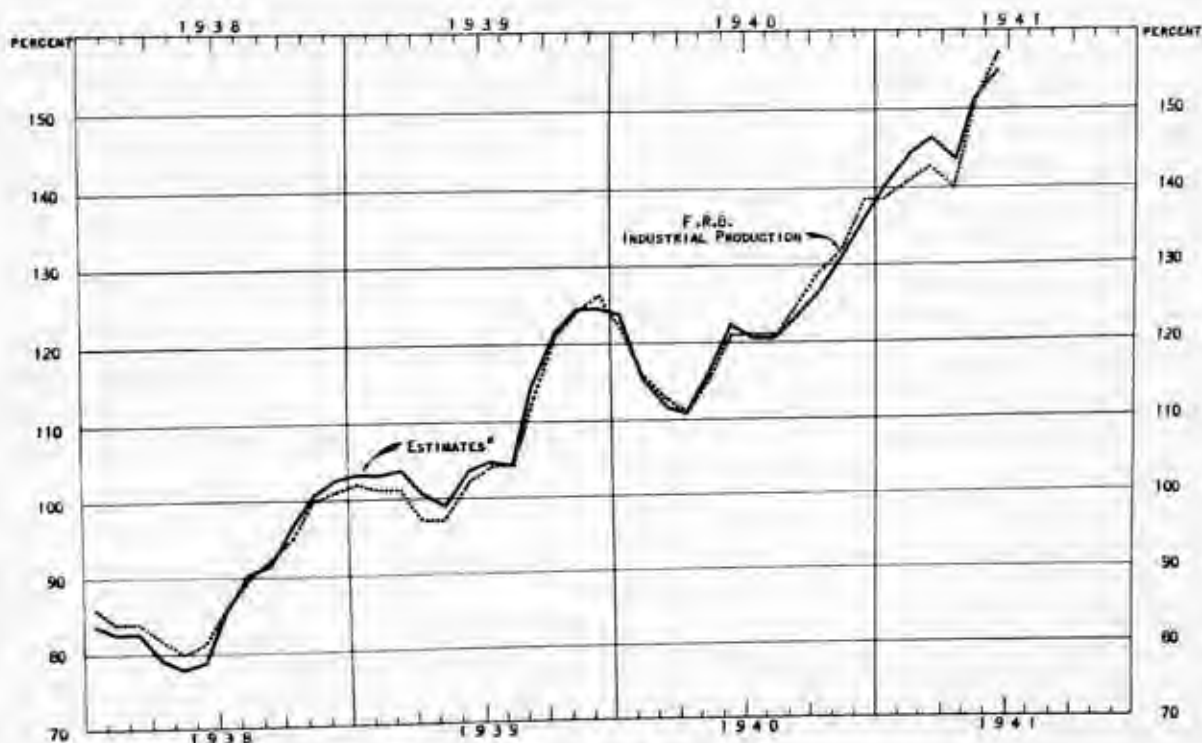
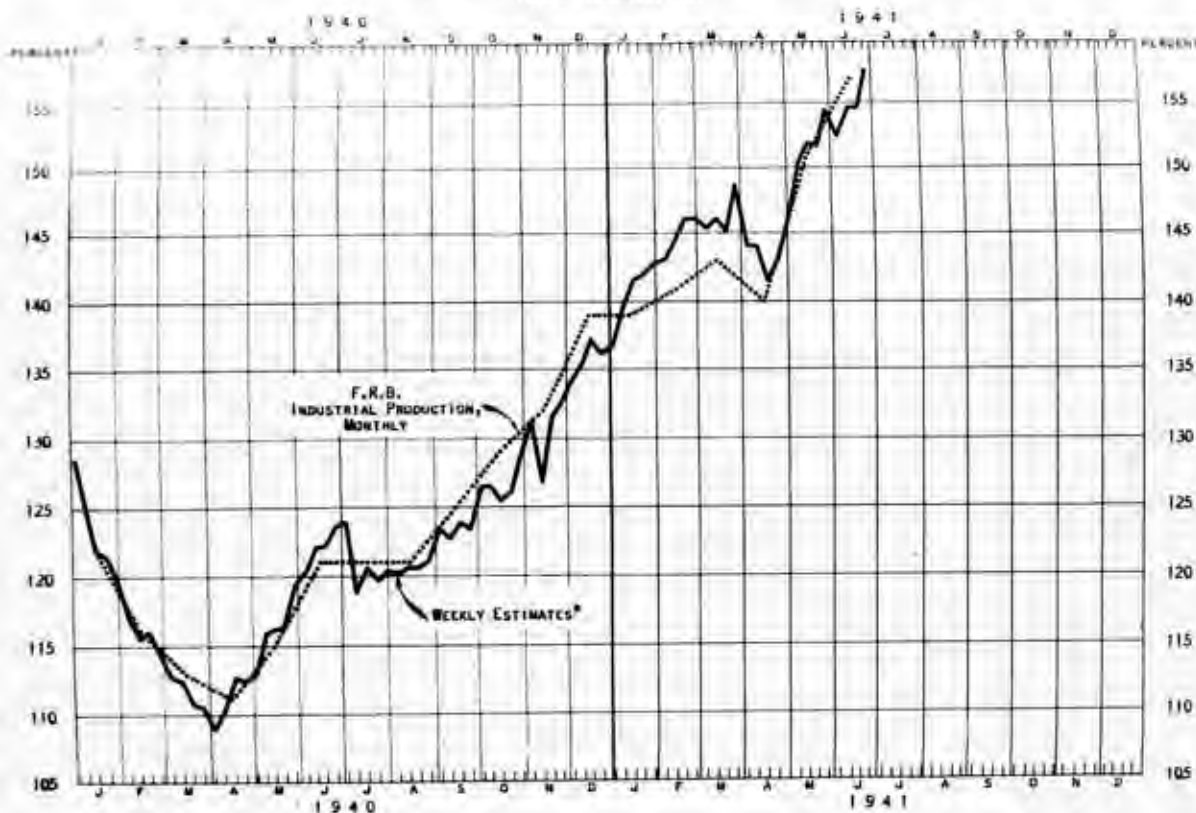
A continued high level of consumer buying is indicated by retail sales indexes for May. (See Chart 4.) Rural retail sales have increased more, as compared with a year ago, than have department store sales or variety store sales, reflecting the rise in farm incomes in recent months. The later date of Easter this year accounts for the peak in April, as contrasted with the peak in March last year. Increased mail-order buying by factory workers has probably also been reflected to some extent in this index.

New orders at high level

Our new orders index declined somewhat last week to 205.7, but is still at a very high level. (See Chart 5.) The total excluding steel and textiles was slightly lower. New orders for textiles advanced moderately, while new orders for steel declined.

WEEKLY ESTIMATES OF NEW F.R.B. INDEX OF INDUSTRIAL PRODUCTION
 BASED ON N.Y. TIMES INDEX*

1935 = 100, ADJ.

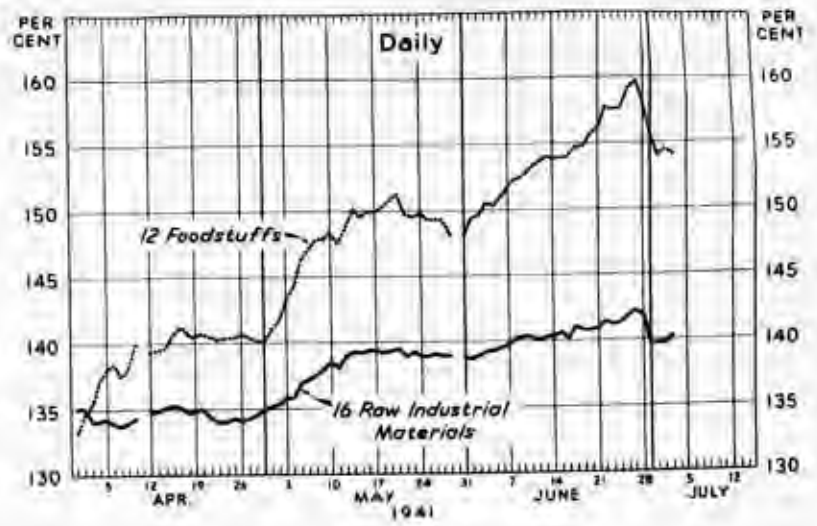
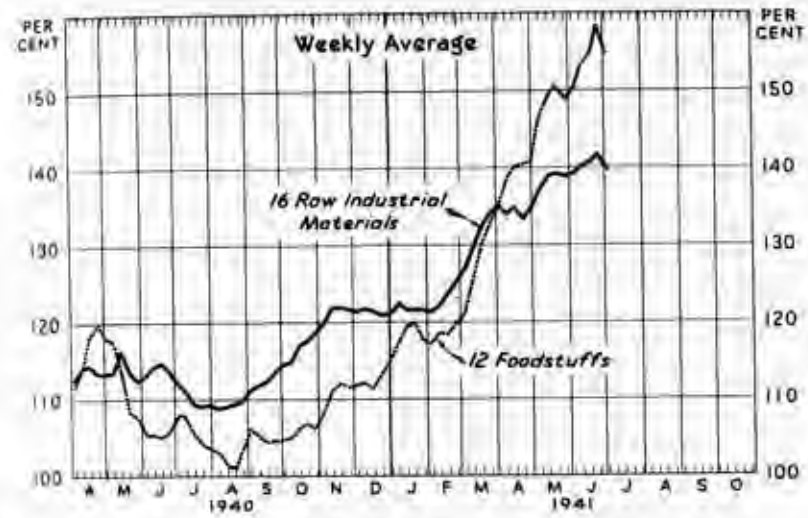


*BASED ON REVISED N.Y. TIMES INDEX

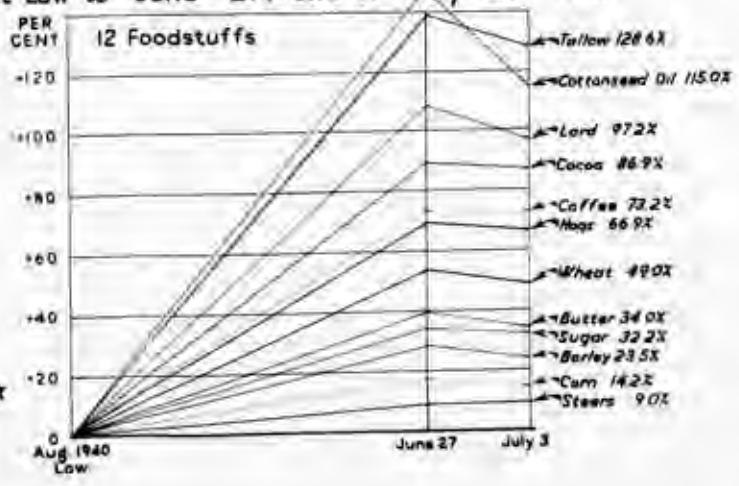
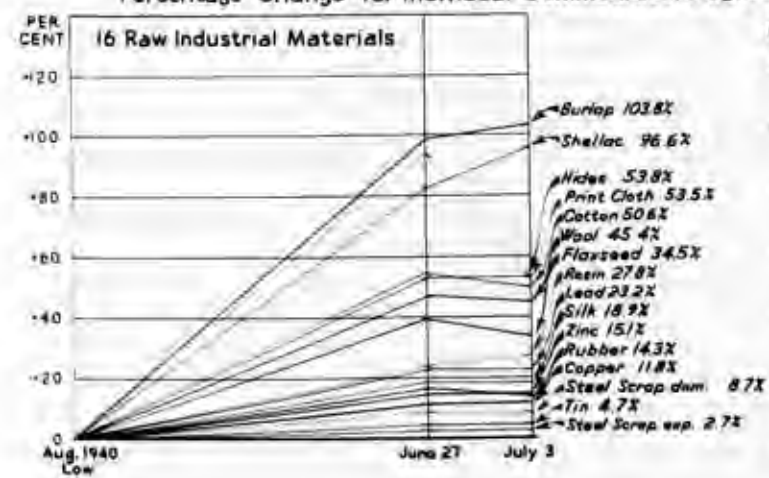
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MOVEMENT OF BASIC COMMODITY PRICES

