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October 8, 1941
8:25 a.m.

HMJr: Hello.

Harry Hopkins: Hello.

HMJr: Good morning, Harry.

H: Hello, Henry.

HMJr: Have you had your breakfast?

H: No, sir.

HMJr: Well, I knew you were an early riser.

H: I got up - woke up about six o'clock and went back to sleep.

HMJr: Did they wake you just now?

H: Oh, no. I've been awake.

HMJr: I told them not to call you.

H: Oh, no. My God, I'm awake.

HMJr: Harry, I spoke to the President last night and told him most of what I'm going to tell you, because I'm kind of excited.

I had the Russians at the house last night a quarter past nine.

H: Yeah.

HMJr: And I talked to this Charge like a Dutch uncle.

H: Uh huh.

HMJr: And I told him about the English and all that. And I said, "Now, let's put that to one side." And I said, "Now Mr. Hopkins tells me that he's got fifty million dollars worth of good,

up-to-the-minute stuff for you."

H: Oh.

HMJr: I said, "I haven't seen it, I don't know; but his word's good with me."

H: Uh huh.

HMJr: And I said, "Never in the history of Russia for the next ten years, will fifty million dollars do you as much good as it will in the next three weeks."

H: Yeah.

HMJr: Now I said, "If you'll simply tell me, 'Mr. Morgenthau, some time during the next six months we'll deliver fifty million dollars worth of gold here,' I'll give you a check in five minutes."

H: Yeah.

HMJr: See?

H: Yeah.

HMJr: And I just pounded it into him.

H: Yeah.

HMJr: And he kept saying, "Well," he said, "General Spaulding has only told us about eleven million dollars worth of goods, and we don't know anything about the fifty."

H: Uh huh.

HMJr: So I said, "Well, Mr. Hopkins says there's fifty and if he says there's fifty, that's good enough for me." Hello.

H: Yeah.

HMJr: So what I was thinking was this: evidently,

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they may be holding back, thinking they're going to get it for nothing, not knowing that there is fifty million dollars worth of stuff there.

H: Oh, I don't think that's true.

HMJr: Well, do you think that they know that there's fifty million dollars?

H: Well, I think they know that there's much more than that in this short time. I've tried to - how could he possibly say that. We've made a commitment to give him a hundred planes, and he said, "times a hundred and twenty thousand dollars apiece." That's twelve million right there.

HMJr: Uh huh.

H: And something over a hundred odd tanks at about thirty thousand apiece. That's just tanks and planes.

HMJr: He mentioned tanks and planes coming up to eleven million dollars worth. I wasn't going to argue because I didn't know anything about it.

H: Yeah.

HMJr: But I think.....

H: I don't think he's going to give you the money. Did he say he'd sent the cable?

HMJr: He said he sent the cable ten days ago and he said he would send another urgent one last night.

H: He hasn't followed it up, huh?

HMJr: No.

H: Yeah. Well - listen, we'll get the stuff if he'll get the money.

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HMJr: You mean you'll make good on your end if he produces the dollars.

H: Oh, yes.

HMJr: What?

H: Yes.

HMJr: You can?

H: Why certainly.

HMJr: Good.

H: We're in a terrible fix here, Henry.

HMJr: Well, I think that there's a good chance they'll come through with the fifty.

H: You do?

HMJr: Yeah.

H: Grand.

HMJr: Yeah. Well, the six months thing seemed to hit them right.

H: Yeah.

HMJr: After all, what the hell? If they do or don't. if they're still going six months I'll get it and if they're not.....

H: That's right.

HMJr:I'd kiss that and a lot more goodbye.

H: Yeah.

HMJr: Isn't that right?

H: Absolutely. Absolutely. So this whole thing

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is really - if we could - if what we could do - and especially, it isn't only what we can get over there, it's the conviction that Stalin gets that we mean business on the long pull, too.

HMJr: Yeah.

H: That's another thing, that we really are going to town and really going to help them.

HMJr: Yeah. Well, Harry, I talked to that fellow last night like a Dutch uncle.

H: Uh huh.

HMJr: And I had him with the perspiration breaking out all over him.

H: Uh huh. I'll bet you did.

HMJr: And - so I think in a day or two he'll be letting us know. Then the rest will be up to you.

H: That's right.

HMJr: Okay?

H: I'll go after it. Fine, Henry. I'm pleased the way this thing has gotten along.

HMJr: What?

H: I'm pleased. I think we'll get something out of this. Old Jess didn't say anything yesterday, but we might nick him for a little more some way some how.

HMJr: You might.

H: Yesh.

HMJr: Well, I don't know how he arrives at the fifty million; but if I said he could do fifty, why can't he do a hundred?

H: Yeah, that's right.

HMJr: What?

H: That's right.

HMJr: And - well, let's keep in touch.

H: All right, Henry, old boy. I thought that was a very useful conference. I think if it did nothing it would get Hull acquainted with all the detail of it.....

HMJr: Yes.

H:which I'm sure he absorbed there yesterday.

HMJr: The President seemed quite happy about it.

H: I know it.

HMJr: You see, I was all pepped up and I wanted to.....

H: He's depressed about a number of things.

HMJr: Is he?

H: Yeah. A lot of things have gone wrong in the last day or two.

HMJr: Well, I'm sorry.

H: Gone to hell.

HMJr: The Neutrality thing?

H: Oh, yes. The Senate is wishy-washy and seem to lack all understanding of what the hell is going on in the world.

HMJr: Uh huh.

H: And one or two other things have gone bad.

HMJr: Well, when I talked to him last night.....

H: He's feeling better now.

HMJr:it was a little after ten, he was feeling very cheerful.

H: I left him about nine.

HMJr: Yeah.

H: Yeah. Well, that's fine, Henry.

HMJr: But, you keep pushing.

H: All right, old boy.

HMJr: Take care of yourself.

H: I will, Henry. Good-bye.

HMJr: Good-bye.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, October 8, 1941.

The Secretary of the Treasury, by this public notice, invites tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated October 15, 1941, and will mature January 14, 1942, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern Standard time, Friday, October 10, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 15, 1941.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from

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the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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

-oOo-

October 8, 1941
9:50 a.m.

HMJr: Hello.

Allan
Sproul: Good morning, Mr. Secretary.

HMJr: Good morning. Allan, would be ready in a little while to tell me - oh, in about a half an hour I'll call you back.....

S: Yeah.

HMJr:if we do two and three eighths, where would you put it; and if we do two and a half, where would you put it.

S: Yes, I will be.

HMJr: Will you - I'll be calling you back in about a half an hour.

S: All right, we'll be ready for you.

HMJr: Will you do that?

S: Right.

HMJr: Thank you.

S: All right.

October 8, 1941
10:30 a.m.

HMJr: Hello.

Operator: Sproul and Rouse.

Allan
Sproul: Hello.

HMJr: Hello.

Robert
Rouse: Hello.

HMJr: Have you got me a couple of rates?

S: Yes. Mr. Rouse has developed a couple of rates on the two and three eighths. We figure it as a '61-'63.

HMJr: Just a moment, I'm writing it down. Just a minute. Sixty - what did you say?

S: Sixty-one - sixty-three.

HMJr: Sixty-one - sixty-three. Yeah.

S: And we figure that would probably sell on a - from a two-thirty to a two twenty-five basis.

HMJr: Which points as what - a hundred and one?

S: And that the premium would probably range from one and seven thirty-seconds to two points.

HMJr: Wait a minute. Would do from what? A hundred and one?

S: From a hundred and one seven to a hundred and two.

HMJr: I see.

S: The price.

HMJr: I see. Now, on the two and a half?

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S: On the two and a half we would put it sixty-six seventy-one.

HMJr: Sixty-six. Sixty-six.....

S: Seventy-one.

HMJr: Yeah. And.....

S: We figure that would sell somewhere between a two-forty and a two thirty-five basis, and the price would range on our estimate from a hundred and one twenty-eight to a hundred and two and twenty-six thirty-seconds.

HMJr: A hundred and two what?

S: A hundred and two and twenty-six thirty-seconds.

HMJr: I see. Well, I asked Piser what.....

S: Beginning with those two, Mr. Secretary.

HMJr: What's that?

S: You take in the first case, the two and three eighths might start out closer to the two and a quarter basis - around a hundred and one and a half or a hundred and one and five-eighths; whereas the two and a half might start out a little lower, on the lower range in price; that is, nearer the two forty basis than the two forty-five - the two thirty-five.

HMJr: Well.....

S: In other words, the two and a half should sell a little higher in price but not a great deal.

HMJr: Well, let me ask you this - so much for the pricing. Hello.

S: Yes.

HMJr: Give me the market gossip now.

S: The market gossip?

HMJr: Yeah.

S: Well, in general, it is that they don't want it two and three eighths. They would like it two and a half. Mr. Rouse can give it to you in more detail than that.

HMJr: All right, let's have it.

R: Well, that's just the substance of it. It's reported to me that large investors are rather vehement about it. They dislike the two and three eighths very much.

HMJr: They do?

R: And.....

HMJr: What do you call - identify large investors.

R: Well, the insurance companies, the large banks that buy them - like the issue got from Mr. Knight, which was a large bank who could buy anything, and he definitely didn't like the two and three eighths.

HMJr: Yeah.

R: And we went to the station together last night after we left your office, and he seemed to feel fairly strongly about it. We get the same thing from the dealers here. They - all the reports - that list that we gave you yesterday afternoon indicated - were strongly opposed to two and three eighths coupon - thought it was shaving a rate and chiseling and it wouldn't make a good start; and the thing to do was to give the market really what it wanted.

HMJr: Anybody want the two and three eighths?

R: Haven't found anyone yet except yourself.

HMJr: I'm lonesome, huh?

R: (Laughs) Yeah.