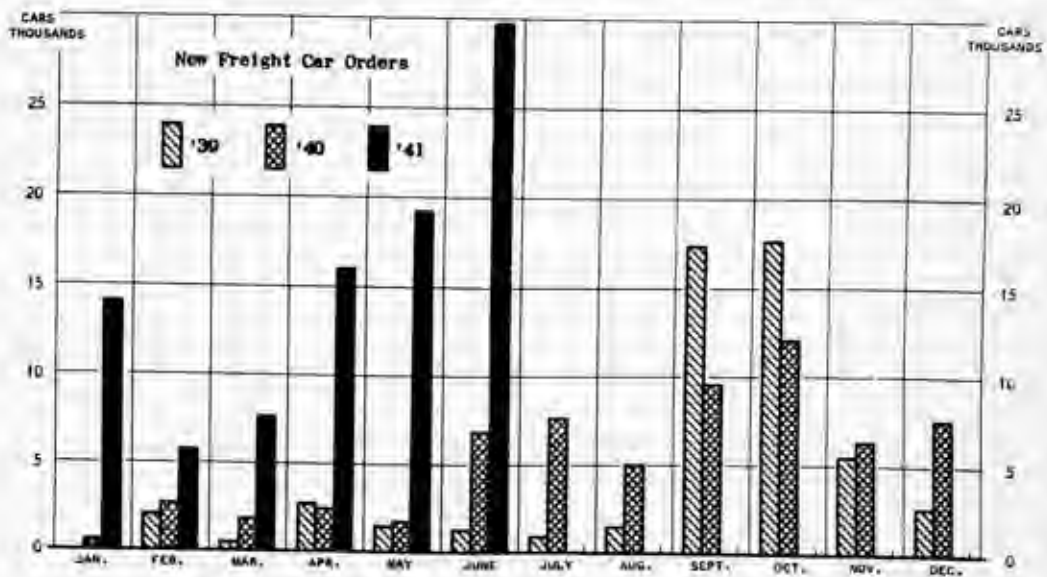
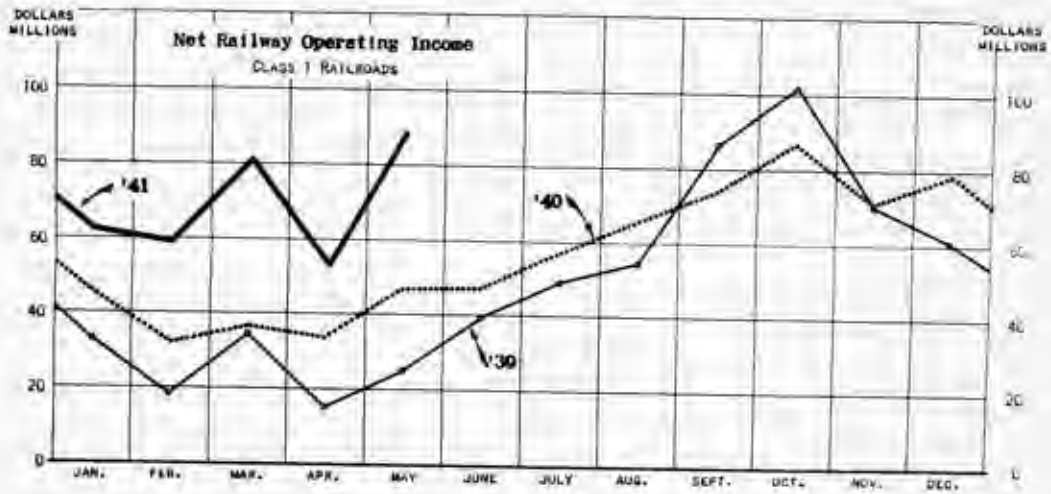
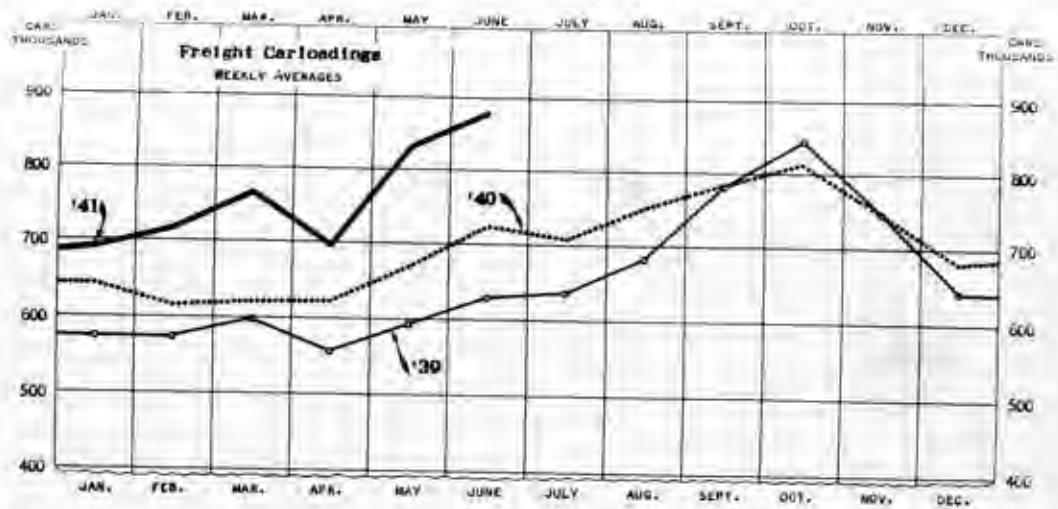
AUGUST 1939 = 100



Percentage Change for Individual Commodities, August Low to June 27, and to July 3, 1941



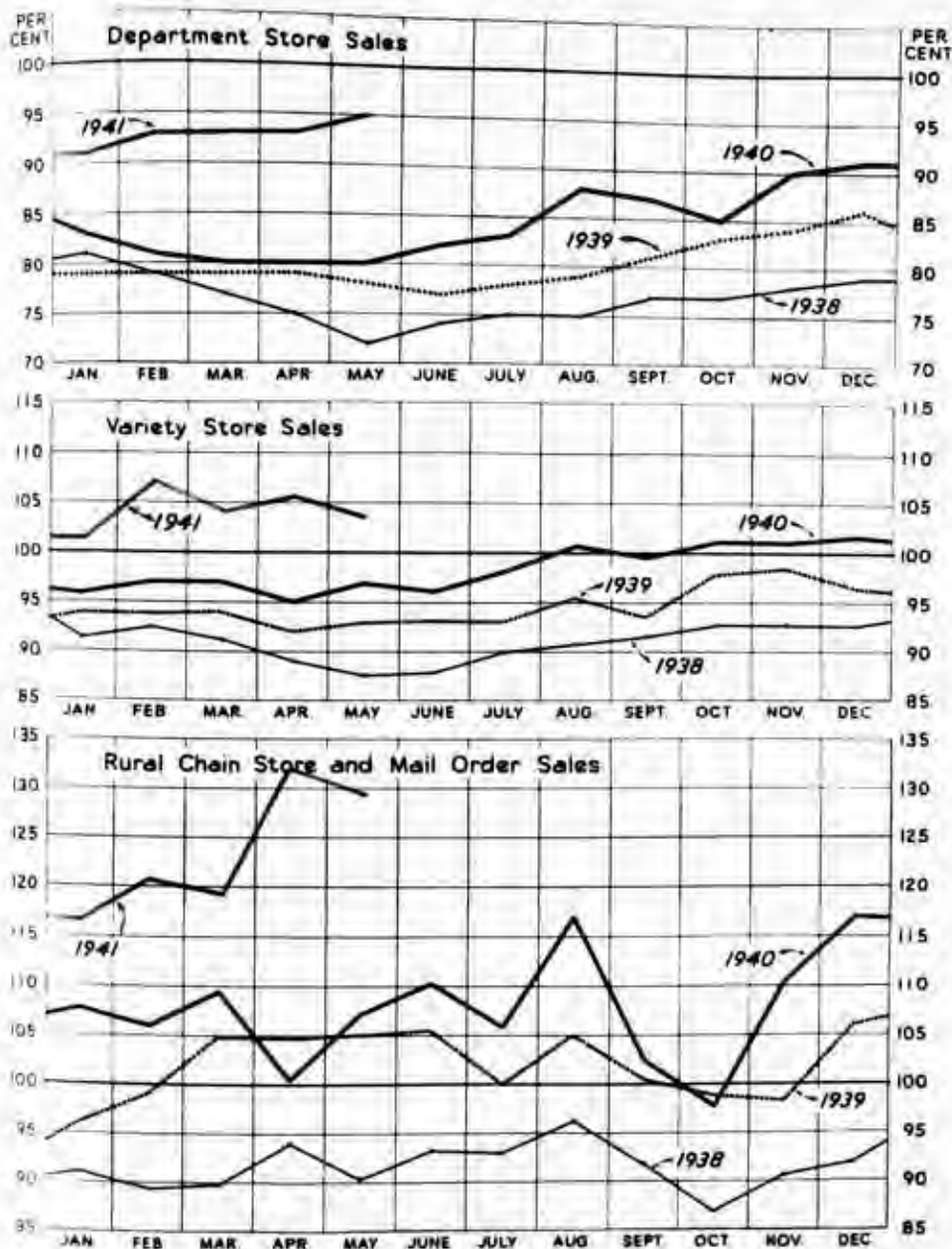
RAILROAD SITUATION



RETAIL TRADE

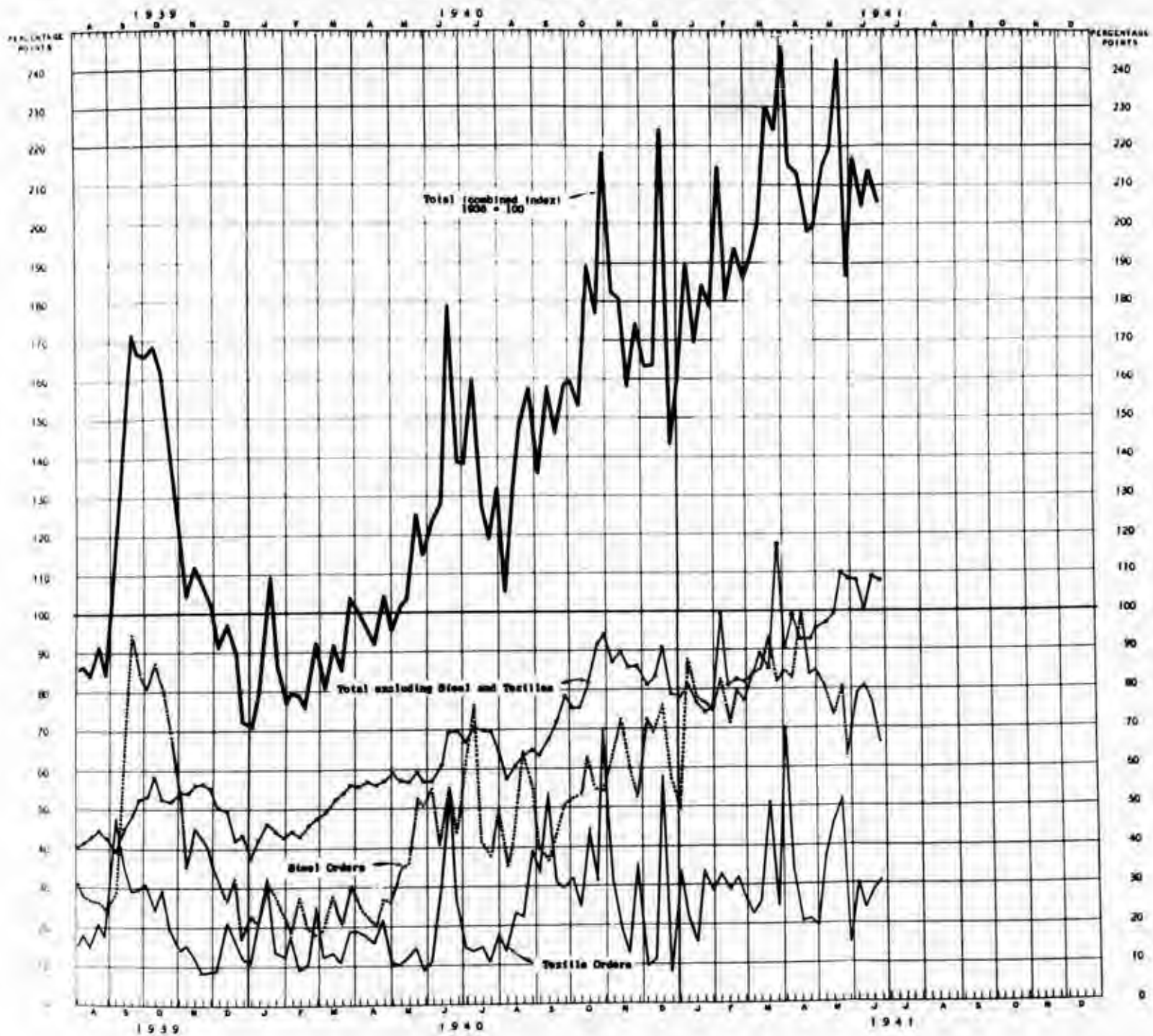
Urban and Rural Sales of General Merchandise

1929 = 100 ADJUSTED



INDEXES OF NEW ORDERS

Combined Index of New Orders and Selected Components



U.S. DEPARTMENT OF COMMERCE
BUREAU OF ECONOMIC ANALYSIS

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 7, 1941

TO Mr. Thompson

FROM Mr. Hase

In further response to your request of December 26, 1939, there is submitted herewith for the Division of Research and Statistics a memorandum listing, with brief descriptions, the studies or projects completed or under way, and the names of persons working on each, for the month of May 1941.

DIVISION OF RESEARCH AND STATISTICS

Report of Studies or Projects Completed or Under
Way, and the Names of Persons Working on Each,
for the month of May 1941

For convenience of reference, the studies listed are grouped under general subject heads.

The names shown for persons working on each project include only those who participated fairly directly, as explained in the introductory note to the corresponding report submitted on December 28, 1939. No attempt has been made to cover also persons whose responsibility in each particular case was mainly in planning, supervising, or consulting.

Financial Analysis

I. Projects or studies completed

1. A memorandum was prepared, and was transmitted to the Secretary on May 19, containing recommendations with respect to the May financing. - Mr. Haas, Mr. Lindow, Mr. Tickton, Mr. Turner, Mr. Conrad
2. Tables were prepared on the basis of the data described under Financial Analysis, I, in item 11 below, showing the ownership by classes, of the 3½ percent bonds maturing August 1, 1941. Tables were prepared also showing the 50 largest banks and insurance companies holding the 3½ percent bonds and the amounts of their holdings as of March 31 and April 30, 1941. These tables were transmitted to the Secretary on May 6 and to the Under Secretary on May 16, respectively. - Mr. Tickton
3. An estimate was prepared on the basis of the data described under Financial Analysis, I, in item 11 below, of the secondary distribution likely to occur in the refunding of the 3½ percent bonds. - Mr. Tickton
4. A series of questions and answers likely to arise in the course of the refunding was prepared on the basis of the data described under Financial Analysis, I, in item 11 below, and was transmitted to the Secretary on May 20. - Mr. Tickton
5. Yield rates on United States securities, direct and guaranteed, on the basis of over-the-counter closing quotations were calculated daily. These were summarized each day in a table showing for each issue the closing price and yield that day, the change in price and yield from the

preceding day, and the price range since the date on which first traded and also for the year 1941 to date. A chart for each issue was kept up to date showing recent daily price and yield figures, together with comparative monthly data since 1934, since date of issue, or since the date first traded. Similar calculations are made daily on the basis of New York Stock Exchange closing quotations on direct and guaranteed bonds of the United States, for use in preparation of the publication "Market Prices and Yields of Outstanding Bonds, Notes, and Bills of the United States", described under Publications in this report. - Mr. Moody, Miss McCoy, Mr. Kroll

- b. At the request of the Secretary, arrangements have been made to secure periodically from the British Empire purchasing missions certain information regarding purchases in the United States by the British Empire. - Mr. Haas, Mr. Landow, Mr. Wagner, Mr. March

- (a) Weekly statements are received covering the itemized purchases by British Empire Governments through the various missions, the itemized purchases made by these Governments with the knowledge of the missions but not through their facilities, and inquiries made through the missions for future purchases. Similar statements are received showing, by itemized contracts, deliveries made with respect to orders placed by the United Kingdom through the missions. The details with respect to orders and deliveries are classified by some twenty-five commodity groups designed especially for the purpose.

These data are reviewed and edited in the Division each week and a report is then prepared summarizing in dollar volume the information on orders and deliveries, by commodity groups. This report consists of eight statements: the first three summarize orders placed by the individual governments of the British Empire for the current week and the totals to date; the next three statements summarize total orders of the British Empire on an historical basis; the last two statements present data on deliveries with respect to orders placed by the United Kingdom through the British missions. These weekly commodity statements were prepared, and were transmitted on May 2, 9, 17, 23, and 29, according to instructions by the Secretary.

- (b) The Division also receives each week the data required to prepare statements giving the details concerning the physical volume of airplane and airplane engine orders in the United States by the British Empire. The material for these statements is contained in a group of work sheets prepared by the British Purchasing Commission, but it is necessary for the Division to consolidate and coordinate the information contained in the Commission's statements. The finished tables show, by company and by type of plane or engine, the following information: (1) summary of orders, deliveries, and exports; (2) history of orders; (3) history of deliveries; (4) history of exports; (5) scheduled deliveries of unfilled orders; (6) options; scheduled deliveries; (7) spare parts: orders, deliveries, unfilled orders, and options; and (8) secondhand units: orders, deliveries, and scheduled deliveries of unfilled orders. These aircraft reports were prepared, and were transmitted on May 2, 9, 17, 23, and 29, according to instructions by the Secretary.
- (c) A series of six tables has been developed at the request of the Secretary to show each week the disposition of airframes and engines inspected in the United States by the British Empire, and the status of airframes and engines on hand in the United States. One table develops by company and by model the number of units on hand. A second table analyzes the status of these units, and a third table presents the physical location of the units awaiting export. Separate tables are required for airframes and for engines. The airframe and engine tables were prepared, and were transmitted on May 5, 13, 19, and 27, according to instructions by the Secretary.
- (d) Reports are prepared each week showing commitments by the British Empire Governments for capital expenditures in the United States and for extraordinary charges designed to expedite deliveries. The data for these statements are provided by the British Purchasing Commission but the tables actually are prepared in the Division. Tables showing capital commitments were prepared, and were transmitted on May 2, 9, 17, 23, and 29, according to instructions by the Secretary.

- (e) A group of nine analytical tables on British Empire orders of iron and steel is prepared monthly. Six of these cover commercial iron and steel, excluding ferro-alloys and drop forgings, and are classified by product. One table covers ferro-alloys and silicon metals, and also is classified by product. The next two tables cover drop forgings and are classified by manufacturer. Statements showing British Empire orders of iron and steel as of March 31 and April 30, were prepared, and were transmitted on May 5 and 23, respectively, according to instructions by the Secretary.
- (f) Arrangements have been made to receive information on a physical volume basis for the orders, deliveries, and dates of scheduled deliveries on unfilled orders, with respect to several other important commodities. For each of these commodities the following tables are being prepared: (1) current delivery status of orders; (2) history of orders; (3) history of deliveries; and (4) scheduled deliveries of unfilled orders. The data in these tables are broken down by particular products, particular models in each case, and particular manufacturers.

Statements covering various commodity groups were prepared, and were transmitted according to instructions by the Secretary as follows: (a) explosives and propellants, on May 2; (b) small arms ammunition, on May 13; (c) sub-machine guns, revolvers and rifles, on May 27; and (d) tanks and tank equipment, on May 27. In addition, work is progressing on the preparation of tables on each of the following commodity groups: (a) ordnance; (b) chemicals; (c) shells and bombs; (d) small arms (fully automatic); (e) non-ferrous metals; (f) motor vehicles; (g) small boats and ships; and (h) marine engines.

- (g) Certain financial information is prepared from time to time concerning the orders placed in the United States by the British Empire. A monthly report, consisting of three tables, shows the value of orders placed, the history of payments made, and a forecast of future payments on unpaid commitments, classified by commodity groups. This report was prepared, and was transmitted on May 27, according to instructions by the Secretary.

(ii) Arrangements have been made with the Citadel Merchandising Company, Ltd., a Canadian Government corporation, to receive regular reports showing orders placed for machine tools in the United States, and deliveries on these orders. From this information the Division will be able to prepare reports summarizing Citadel orders, deliveries, and unfilled orders, classified by companies. Delays in the receipt of necessary information have held up completion of the planned reports.

7. At the request of the Under Secretary, a special statement was prepared, and was transmitted to him on May 27, showing the value of orders placed in the United States by the United Kingdom through the British Empire purchasing missions in the two periods January 17 through March 15, and March 16 through May 10. This statement showed orders placed, orders cancelled, and the net increase in orders placed in each of these periods. The information was broken down as between product and capital. - Mr. Wagner
8. At the request of the Secretary, arrangements have been made to secure periodically certain information regarding purchases in the United States by the Netherlands Purchasing Commission, and by Lindeteves, Inc. - Mr. Haas, Mr. Lindow, Mr. Warner, Mr. March

Statements are received covering the itemized purchases by the Netherlands Purchasing Commission in the United States, and the volume of deliveries made thereon. Similar statements are received concerning the activities of Lindeteves, Inc., a large private commercial organization operating in the Dutch East Indies. The details with respect to orders and deliveries for these purchasing agencies are classified by the same twenty-five commodity groups used for reporting orders placed in the United States by the British Empire.

These data are reviewed and edited in the Division. Reports are then prepared for each of these agencies summarizing the information on orders and deliveries, classified by commodity groups. These reports consist of three statements: the first shows the history of orders placed; the second shows the history of deliveries made on these orders; and the third shows the current delivery status of orders. These commodity statements covering orders of the Netherlands Purchasing Commission were prepared, and were transmitted on May 2, 23, and 24, in accordance with instructions by the Secretary. Similar statements

for Lindeteves, Inc., were prepared, and were transmitted on May 9 and 23, also according to instructions by the Secretary.

9. At the request of the Secretary on May 23, 1940, arrangements were made for securing weekly until September 11, 1940, and since then fortnightly, from more than forty airplane and airplane engine manufacturers data on deliveries, new orders, unfilled orders, and estimated deliveries by months on the unfilled orders. Analytical tables were prepared every other week showing this information by type of plane or engine and by class of purchaser. Reports for the fortnights ended May 10 and 26 were transmitted according to instructions by the Secretary. - Mr. Haas, Mr. Tickton, Mr. D. J. Leahy
10. At the request of Under Secretary Bell, various memoranda and charts were prepared for use in the Friday discussion group, considering matters of general interest in connection with defense financing. - Mr. Haas, Mr. Duggit

The charts presented during the month included the following:

An analysis was made of recent movements of commodity prices illustrated by two wall charts. The first chart showed on the basis that August 1939=100, the weekly average movements of the index of 16 industrial raw materials and of the index of 12 foodstuffs from August 1940 through mid-May 1941, and their daily average movements from April 1 through May 21, 1941. On the same chart were shown also for each of the 28 individual commodities consisting of the 16 industrial raw materials and 12 foodstuffs, the percentage price changes from the August 1940 low to April 16 and to May 21, 1941.

The second chart showed the monthly movements of the MICH cost-of-living index compared with the BLS index of 889 commodities from 1935 through April 1941, and the commodity index to May 17. On the same chart were shown the weekly movements of the BLS index of 889 commodities and the BLS index of 28 basic commodities from August 1939 through mid-May 1941. Both of these comparisons were on the basis that 1926=100.

11. In response to a request by the Secretary on January 21, that measures be taken to obtain information to assist in carrying through the defense program, arrangements have been made to obtain the necessary detailed statistics on the holdings of each issue of the public debt and of guaranteed securities by the various classes of holders. - Mr. Haas, Mr. Tickton, Miss Westerman, Mrs. Wolkind, Mr. D. J. Leahy, Mr. Mayo

A summary was prepared of the data received as of March 31, consisting of brief explanatory text and two tables for publication in the Bulletin of the Treasury Department for May. A letter was prepared for signature of the Secretary which was mailed on May 28, transmitting an extract containing this section of the Bulletin to each institution which has provided data on its holdings, and expressing appreciation of its submitting the information.

The information as of April 30 received in response to our letter of April 28, from 7,000 banks and insurance companies was coded, tabulated, and analyzed. A comprehensive analysis was prepared, consisting of 100 tables, showing this information, classified by type of institution, by issue, by geographic area, by call classes, and by tax-exemption provisions.

New letters were sent out to the banks and insurance companies on May 29, requesting comparable data as of May 31.

12. At the request of the Secretary, arrangements have been made to prepare current statistical reports on the sales of United States Defense savings bonds series E, F, and G, and Defense Postal savings stamps, on the basis of reports by the Federal Reserve Banks and the Post Office Department. - Mr. Haas, Mr. Keagh, Mr. Brown, Mr. Kroll

- (a) Daily tables were prepared, beginning May 7, showing for each day the dollar volume of sales of each of the three series of bonds, and stamps, with totals, by Post Offices and by banks. These tables were transmitted according to instructions by Mr. Graves.

Daily tables were prepared, beginning May 14, showing for each day the number of units sold of each of the three series of bonds, with totals, by Post Offices and by banks. These tables were transmitted according to instructions by Mr. Graves.

- (b) Weekly tables are being prepared, beginning on May 29, showing for each week the dollar volume of sales of each of the three series of bonds, with totals, by Post Offices and by banks, on the basis of the issue price, classified by Federal Reserve districts. For the week ending May 24, a table was prepared, and was transmitted on May 29, according to instructions by Mr. Graves.

Cumulative tables are being prepared weekly, showing from May 1 to a current date, the dollar volume of sales of each of the three series of bonds, with totals, by Post Offices and by banks, on the basis of the issue price, classified by Federal Reserve districts. Tables were prepared for the period from May 1 through May 17, and from May 1 through May 24, and were transmitted on May 21 and May 29, respectively, according to instructions by Mr. Graves.

- (c) Weekly tables are being prepared, beginning May 29, showing for each week the dollar volume of sales of series E bonds, by Post Offices and by banks, with totals, on the basis of the issue price, classified by States. For the week ended May 24, a table was prepared, and was transmitted on May 29, according to instructions by Mr. Graves.

Cumulative tables are being prepared weekly, showing from May 1 to a current date, the dollar volume of sales of series E bonds, on the basis of the issue price, classified by States. Tables were prepared for the period from May 1 through May 17, and from May 1 through May 24, and were transmitted on May 21 and May 29, respectively, according to instructions by Mr. Graves.

- (d) The following special tables were prepared during May. A table was prepared containing estimates, on the basis of available data as reported by 100 of the large Post Offices and the Federal Reserve Banks, of the approximate number of units of savings bonds series E, F, and G, reported sold from May 1 through May 8. This table was transmitted to Mr. Graves in a memorandum on May 9. A table was prepared showing the approximate number of units of savings bonds series E, F, and G, reported sold during the period May 1 through May 12, and was transmitted to Mr. Graves in a memorandum on May 13. A table was prepared showing by denomination the issue price and number of units of series G bonds, reported sold from May 1 through May 13, and was transmitted in a memorandum to Mr. Graves on May 14.

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A table was prepared showing by denomination the sales of Defense Postal savings stamps in dollar volume and by number of units from May 1 through May 17, as estimated by the Post Office Department, on the basis of daily reports of 100 large Post Offices. This table was transmitted on May 20, according to instructions by Mr. Graves.

A table was prepared showing sales of United States savings bonds series E, F, and G, from May 1 through May 29, separately by series, by Post Offices and by banks, the number of bond units, the dollar volume based on the issue price; the number of purchasers excluding second co-owners; the number of second co-owner names; and the total number of purchaser names, counting co-owner purchasers as two names. This table was transmitted on May 31 according to instructions by Mr. Graves.