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- HMJr: All alone. Well, let me put it to you - so much for you fellows and the rest down there. Supposing I decided I wanted to do it two and three eighths. Would it go?
- R: Yes, I think it would go; but it would go reluctantly. It wouldn't go with any punch and I think you ought to have punch in this issue.
- HMJr: Which issue do you people think would stand up the best under adversity?
- R: Under what?
- HMJr: Under a bad time.
- R: I think the two and a half would stand up best under bad times. It would appeal more to the people who hold without so much regard for day-to-day or week-to-week developments.
- HMJr: Of course, if it goes up to a hundred and three, that's kind of rich, ain't it?
- R: Yes it is, but I think that would be a temporary situation, and I think it would be a cushion worth having at this time.
- HMJr: You think the two and a half would get off to a slower start as far as price goes?
- R: Yes, we do. But it would do better, I think, over a period.
- HMJr: Anybody favor what Devine wants to offer it - at a hundred and one?
- S: Well, we had thought about that and we don't think that that would be so good.
- HMJr: You don't think so? Allan, how worried would you be if I did a two and three eighths?
- S: Well, I would be pretty worried - not from the standpoint of this issue's going, but from the

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standpoint of your whole program and getting it off on the right foot here at a point where it seems to me it's taking on volume and velocity and it's going to have to move along with real pace now.

HMJr: Why, nobody's talking about the high price of bonds. Nobody worries about that?

S: Well, I'm not.

HMJr: You're not? Well, this two and a half issue will put up the prices still higher.

S: I don't think it will. I think you'll have a very substantial issue here and more coming out; and my idea is that if it goes up that high, it will shade off again and that you'll probably have rates stabilized here or even going up a little over a period of months.

HMJr: But what I can't get is what's so sacred about two and a half.

S: Well, it's the figure at which the investors - on which they have fashioned as the one at which they can make a living and really do business; and they've come down from three to two and a half and you might say they could go down still further; but I think they're getting close to realities now and the two and a half is the rate that is about rock bottom for them to do business on.

HMJr: Let me ask you something else. Now we had in McKnight from Detroit, and he's talking about his McLucas.

S: What?

HMJr: McLucas.

S: Yeah.

HMJr: About his deposits falling off and that that's true out in Kansas City. How are deposits in

your area?

S: Well, deposits here have been going up, but we have a very large volume of inter-bank deposits here in New York City, which may be drawn down when this increase in reserve requirements goes into effect, and that will in turn affect the money market situation here.

HMJr: Are you.....

S: And the rise in our deposits has been flattening out recently. There is that to be said about our deposits. Since the last three months, they've been flattening out.

HMJr: Any of your members worried about reserve requirements between now and the first of the month?

S: No, I don't think they are.

HMJr: Anybody say they're going to be under water?

S: No, I don't think so.

HMJr: Well, Mr. Knight, of Chicago, thinks they're going to be under water.

S: Well, I think he has an idea, but he exaggerates the figures with respect to his idea. I think his idea that we haven't seen the full effects of that yet is all right; but I think his figures take the most gloomy possible view and beyond what I think is likely or possible.

HMJr: Well, I'm meeting with the boys at eleven. As soon as it's over, I'll give you a ring.

S: Fine.

HMJr: I've never seen you quite so determined as you are on this two and a half, huh?

S: That's right.

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HMJr: Well, I hate to have to be popular.

S: (Laughs) Why you've been getting more and more popular the last few weeks. With these speeches you've been making, you ought to be used to it.

HMJr: Well, I did read.....

S: What?

HMJr: I read a few hundred editorials on the six per cent statement.

S: (Laughs)

R: (Laughs)

S: Well, I wasn't counting that one. That wasn't a speech.

HMJr: I see. I see. Well, you stand by and some time between now and twelve or sooner you'll hear from me.

S: All right, fine.

HMJr: Thank you.

S: Good-bye.

October 8, 1941
11 a.m.

RE FINANCING

Present: Mr. Eccles
Mr. Draper
Mr. Piser
Mr. McKee
Mr. Goldenweiser
Mr. Jones
Mr. Murphy
Mr. Morris
Mr. Hadley

H.M.Jr: Well, have you fellows got your pencils down to a fine point?

Eccles: No, we have left that up to you.

H.M.Jr: I can report this. I never saw the financial community and the Federal Reserve System so close together. They all want a two and a half long. They even get a little mean about it, some of the fellows.

Eccles: I am glad to hear that.

McKee: There is good reason to be suspicious when you get - find yourself in that position.

(Discussion off the record).

H.M.Jr: Where were we?

Eccles: We were waiting to find out where the Treasury is. We know where the Federal and the financial community is. Now we are trying to find out where the Treasury is.

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H.M.Jr: Jesse has run out on me.

Jones: I am two and three-eighths.

McKee: That is three quarters you are sticking up, there.

H.M.Jr: Wait a minute.

Jones: I am still two and three-eighths, in spite of my respect for the opinion of the Federal Reserve and all my bankers who want two and a half.

Eccles: I think you are just horse trading here.

Jones: No, I am not.

McKee: Mr. Secretary, you are financing at pretty near the top of the market, aren't you? How far are you from the top, a couple of thirty-seconds?

Hadley: Not very far. About a quarter of a point from the all-time high.

McKee: I think that is something you have got to keep in mind. I think you have got to keep in mind also an adjustment of reserves that may temper your subscriptions to some extent by the banks, between now and the first of November. How much that will discount your subscriptions, I don't know.

H.M.Jr: Well now, from that I don't - I don't get what - from there you go where?

McKee: Well, I think under the circumstances you have got to think of whether you can take the market advantage of the price of money at this time, with these things ahead of you.

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- H.M.Jr: I still don't get you. What would you have me do?
- McKee: Well, your three eighths rate is taking advantage of the top of the market. Now, is that what you want to do with the things ahead of you that may put your bond below par?
- H.M.Jr: Well, why am I not doing exactly the same thing on a two and a half 25 - 30 year bond?
- McKee: Well, I don't think so. I think there is a lot of psychology in the rate of the bond that is awfully hard to appraise.
- H.M.Jr: You don't think I am taking advantage on that?
- Draper: I don't think you are, Mr. Secretary.
- McKee: No, I don't think you are.
- Draper: Psychologically. It may be --
- McKee: Because as I said yesterday, I think you have put out patterns of rates in your series of bonds, and I think a pattern rate of two and a half on a long term market issue falls very well in line with what you have done in the past, and which you can have as open issues for the future.
- Eccles: A two and a half rate is needed, and I think that we have got a little bit more to consider when you get down to this lower rate structure than whether it is an eighth or costs the Government a little more. I think you do have a question of a - what does it take to - after all, a minimum to support a credit system, and we want a rate that

- 4 -

appears to be a fair rate in the investment market, because you want to get the support and the confidence of a market and the feeling that they have been treated fairly.

You want to encourage - be able to talk about saving instead of spending. This particular issue, we want it to go, so far as it is possible, to put it in the hands of the investors that are primarily interested in the rate, much more so than in the maturity, and I think that when you get to twenty years or more, whether it is twenty, or twenty-five, or thirty, it doesn't have the same effect as the maturity does on a shorter issue. You haven't issued any long securities under a two and a half rate, and unless we want to establish a rate less than two and a half for a long term financing, which I think would be rather a dangerous thing to undertake, that we shouldn't at this time establish a rate below the two and a half, because it seems to me that that is going to tend to put a ceiling on the rate.

Otherwise, the bonds may drop below par if a higher rate is later given for a long term issue.

H.M.Jr: Well Marriner, I think the insurance companies would buy the two and three-eighths just - not quite as readily, but they will buy them.

Eccles: A lot of other investors, too. I think they would because of necessity.

H.M.Jr: The thing that bothers me is - I didn't mean to interrupt you. I never in my life have seen such complete opinion that everybody wants a two and a half, and it is just a question of whether I want to fly in the face of that at this time, that is all. I mean, just what is good sense, because I have got to go back to these fellows again and again.

- 5 -

- I can do a two and three-eighths, but just --
- Eccles: I think you can temporarily, but --
- H.M.Jr: And just where I want to - you know, I have never seen the fellows so determined that this is what they want.
- Eccles: There is a lot of good argument for it.
- Jones: May I make a statement?
- H.M.Jr: I wish you would. That is what you are here for.
- Jones: This is not a statement by an expert on monetary affairs, or finance, or anything like that, but we go along and hunch the rates up. We are just keeping step with the farm people, the labor people, and industry. Everybody wants to get a little of it while it is going. I think it is a mistake. It is all right, it is not a big mistake. The difference between two and three-eighths and two and a half isn't much. But we just keep in step with everybody else.
- H.M.Jr: If we do what, Jesse?
- Jones: If you raise the price, if you get your rates up.
- Eccles: You just keep it where it is, Jesse. The rates have never been below that.
- McKee: The last bond he put out was two and a half.
- Jones: You are raising the current rates.

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H.M.Jr: No, lowering them.

Eccles: No, this financing would be an all-time low.

Jones: As I understand, you have got a bond selling at two thirteen, something like. What is that, fifteen years?

Hadley: Fifteen year bond.

Jones: I think it is better for the country --

H.M.Jr: We would be lowering them, Jesse.

Jones: I thought if you would go about eighteen or nineteen years, and hunch it up to two and three-eighths, which is a quarter above the current market. That is what it amounts to.

H.M.Jr: You are sticking to the two and three-eighths?

Jones: Yes.

McKee: Wishing for a shorter maturity.

Jones: And justifying it with a little shorter term.

I don't think it makes any difference whether we make the bond eighteen years or twenty-five years.

That is the only question in my mind.

H.M.Jr: Well, as far as going along, we are not. I mean, if we stay at the two and a half, we are not doing what the farmers or the other fellows are doing, we are holding the rate where it is. But if we do two and three eighths, we are going in the opposite direction of prices generally.

Jones: I got the impression that we were going above the market when we--

H.M.Jr: No. What they are accusing me of if I do a two and three eighths, they say I am driving too hard a bargain because I am forcing the thing down further. They think at this time we ought to level off. That is their objection, Jesse.

Eccles: If we had a deflationary situation, I agree with you.

H.M.Jr: I just wonder if Jesse still thinks the same. On the two and a half we are leveling off. The last issue was two and a half, but this time we will be going out fifteen years further. Now, to do two and three eighths would be driving the rates down a little bit, and that is what everybody is kicking about.

Marriner says he doesn't think people can live on less than two and a half. That is his argument. Now, I would like to hear yours.

Jones: My idea, if I were doing it, I think I would take a - hunch the time up somewhere between fifteen and twenty years and take a two and three eighths rate. It might have a little salutary effect. I don't know whether it would or not. The thing that I am living with every day prompts this thought. I haven't found anybody in industry and finance who wasn't ready to get his part while it is going

just the same as labor and the farmer. That is the point that distresses me. We complain of the - of the labor fellows, we complain of the farmers, and we step right in and do the same thing.