13. Two proposals of the RFC that the Secretary of the Treasury request that corporation to purchase the preferred stock of banks were examined. - Mr. Tixton, Mr. Turner
14. At the request of Under Secretary Bell on March 7, assistance was given in preparing his speech delivered before the National Association of Mutual Savings Banks on May 7. - Mr. Haas, Mr. Murphy, Mr. Villard
15. A memorandum was completed, and was transmitted to the Under Secretary on May 14, on a proposal for the sale of a special form of United States security intended to permit the anticipation of taxes. - Mr. Murphy, Mr. Turner, Mr. Barnett
16. In response to a letter of April 25 from Mr. Henry Z. Persons, Executive Vice President, Brattleboro Trust Company, Brattleboro, Vermont, requesting information concerning the method of computation and significance of the yield figures in respect to United States savings bonds, Series G, shown in Department Circular 654, a reply was prepared, and was signed by Assistant Secretary Sullivan on May 12. - Mr. Brown
17. In response to a letter of May 10 from Mr. William Weaver, Scarsdale, New York, requesting information concerning a 25-year investment program in United States savings bonds Series E, a schedule was prepared and transmitted to Mr. Weaver in a letter signed by Under Secretary Bell on May 31. - Mr. Reagh, Mr. Brown, Mr. Kroll

18. At the request of Assistant Secretary Sullivan on May 5, a table was prepared, and was transmitted to him showing the differential between corporate and municipal bond yields as of the first of each month in 1941. - Mr. Tickton
19. At the request of the Legal Division on May 16, a review was made of a proposed reply prepared by the Legal Division to a letter from Senator Wagner dated May 8, requesting a report on S. 1471, a bill to extend the period during which direct obligations of the United States may be used as collateral security for Federal Reserve notes. The letter was approved and transmitted to the Legal Division on May 19. - Mr. Turner

II. Projects or studies under way

1. A study is being made of the relative interest costs of short- and long-term borrowing. - Mr. Barnett
2. A study is being made of the available sources of funds for Treasury financing. - Mr. Villard
3. A memorandum is being prepared on a negotiable "tax" security - Mr. Sandelin, Mr. Turner
4. A study is being made of a new type of Defense annuity savings bond. - Mr. Reagh, Mr. Brown
5. A memorandum is being prepared on the relationship between public debt operations and bank reserves. - Mr. Turner
6. A study is being made of the probable excess reserves in 1941-42. - Mr. Turner, Mr. Barnett
7. A study is being made of war-financing measures in belligerent countries in the present war. - Mr. Matlock
8. A comparison is being made of the British Fiscal Program 1941-42 with the Keynes plan proposed in "How to Pay for the War", by Mr. J. M. Keynes. - Mr. Matlock
9. At the request of the Secretary on February 8, a reply is being prepared to a letter from the Acting Secretary of Commerce dated February 4, requesting certain data on outstanding securities of Federal agencies and the amount of governmental securities held by governmental agencies and Federal Reserve Banks for the period 1929-40. - Mr. Conrad

10. At the request of Under Secretary Bell on October 14, a memorandum is being prepared on a memorandum submitted by Mr. John Evans, President of the First National Bank of Denver, Colorado, in reference to United States Government bonds now owned by the Federal Reserve System and its member banks, and suggestions concerning a refunding and change in form which would appear to be in interest of the Treasury Department, the Federal Reserve System, the member banks, the Federal Deposit Insurance Corporation, and the public generally whose money is deposited in member banks. - Mr. Murphy
11. In response to a request by Under Secretary Bell on January 27, comments are being prepared on a memorandum by Mr. George Eddy to Mr. White, in regard to a plan of Mr. N. E. Peterson, entitled, "A Means of Financing the Defense Program". - Mr. Turner
12. At the request of Under Secretary Bell on February 5, an analysis is being made of his plan for investing savings banks' and insurance companies' funds in special 2 percent Treasury certificates. - Mr. Tuckton
13. At the request of Under Secretary Bell on February 11, a memorandum is being prepared to the Secretary regarding a letter from Mrs. Sylvia F. Porter, New York Post, dated January 22, suggesting a plan for the distribution of United States Government securities. - Mr. Haas, Mr. Murphy, Mr. Turner
14. At the request of Under Secretary Bell on April 21, a memorandum is being prepared on Mr. Salant's memorandum on "Limitation on Purchases of Defense Savings Bonds", - Mr. Murphy
15. At the request of Mr. Theodore R. Goldsmith on March 13, an analysis is being made of a study of savings bond mortality by Miss Hilda Hoffman, Bowers Savings Bank. - Mr. Turner
16. In response to letters of May 15 and 20, from Mr. John Phillips, Jr., Assistant Cashier of the Federal Reserve Bank, Kansas City, a reply is being prepared with respect to the proper valuation of series G savings bonds held by life insurance companies. - Mr. Murphy, Mr. Reach, Mr. Brown

17. In response to a letter of May 22 from Mr. William R. Hill, Jr., Newark, New Jersey, a reply is being prepared giving the mathematical formula to determine the approximate investment yield on the purchase price of series E savings bonds from issue date to the beginning of each half-year period. - Mr. Resgn, Mr. Brown
18. A memorandum is being prepared recommending legislation terminating miscellaneous types of tax exemption analogous to the exemption of interest on Federal securities, but unaffected by the Public Debt Act of 1941. - Mr. Matlock
19. At the request of Under Secretary Bell on May 10, an analysis is being made of a proposal by Mr. G. Lee Camp of a means of prepaying taxes. - Mr. Turner
20. At the request of Under Secretary Bell on May 10, an analysis is being made of a proposal by Mr. Hedges MacDonald for encouraging the purchase of Government securities by the grant of a tax credit. - Mr. Turner
21. A memorandum was received from Mr. Tarleau on May 31, stating that it is his understanding that if the Treasury's recommendation regarding the surtax on corporations is adopted it will be advisable to have corporations holding partially tax-exempt obligations amortize the premium or discount by which such obligations were obtained, and requesting a memorandum regarding the extent of the revision of the law which will be required with respect to the bond interest for income tax purposes. - Mr. Murphy
22. At the request of Under Secretary Bell on May 27, a review is being made of an editorial entitled "To Uncle Sam I Bequeath", transmitted with a letter from Mr. C. D. Lunnow of "Trusts and Estates". - Mr. Murphy
23. At the request of Under Secretary Bell replies are being prepared to certain questions asked by the Warner Committee preparatory to its investigation of banking and monetary conditions pursuant to Senate Resolution 125. - Mr. Haas, Mr. Murphy, Mr. Turner, Mr. Foy
24. At the request of Under Secretary Bell on May 24, cooperation is being given Mr. Bartelt and Mr. Blough in preparing replies to the list of questions accompanying a letter from Senator Tydings of May 5. The replies are for use by the Senate Committee created to find ways and means of automatically balancing the Federal Budget in times of peace. - Mr. Murphy

25. At the request of Under Secretary Bell on May 1, a study is being made of the amendments to the United States Housing Authority Act which were proposed by the Authority last year. - Mr. Lindow
26. At the request of the Legal Division on May 27, a review is being made of a proposed reply prepared by the General Counsel's office, Bureau of Internal Revenue, to a letter from Senator Harrison dated May 21, requesting a report on S. 1178, a bill to be known as the "General Welfare Act", to amend the Social Security Act so as to extend coverage thereunder to all groups and all classes, to amend the Internal Revenue Code so as to provide a pay-as-you-go basis for pensions, and for other purposes. - Mr. Murphy

Revenue Estimates

I. Projects or studies completed

1. The regular monthly statement was prepared for the Bureau of Accounts, showing the latest revised estimates of receipts, by months and by principal sources of revenue, for the period May 1941-June 1942, and was transmitted on May 2. - Mr. Delcher
2. The regular monthly summary comparison was prepared, showing estimated receipts and actual receipts in April 1941 on the daily Treasury statement basis. - Mr. Delcher
3. The regular monthly detailed comparison was prepared, showing estimated and actual receipts in April 1941, and for the period July 1940-April 1941, based on the collections classification. - Mr. Delcher
4. At the request of Under Secretary Bell on May 27, for transmittal to the Bureau of the Budget, revised Budget estimates of the revenue yields in the fiscal years 1941 and 1942 were prepared, and were shown in a table comparing the revised estimates with the January 1941 Budget estimates. The table was transmitted to the Under Secretary on May 29, under cover of a reply prepared for his signature, addressed to the Director of the Budget. - Mr. Haas, Mr. O'Donnell, Mr. Daggitt, Mr. Leahy, Mrs. May, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith, Mr. Colclough

5. An analysis was completed of each component of the October and December 1940 estimates of miscellaneous internal revenue, excluding capital stock, estate, and gift taxes for the fiscal years 1941 and 1942. - Mr. Daggit, Mrs. May
6. In connection with the proposed revision of the revenue laws in 1941, a number of revenue estimates, listed below, were prepared for use of the Secretary, Assistant Secretary Sullivan, and the Division of Tax Research. - Mr. O'Donnell, Mr. Leahey, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith
 - (a) An estimate was prepared, and was transmitted to Assistant Secretary Sullivan in a memorandum on May 1, of the increases in adjusted excess-profits net income bracket rates which are necessary to yield additional revenues of \$400 million, at income levels forecast for the calendar year 1941, if simultaneously the excess-profits credit under the invested capital method were changed from a flat 8 percent to the following: 8 percent on the first \$5 million of invested capital, 6 percent on the next \$15 million, and 4 percent on the balance.
 - (b) Two alternative plans were prepared, and were transmitted orally to Assistant Secretary Sullivan on May 3, of the adjusted excess-profits net income bracket rates necessary to yield additional revenues of \$400 million.
 - (c) An estimate was prepared, and was transmitted to Assistant Secretary Sullivan in a memorandum on May 3, of the percentage point change in each adjusted excess profits net income bracket rate required to raise the same amount of money from the increase in the corporation surtax and from the excess profits tax, if the excess profits tax is computed before the corporation normal tax and surtax, and allowed as a credit in the computation of the corporation normal tax and surtax, and the invested capital corporation credit is reduced to 7 percent of invested capital.

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- (d) A tabulation was prepared, and was transmitted to Assistant Secretary Sullivan in a memorandum on May 6, of estimates of additional revenue which would be raised from certain income tax changes after allowing for the interaction of each of these taxes on other taxes at the newly proposed rates of tax. It was assumed that the individual income taxes and the corporation surtax rates are imposed as previously indicated to the Committee on Ways and Means; the excess-profits tax is computed prior to the computation of the corporation normal tax and newly imposed surtax and is permitted as a deduction in the computation of those taxes; invested capital corporations are permitted an excess-profits credit of 8 percent of their invested capital with an allowance of 10 percent on new capital out into the business.
- (e) A statement was prepared, and was transmitted to the Secretary and Assistant Secretary Sullivan, in a memorandum on May 7, showing, at income levels forecast for the calendar years 1940 and 1941, estimates of the net increased yield under existing law if the excess-profits tax were computed prior to the corporation normal tax and the amount of the excess-profits tax were allowed as a deduction in the computation of the corporation normal tax.
- (f) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on May 9, of the revenue yield, at levels of business forecast for the fiscal year 1942, from a tax on certain coin-operated devices equivalent to 10 percent of the price sold by the manufacturer, producer, or importer, or 10 percent of the fair market value if operated by the manufacturer, producer, or importer.
- (g) A schedule was prepared, and was transmitted to Assistant Secretary Sullivan in a memorandum on May 7, of excess-profits tax brackets based upon percentages of excess-profits credits with excess-profits tax rates suggested by the Assistant Secretary in order to yield the same amount of excess-profits tax liabilities for calendar year 1941 incomes as would be secured from the present schedules of brackets.

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- (h) An estimate was made, and was transmitted to Assistant Secretary Sullivan in a memorandum on May 12, of the corporation surtax rate required in addition to the present corporation normal tax to equal the amount estimated on April 24 as the net revenue from the corporate surtax and excess-profits tax at calendar year 1941 forecast levels of income. This estimate took account of the loss entailed from an assumed repeal of the excess-profits tax and made full allowance for the interacting effect of the income taxes one upon another.
- (i) Estimates were prepared, and were transmitted to Assistant Secretary Sullivan on May 12 under cover of the memorandum mentioned in item (h) above, in six tables, of the changes in individual income tax yield which would result from several proposed changes in the corporate income tax.

The first table showed the estimated net increase in individual income tax yield, at income levels forecast for the calendar year 1940, (a) from a corporation surtax at seven proposed rates and (b) from these corporation surtax rates combined with a corporation undistributed profits tax which would force corporations to distribute as dividends their entire net income remaining after income tax deductions. In both (a) and (b), the repeal of the present corporation excess-profits tax was assumed.

The second table showed the estimated net increase in individual income tax yield at present and at proposed law rates, at income levels forecast for the calendar year 1940, from a corporation surtax at seven proposed rates, assuming the repeal of the present corporation excess-profits tax.

The third table showed the estimated net increase in individual income tax yield, at present and at proposed law rates, at income levels forecast for the calendar year 1940, (a) from a corporation surtax at seven proposed rates, and (b) from these corporation surtax rates combined with a corporation undistributed profits tax which would force corporations to distribute as dividends their entire net income remaining after income tax deductions. In both (a) and (b) the repeal of the present corporation excess-profits tax was assumed.

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The fourth table showed the estimated net increase or decrease in individual income tax yield, at income levels forecast for the calendar year 1941, (a) from a corporation surtax at seven proposed rates, and (b) from a corporation surtax combined with a corporation undistributed profits tax which would force corporations to distribute as dividends their entire net income remaining after income tax deductions. In both (a) and (b), the repeal of the present corporation excess-profits tax was assumed.

The fifth table showed the estimated net increase or decrease in individual income tax yield, at income levels forecast for the calendar year 1941 from a corporation surtax at seven proposed rates, assuming the repeal of the present corporation excess-profits tax.

The sixth table showed the estimated net increase or decrease in individual income tax yield, at present and proposed law rates, at income levels forecast for the calendar year 1941, (a) from a corporation surtax at seven proposed rates and (b) from these corporation surtax rates combined with a corporation undistributed profits tax which would force corporations to distribute as dividends their entire net income remaining after income tax deductions. In both (a) and (b) the repeal of the present corporation excess-profits tax was assumed.

- (J) An estimate was prepared, and was transmitted to Assistant Secretary Sullivan in a memorandum on May 13, of the net yield, at income levels forecast for the calendar year 1941, if corporations are required to pay the higher tax of an additional surtax of 16 percent after allowing for repeal of the excess-profits tax, or a maximum surtax rate of 6 percent and an excess-profits tax computed prior to the income tax with 8 percent on invested capital with an allowance of 10 percent for new capital, the excess profits tax being deductible for the computation of the income tax, which is to be increased by the addition of a 6 percent surtax.
- (K) Two tables were prepared, and were transmitted to Assistant Secretary Sullivan on May 13, of estimated income tax liabilities under the various proposed changes, at income levels forecast for the calendar year 1941.

The first table showed separately for the corporation normal tax, surtax and excess-profits tax, and the total, and for the individual income tax, the yields estimated under the present law, the yields estimated from the increased corporation income taxes, and the totals. The proposed changes in corporation taxes on which these estimates were based were the payment by corporations of the higher of (a) a combined excess-profits tax, computed before income tax deductions, and an income tax with a maximum rate of 30 percent (6 percent surtax) computed after deduction of the excess-profits tax, or (b) an income tax with a maximum rate of 40 percent (16 percent surtax) computed without any allowance for excess-profits taxes. In the computation of the excess-profits credit, the rate of return allowed on invested capital was 8 percent with a 10 percent allowance on new capital. The proposed changes in individual income taxes on which the estimates were based were the payment of the increased surtax rates in the Treasury schedule presented to the Committee on Ways and Means on April 24.

The second table showed, in addition to the estimates in the first table, the estimated increase or decrease in yield from a proposal to impose a corporation surtax of 5 percent on surtax net income of \$25,000 or less, and 6 percent on surtax net income in excess of \$25,000; an estimate of changes from this proposal adjusted for the effect of specified changes in the excess-profits tax; the totals of the yields estimated under the present law plus the yields estimated from the adjustment mentioned directly above; the estimated increase or decrease in yield from the proposed corporation surtax of 14.7 percent assuming repeal of the present excess-profits tax; and the totals of the estimated yield under the present law plus the estimated increase or decrease from the proposed corporation surtax of 14.7 percent.

- (1) A memorandum was prepared, and was transmitted to Assistant Secretary Sullivan on May 1-, explaining the detailed work involved and the time required to prepare an accurate estimate of the revenue yield, at the income levels forecast for the calendar year 1941, of the so-called "Treasury plan" of the summer of 1940 for an excess-profits tax. The memorandum contained a rough estimate of the yield on the basis of an estimate made in the summer.

- (m) Tentative estimates were made, and were transmitted to Assistant Secretary Sullivan in a memorandum on May 16, of the revenue effect, at income levels forecast for the calendar year 1941, of a corporation excess-profits tax if the tax base is computed according to the original Treasury plan, but with the present law tax brackets and rates applicable, assuming that the corporation income tax is increased to a maximum rate of 30 percent.
- (n) A memorandum was prepared on May 16, on the concept of net income of taxable corporations and individuals used in the table presented to the Committee on Ways and Means, which appears in the hearings on the Revenue Revision of 1941, on page 68.
- (o) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum on May 17, of the revenue effects of increasing the various tax rates on cigarettes, cigars, tobacco and snuff, and on floor stocks; and of reducing the exemption of the admissions tax to zero.
- (p) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum on May 17, at income levels forecast for the calendar year 1941, of the excess-profits tax rates to be applied to brackets computed under the Treasury plan, to yield the equivalent net increase in revenue secured by present tax law rates and brackets.
- (q) A review was made on May 21, of the transcript of the record of the hearings before the Committee on Ways and Means, on the Revenue Revision of 1941 on May 19, and two tables were prepared to be inserted. Copies were transmitted to Assistant Secretary Sullivan on May 21.

The first table showed the revenue effect, at levels of income forecast for the calendar year 1941, with and without the defense tax, at present law rates and under the surtax rate schedule contained in the Treasury plan presented to the Committee on Ways and Means on April 24, if the personal exemption of married persons or heads of families is reduced from \$2,000 to \$1,600 and the credit for dependents is increased from \$400 to \$500.

The second table, accompanied by explanatory notes, showed the revenue effect, including the inter-related effects, at levels of income forecast for the calendar year 1941, of the proposals of (a) a corporation surtax of 5 percent on net income of \$25,000 or less and 6 percent on net income in excess of \$25,000; (b) an excess-profits tax as recommended by the Treasury, as presented to the Committee on Ways and Means on May 19; and (c) increased individual income tax rates, as presented to the Committee on April 24.

- (r) The latest estimates of the amount of the individual income tax liabilities estimated to have been derived from the taxation of capital gains and losses, together with the current individual income tax liabilities attributable to other provisions, for the calendar years 1938, 1939, and 1940, were prepared, and were transmitted in a memorandum to Mr. Blough on May 28.
- (s) A summary was prepared in tabular form of the estimates which had been made in connection with the excess-profits tax, and was transmitted to Assistant Secretary Sullivan on May 31.

II. Projects or studies under way

1. At the request of the Division of Tax Research on July 12, 1940, an estimate is being made of the additional revenue which would be derived if mutual insurance companies other than life insurance companies taxable under Section 207 of the Internal Revenue Code were made taxable in the same manner as stock insurance companies other than life insurance companies taxable under Section 204, and at the same time the exemption under Section 101(11) were restricted to local mutual companies of the assessment type. - Mr. Leahy
2. An analysis is in preparation of each component of the April 1941 estimate of miscellaneous internal revenue, excluding capital stock, estate, and gift taxes, for the fiscal years 1941 and 1942. - Mrs. May
3. An analysis is in preparation of each component of the May 1941 estimate of miscellaneous internal revenue, excluding capital stock, estate, and gift taxes for the fiscal years 1941 and 1942. - Mrs. May

4. A revision is being made on the basis of the April revision of the 1942 Budget estimates of the forecast of the monthly distribution of estimated revenue for the fiscal years 1941 and 1942. - Mr. O'Donnell, Mr. Daggit, Mr. Leahey, Mrs. May, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith, Mr. R. R. Smith, Miss Hagedorn
5. In connection with the proposed revision of the revenue laws in 1941, the revenue estimates listed below, are in preparation for use of Assistant Secretary Sullivan and the Division of Tax Research. - Mr. Butters, Mr. T. L. Smith
- (a) Estimates are being prepared of the revenue effects of the capital stock and the declared value excess-profits tax, both for corporations with net income by net income classes and for corporations with no net income.
- (b) Estimates are being prepared of the revenue effects under the present law and under Treasury proposals of: (1) Representative Charles S. Dewey's proposals for estate tax prepayment through Federal estate tax anticipation receipts; and (2) The Lonergan proposal, whereby insurance could be accumulated for estate tax payment and excluded from the taxable estate up to the amount of the estate tax liability.
6. Progress was made on the following projects for revising and improving methods of estimating revenues from the taxes listed below: - Mrs. May, Mr. R. R. Smith
- (a) Admissions to theaters, concerts, cabarets, etc.
- (b) Passenger automobiles and motorcycles.

Economic Conditions Related to Fiscal
and Revenue Matters

1. Projects or studies completed

1. Memoranda on the business and price situation were prepared on May 5, 12, 19, and 26. - Mr. Haas, Mr. Daggit, Mrs. May, Mr. Chevreux

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These memoranda contained in addition to analysis of the current situation the following special studies:

- (a) Price movements of the major commodity groups shown by percentage changes from April 1940 to April 26, 1941. (Chart in memorandum of May 5. Also described below under Economic Conditions, I, as item 11). - Mr. Daggit, Mrs. May
 - (b) A comparison of current department store sales with sales during the previous year, weekly from January 1940 to date. (Chart in memorandum of May 12. Also described below under Economic Conditions, I, as item 15). - Mr. Daggit, Mrs. May
 - (c) A study of the distribution of national income payments from March 1940 to March 1941. (Chart in memorandum of May 12. Also described below under Economic Conditions, I, as item 16). - Mr. Daggit, Mrs. May
 - (d) Prices of selected commodities affected directly and indirectly by the 1941 farm program from February 28 to May 16. (Chart in memorandum of May 19. Also described below under Economic Conditions, I, as item 10). - Mr. Daggit, Mrs. May, Miss Hagedorn
2. Memoranda on employment under the Work Projects Administration were prepared on May 5, 12, 19, and 26. - Miss Hagedorn
 3. At the request of the Secretary, a table is prepared each week summarizing exports of petroleum products, scrap iron, and scrap steel, from the United States to Japan, the U.S.S.R., Spain, and Great Britain, as indicated by departure permits reported daily by the Office of Merchant Ship Control. The tables were prepared for the weeks ending May 3, 10, 17, and 24. On May 5, 12, 19, and 26, the original and 13 photostats were transmitted to Assistant Secretary Gaston. In addition, each week two photostats were transmitted to Mr. Young, one of which was for Mr. Purvis. - Mr. Tiction, Mr. D.J. Leahy

4. Compilations were made of daily quotations on selected commodities and daily and weekly figures on selected business indexes, foreign and domestic security transactions, security prices, exchange rates, as well as other data for the Secretary's chart book. - Mr. Chevraux
5. Comments were prepared on the commodity situation as of May 21, for information in connection with the Friday meeting of May 23. - Mr. Daggit, Mrs. May
6. At the request of the Secretary on May 7, a memorandum was prepared and was transmitted to the Secretary on the same day, with respect to a telephone call from Mr. Haas to Mr. Carl Hamilton, Assistant to the Secretary of Agriculture, with respect to that Department's continuance of its surplus disposal program in view of the current record level of mill consumption of raw cotton.-Mr. Haas
7. A memorandum was prepared, and was transmitted to the Secretary on May 8, with respect to a telephone call to Mr. Haas from Mr. Carl Hamilton, concerning the surplus disposal program for raw cotton. - Mr. Haas
8. A memorandum was prepared, and was transmitted to the Secretary on May 9, with respect to the amount of cotton manufactures which the Department of Agriculture had purchased since the first of the year in connection with the cotton surplus disposal program. The figures on which the memorandum was based were supplied by Mr. Hamilton's office. - Mr. Haas
9. A memorandum was prepared, and was transmitted to the Secretary on May 28, concerning a conversation held by Mr. Haas with Mr. Sexauer of the New York Dairymen's League. - Mr. Haas
10. A study was made of prices of selected commodities affected directly and indirectly by the 1941 farm program. A chart showing percentage changes from February 28 to April 25, and to May 16, 1941, was presented with the business memorandum of May 19. - Mr. Daggit, Mrs. May, Miss Hagedorn
11. A study was made of the movements of the major sub-groups of the BLS all-commodity price index including the percentage changes from April 1940 through the week ended April 26, 1941. A chart showing these changes was used in connection with the business memorandum of May 5. - Mr. Daggit, Mrs. May

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12. At the request of the Secretary on May 3, a review was made of Federal expenditures for agriculture with respect to the increased farm income and the improved agricultural situation. A memorandum entitled "A review of appropriations for aid to agriculture in the light of the new situation created by the defense effort", with two tables and three charts, was transmitted to the Secretary on May 6. - Mr. Haas, Mr. Daggit, Mrs. May, Mr. Colclough, Miss Hagedorn
13. At the request of the Secretary on May 13, an analysis was made of certain aspects of S.J. Res. 60, providing for mandatory crop loans at 85 percent of "parity", in relation to the tax program, farm income, and the improved agricultural situation. A letter prepared for signature of the Secretary was signed and transmitted to the President on May 14. - Mr. Haas, Mr. Daggit, Mrs. May
14. An analysis was made of the payments by the Government to farmers on major crops in relation to parity prices, and was incorporated in a memorandum dated May 20. - Mr. Daggit, Mrs. May
15. A study was made of current department store sales compared with sales during the previous year. The PRB index, unadjusted, of department store sales weekly from January 1940 to date was shown on a chart presented with the business memorandum of May 12. - Mr. Daggit, Mrs. May
16. A study was made of the distribution of national income payments. A chart showing percentage changes, together with dollar totals from March 1940 to March 1941, for the United States Department of Commerce series on national income payments and selected components was presented with the business memorandum of May 12. - Mr. Daggit, Mrs. May

II. Projects or studies under way

1. An attempt is being made to improve our information on the volume of unfilled orders by working out a composite index of unfilled orders based on data from individual industries. - Mr. Daggit

2. A project is under way concerning forces determining trends of basic commodity prices, which involves a study of (1) the forces determining general commodity prices and (2) the forces determining the prices of individual commodities.

With respect to (1), general commodity prices, an analysis is in process of disparities between demand and production as a basic price factor which, under excessive war demand, might lead to inflation. For use in this analysis two indexes of demand are being constructed: An index of export demand which expresses the exports of manufactured goods in physical volume, and the index of consumer buying in terms of physical volume, which is part of the project on measures of consumer buying listed as item 3 below.

With respect to (2), prices of individual commodities, shipments of a given commodity, or deliveries to consumers, are taken as a measure of demand, to be compared with production. Ten basic commodities have been selected tentatively for study, and this work is in process. - Mr. Daggit, Mrs. May, Mr. Smith, Miss Hasedorn

3. A project on measures of consumer buying is under way with the object of developing three indexes: (a) and (b) two indexes to measure the buying power of consumers in terms of physical volume of purchases; and (c) an index to measure changes in total consumer expenditures, in dollar volume. These indexes will supplement our present "index of sales", which is designed to measure the "off-take" of manufactured goods into various consumption channels.
- (a) Computation was revised of the physical volume index of consumer buying power, entitled "Index of consumer demand for a selected group of consumer goods". This index is corrected for the effect of price changes from 1935 to date.
- (b) Computation was revised also of the second physical volume index of consumer buying power, entitled "Index of potential consumer purchasing power". This index is corrected both for the effect of price changes and for the effect of changes in the national income.