Eccles:

But, Jesse, do you expect the investor to be willing to put his money into a security - that is what we want him to do, rather than spend it, see, at a longer term and a lower yield when the money that he gets in interest from that bond will buy less and less?

In other words, a two and three eighths - two and three eighths dollars per hundred will buy less today than two and three eighths dollars per hundred would have six months ago. So that what you have got to do, you can't expect to get lower rates on capital when prices are going up and expect at the same time to induce the investor to put his money in a long-term commitment. You may do it today and get this over with, but it is my opinion that if you do a bond of this sort is likely to cause you trouble later because you will have to go back and pay them two and a half, and when you do this issue may cause trouble and I - that is what I am thinking of.

I don't - not that you can't put this issue out today, but I think within a six months' period maybe or a year you may well find that if you try to get this rate on the long issue below two and a half, it is below what everybody thinks is fair, and I just think it would be making a psychological mistake.

Jones:

My thought to justify the rate was to make it just a little bit shorter time, to justify the rate.

H.M. Jr:

Well, they have pretty well agreed that if we did a two and three eighths, I think it would

be somewhere between - our boys say seventeen to twenty-two years. Piser says '60-'65. New York says '61-'63. I mean, there is that much - well, that could be reconciled. Is the Board altogether on this?

Eccles: A hundred percent. We have been for two or three weeks. As a matter of fact, the full meeting of the Open Market Committee was here Saturday and all of the bank presidents were here. We at that time discussed the whole general problem of monetary and financial policy; and, although there has been no statement as to just how much you might need, yet it was generally recognized there would be some financing very shortly and it was pretty unanimously agreed on this general view that to go below two and a half on a long issue would be somewhat of a mistake.

Draper: I don't see, Mr. Secretary, how you could possibly justify a lower rate in an inflationary period. For the Government to take that attitude in the time of inflationary danger, it seems to me, would be very hazardous to do.

Eccles: How about you, Dr. Goldenweiser? You haven't said anything on this.

Goldenweiser: I feel very strongly, Mr. Secretary. Usually I have no strong opinions on the precise rate because I feel that those things are market problems, but in this case I feel this way, that in either case you are meeting the market. It is a question of maturity. I mean, you are not going to go out and do something. You are not going to pay the people any more than the market price in either case. In one case you are going to pay them the market price on the shorter maturity and in another case you are going to pay them the market price on the long maturity so that it isn't

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a question, Mr. Jones, of taking advantage of the situation. It is a question of meeting the market situation in either case.

Now, the reason I feel very strongly that the two and a half percent bond would be a better bond is because it fits into your - into a pattern of savings situation that you have established. You have got your savings bonds on that rate. That is the investment rate today, and you want to appeal to investors. You don't want to appeal particularly to the money market, which is the banks, and I think that it does - the people don't know the details of the maturities except a few people. They are mostly the ones that you have talked to because they are market-wise people, but the people over the country don't know those details and don't know the exact yields, but they do know that the rate on savings bonds is two and a half. We have been accustomed now to think that if we want to save and give the money to the Government for safe keeping, it is a two and a half rate. This will be very definitely a departure from it, and I think it would be, in my opinion, rather a grave psychological mistake.

Jones: You think the two and a half rate is the right rate?

Goldenweiser: That is the way I feel, Mr. Secretary.

H.M. Jr: Well, I think what I will do, I will take a walk around the park by myself--

McKee: I have got a hat out here, let's have some paper.

H.M. Jr: No. I will give you all a ring between now and noon. I appreciate your trouble.

Jones: It is the business of these gentlemen to study these matters and it is not mine particularly. I have a good deal of respect for the Doctor. That is his life, is studying these matters. That doesn't mean I haven't got any respect for these other gentlemen, Marriner particularly. (Laughter)

Eccles: John, you and I.

October 8, 1941
12:00 M.

RE FINANCING

Present: Mr. Morris
Mr. Haas
Mr. Murphy
Mr. Hadley
Mrs. Klotz
Mr. Bell

Haas: I have got another idea.

H.M.Jr: Too late. What is your idea?

Haas: You are never sure of anything these days. If you take the three eighths and go wrong, you haven't got a friend in the world except Dave and myself, and we don't go wrong.

Bell: Jesse.

H.M.Jr: Jesse has changed three times.

Haas: Yes, he changed. If you should go wrong with the two and a half - I think it looks pretty good either way, as far as going. You have got a lot of friends. But if anything happens to the two and three eighths you haven't got any.

H.M.Jr: What is the answer?

Haas: If I were the Secretary of the Treasury, I think I would do the two and a half, in view of this.

H.M.Jr: What is the new idea?

Haas: Well, I was two and three eights.

H.M.Jr: Oh. Well, does anybody else want to get on board?

- 2 -

Bell: That is the way I feel about it.

Hadley: I have heard that there are a lot of bank orders already for two and a half and they might be cancelled if it was two and three eighths. They have already got them on the books.

H.M.Jr: Anybody want to get on board?

Murphy: I have been sitting there.

Morris: I said two and a half before I came in here.

Bell: I haven't changed any.

(The Secretary held a telephone conversation with Mr. Sproul and Mr. Rouse, as follows):

October 8, 1941
12:05 p.m.

HMJr: Hello.

Robert
Rouse: Hello.

Allan
Sproul: Hello.

HMJr: How do you - I hear you fellows are switching.

S: Well, that's misinformation.

HMJr: You're on the loudspeaker and they're laughing here.

S: (Laughs)

R: (Laughs)

HMJr: I hear you're slipping towards two and a quarter.

S: Someone has been taking our name in vain.

HMJr: Well, I took a walk around the circle, and the stars say two and a half.

S: Good for you.

HMJr: No, it's the stars.

S: What?

HMJr: It's the stars. Stars.

S: (Laughs)

HMJr: Two and a half.

S: Well, that sounds fine to me.

HMJr: Now, the only other thing is, our boys here would like to make it sixty-six seventy -

- 2 -

wait a minute, no - thirty-one thirty-six.

S: Yes.

HMJr: I'm all mixed up. I'm looking at too many things here. Sixty-seven seventy-two.

S: That's all right.

HMJr: Is that all right?

S: That's all right, yeah.

HMJr: That won't change it any?

S: No, I don't think that will change it much and it may make it look just a little better on price, although I don't think it'll have much effect.

HMJr: Well, I'm going to do the thing. I want to go out the window if twenty-seven seventy-two doesn't look - got any doubts about that?

S: No, I haven't. I think sixty-seven seventy-two is all right, and I have no doubts of it as compared with sixty-six seventy-one.

HMJr: The other thing - the twenty-five thirty, I'm afraid it's over a hundred and three.

S: Well, it might; although I don't think so. When you get out in that area, it's pretty difficult to tell just where the price is going to fall; and as I say, I think the sixty-seven seventy-two is all right.

HMJr: How about Rouse?

R: I agree whole-heartedly.

HMJr: On sixty-seven seventy-two?

R: Yes, sir.

HMJr: Well, now just wait a minute. Maybe I've got somebody here that doesn't agree.

R: (Laughs)

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(Following conversation takes place at 12:00 meeting on Financing.)

Bell: It is all right.

Hadley: It is all right. The rates are two and a quarter to two and a half points.

HMJr: You can't go by those.

Hadley: It's an indicator, though. It is over two and a quarter points.

Murphy: Okay.

Haas: I think it is all right. We had attempted to price it liberally.

Bell: It is liberal.

HMJr: You mean sixty-seven seventy-two is liberal?

Haas: I think it is.

HMJr: Are you sure now, George?

Haas: Yes, I will ride on that.

HMJr: You ought to come out with something new.

Haas: It is new to me.

HMJr: On the sixty-seven seventy-two you are all right?

Haas: Yes.

Morris: I think it is liberal. I would like to do the seventy-one seventy-six if they want a Savings Bond at two and a half. I would rather go seventy-one seventy-six, the way they are all feeling, and give them a Savings Bond.

Bell: Oh, you're feeling too good now. It is all right. It is liberal. It is going over two points.

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HMJr: All right. Hello.

S: Yeah.

HMJr: My boys say that's liberal - sixty-seven seventy-two.

S: Well, I think you're around an area where rate is more important than a year or two on the maturity so they may be right, but I wouldn't begin to take the bloom off of it by saving any more, I don't believe.

HMJr: No, oh no. But is sixty-seven seventy-two - is there any bloom off on that?

S: No, I think that's all right. I don't think.....

HMJr: Well by golly, this thing's got to go well because you fellows and the financing community are getting what they asked for.

S: They certainly are; and if it doesn't go well, why we're out the window together.

HMJr: I'll say you are.

S: (Laughs)

R: (Laughs)

HMJr: And Dan says you can take the Board with you.

S: Well, I don't know whether we want to do that.

HMJr: You want your own parachute, huh?

S: (Laughs.)

HMJr: Well, all right. Well, thanks anyway. It's been quite a mental struggle, but I'll go along and I'm doing it cheerfully.

S: Well, I think you're coming out the right place.

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HMJr: I hope so. Well, cheerio.
S: Thank you.
R: All right.
S: Good-bye.

- 3 -

Bell: Do you want to put any of that - do anything for the small fellow on this one?

H.M.Jr: No, he has got the bank. I mean, he has got all of our savings bonds. The small fellow is out the window too. No, he has got the - we have got all the Defense Savings Bonds for him. When do you want me to sign?

Bell: I will try and be ready before lunch.

H.M.Jr: Well, I postponed my lunch until 1:15. Morris, what I would like you to do, two things. I would like Bell to let you see what he does from now on and stay right with you, see? I think it would be very good if you went up to New York and sat at the trading desk for the next two days, just sit up there.

Morris: At the Federal?

H.M.Jr: At the Federal. Get that and be back here Monday. But I think you (Bell) might tell them he will be up there tomorrow.

Bell: O.K.

H.M.Jr: Let him sit right at the trading desk for two days to get that experience. You never had that?

Morris: No, sir.

H.M.Jr: I think you ought to have it. I would like you to sit with Bell the next hour and a quarter and find out how he has already written a circular. Have you got it written?

Bell: Oh, we had it all but the rate and the date.

(The Secretary held a telephone conversation with Mr. Eccles, as follows):

October 8, 1941
12:09 p.m.

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HMJr: Hello.

Operator: Mr. Eccles.

HMJr: Hello.

Marriner
Eccles: Hello.

HMJr: Marriner.....

E: Yes, Henry.