- (c) With respect to the "Index of consumer expenditures, in dollar value", further progress has been made in developing individual series, in determining their suitability for inclusion and the necessary adjustments. These series have been classified in two broad groups: durable goods and non-durable goods. The purpose of the index is to cover as large as possible a proportion of the purchases of ultimate consumers. During the month the basic structure was reconsidered with a view to making this index more useful in connection with defense studies. - Mr. Daggit, Mrs. May, Mr. Colclough, Mr. Smith
4. A better index of inventories of finished goods is needed as an indication of business maladjustments, with a breakdown as between inventories of finished goods held by manufacturers and those held by others. An attempt to develop such an index is under way. - Mr. Daggit
5. A study of the volume of installment buying and consumer credit has nearly been completed. This study is designed eventually to provide a monthly index of the volume of buying on deferred payments, which at times is an important business factor. Newly-published data from the Department of Commerce and the National Bureau of Economic Research have been assembled. A preliminary study is under way to determine how they may be used in a combined index. Further work is awaiting additional data to be released by the Department of Commerce. - Mrs. May
6. A project in process is designed to develop an index of industrial production that will indicate week by week the approximate level of the FRB index. It will include a larger number of weekly series than are included in any current business indices, with weightings and seasonal adjustments approximating those in the FRB index. - Mr. Daggit, Mr. Smith
7. Progress was made on a study of the relationship between the New York Times revised index of business activity and the new FRB index of industrial production in an attempt to forecast the weekly level of the FRB index from the New York Times index. - Mr. Daggit, Mrs. May, Mr. Colclough

8. At the request of Under Secretary Bell on January 29, a memorandum for the Secretary is being prepared, illustrated by five charts, on the possibility of a freight car shortage in October 1941, when car loadings are at their seasonal peak, and containing a forecast of freight car loadings for October, a forecast of the number of freight cars that may be required, and outlining steps which would alleviate or prevent such a shortage. - Mr. Daggit, Mr. Chevraux
9. A study is being made of payrolls, totals and per capita, by States, in manufacturing, retail, and wholesale trade, for March 1941 as compared with March 1940. This is based on census totals by States for 1939, covering employment and payrolls and on percentage changes in these figures as reported by the Bureau of Labor Statistics. - Mr. Daggit, Mrs. May, Miss Hagedorn, Mr. Colclough

Actuarial Problems

I. Projects or studies completed

1. In response to a request telephoned on May 9 from the REA, a schedule was prepared, and was transmitted to Mr. Gilleland in a letter of May 14, showing the monthly, quarterly, semiannual, and annual payments required to amortize a loan by level payments over specified short-term periods at 4 percent per annum. - Mr. Reagh, Mr. Brown, Mr. Kroll
2. A copy of S. 1259, a bill to amend Section 12(b) of the Civil Service Retirement Act, as amended, was transmitted by the Office of the General Counsel, on April 25, for preparation of a voluntary report if desired. The bill was returned to the Office of the General Counsel on May 8, with a note stating that a report would not be made. - Mr. Reagh
3. At the request of Mr. G. B. Buck, in a letter of May 5, a letter was prepared, and was transmitted to Mr. Buck under date of May 20, suggesting a basis for reply to a communication from Mr. Fisher, Chief of the Retirement Division, Civil Service Commission, requesting the Board of Actuaries to comment upon a revision in H. R. 4133, a bill to amend the Canal Zone Retirement Act, regarding the mortality table prescribed as a basis for the computation of immediate life annuities. The joint reply of the Board of Actuaries was forwarded to Mr. Fisher on May 28. - Mr. Reagh, Mr. Brown

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4. In response to a request in a letter from the Bureau of the Budget on May 17, a report was prepared incorporating the views of the Treasury Department on H. R. 3437, a bill to amend further the Civil Service Retirement Act. The report was incorporated in a letter completed on May 27, for the signature of the Administrative Assistant to the Secretary. Since the report was transmitted to the Bureau of the Budget, the Legal Division was informed that contrary to earlier indication the Department's views need not be expressed before the Committee on Civil Service in the Hearings on the bill to begin on June 3. - Mr. Reagh

II. Projects or studies under way

1. The Board of Actuaries of the Civil Service Retirement and Disability Fund is laying out detailed plans for tabulating and processing data for use in preparing the regular five-year valuation of the Civil Service Retirement Fund for the purpose of determining the liabilities of the Government under the Civil Service Retirement law. Under the law, such a valuation must be prepared as of July 1, 1940. - Mr. Reagh, Mr. Brown
2. In response to a request in a letter on May 23, from Mr. George B. Buck, Chairman of the Board, a review is being made of a draft of the 20th Annual Report of the Board of Actuaries of the Civil Service Retirement and Disability Fund. - Mr. Reagh, Mr. Brown
3. The Foreign Service Retirement law, as approved April 24, 1939, Section 26(m), provides that the "Treasury Department shall prepare the estimates of the annual appropriations required to be made to the Foreign Service Retirement and Disability Fund and shall make actuarial valuation at intervals of five years, or oftener if deemed necessary by the Secretary of the Treasury". An outline of the data required for making an actuarial valuation has been submitted to the State Department. - Mr. Reagh, Mr. Brown
4. At the request of the Department of Justice on May 16, assistance is being given in the preparation of a tax case involving the proceeds of an insurance policy paid to the beneficiary in installments over a period of years. Several conferences were held and questions and answers, together with schedules, were prepared for use in the trial to be held in Richmond, Virginia on June 11. - Mr. Reagh, Mr. Kroll

5. At the request of Mr. Robert H. Hinckley, Assistant Secretary of Commerce, on March 22, assistance is being given with respect to proposed legislation for the retirement of inspectors and other similar technical personnel of the Civil Aeronautics Administration. Several conferences have been held, and a bill has been drafted for consideration by the officials of the Civil Aeronautics Administration. - Mr. Reagh
6. About three years ago a committee was organized for the purpose of studying ways and means to extend retirement benefits to all Government employees regardless of Civil Service status. The working committee, the Subcommittee on Retirement, has again become active and is attempting to draft legislation which would coordinate the provisions of the Social Security Act with the Civil Service Retirement Act. A memorandum addressed to the Subcommittee on Retirement was presented at the meeting on May 29 on "the full offset vs. the one-half offset" plan for coordination of the Civil Service and Social Security Retirement Systems. The memorandum included an example illustrating the effects of the two methods. - Mr. Reagh
7. A review is being made of an article by Mr. J. Douglas Brown, entitled, "Dismissal Compensation in a War Economy". - Mr. Reagh
8. In response to a request contained in a letter from Mr. George Buchan Robinson of May 11, several articles on Social Security written by the writer and published in The Annalist are being reviewed. - Mr. Reagh
9. At the request of Under Secretary Bell on May 27, a review is being made of a manuscript entitled "Proposed Provisions for a Compulsory Dismissal Compensation Program" by E. D. Hawkins, Mt. Holyoke College. - Mr. Reagh

Other Projects or Studies

1. Publications

- (a) For the May issue of the Treasury Bulletin data were prepared on average yields of long-term Treasury bonds and high-grade corporate bonds. - Mr. Turner, Mr. Barnett

All the material submitted for the May issue was reviewed and edited.

Revisions in tables in addition to those made in the April and prior issues are being considered for future issues. - Mr. Lindow, Mr. Lynch

- (b) For the publication Market Prices and Yields of Outstanding Bonds, Notes, and Bills of the United States, computations were made and copy was prepared for the issue covering the month of April. This publication shows by securities the rates of interest, maturities, interest payment dates, and amounts outstanding; and for each day of the month, together with a monthly average, closing market quotations (accrued interest to be added), and yields. - Mr. Moody, Miss McCoy
- (c) The preparation of a cumulative subject index of Treasury publications since the establishment of the Department, covering (1) Annual Reports of the Secretary, (2) other publications issued by the Department, including annual reports of the bureaus and offices in the Department, and (3) material prepared in the Treasury Department which was published in Congressional documents, hearings before Committees of Congress, or the Congressional Record is in temporary abeyance.

2. Correspondence

Replies were prepared to letters received on subjects relating to the work of the Division, and letters drafted elsewhere and submitted to the Division for that purpose were reviewed. - Miss Michener, Miss Ziegler, and other members of the staff in appropriate fields of work.

During May 592 letters were received in the Division and 539 were handled as required.

3. Charts

Charts are prepared and continually brought up to date for use in memoranda and in chart books on special subjects, and corresponding photographic, photostatic, and multilith work is carried on. This is done in the Graphic Section under the supervision of Mr. Banyas. A statistical report on the work of the Graphic Section for the month of May is attached.

Work completed in the Graphic Section, Division of
Research and Statistics, during May 1941.

393

Type of work	For Division of R & S	For Others	Total
<u>Graphic:</u>			
<u>New charts:</u>			
Total charts completed	36	7	43
Bond book charts completed	2	-	2
<u>Charts brought up to date:</u>			
3 bond chart books brought up to date	26 (times)	-	26 (t)
All other charts brought up to date	692	31	723
<u>Miscellaneous:</u>			
Total jobs	15	9	24
<u>Photographic:</u>			
<u>Photographs:</u>			
Total jobs	58	17	75
Number of-			
Negatives	154	15	169
Contact prints	190	34	224
Enlargements	193	32	225
<u>Photostats:</u>			
Total jobs	146	15	161
Number of-			
Lettersize copies	1,195	432	1,627
All other copies	8,545	60	8,605
<u>Multilith:</u>			
Total jobs	8	1	9
Number of-			
Zinc plates	114	14	128
<u>Miscellaneous:</u>			
Total jobs	11	2	13

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2-41

Graphic Section, Division of Research and Statistics, by months,
beginning January 1941.

Type of work	Jan.	Feb.	March	April	May	June	Total
A. Graphic:							
New charts completed	50	57	45	52	43		
Charts brought up to date	734	740	727	782	723		
Bond book charts completed	-	60	2	65	2		
3 bond books brought up to date	26 (times)	22 (t)	26 (t)	26 (t)	26 (t)		
Miscellaneous jobs	35	36	32	39	24		
B. Photographic:							
<u>Photographs:</u>							
Total jobs	105	121	128	150	75		
Number of-							
Negatives	153	232	218	251	169		
Contact prints	224	247	772	729	224		
Enlargements	209	608	160	474	225		
<u>Photostats:</u>							
Total jobs	167	164	216	194	161		
Number of-							
Lettersize copies	746	1,588	2,936	4,035	1,627		
All other copies	10,828	10,948	11,336	14,737	8,605		
<u>Multilith:</u>							
Total jobs	8	15	10	9	9		
Number of-							
Zinc plates	100	91	91	112	128		
<u>Miscellaneous:</u>							
Total jobs	16	31	28	18	13		

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 7, 1941

TO Secretary Mergenthau
FROM Mr. Haas *HAAS*

Work Projects Administration employment during the week ended June 25, 1941, dropped to 1,368,000 persons, or 42,000 below the previous week's employment. This compares with 1,464,000 persons employed at the end of May.

Attachments.

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Weekly
United States

Week ending	Number of Workers (In thousands)
1940-41	
December 4	1,832
December 11	1,855
December 18	1,872
December 25	1,878
January 1	
January 8	1,880
January 15	1,887
January 22	1,894
January 29	1,895
February 5	1,892
February 12	1,893
February 19	1,885
February 26	1,867
March 5	1,806
March 12	1,764
March 19	1,736
March 26	1,708
April 2	1,662
April 9	1,634
April 16	1,607
April 23	1,586
April 30	1,560
May 7	1,519
May 14	1,497
May 21	1,474
May 28	1,464
June 4	1,442
June 11	1,423
June 18	1,410
June 25	1,368

Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Monthly
United States

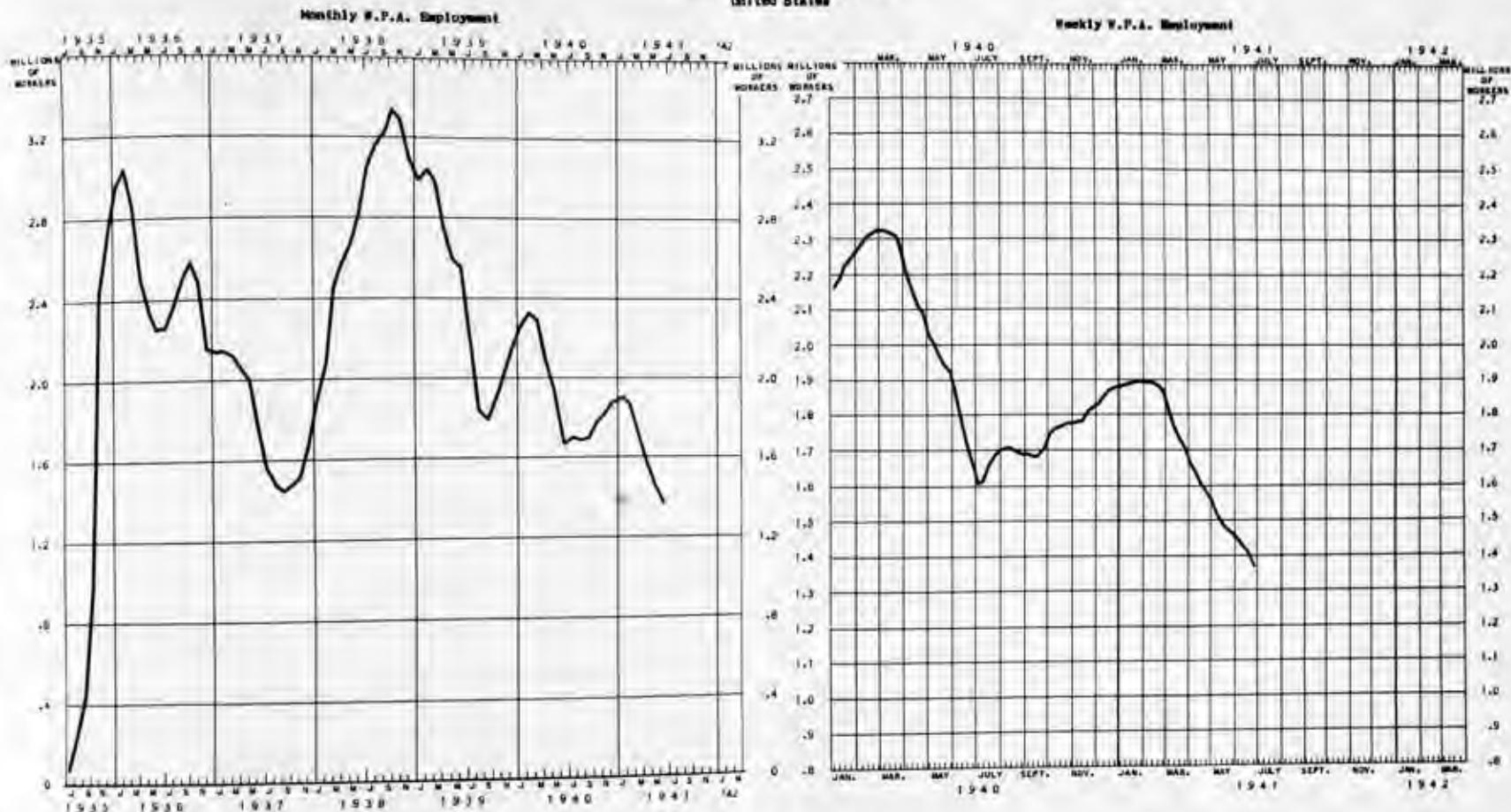
	Number of Workers (In thousands)
1939	
January	2,986
February	3,043
March	2,980
April	2,751
May	2,600
June	2,551
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,821
December	1,878
1941	
January	1,895
February	1,867
March	1,708
April	1,560
May	1,464
June	1,368

Source: Work Projects Administration.

Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.

WORK PROJECTS ADMINISTRATION
Number of Workers Employed
United States



SOURCE: W.P.A. ADMINISTRATION

DES

PLAIN

LONDON

Dated July 7, 1941

Rec'd 2 p.m.

Secretary of State,
Washington.

2877, Seventh.

FOR TREASURY.

1. Press comments on the Chancellor of the Exchequer's statement on the viscose deal reported in paragraph 3 of the Embassy's No. 2770, July 1, continue to indicate an attitude which is well reflected in the two quotations which follow:

"The MANCHESTER GUARDIAN financial editor asserts that there is deep disappointment at the result of this transaction and says:

"It is certain that the last has not been heard yet of the matter. At the very least this panic transaction should serve as a warning. Neither country can in the long run afford to inflict wounds of resentment. Fortunately, a new type of procedure appears to be in preparation".

The FINANCIAL TIMES commentator who writes over the name Autolyceus makes the following comment:

"Shareholders in Courtaulds, Ltd., need not feel perturbed at the sale by the British Treasury of Courtaulds' interest

-2- 2877, July 7, 1941 from London

interest in the American Viscose Corporation, for the ridiculous price of \$54½ millions. Whoever is responsible for the conduct of the negotiations which led to the American viscose shares being realized for this giveaway price cannot have been bound by the most ordinary rules that should govern a transaction of this nature. The price obtained by the British Treasury is so hopelessly inadequate as to arouse a natural inquiry for the reason which prompted acceptance of the terms."

After noting the significance of the "voluntary reduction" by the syndicate from 10 to 5 percent in the sale proceeds this writer asserts that:

"It now remains to be seen what price will be fixed as a reasonable figure for the British Government to pay to shareholders in Courtaulds in respect of the American Viscose Corporation shares. The British Treasury receives the proceeds of the sale of the American Viscose Corporation and, in its turn, will pay Courtaulds' shareholders what is considered a fair price for the latter. This price will have to be determined by arbitration."

2. With reference to paragraph 2 of the Embassy's 2770, July 1, it is now reported that the Chancellor of the Exchequer is conferring with the Trade Union Council and the Employers Federation on the subject of wage stabilization. It is stated that in the three months since the budget

-3- 2877, July 7, 1941 from London

budget speech 1,720,000 workers have received wage increases totalling £205,000 per week, while agricultural, railway and other workers are now pressing for further increases. The press reports that the Government is pressing the urgency of the problem and that wage policy will form part of the forthcoming House of Commons debate on production. The Trade Unions are expected to insist, before approving a wage stabilization measure, upon extension of rationing to all essentials, rigidly controlled prices, a real basic wage "with some relation to cost of living" for lower paid workers, and a ruthless stopping of evasion of excess profits duty, food, etc. speculation, hoarding and illicit trading.

Meanwhile the Government exploring the question of family allowances which as pointed out by Rowntree (see the Embassy's 41, January 6) would be the logical safeguard for preserving a standard of nutrition for the children and families of lower paid workers in a war controlled economy. The trade unions, however, have so far shown antagonism to any proposal for family allowances believing that such a step would hamper their bargaining powers both in war and peace time.

It will be remembered that a conference on wage policy
which

-4- 2877, July 7, 1941 from London

which was called early in the war broke down completely and although there is a wider and clearer realization amongst trade union leaders of the inflationary danger today, a solution of this problem will, no doubt, be fraught with much controversy. While on the one hand there is an index of wage rates, there is no published index of weekly earnings taking full and over-time into account and, on the other, the official cost of living index is anything but a scientific measure of the cost of food and clothing available under rationing and commodity shortages, unfortunately the wage rate index and the official cost of living index are closely linked in the minds of the trade unions, the former having increased by 20 percent and the latter by 29 percent between September 1, 1939 and June 1, 1941. The lack of an even approximate measure of actual earnings and the cost of available essential goods - factors on which a wage policy must be based - must necessarily provide a wide field for controversy. For example, the ECONOMIST of May 31 analyzed basic food prices, the amounts purchasable under rationing and probable expenditure on substitutes, and concluded that whereas the official index indicated an increase for food alone of 18.4 percent between 1937-38 and March 1, 1941, it is in fact "a perfectly safe conclusion that the increase
in actual

-5- 2877, July 7, 1941 from London

in actual expenditure on food has been much less than official index, if indeed there has been an increase at all".

On the other hand, a writer in the April 3 issue of the OXFORD INSTITUTE OF STATISTICS BULLETIN concludes from his analysis of a "Human Needs Diet in Wartime" that "In spite of the partial substitution of cheap for more expensive foods, the outlay in March 1941 would be about 41 percent higher than in the Autumn of 1936". Such conflicting evidence from sources regarded as authoritative are bound to add fuel to the controversy unless the Government is armed with more scientific data which has not been vouchsafed to the public and which will carry sufficient conviction to win the respect of the trade unions.

The great divergencies in wage increases, as between one industry and another, and the problem of protecting the lowest paid workers from the dangers of inadequate nourishment in large families add to the complexities of the problem. Above all, given the attitude which Bevin is known to take, a general wage policy seems at this late date to be a difficult goal to reach around any conference table. Whether anything more than a face-saving formula will be achieved remains to be seen.

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BRITISH EMBASSY,

WASHINGTON, D. C.

July 7th, 1941

Dear Cochran,

I enclose copy of a recent letter from the Ministry of Economic Warfare regarding the practices adopted by the German shipping companies in collecting U.S. dollars for refugees from Germany, regardless of whether refugees are ever allowed to leave or not. I do not know how this question stands under the recent Freezing Order, but I wonder in any case whether it might not be possible to restrict these payments in some way.

Yours sincerely,

(s) R. J. Stopford

Mr. Merle Cochran,
Room 279,
U. S. Treasury Department,
Washington,
D.C.

C O P Y

Letter received from the Ministry of Economic Warfare, London.

Dear Stopford,

We have recently had sent to us copies of correspondence from the Cunard White Star, Ltd., New York, to their Liverpool Office, dealing with the marked activity of the Hamburg-America Line and the North German Lloyd in the U.S., whereby these Companies are collecting U.S. currency as West-bound passage money for persons resident in enemy-occupied countries of Europe. There have been previous references to this activity in censorship reports and it would seem that the amounts involved may have reached, or may reach, heroic proportions.

The German Companies possess the advantage over American and other neutral companies in that communications and arrangements made through them are facilitated by their Government's control of a great part of Europe, and they appear to be trading on this and the anxiety of relatives in the U.S. to attract to themselves large quantities of dollars, this, in spite of the fact that they themselves have no shipping facilities to offer and that other shipping lines are fully booked for months to come. Being unable themselves to issue tickets they book passages with other shipping lines and if a ticket is issued they are paid the usual 6% commission. If, for any reason, no passage is available or the emigrant is unable to leave, such arrangements as have been made have to be cancelled. They charge a fee of \$10 for cancellation. In either case they make a nice profit out of cable costs. Since they have no ships of their own to operate and the charges made by the other lines are commonly known, they make nothing out of this actual item, but it appears that, in addition to all the other costs and charges which are demanded, they collect some \$370 per head for "special passport fees". They make a special parade of the fact that any money paid to them is forthwith deposited by them with the Chemical Bank and Trust Company, pending the actual issue of a ticket, and they therefore reap the benefit of any interest which the Chemical Bank may allow on this deposit.

The position may therefore be summarized as follows:-
If a ticket is issued the German Companies collect 6% commission, which is about \$21 per ticket, plus the amount for passport fees, plus their profit on cable expenses, and plus any Bank interest. If a ticket is not issued and a deposit has to be refunded, they collect \$10, the profit on cables and the Interest. Even in the latter case the net result must represent a very tidy addition to Germany's dollar holdings, as although no definite figures are given in any of the correspondence that I have seen, there must be, I should think, a large turnover.

But there is another point which emerges from a copy of a broadcast over W.M.C.A. by one Johannes Steel, who states that hundreds of wires are being received in New York and in Washington, asking for money, these wires being simply signed "Hapag" and stating that Mr. So-&-So needs \$400 for a ticket to America, and that the addressee is to cable at once. It seems to me there are tremendous possibilities which, no doubt, the Germans have not overlooked, of exploitation of the natural anxiety of the relatives and other well-wishers of the intending emigrants. If Mr. Steel's statement is correct the "Hapag" people in occupied territory can telegraph to selected addresses in America on the above lines, standing a very good chance of attracting as much as \$800 per emigrant to their banking account, after which it can be found impossible to allow an emigrant to depart, and the fees for cancellation, etc., pocketed. By allowing an occasional emigrant to leave they can keep everyone concerned in suspense, to their own profit, and the process of "request" telegrams and cancellations can be repeated ad infinitum or as I hope ad nauseam.

Again according to Mr. Steel, the data of this business are being turned over to the State Department, who, no doubt, are following the situation closely and will, I hope, take steps to investigate and, if possible, circumscribe the activities of these two shipping companies.

Yours sincerely,

Signed: H.O. LUCAS

Copy:bj:7-9-41

- C O P Y -

BERN

DATED July 7, 1941

Secretary of State

Washington.

No. 124, July 7, 4 p.m.

Bigelow saw Dr. Hotz, Director of Commercial Division, the day before yesterday and expressed concern of American manufacturing interests regarding the new measures intended by Germany completely to obstruct Swiss watch jewel exports to the United States. While the new German-Swiss economic agreements have not yet been signed Dr. Hotz intimated that they have been initialed by the respective delegations and that the signing may take place before the end of next week. The delay he said seems due to the fact that the German delegates here must refer to higher German authorities some of whom not easily accessible, absent from Berlin, and engaged in other negotiations. Dr. Hotz remarked on this as sign of growing unwieldiness of the German Foreign Trade Economic Organization as the latter expands following German conquests.

He said he wished to assure the American Government that the Swiss negotiators have put up a strong fight and have had considerable success in deflating German demands respecting

the new close range economic arrangements. The negotiations have been in progress since last November and he for one as a liberal Swiss democrat and patriot would not sign any agreement while he could not in all conscience recommend to the Federal Council and to the interested standing parliamentary committees. He said that he was certain that the agreement would be adopted unanimously by these several bodies and that he believed as soon as he could be in a position to give details both the British and American Governments would recognize that Switzerland had made the very best arrangements possible. He felt that by frank and full explanation of her position Switzerland could justify continuance of understanding and sympathy from the governments of these two great friendly countries.

With regard specifically to shipments of finished and rough jewels for watches or instruments he mentioned that the restrictions have actually existed since last August; that since then jewels have been sent through the loophole of the registered letter package and he supposed that these tiny objects would not slip through another loop hole; that the shippers would certainly be sufficiently ingenious to find ways and means. He intimated^a that it would in any case be futile for the Swiss to combat the Germans any further on this issue which he felt was one of little practical importance compared with others of more really vital importance to his country

on which the Swiss delegation doggedly and patiently held firm. His country's position vis-a-vis Germany was certainly difficult and delicate, but he repeated that he was convinced that the Swiss negotiators have acquitted themselves as well as their American and British friends could under the circumstances expect.

He promised to give the Legation details of the German-Swiss agreement some time this week.

HARRISON

Copy:bj:8-21-41

No. 2696

VOLUNTARY REPORT

Not for Publication

LIQUIDATION OF YUGOSLAV NATIONAL BANK

FROM:

Sam E. Woods
Commercial AttacheAmerican Embassy
Berlin, GermanyDate of Completion: July 2, 1941
Date of Mailing: July 7, 1941

NOTE: This report was prepared
by Miss E. A. Kayser of the
Economic Section.

Contrary to reports recently circulated and even published by one Berlin paper, that the Yugoslav National Bank had postponed its liquidation until after the war, liquidation of the Yugoslav National Bank has already begun and is being continued. On the basis of a decree of the German Military Commander and an executory decree by the Economic Plenipotentiary in Serbia, both dated May 29, liquidation of the affairs of the bank was begun as of June 1.

The Branches of the Yugoslav National Bank situated abroad are still liable to the main institution in Belgrade for the assets which they administer. It is known that one of the successor states wishes to prevent the branches from fulfilling their obligations. In so far as state intervention with respect to the assets of the National Bank abroad has occurred, these states are

- 2 -

liable to the liquidations for the consequences of such actions.

The assets of the Yugoslav National Bank have in part been turned over to the central banks of the successor states, among others in Agram and Belgrade, so that bills, loans, sight deposits and cash could again be brought into circulation.

The process of liquidation is difficult in view of the fact that the central office and many branches of the bank changed their location and hid their assets during the hostilities, so that some of the necessary documents are missing. Postal service is also still unsatisfactory. But it is expected that contact between Belgrade and the branches outside of Serbia will be restored in the near future, in which case the greatest difficulty will be overcome.

It is expected that, by agreement with the central banks of the successor states, the assets for the territory concerned will be turned over and the transactions for the territory completed. It will not be possible to distribute the assets of the Yugoslav National Bank blocked in foreign countries until after the war, but this will not necessitate complete postponement of liquidation.