HMJr:after the walk I decided two and a half.
Sixty-seven seventy-two.

E: Sixty what?

HMJr: Sixty-seven seventy-two.

E: Well, I want to congratulate you. I'm delighted.

HMJr: Yeah.

E: I don't often feel so strongly about a thing,
but I think this is a crucial period and it is
awfully important not to make a mistake.

HMJr: I don't want to make any mistakes.

E: I know you don't, and I feel that you've got
the unanimous - as far as I know, you've got
the unanimous support, I know, of all the
Board's staff and the Board and all the Federal
Reserve Banks. And if you've made a mistake,
by gosh, we're - every darn one - with you.

HMJr: That's right.

E: So you have got that, one hundred per cent.
The other program - nobody felt happy about
it.

HMJr: Okay, Marriner.

E: All right, thanks.

HMJr: Thank you.

- H.M.Jr: I am weakening. There is something phoney about this. I think somebody has been preparing the market for two weeks. The Fed let it slip. They said they had been working on this for two weeks.
- Bell: Sure, they admitted that they had this in view for two weeks.
- H.M.Jr: They let it slip. They have been working on this for two or three weeks. It would make a monkey out of them. It would increase the excess reserves and lower the rate. It would be terrible.
- Bell: I don't quite look at it that way. Lowering of the rate of two and three-eighths, to me, wouldn't be lowering the rate.
- H.M.Jr: I don't want to, at this time, have the financial community think I am taking advantage of them.
- Bell: No, I don't think you could afford to have them.
- H.M.Jr: They might think I am at two and three eights. This itch in the right palm means money, doesn't it?
- Klotz: Shaking hands.
- H.M.Jr: Well, on your way, boys, get busy.

October 8, 1941
12:07 p.m.

HMJr: Hello.

Operator: Secretary Jones.

HMJr: Jesse.....

Jesse Jones: Yes, Henry.

HMJr: I decided on a two and a half, sixty-seven seventy-two.

J: That's twenty-five.....

HMJr: Twenty-six, thirty-one.

J: Twenty-six, thirty-one.

HMJr: Yes.

J: Well, that'll please them all; and it can't be much of a mistake, if it is - I don't think it is.

HMJr: Well, at least it ought to - it's going to please them, anyway.

J: It's going to please everybody that's been giving you advice, isn't it?

HMJr: That's right.

J: That's good.

HMJr: That's right.

J: Thanks.

HMJr: Thank you.

... suggested by Mr. Hasel

10-8-41

Suggestion with Respect to the Financing

It is suggested that offering a 2-1/2 percent bond at a premium would have certain advantages over offering either a 2-1/2 percent or a 2-3/8 percent bond at par:

- (1) A 2-1/2 percent bond offered at 101 would have a maturity approximately 5 years less than such a bond if offered at par. This would go a long way toward meeting your point that a 2-1/2 percent coupon would break too much new ground in maturity. A 2-1/2 percent bond at par, at 101, and at 101-1/2 respectively would fall about as follows:

		Premium	
		Gross	Net
At par:	1967-72	2-4/32	2-4/32
At 101:	1962-67	3-5/32	2-5/32
At 101-1/2:	1959-64	3-17/32	2-1/32

- (2) It would give the market the 2-1/2 percent coupon that it seems to be clamoring for.
- (3) In the event of a subsequent period of market weakness an issue so offered would have a cushion equal to the premium. A decline below the offering price would not have as bad a psychological effect as a decline below par.

It is emphasized that this suggestion is based upon the supposition that the reluctance of the market to pay a premium is less than its reluctance to accept a 2-3/8 percent coupon. This supposition would have to be thoroughly checked with the market, therefore, if the suggestion is to be given consideration.

Submitted by Mr. Hoar.

10-8-41

43

Estimated Yield Bases and Probable Premiums of
New Issues of Treasury Securities

(Based on Closing Bid Prices October 7, 1941)

Maturity	Coupon	Estimated yield basis	Probable premiums	
			Gross	Net
(Percent)				
September 15, 1953-58 12 - 17 years	2-1/4	2.07	1-29/32	1-29/32
September 15, 1958-63 17 - 22 years	2-3/8	2.24	1-29/32	1-29/32
September 15, 1959-64 18 - 23 years (Offered at 101-1/2)	2-1/2	2.26	3-17/32	2- 1/32
September 15, 1962-67 21 - 26 years (Offered at 101)	2-1/2	2.31	3- 5/32	2- 5/32
September 15, 1967-72 26 - 31 years (Offered at Par)	2-1/2	2.39	2- 4/32	2- 4/32

Oct 7.

Discount Corp
 want Bond beyond 60-65
 in farm

\$850 ~~in cash~~ cash 70-75 $\frac{1}{2}$
 $2\frac{1}{2}\%$

\$400 50-52 2% $10\frac{3}{4}-2$

$2\frac{3}{8}$ - 58-60 - 10.24
~~not~~ not popular
 will be sticky
 but he says we can do it.

one issue 65-70 $2\frac{1}{2}$

10-8-41

Kenne


$\left\{ \begin{array}{l} 68-71 \quad 2\frac{1}{2} = 103 \\ \text{sell it at 101 premium.} \\ \$750- \\ \hline 51-53 \text{ or } 54 \quad 2\% \end{array} \right.$

$97 \quad 2\frac{3}{8} \quad \left\{ \begin{array}{l} 61-64 \\ 62-65 \end{array} \right.$

J. H. Feld
Savings BK.

$2\frac{1}{2} = 71-76$

$2\frac{1}{4} = 57-59$



Mr. Knight
Continental

10-8-41

48


2³/₈

J. H. King

1961-66

2 1/2 - 1967-72

H.C. Murphy



2 3/8
Sept. 15 1958-63

McMaas

2 3/8 - 1961-63

W. Hadley

67
41
26 = 31

2 1/2 To

69-71

SWB

TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE October 8, 1941

TO Secretary Morgenthau

FROM W. H. Hadley

Mr. Piser estimates that a 2-3/8% would be about September 1960-65 with a conservative price of 101-1/4, possibly running to 101-3/4.

On a 2-1/2% issue, he says a September 1966-71 possibly would sell at 101-1/2 but nearer to 103-3/8.

Hadley
Rouse
61-63
101.7-102

66-71
101.28
102.26

October 8, 1941.

Dear Randolph:

Thank you for your very pleasant letter of October 4th. I am delighted to know that you liked the address, and that you felt the atmosphere of the meeting was a sympathetic one.

I also was deeply interested in reading the confidential report of the resolutions committee which, as you say, coincided very closely with the thoughts that I presented in the Chicago address.

Thank you also for your word about the airplane misadventure last Friday. It was an exciting experience and one that I would just as soon not repeat.

With cordial regards,

Sincerely,

(Signed) Henry

Dr. W. Randolph Burgess,
Vice Chairman of the Board,
The National City Bank of New York,
55 Wall Street,
New York, New York.

GMF/dbs

File to M.M. Channing

The National City Bank
of New York
ESTABLISHED 1812

New York October 4, 1941.

OFFICE OF
 THE VICE CHAIRMAN
 OF THE BOARD

Dear Henry:

You might like to have a full copy of the report of the resolutions committee which was read after your address on Thursday morning. It seems to me to fit your address like a glove.

Let me say again how pleased I was with your address and with the whole occasion, which I think brought the Treasury and the bankers closer together at this critical time when a sympathetic understanding is so essential.

Sincerely yours,

Randolph

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

WRB:H

*We were a good deal alarmed
 at the plans adventure. Can't afford
 to have you laid up -*

10-1-41

Final Draft

CONFIDENTIALREPORT OF RESOLUTIONS COMMITTEE

The situation of this country probably is more critical than most people realize. Our defense is less advanced than headlines of huge spending lead us to think. The shift of the Nazi legions toward the East and the stubborn Russian resistance have fostered a false sense of security. Increased employment, high wages, and huge production of goods for our satisfaction lull us almost irresistibly into an equally false sense of national well-being.

The United States today faces two major tasks. The first is to speed up the defense effort, to turn out ships and planes and tanks and guns more rapidly. This means concentrating more on defense and less on luxuries and comforts.

The second task is to avoid unbalancing our economic machinery by this vast defense activity and spending. The Treasury warns that inflation threatens now. Inflation means later depression. These dangers can be avoided, but only by persistent, intelligent, and united effort.

To both of these tasks the bankers of the United States pledge their full support.

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BANK LENDING POLICIES

Bankers are aiding the Defense Program by loans for the erection of defense plants, and for the purchase of raw materials and the payment of wages in the defense industries. Such loans have reached huge sums and continue to mount.

This Association recognizes the important assistance that may be rendered by sound credit in stimulating the increased production of "Food and Feed for Defense". Bankers will work with the farmers of this country to attain the higher production required. We reaffirm the position that in agricultural credit, as in other fields, government lending agencies should supplement and not supplant the banks.

Banks are observing both the letter and the spirit of the new regulations for controlling instalment credit.

This is a time for liberal lending for defense and for conservative lending for all other purposes. This is a time when in their own interest, people generally should be paying their debts instead of borrowing more.

This particularly is a time for bankers to keep their own houses in order and to avoid credit expansion for excessive inventory accumulation or for other speculative purposes. This objective can be attained best through our voluntary cooperation rather than by government regulation.

-3-

SMALL BUSINESS & DEFENSE

No man knows better the problem of the small business man than does his banker. Small business has a vital role in defense. Bankers have aided and will continue to aid in speeding expansion of the defense program through subcontracts to small business and the "bits and pieces" plan.

-4-

DEFENSE SAVINGS BONDS

Bankers endorse the effort of the government to borrow directly from its citizens through the sale of defense savings bonds, stamps, and tax anticipation notes. This is a sound step in resisting inflationary credit expansion. Banks are cooperating vigorously in the sale of these obligations as a public service and without profit. In their own self interest we urge all citizens to buy all three issues.

-5-

TAXATION

Members of this Association commend the policy of the Federal Government in seeking to meet a large proportion of the cost of the defense effort through taxation. This is sound public policy.

It is necessary, however, that in determining types and methods of taxation the burden should be distributed equitably over the whole population. Unless those who receive increased wages and profits from defense pay proportionate taxes, their spending will be inflationary. Unless all of the people share knowingly in paying Federal taxes, spending will become politically uncontrollable. Representation without taxation may be as vicious as taxation without representation.