Comment:

It has not as yet been possible to ascertain with which of the "successor states" Germany is having friction, as indicated by the mention of appropriation of assets of branches of the Yugoslav

- 3 -

National Bank by one of them and the threat that it would be held liable.

Source of Information:

Suedost-Echo, June 28, 1941

To Department
in sextuplicate.

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COPY - dm - 8/8/41

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BRITISH EMBASSY,
WASHINGTON, D.C.

7th July, 1941

PERSONAL
AND SECRET

Dear Mr. Secretary,

I enclose herein for your personal
and secret information copies of the latest
reports received from London on the military
situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

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

TELEGRAM RECEIVED FROM LONDON JULY 2ND, 1941NAVAL

Malvernien OEV bombed and set on fire and abandoned 480 miles northwest of Cape Finnisterre. Scarborough has picked up boat load of survivors, search continuing.

2. Naiaid Kandahah bombarded Damour area south of Beirut night of 29th/30th.

3. Flamingo, Cricket heavily bombed p.m. June 30th off Lybia. Cricket flooded in boiler room. Flamingo damaged by near miss. Both able to proceed. At least two aircraft shot down.

4. Photographs of Brest p.m. 1st show Prinz Eugen battle cruiser still there. Four submarines ten E. boats have just arrived.

5. A.M. 30th. During attack in Kiel Harbour by Blenheim aircraft two direct hits scored on Oceania 20,000 tons or Neptunia 12,000 tons.

6. Outward convoy a.m. 1st 630 miles west of Ushant unsuccessfully attacked by two possibly three Fokker Wulf.

7. Military

Syria Vichy have recaptured port of Ridge north of Palmyra. We have occupied Sokhne 40 miles northeast of Palmyra. Vichy attack on Nevek repulsed.

8. Russia. Riga has been captured and the Russian Army in the Baltic States apparently in considerable difficulties. The same applies to large numbers of Soviet troops in region of Bialystok who were overrun by armoured formations now advancing towards Smolensk. South of Pripet Marshes the Germans have crossed previous frontier and are

driving /

Regraded Unclassified

-2-

towards Kiev. Russians appear to be holding at Skuleni.

9. Abyssinia Bedda area our troops have captured 375 prisoners including one General, six field guns and some light anti-aircraft guns.

10. Royal Air Force Night of June 30th/July 1st. Attacks reported successful and particularly violent explosions observed on Duisberg.

11. Day 1st. Power station and railway centre at Oldenburg and seaplane base at Borkhum attacked. Three sweeps involving 12 squadrons of fighters over northern France; only 2 enemy fighters were met, no fighting took place.

12. Night of 1st/2nd. 57 bombers attacked Naval units at Brest and Cherbourg. 2 missing.

13. Royal Air Force continuing activities in Syria. Beirut, ship alongside believed hit.

14. Malta 30th. Hurricanes intercepted 11 Italian fighters 20 miles out, destroyed 2, damaged third.

TELEGRAM RECEIVED FROM LONDON JULY 3RD, 1941Naval

Owing to low visibility search for survivors from Malvernian discontinued.

2. One minesweeping trawler mined and sunk in Thames estuary on July 3rd.

3. British submarine reported p.m. July 2nd successfully attacked convoy in Sea Channel, Gulf of Athens. No details available.

4. Military

Abyssinia Progress is being made in repairing demolitions by Italians in area north west of Ginnar.

5. Syria

Portion of the Ridge north of Palmyra recaptured by Vichy is again in our hands. Near Sukhne, forty miles north east of Palmyra, some ten vehicles and 60 prisoners have been captured. In Vichy counter attack on June 30th, on Nebek, 3 Vichy tanks were destroyed and one captured. Coastal region; resistance encountered some eight miles east of coastal road.

6. Russia

Murmanek reported captured, Russians fighting hard in area Kovno behind German advanced troops. Drive towards Smolensk and Leningrad-Kiev railway continues.

7. Royal Air Force

July 2nd. Twelve Blenheims with strong fighter escort successfully bombed Merville aerodrome. Railway junctions in this locality also attacked. Three other Blenheims scored near misses on heavily laden merchant vessels five thousand tons off Boulogne later hit by a

torpedo /

-2-

torpedo from coastal Beaufort. Nineteen enemy fighters destroyed; two of our bombers and eight fighters missing.

8. July 2nd/3rd. 161 aircraft sent to attack Bremen, Cologne and Duisburg. Four aircraft missing. Bremen 87 tons H.E. and 7,600 incendiaries; Cologne 45 tons H.E. and 7,400 incendiaries. Several large fires observed.

9. Libya

July 1st. Tripoli and Benghazi again successfully attacked by heavy bombers, direct hits scored on harbour works.

10. Syria

July 1st and July 1st/July 2nd. Our bombers attacked Palmyra Barracks, Suweida citadel aerodromes. Rayak and Beirut claim all successfully.

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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, July 7, 1941

TENTATIVE LESSONS BULLETIN
No. 129
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) I-B-N.

MISCELLANEOUS NOTES ON
THE GERMAN ARMY

SOURCE

These notes are based upon information contained in a British official publication of February, 1941, and in the report of an American official observer in Berlin, dated April 21, 1941.

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1. MILITARY PRINCIPLES TAUGHT YOUNG GERMAN OFFICERS
2. TRAINING AREA FOR FIGHTING AT CLOSE QUARTERS
3. ANTITANK ARMS AND ARMAMENT

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RESTRICTEDMISCELLANEOUS NOTES ON THE GERMAN ARMY1. MILITARY PRINCIPALS TAUGHT YOUNG GERMAN OFFICERS

The following instructions are imparted to the young German officer during his period of training as a cadet:

- a. In war, omission and delay are greater crimes than the choice of the wrong method of action; prompt decision and prompt action are vital at all times.
- b. If two solutions of a tactical problem offer equally good prospects of success, then the more aggressive of the two must be chosen.
- c. Before reporting the execution of an order or of a task, no matter how trivial it may appear, an officer should always ask himself whether he has done all that could be done to carry it out to the best of his knowledge and ability.
- d. An officer must insist that his men follow his orders to the most minute detail, and he must himself be able to execute exactly and correctly all orders he receives. Units always reflect the behavior of their officers.
- e. An officer must discard all selfish interests; service in the German army is a service of honor, a service for the German nation, and for the Fatherland. This is the idealism which makes an officer ready for every sacrifice.

2. TRAINING AREA FOR FIGHTING AT CLOSE QUARTERSa. General

An essential for infantry is an area where weapon training and assault tactics can both be taught without undue loss of time. This training field should be a rectangular tract, approximately 100 yards wide by 150 yards long.

The ground itself should be equipped with ruins of walls, parts of buildings, trenches, tank traps, barbed wire defences, shell holes, frames with suspended sandbags, clumps of trees, and bushes. A hilly or even an uneven piece of ground will add greatly to the value of the site.

The tract selected should be divided into three parts, an obstacle course, an area for hand grenade training, and an assault course.

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RESTRICTEDb. Training Ground(1) The Obstacle Course

The obstacle course should be used chiefly for training of a sports nature. There the soldiers can be taught to cross ditches and scale walls with ladders, and to overcome all sorts of other obstacles. Daring can be developed by teaching the men to jump down from high walls. The site can be used to train troops in making rushes over planks and poles thrown across water obstacles, and it can also serve to teach the men to assist one another and to instill in them determination to overcome any obstacles they may encounter.

(2) The Hand Grenade Area

The purpose of the hand grenade is to facilitate training in such weapons as the light machine gun and the rifle. Particular attention should also be paid to teaching the use of hand grenades in fighting at close quarters. In that case the men must be taught to throw from any position and to obtain a good aim from as great a range as possible.

Training in grenade throwing is designed to meet, among others, the problems of throwing grenades with a high trajectory over walls, or out of trenches, or from tank traps.

(3) The Assault Course

The assault course is intended to give the soldiers an opportunity to convince themselves, after their schooling in overcoming obstacles and in throwing grenades, of the utility of this training by applying it in definite exercises. A target which suddenly appears, or a dummy, or an exploding detonator, will each give a man the impression of battle and will cause him to act independently and with initiative, rather than mechanically.

The course also serves to train both the individual soldier and the smaller unit. A trench system, equipped with hidden strong points, enables section training, in which a great variety of methods can be taught, to be carried out. The existence of an assault course also makes possible the study of battle tactics from every angle, which is a great advantage in training men and one that lightens the work of the instructor.

3. ANTITANK ARMS AND ARMAMENT

a. When firing against tanks with 37-mm. and larger caliber weapons, it is believed that the Germans generally, though not always,

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employ an armor piercing explosive shell with a special nose. It is thought that a solid shot projectile is used in their antitank rifle, the Panzerbüchse, which is reported to be a 7.92-mm. weapon. The armor penetration capabilities of their armor piercing projectiles are not known, but they seem to be similar to those of corresponding calibered projectiles in our own service.

b. Nothing has been discovered which would indicate that the 20-mm. antitank rifle is an item of standard equipment in the German Army. The 20-mm. antiaircraft automatic cannon, like all antiaircraft weapons from 20-mm. to 88-mm., is provided with armor piercing projectiles for fire against tanks and similar armored vehicles.

c. The Germans are thought to employ a mine weighing less than 11 kilograms for antitank purposes.

d. There are no definite indications that the Germans are increasing the thickness of armor plate on their smaller tanks. Increase in armor thickness is being obtained by the substitution in their tank units of heavier tanks - Mark III and Mark IV - which are more thickly armored, for their lighter tanks - Mark I and Mark II. There is also no evidence that larger calibered antitank guns are being built. Antiaircraft, tank, and artillery weapons of calibers ranging between 20-mm. and 105-mm., inclusive, are provided with armor piercing projectiles for antitank purposes.

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G-2/2657-220 No. 434 M.I.D., W.D. 12:00 H., July 7, 1941.

SITUATION REPORTI. GERMAN-RUSSIAN FIGHT.

Ground: Germans attack Alexandraska in Murmansk sector. Finnish Divisions drive on Sortavala and Lake Ladoga.

German mechanized units advancing northeastward from the Dwina River have crossed the Estonian frontier and reached the approximate line: Pernu—Tartu. Russian counterattacks have halted a German column advancing on Pskov, near the town of Ostrow. Polotsk is held by Russian units. A Russian force is reported by Moscow to be counterattacking towards Borisov. Further south on the central front, a German force attacking from Bobruisk has reached the Dnieper River.

South of the Pinsk Marshes a heavy German attack has commenced against the "Stalin Line" in the region of Novigrad—Volynsk. Hungarian units have reached the Dniester River, to the east of Stanislawow. An Axis force has occupied Cernauti, the capital of the Bukowina. A German army attacking northeastward from Roumania across the Pruth appears to be approaching Balti, a city in northern Bessarabia.

Air: No change in the general situation. Heavy German strategic bombing of Gomel and Smolensk.

II. GERMAN-BRITISH FIGHT.

Air: German. Limited activity only.

British. Continuation of the offensive. By day bomber formations, escorted by hundreds of fighters, have operated against northern France, taking considerable losses in the process. Night attacks have centered on the Ruhr and on northwestern German ports.

III. MEDITERRANEAN AND AFRICAN FIGHTS.

Ground: Continued but slow. British progress in eastern Syria. In Ethiopia there have been further surrenders of Italian forces.

Air: Numerous harassing raids by all combatants. Fairly heavy attacks on Beirut.

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Paraphrase of Code Cablegram
Received at the War Department
at 13:00, July 7, 1941.

London, filed 18:20, July 7, 1941.

1. British Air Activity over the Continent.

a. Night of July 5-6. The following numbers of tons of high explosive bombs and numbers of incendiaries were dropped upon the objectives named: Osnabruck, 26 and 700; Munster, 147 and 11,000; Magdeburg, 24 and 1600; Bielefeld, 29 and 4000; and Rotterdam, 18 tons of high explosive bombs. It is reported that excellent results were obtained in these raids, with eighty per cent of the bombers dispatched attacking primary targets. The condition of the weather was also favorable.

b. Day of July 6. Six Heinkel's attacked shipping in the Schelde, nine shipping off the Frisian Islands and six shipping in the area of Belle Isle. Six Stirlings attacked the Lille steel works and three attacked the ship yards at Le Trait. Good results were said to have been obtained in these operations. British fighter aircraft operated as follows: 333 on offensive patrols, 149 on interception patrols, 25 on special patrols, and 310 in the protection of shipping.

c. Night of July 6-7. Bombers were dispatched as follows: 67 to Munster, 109 to Brest, 2 to Emden, 5 to Rotterdam and 46 to Dortmund. Leaflets were dropped over Vichy and Limoges by 6 bombers. The raids of this night were also reported to be successful, with the majority of the bombers sent out being able to attack primary objectives.

2. German Air Activity over Britain.

a. Day of July 6. 10 long range bombers and 10 reconnaissance aircraft operated against England, while 300 fighters operated defensively

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over German territory.

- b. Night of July 5-6. The Germans employed 10 mine-laying aircraft, 20 long range bombers and 10 fighters.
 - c. Day of July 6. The activity consisted of defensive patrols and reconnaissance over the Channel.
 - d. Night of July 6-7. Operations on a limited scale occurred over the Pembrokeshire coast, the Thames Estuary and the Bristol Channel.
3. Aircraft Losses Reported.

- a. British losses. Two Blenheims and six Spitfires were lost during the day of July 6.
 - b. Aix losses. Five Me-109F's and six Me-109's were shot down, two Me-109F's and five Me-109's were probably destroyed, and two Me-109F's and three Me-109's were damaged on July 6. Two Ju-88's and one HE-11 were shot down by British night fighters the night of July 6-7.
4. British Air Activity, Other Theaters.

- a. North African Theater. Shipping was attacked at Palermo on July 6. Hits were made upon five ships totalling 28000 tons.

Recent German air activity indicates that in order to offset the British air offensive the Germans are withdrawing many of their fighters from the Russian front.

LHE.

Distribution:

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