Equally is it necessary that the power of taxation must not be used to destroy enterprise, which is the only source both of taxes and of the unparalleled standard of living of this country. While a heavy burden of taxes may be necessary, each tax must be scrutinized to make sure that it does not destroy either enterprise itself or the incentive for enterprise.

PRICE CONTROL

A policy of controlling inflation must include direct control not only over prices, but also over the cost elements which are the cause of prices. Such controls must be equitable. No pressure groups should be allowed to obtain unfair advantage over other citizens in a less favorable position to exert political pressure. We believe all of our people are prepared to cooperate in proposals which are fair and just to all, but we believe that complete cooperation is dependent upon the fairness and justice of the program adopted. There must be no exception; there must be equality of sacrifice.

-7-

NON-DEFENSE SPENDING

This Association heartily approves the creation by the Congress of a Joint Committee to investigate Federal expenditures and to recommend the reduction of non-essential spending at this time of emergency. When men in the service, taxpayers, businessmen, and others are being asked for sacrifices, the agencies of Government themselves must demonstrate their willingness to sacrifice non-essential activities for the Defense Program.

-8-

GUIDING PRINCIPLES

These times call for the old-fashioned virtues of working and saving. The bankers here assembled pledge themselves, each in his own community, to work toward these ends.

We are everlastingly grateful for the privilege of living in a democracy which holds fast to the principles of liberty and justice for all. We have unbounded faith in the resources and capacity of this country for meeting to the fullest its obligations in this trying hour. We have enduring confidence in the ability of the American people to preserve at any cost the rights and privileges which they enjoy in this free Republic.

We pledge our full support to effective policies and programs of our government to defend and preserve democracy and democratic institutions.

APPRECIATION AND ACKNOWLEDGMENTS

The American Bankers Association wholeheartedly appreciates the loyal and faithful service of its retiring President, P. D. Houston. Always mindful of the responsibility of the office he has performed his duties with courage, justice, and deliberation. His accomplishments as our President long will be remembered.

To B. Murray Peyton who retires as Treasurer, we acknowledge a debt of gratitude for his assiduous attention to duties as well as his wise counsel.

The Association congratulates and reaffirms its confidence in the members of the staff who during the last year have discharged their duties successfully and loyally.

Many individual bankers and committeemen during the year have given of their time and effort to the activities of the Association, and to them we express our gratitude.

To those speakers who have addressed the convention and the special meetings during this session we give our thanks and appreciation for the messages they have given.

To the Chicago banks, members of the American Bankers Association who have been hosts to the delegates and guests at this Convention, we express our appreciation for their untiring efforts in making this visit to their city a most pleasant and enjoyable one.

To the hotels, the press, and the citizens of the city of Chicago we also express our thanks for their cordiality and friendliness in making this convention a success.

October 8, 1941

Dear Mr. Edwards:

Thank you for your letter of October 4th, and for the clipping from the American Banker. I was interested to see how the editor of this magazine handled the general reaction to my appearance there.

In this connection, I want also to thank you for your part in arranging my trip. I very much enjoyed it and feel that it was well worthwhile to have appeared before this association. I have been glad to hear a number of favorable reactions to what I said there.

With cordial personal regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. B. M. Edwards,
Assistant to the Secretary
of the Treasury,
711 - 12th Street, N. W.,
Washington, D. C.

GEF:ro

File to P. M. Chauncey



TREASURY DEPARTMENT
WASHINGTON

66

Columbia, S. C.
October 4, 1941

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

Dear Mr. Morgenthau:

I am enclosing a clipping from the American Banker of October 3 commenting on the address which you delivered before the American Bankers Association in convention in Chicago, as I think it probably will be of interest to you.

With kindest regards, I am

Very truly yours,

B. M. Edwards, Assistant to the
Secretary of the Treasury

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Morgenthau Speech At A. B. A. Meet Gets Much Applause From Delegates Who Overflowed Ballroom To Hear Him

Banker Reaction To What He Said Was Generally Highly Favorable.

Chicago, Ill., Oct. 2.—Two thousand six hundred and sixty-one chairs were crowded into the Grand Ballroom of the Stevens Hotel (ordinary capacity 2,400) this morning, but the crowd that turned out to hear the address of Secretary of the Treasury Henry Morgenthau, Jr., before the closing business session of the American Bankers Association overflowed into the standing room available and crowded about the doors.

The stenographic reports of the Secretary's speech will report an interruption of "applause" right in the midst of the speech, as well as a fullsome measure of applause at the end, and the banker reaction to what he said was generally highly favorable.

Applaud His Stand On Non-Defense Spending

The applause which interrupted his address came when the Secretary said: "I have already suggested, not once, but repeatedly, that the Government cut down immediately on non-defense expenditure, not only as sound financial policy, but as sound anti-inflationary practice."

Spontaneously, the applause curled across the hall, largest hotel ballroom in America, and exploded, and continued. A. B. A. President Houston had to rise and signal for its subsidence. Then Secretary Morgenthau went on: "Since you like that statement so much, I shall be very happy to repeat it," and as he did so, there was another smaller wave of handclapping, and laughter.

Banker Reaction Favorable

What did the bank audience think of the Secretary's remarks? Here are a few after-the-speech comments:

"I for one am glad that the requirement for collateral on the 'E' Defense Bonds is being dispensed with. That was just a nuisance. Lots more country banks will now qualify as agents and help the Treasury." (Heard many times).

"What the Secretary said was unquestionably sound and I am for it all the way. I am going back to my little country town and redouble my efforts to push the Defense Bond sales."

Likes His Views On Inflation

"What impressed me is his very sincere apprehension of the dangers and hardships of inflation. And that next year's tax bill is going to be something even heavier than the one we are preparing to pay right now."

"Did you notice where the Secretary said bankers had been 'real partners' of the Government? Well, did you ever hear the story about Sam. Well, Sam was awful blue when he came home one night, and his wife asked what's up. 'Didn't I tell you,' said Sam, 'they were talking about making me a partner where I work. Well, they did it.' Maybe we'd ought to stay a creditor and not play partners."

From a banker's wife: "The idea of giving Defense Bonds for Christmas gifts sounds very good. And for gifts of all kind, I am going down to a State women's club meeting next week and I am going to urge them to advocate cutting out useless gifts for bridge prizes and the like, and give Defense Stamps and Bonds. I like his idea on more payroll-subscription Defense Bond savings accounts. But I still think that the Treasury is not really going to get anywhere with its so-called popular savings appeals until it gives us quotas to work on."

"What do I think," from a big city

banker, "I suppose what is most important was the conciliatory and friendly attitude expressed by the Secretary all through his speech. That shows that what bankers are doing is getting some recognition in Washington."

"Sure his ideas are sound, but can he put them over? What I mean is, are the policy-makers and pressure groups ready for sound thinking of that sort in Washington?"

"Why didn't he say something to explain his suggestion a few days ago that corporation profits should be limited to 6% for the duration of the defense emergency?"

"Delighted with every word of what

the Secretary said. I hope his counsel will prevail on non-defense spending and anti-inflationary measures."

"I was glad that he came right out and called a spade a spade on farm prices and wage increases. What Secretary Morgenthau had said was to repeat his statement made at Boston that it was 'sheer folly' for the farmer to seek higher prices, for labor leaders to seek continual new increases in wages, or for landlords, business men, bankers or any group to exploit the present emergency."

"The Secretary is undoubtedly sincere and has the courage of his convictions, and I hope that he gets as much applause at Washington as he got here."

Following the Secretary's speech, he and Senator Connally were honor guests of A. B. A. President P. D. Houston at a private luncheon, attended by a score of Chicago banking heads and A. B. A. leaders and past presidents.

October 8, 1941
12:11 p.m.

HMJr: Hello.

Cordell
Hull: Hello, Henry.

HMJr: Good morning, Cordell.

H: What did you develop?

HMJr: Well, after I saw the English I had the Russians come to the house at half past nine.

H: What kind of a man have they got here?

HMJr: Well, he seems like a very decent fellow. He has a little trouble understanding English, but a quiet, nice man.

H: Yes.

HMJr: And I told them that I didn't think that their gold would ever be as useful to them in the next three weeks - be more useful to them in the next three weeks than it would any time in the next ten years.

H: Yes.

HMJr: And that I was ready to buy their gold against up to as long as six months' delivery, if necessary.

H: Yes.

HMJr: And that Hopkins said he had fifty million dollars worth of guns and planes.

H: Yes.

HMJr: And I couldn't understand why they didn't take it.

H: Yes.

HMJr: Why do they want to hoard their gold?

- 2 -

H: Yes.

HMJr: Well, I put as much steam into it as I could.

H: Yes.

HMJr: So the man told me this - I can't pronounce his name.

H: Oh, you're not expected to.

HMJr: So he said, "Well, nobody's ever told us before that there was fifty million dollars worth of material that we could have."

H: Yeah, I see.

HMJr: So he said, "That's something quite new."

H: Yes.

HMJr: So he said he'd get a cable off last night, and was telling them that I was ready to advance them fifty million dollars against delivery of gold up to six months.

H: Yes. That's good.

HMJr: Now.....

H: That ought to help out the situation.

HMJr: It ought to. Then I called up Harry this morning and I said, "Now, can you make good on it?"

H: Yes.

HMJr: Harry Hopkins. He said, "Yes, I can."

H: Well, that's very important.

HMJr: So I should think if they were going to do it, we ought to hear by Friday.

H: Well, that's very interesting. I shall listen for the telephone to ring Friday.

HMJr: Thank you.
H: Yeah. Thank you.

October 8, 1941
2:45 p.m.

HMJr: Hello.

Operator: Mr. Odlum.

HMJr: Hello.

Floyd
Odlum: Hello.

HMJr: Hello, Mr. Odlum.

O: Yes.

HMJr: This is Henry Morgenthau.

O: Yes.

HMJr: You wrote me a letter a few days ago which I've delayed in answering because I've been pricing an issue. You know what that means.

O: Yes.

HMJr: I have with me now Chester Barnard - I don't know whether you know him.

O: No, I do not.

HMJr: Well, he's President of the Bell Telephone of New Jersey. And he is helping me on this Procurement matter.

O: Yes.

HMJr: Now, I'd like the two of you to get together. I got another letter from you yesterday.

O: That's right.

HMJr: And I'm going to ask him to call you.

O: Good.

HMJr: And I'm sure between the two of you you can work out something that will be all right.

- 2 -

O: Well, that's excellent. That's just exactly what I wanted; because I know that in the Treasury Procurement, there are many ways, because they're not in the difficult stuff like Ordnance where we can help over this emergency by spreading the work around a little bit more than in most purchases.

HMJr: Well, I want you to know I'm in entire sympathy with what you're trying to do; and the more you can spread it, the more I like it.

O: Swell.

HMJr: So I'm going to - I'll have Mr. Barnard call you and add any suggestions.

O: Thank you so much. I appreciate your calling.

HMJr: Thank you.

O: Good-bye.

October 8, 1941
2:50 p.m.

HMJr: Hello.

Operator: Mr. Barnard.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Chester
Barnard: Yes, sir.

HMJr: Mr. Morgenthau.

B: Yes, sir.

HMJr: I just got another communication which is
on the way into your office from Floyd Odlum.

B: Yes.

HMJr: And I called him up and said that I was
referring the matter to you and the one that
came in last week. I haven't got that yet.
I mean the one that Harold Graves has.

B: Yes. He says I looked at it in your office
at the Monday morning meeting, and I put it
back on your desk.

HMJr: On my desk?

B: Yes. And they're trying to get it from
Mrs. Klotz. She's been tied up.

HMJr: Well, I'll have to go through my papers.
Perhaps if it's on my desk, you'll have it
within a minute.

B: All right, sir.

HMJr: Would you call up Floyd Odlum for me.

B: Yes.

- 2 -

HMJr: I just got through talking to him - and arrange to see him?

B: I will.

HMJr: And find out just what he wants - if we can do it - because when it comes to giving business to the little fellow, why I try to reciprocate and I'm sure you are, too.

B: Yes. All right, sir. I'll do that.

HMJr: Thank you.

MEMORANDUM

October 8, 1941.

TO: The Secretary
FROM: Mr. Sullivan

Senator George phoned at 4:35 p.m. to advise me that today he had talked with the President about the Social Security program. The Senator got the impression that the President had made some commitments and felt obliged to send some sort of message to the Hill. However, the President said such a message would be general in nature, would not be sent for three or four weeks, and the leaders of the Senate Finance and House Ways and Means Committees would have an opportunity to talk with the President before the message was sent.

The President told Senator George that it was his idea that the Committee could do some preliminary investigating through the fall and winter and not really go to work on this problem until next year.

The President also stated that he understood there was to be plenty of other work to keep these two committees busy in the meantime and that he had no intention of sidetracking this work with the Social Security program.

JLS

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

76

DATE

TO

Secretary Morgenthau

October 8, 1941.

FROM

Joseph J. O'Connell, Jr.

Attached is a compilation of statements made by Bernard M. Baruch, William G. McAdoo and David Houston concerning taking the profit out of war.

As you can see, McAdoo, who had very little to say on the subject, advocated an 80 per cent war profits tax to be administered in conjunction with an excess profits tax. The war profits tax was to be based on average earnings, and the excess profits tax to be based on invested capital. He did not apparently favor a 100 per cent excess profits tax.

Houston's only public statement was one proposing a repeal of the war time excess profits tax.

Baruch has spoken often but it is not entirely clear what he would favor. In common with most who say anything publicly on the subject he wants to "take the profit out of war", but just how he would do it is not so clear. He feels that freezing prices as of a date prior to the war period is the most effective single method of preventing inflation and high profits, but that excess profits taxation, as well as other devices, would also be helpful. He states that excess profits taxes, standing alone, have no effect whatever to check inflation. However, he is referring to an 80 per cent excess profits tax and his arguments fall completely to the ground if we assume that the excess profits tax would be 100 per cent. In general, it can be said that he would advocate a high excess profits tax as an adjunct to direct control of all prices.

Joseph J. O'Connell Jr

STATEMENTS
by
BERNARD M. BARUCH, WM. G. McADOO, AND
DAVID HOUSTON
concerning
TAKING THE PROFIT OUT OF WAR

Bernard M. Baruch

It does not appear that Bernard M. Baruch made any public statements concerning war profiteering during the period that he was serving as a member, and later as chairman, of the War Industries Board. Since the close of the First World War, however, Mr. Baruch has, on many occasions, dealt with the problem of "Taking the Profit Out of War".

In an article with that title, written in 1926 for the Atlantic Monthly, Mr. Baruch said:

"In the war emergency it early became evident to those who were charged with the responsibility of mobilizing the resources that there was a just sentiment among the people against profiteering. Profiteering might be willful and profit-making might be involuntary; but, whatever its form, there was a just determination it should cease. So it became necessary to fix prices where the supply was limited.

"Wherever the Government created a shortage by its demands, prices were fixed,

not only for the Army, Navy, and the Allies, but for the civilian population as well.

* * *

"If we were to start, in the event of another war, at the place where we were industrially when the World War ended, the President, acting through an agency similar to the War Industries Board, would have the right to fix prices of all things as of a date previous to the declaration of war when there was a fair peace-time relationship among the various activities of the nation. It would be illegal to buy, sell, serve, or rent at any other than these prices. Brakes would be applied to every agency of inflation before the hurtful process started.

* * *

"Money would be controlled and directed like any other resource. 'Taking the profit out of war' is not synonymous with 'conscription of wealth,' as it is sometimes regarded. The latter is a theoretical project, prohibited by our Constitution, contrary to the spirit of our social and political institutions, and impossible in practice. Taking the profit out of war is an orderly and scientific development of the economics and conduct of modern war, necessary to the effective mobilization of national resources and indispensable to equalizing the burdens of war among the armed and civilian population. Born of experience and proved by practice, it removes some of the most destructive concomitants of modern war--the confusion and waste incident to wartime inflation." (1926) 137 Atl. Monthly 23, 24-27.

Mr. Baruch reiterated his plan for a ceiling over all prices during war-time in a memorandum presented to the

Joint Congressional and Cabinet Commission on Industrial Mobilization in 1931. He suggested the enactment of a statute which would give to the President, after a declaration of war by the Congress or during the existence of an emergency due to imminence of war, the power to select a date prior to the existence of the emergency when abnormal disturbances in the general structure of market prices were at a minimum, and to proclaim that thereafter no one should pay a price higher than the price charged on the date selected. Baruch, American Industries in the War (1941), 458. In conjunction with such a price control statute Mr. Baruch advocated an excess profits tax. He explained the need for such a tax in these words:

"We always have low-cost producers and high-cost producers. War requires all producers. This presents the most difficult aspect of the problem:

'If we raise the prices sufficiently high to pay a reasonable profit to the high-cost producer, we will thereby create inordinately high profits to the low-cost producers.'

"There are only two alternatives--create a system of bonuses to the latter class or limit, by an excess profits tax, the return on invested capital to the former class. After exhaustive study during the war the former method was considered impracticable and the latter was adopted.***"

However, it was also Mr. Baruch's position that:

"Excess profits taxes--standing alone--
have no effect whatever to check inflation.
Their only effect is to increase it. Thus 20 per cent of \$500,000 profit is \$100,000 and 20 per cent of \$1,000,000 profit is \$200,000. One way to increase \$500,000 profit to \$1,000,000 profit without increased risk or effort is to double price. For this reason there is more incentive to increase prices--and therefore profits--under an 80 per cent excess profits tax than there is without it. Indeed, the main result of such a system is to induce rapid price increase to absorb the tax.***

"Consider for example the simple case of a company capitalized for \$1,000,000, selling \$1,000,000 worth of goods annually, making 20 per cent gross profit or \$200,000 on its turnover, and having \$100,000 of expenses of administration and selling, leaving a net profit of \$100,000 or 10 per cent on both its normal turnover and its capital. Suppose, also, that 10 per cent of its costs of manufacture or \$800,000 are fixed overhead charges--depreciation, maintenance, supervision, taxes, etc. Then its costs for material and direct labor are \$720,000 for every million dollars' worth of goods it sells. Now suppose that war comes and we need the full capacity of that plant. We give it orders for \$4,000,000 worth of goods to be delivered in a single year. It has no increased selling and general administrative expense because the demand is so great that no such effort is required. Neither do the fixed overhead elements of its manufacturing costs increase greatly--say only to \$90,000. What happens to the profits of that plant? Its material and direct labor costs on its \$4,000,000 sales are \$2,880,000. To this it must add \$90,000 for fixed overhead charges in its factory and \$100,000 for general and administrative expense, making a total cost for goods sold of

\$3,070,000. Its net profit is therefore \$930,000 or 930 per cent of its normal profits in peace. It is making nearly 100 per cent on its investment and its net profit on turnover has increased from 10 per cent to 23 per cent. Even if we assess a tax of 80 per cent on the \$830,000 of excess over peace profit, that plant will still be making \$260,000 or 260 per cent of its normal profits.

"I want you particularly to note that this example considers no increase in price whatever.***

"I recall vividly that, during the war, even after we had, by price fixing, compelled a reduction of 35 per cent from the peak index figure of iron and steel, and even after the 80 per cent excess profits tax was in effect, some high-minded and public-spirited steel men came to me expressing apprehension over the enormous profits they were making under our restrictive system operating at its best. The reason they were making such profits in spite of all we could do is made clear by the example I have given you. If to the enormous increase in profits shown by that example we add the profits due to a runaway market, the figures of profit become even more astonishing."

In refuting statements that high prices stimulate production, Mr. Baruch said:

"The suggestion * * * that we can entice extraordinary effort by a bait of huge profits, later to be magicked away--is hardly appropriate now because the whole of industry is on notice that we shall have an excess profits tax in any war--it is a recognized incident of war operations everywhere.

"Finally I concur fully in Mr. Baker's answer to that suggestion (p. 135): 'I do not think prices were ever fixed high as a means of increasing production. I think it was not necessary to stimulate anybody to produce in America.'

"There are reasons supporting Mr. Baker's view which stand entirely apart from the stimulation of patriotism--which, in itself, is sufficient: Our modern production plant is highly mechanized. Mechanical mass production brings low costs, but only when the machines are operating close to capacity. * * * when they [the machines] are speeded, the results in reduced cost per unit of production are sometimes almost fabulous. It is this economic circumstance which insures us against any faltering of production, and the expedient of increasing prices (with the excess profits tax to offset profiteering) is wholly unnecessary to increase production.

"While the excess profits tax is an indispensable concomitant to proper industrial mobilization, the points I have tried to demonstrate and now emphasize by repetition are:

"(a) Even with a fixed price structure and a high excess profits tax there will be huge war profits.

"(b) It is both futile and unnecessary to try to stimulate production by high prices--relying on an excess profits tax to recapture these profits.

"(c) The excess profits tax--standing alone-- as a means for equalizing the burdens of war and eliminating the profits of war is fatally defective because it aggravates inflation and therefore fails to protect us against the most destructive phenomenon of modern war." Baruch, American Industry in the War (1941) 415-417.

In 1935, Mr. Baruch appeared before the House Committee on Military Affairs and again advocated the enactment of a

statute providing for a general over-all price ceiling in time of war. He proposed to limit profits by keeping prices at a peace-time level by freezing prices as of a certain day, subject to such adjustments as a Price Fixing Committee might find necessary to make. House Committee Hearings, 74th Cong., 1st Sess. (1935) vol. 696, Part II, p. 3. In the same year Mr. Baruch testified before the Senate Munitions Investigating Committee. He stated in part:

"* * * The cold fact remains that ours is an economy activated by profits. There is no proof that it will run on psychology and there is much that it will not. Certainly we should not select an hour when the enemy is at the gates to find out whether it will or not." Senate Munitions Investigating Committee, Hearings on the Munitions Industry, 74th Cong., 1st Sess. (1935), part 23, p. 6633.

During his recent appearance before the House Committee on Banking and Currency during hearings on the Price Control Bill, Mr. Baruch once again took the position that war profiteering could best be eliminated by the over-all price ceiling administered in conjunction with an excess profits tax. He added:

"* * * but I must emphasize that no tax program alone can recapture all excessive profits. Profits must also be controlled at their source which is rising, runaway prices." House Committee

on Banking and Currency, Hearings on H.R. 5479
(Price Control Bill), 77th Cong., 1st Sess.
(1941), p. 743.

William G. McAdoo

It appears that the only statements made by William G. McAdoo concerning the taking of profit out of war are relative to the enactment of the excess profits tax. In November, 1917, Mr. McAdoo, taking the position that the main purpose of the excess profits tax should be to increase the Government's revenue, stated:

"The first aim of the Treasury Department will be to accomplish a collection of the full amount of revenue desired by Congress in framing the tax law to prosecute the war." New York Times, November 14, 1917, 10:1.

In August, 1918, Mr. McAdoo advocated the adoption of an 80 per cent war profits tax to be administered in conjunction with the excess profits tax. The war profits tax was to be on all profits in excess of the normal profit before the war, while the excess profits tax was imposed on all profits over and above a given return on capital. Concerning the war profits tax, Mr. McAdoo stated:

"The adoption of an 80 per cent. war profits tax should render unnecessary, and I believe undesirable, any increase in the existing excess

profits tax rate. It is my strong conviction that the taxation of genuine war profits would reach real war profiteering, and that it is at the same time a thoroughly justifiable measure on economic grounds, as well as a certain and indispensable producer of a large part of the required revenue.

"The patriotic producers of America should be content if one-fifth of their war profits are secured to them * * *." New York Times, August 8, 1918, 17:2; see also, New York Times, August 15, 1918, 1:1, and August 20, 1918, 6:3.

David Houston

In the only statement which Mr. Houston appears to have made concerning this subject, he urged the repeal of the excess profits tax. He said:

"The reasons for the repeal of the excess-profits tax should be convincing even to those who, on grounds of theory or general political philosophy, are in favor of taxes of this nature. The tax does not attain in practice the theoretical end at which it aims. It discriminates against conservatively financed corporations and in favor of those whose capitalization is exaggerated: indeed, many overcapitalized corporations escape with unduly small contributions. It is exceedingly complex in its application and difficult of administration, despite the fact that it is limited to one class of business concerns--corporations. Moreover, it is rapidly losing its productivity. The invested capital of the average corporation, earning profits high enough to subject it to the excess-profits tax, is now estimated to be increasing at the approximate rate of 12 percent a year, while the income of the average corporation is almost certainly declining at as great a rate.

Both movements cut into the productivity of the tax. If the present changes in capital and income continue for sometime in the future, as now seems probable, large reduction may be expected in the yield of the excess-profits tax. For the present fiscal year the profits tax, with collection of back taxes, is estimated to yield about \$1,250,000,000, and for the fiscal year 1922 about \$800,000,000 as against an estimated yield for the fiscal year 1920 of slightly over \$2,000,000,000." Hearing before a Subcommittee of the Committee on Finance, United States Senate, 74th Cong., 2d Sess. on H.R. 5529 (an Act to prevent profiteering in time of war). Subcommittee of the Senate Committee on Finance, Hearings on H.R. 5529 (Bill to prevent war-time profiteering), 74th Cong., 2d Sess. (1935), p. 89.

Treasury Department
Division of Monetary Research

87

Date..... October 7, 1941.....19

To: Secretary Morgenthau

At the meeting of the Economic Defense Board on August 27th, the Vice President asked the Treasury Department to prepare, for the use of the staff to be assembled by the Economic Defense Board, a memorandum on the economic defense functions administered by the Treasury Department.

The appended memorandum lists the various functions administered by the Treasury Department which relate to the problems of economic defense.

MR. WHITE
Branch 2058 - 214½

October 8, 1941

Confidential

MEMORANDUM FOR THE VICE PRESIDENT

Subject: Economic Defense Functions Administered by the Treasury.

In response to your request of August 27 for a memorandum on the economic defense functions administered by the Treasury Department, we give below a brief description of those economic defense activities in which the Treasury Department participates.

A. Functions Administered Mainly by the Treasury

1. Foreign Funds Control administered in accordance with policies determined by State, Justice and Treasury Departments. The policies governing the administration of foreign funds are designed to:
 - a. Prevent Axis countries, and countries dominated by the Axis, from using their dollar assets or influence to draw upon our resources to maintain their war effort, to strengthen their economic position, and to exclude this country and other friendly countries from full access to vital materials.
 - b. Prevent Axis countries, and countries dominated by the Axis, from using the world's strongest medium of international exchange - the American dollar - and to prevent their use of our banking and financial facilities for commerce or other activity in the United States or any other part of the world. Thus, in denying the Axis the right to settle balances in dollars, you injure or destroy its competitive position in markets where the demand for dollars is strong.
 - c. Prevent the physical movement in the import or export of goods between the United States and any Axis area or Axis firm both by direct control through Customs and by control over all the financial transactions incident to any such movement of goods. Thus, a complete control has been placed on every aspect of trade and commerce between Japan and the United States and between persons

whose names appear on The Proclaimed List of Certain Blocked Nationals and the United States.

- d. Prevent the use of dollar assets by Axis countries to finance propaganda, sabotage and other subversive activities in the United States and other areas of strategic importance to the United States.
- e. Prevent aggressor countries from acquiring the many billions of property in the United States belonging to invaded areas and from otherwise utilizing such property. Instead the dollar assets of occupied countries are held in trust for their rightful owners. At the same time, the rights of American claimants to these assets are protected by preventing the dissipation of these assets.
- f. Prevent Axis countries from acquiring legal title to property in occupied countries by purchasing such property from American owners with looted funds. Prevent Axis powers from liquidating in our markets securities and other assets looted and otherwise acquired in invaded areas.
- g. Prevent the sale of American-owned property in European countries for payment out of blocked funds. If such transactions were permitted, the funds that should be held for the benefit of all American claimants on an equitable basis would be dissipated. It would also be possible to accord preferential treatment to American claimants in a manner advantageous to Axis interests.
- h. Minimize or eliminate the liabilities and responsibilities of American banks and other business institutions against the assertion of conflicting claims to property arising out of the invasion and other revolutionary change in the political and economic life of foreign countries.
- i. Prevent American firms from entering into, or executing, contracts or other arrangements with Axis firms where such contracts or arrangements interfere with or prejudice defense production or curtail the competitive position of American firms against Axis firms in neutral markets or otherwise prejudice the national defense.

- 3 -

- j. Control undesirable banking and business concerns in the United States which are influenced or owned by Axis or other unfriendly interests. Through the medium of attaching conditions to the licensing of their banking and business operations, the Treasury can nullify or eliminate these influences and steer these concerns into more satisfactory channels. An example of this is the current effort to eliminate the German influence in Sterling Products and at the same time utilize the Sterling Products, to take away the Latin-American drug market from German interests. This control over business interests also includes control of patents and licensing and pooling arrangements of an undesirable nature.
- k. Regulate the trade and financial transactions with neutral countries and stipulate conditions with respect thereto which would insure that such trade would not benefit the Axis, etc.
- l. Regulate all transactions in the exchange of the Axis and occupied countries in so far as they involve this market, thus protecting American holders of such exchange.
- m. Provide the government with a complete and comprehensive census of every type of property within the United States in which any foreign country or its nationals have any type of interest, including precise data as to the identity of the foreign interest, nature and location of the property.
- n. Obtain continuing reports from and about individuals and business concerns with a view to being constantly informed as to their activities, whether in an economic or financial field or in the field of propaganda or subversive activities. Some of the information thus obtained will be of assistance to other agencies such as FBI in the carrying out of their functions and through this channel an agency such as FBI may be able to obtain desired information without revealing its hand.
- o. Fortify the economic and financial position of friendly countries by correlating our exchange and trade control with theirs in order to prevent evasions and strengthen

their operations in fields where they are important, and by extending to them technical assistance and guidance where necessary. Thus, we can provide China with control over all trade and financial transactions with the United States even including control over occupied China and international settlements. These operations can be effected by this country alone or in conjunction with other friendly countries.

2. Office of Merchant Ship Control

The Office of Merchant Ship Control exercises control over the movement of vessels from ports in the United States or subject to the jurisdiction of the United States. No departure by any vessel on voyages on which clearances by a customs officer is required can take place unless authorized by the Secretary of the Treasury.

The Office of Merchant Ship Control is a part of the Coast Guard and was established in June, 1940, under the powers granted to the Secretary through the proclamation of a national emergency by the President.

3. Other Powers Over Shipping

The Secretary of the Treasury is authorized in the national emergency, subject to the approval of the President, to make rules and regulations governing the anchorage and movement of any vessel in the territorial waters of the United States. If necessary in the Secretary's opinion to secure a vessel from damage or to prevent damage to any harbor or waters of the United States, he may take possession and control of such vessel. (Under this power, the German, Italian and Danish ships were seized by the Coast Guard.)

4. Additional Powers over Imports

The Treasury has a number of commercial policy powers which it can use to influence the trade of other countries with the United States. In its Customs administration of the entry of commodities into the United States prohibits the entry of certain goods and "Arist" firms present titles of action against "Arist" goods and "Arist" firms present themselves. The Treasury is empowered to impose counter-vailing duties on dutiable foreign goods which receive bounties in manufacture or in export to the United States. It has powers also to take corrective steps against foreign dumping or discriminatory practices. All of these powers can be used as weapons in economic defense.

B. Economic Defense Functions in Whose Administration the Treasury Participates

1. Proclaimed List of Certain Blocked Nationals.

Under the Proclamation of July 17, 1941, the Secretary of the Treasury participates in the issuance of and additions and deletions to the Proclaimed List of Blocked Nationals. A representative of the Treasury Department participates in passing on names to be added to or deleted from such list.

Pursuant to the Proclamation all persons whose names appear on such list become subject to the freezing orders as though they were nationals of Germany or Italy and may engage in transactions only pursuant to license issued by the Secretary of the Treasury under the freezing orders.

This Department, in conjunction with the Department of State, is also studying additional measures to remove listed persons from all positions of influence in the social, economic and political life of their respective communities.

2. Certifications as to who may Dispose of the Property of Foreign States and Foreign Central Banks

Pursuant to the provisions of the Act of April 7, 1941, amending the Federal Reserve Act, this Department assists the Department of State in connection with the certification as to who may dispose of property belonging to foreign states and foreign central banks. Thus Dutch, Belgian and Norwegian government and central bank funds in the United States may be utilized by the friendly governments and officers of central banks to further their war effort without regard to instructions, etc. coming from the occupied area.

3. Purchases of Strategic and Critical Materials

The Treasury purchases strategic and critical materials through the medium of the Treasury's Procurement Division at the direction of the Secretary of War and the Secretary of the Navy. The specifications of the materials purchased are prepared by the Procurement Division and approved by the Secretary of War and the Secretary of the Navy.

At times, this purchasing also has the effect of preclusive buying. For example, the Procurement Division took over a large quantity of Turkish chrome ore which the British had secured to keep from Germany but which they could not use themselves. The Procurement Division, also, does a large part of the purchasing under the Lend-Lease appropriations.

4. Control over Traffic in Arms

The Secretary of the Treasury is a member of the National Munitions Control Board which supervises and controls the manufacture of, and international traffic in, arms, ammunition, and implements of war. The Department of State administers the licensing system. The Treasury's Coast Guard and Customs Service cooperate in controlling the international traffic in arms.

5. Export Control

The Treasury's Coast Guard and Customs Service enforce the licensing system for exports of the State Department and Export Control.

6. Export-Import Bank

The Treasury is represented on the Board of Trustees.

7. Control over Imports

The New York Federal Reserve Bank certifies to the Treasury (in practice in consultation with the Treasury) the exchange rate of each country to be used for customs valuation. When countries have multiple exchange rates this function gives considerable scope for decisions which may affect trade adversely or favorably.

8. Policing of American Waters

The Coast Guard is the Federal police charged with enforcing Federal laws upon the water. It has the responsibility for enforcing all Federal laws in the navigable waters of the United States, on the high seas, and on board any vessel subject to the jurisdiction of the United States.

EDW:MB:mah
9/29/41

October 8, 1941.

Dear Mr. Causey:

You have been very good indeed in making suggestions in regard to the matter about which I consulted you during the latter part of September.

I know that you will be pleased to hear that Mr. Buffington is coming with us -- in fact, he is already in Washington and getting acquainted with the Treasury. He expects to try the work for a couple of months, and I feel sure that the connection will work out very well indeed.

With thanks again for your help in this matter, and all good wishes,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. James H. Causey,
Cosmos Club,
Madison Place and H Street, N.W.,
Washington, D. C.

GKF/dbs

COSMOS CLUB
WASHINGTON, D. C.

Sep 29 - 95

Re Mr. Morgenthau
As I think further
about Buffington of Chicop.
the more I think he'll do a
fine job. I hope you'll see
him before you finally decide.
Besides - he's one of the most alert
financial men I know - and
absolutely loyal - open minded and
independent. Truly Yours, James H. Conroy.

COSMOS CLUB
WASHINGTON, D. C.

63 Mac St.
114.
Friday approx 96
9/23/41

Do Mr. Morganthau -
among the loyal ones
were Paul (?) Shields, of Shields & Co.
Cyrus Eaton of Ste. Co. Clarend.
There's Harland Allen of Chicago
(La Salle St.) Investment Counselor
who helped an independent committee

→ If you'd care to set forth
the requirements of the job & the

kind of a person - (does he
to be an inv. builder?). I'd
be glad to spend some time
on the matter in a discreet way
& see if I can't make some
helpful suggestions. With
respectful appreciation of your
confidence Sincerely
James H. Gandy

COSMOS CLUB
WASHINGTON, D. C.

Monday 97

Mr. Morganthau

Many thanks for your
gracious note!

Here's another suggestion:-

You know him - but he's very
modest & objective, & shy. I've been
talking with Benjamin Backhart, the
economist of the Chase Nat. B.

He seems most intelligent & honest.
Has a high regard for you. He has
been making some very objective

reports of the bank on South America,
what we ought to do now & in
the post war period - a rounded
realistic point of view. You
have already talked to him casually -
but I believe he could be a
valuable occasional consultant &
helper - a real thick man - young -
who puts facts first & lets the chips
fall where they will.

With personal regards
Sincerely
James H. Conway

TREASURY DEPARTMENT

98

INTER OFFICE COMMUNICATION

DATE October 8, 1941

TO Secretary's files
FROM Mr. Kuhn

At the group meeting on October 6th the Secretary said that it would be all right to use his signature on telegrams to these officials, and that he did not need to see the list. Each such telegram will be approved by me before it is sent.

F.K.

Att: 2



TREASURY DEPARTMENT

99

WASHINGTON

October 3, 1941

DEFENSE SAVINGS STAFF

MEMORANDUM

TO: Mr. Kuhn

FROM: Mr. Gilchrest

bil

The Secretary requested that in the future whenever we planned to broadcast any material of advantage to the Army, Navy and Marine Corps, we inform them by telegram of the occasion.

Attached herewith a list of the Army, Navy, and Marine Corps people we believe should be sent wires. What additions would you and the Secretary care to make in this list.

And another question. Don't you think these wires should be signed with Mr. Morgenthau's name. There would be no necessity of bothering the Secretary with this unless you think we should. Please let me know what decision is made.

Army

The Honorable,
Henry L. Stimson,
Secretary of War.

Robert P. Patterson,
Under Secretary of War.

Gen. George C. Marshall,
Chief of Staff.

Brig. Gen. F. H. Osborne,
Chief of Morale Branch,
War Department.

Brig. Gen. A. D. Surles,
Director, Bureau of Public Relations,
War Department.

Maj. Gen. Allen W. Gullion,
The Judge Advocate General,
War Department,

Maj. Gen. Edmund B. Gregory,
The Quartermaster General,
War Department,

Navy

The Honorable,
Frank Knox,
Secretary of the Navy.

The Honorable,
James V. Forrestal,
Under Secretary of the Navy.

The Honorable,
Ralph A. Bard,
Assistant Secretary of the Navy.

The Honorable,
Artemus L. Gates,
Assistant Secretary of the Navy.

Admiral Harold R. Stark,
Chief of Naval Operations,
Navy Department.

Maj. Gen. Thomas Holcomb,
Commandant of the Marine Corps.

Adm. A. J. Hepburn,
Director of Public Relations.

Rear Admiral Chester W. Eimits,
Chief of the Bureau of Navigation.

Lt. Com. H. O'Flaherty,
Navy Department.

Maj. Geo. T. Vander Hoff,
Marine Corps.

Gen. Robert Denig,
Marine Corps.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Six Business Days of August, September, and October, 1941
(August 1-7, September 1-5, October 1-7)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	October	September	August	October over September	September over August	October over September	September over August
Series E - Post Offices	\$11,396	\$11,487	\$11,450	-\$ 91	\$ 37	- 0.8%	- 0.3%
Series E - Banks	<u>18,182</u>	<u>17,722</u>	<u>21,194</u>	<u>460</u>	<u>- 3,472</u>	<u>2.6</u>	<u>- 16.4</u>
Series E - Total	29,578	29,209	32,644	369	- 3,435	1.3	- 10.5
Series F - Banks	5,846	4,803	6,516	1,043	- 1,713	21.7	- 26.3
Series G - Banks	<u>37,517</u>	<u>34,846</u>	<u>47,502</u>	<u>2,671</u>	<u>- 12,656</u>	<u>7.1</u>	<u>- 26.6</u>
Total	<u>\$72,941</u>	<u>\$68,857</u>	<u>\$86,661</u>	<u>\$ 4,084</u>	<u>-\$17,804</u>	<u>5.9%</u>	<u>- 20.5%</u>

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

October 5, 1941.

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

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

101

UNITED STATES SAVINGS BONDS

Daily Sales - October 1941
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
October 1941									
1	\$ 1,450	\$ 3,029	\$ 1,286	\$ 8,271	\$ 12,587	\$ 4,479	\$ 1,286	\$ 8,271	\$ 14,036
2	1,870	2,786	867	4,324	7,977	4,656	867	4,324	9,847
3	2,150	3,299	1,065	6,323	10,687	5,449	1,065	6,323	12,837
4	1,270	1,696	612	6,400	8,707	2,966	612	6,400	9,978
6	3,449	4,778	1,444	9,286	15,508	8,226	1,444	9,286	18,956
7	1,207	2,595	572	2,913	6,080	3,802	572	2,913	7,287
Total	\$ 11,396	\$ 18,182	\$ 5,846	\$ 37,517	\$ 61,545	\$ 29,578	\$ 5,846	\$ 37,517	\$ 72,941

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

October 8, 1941.

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

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

October 8, 1941

MEMORANDUM

To: Members of Price Administration Committee

From: R. K. Thompson, Secretary

There are attached hereto the following:

1. Minutes of meeting held on October 2, 1941.
2. Price Schedule No. 29.
3. Price Schedule No. 30.
4. Revocation of Price Schedule No. 27.
5. Supplement to Price Schedule No. 16.
6. Amendment to Price Schedule No. 4.
7. Amendment to Price Schedule No. 13.
8. Price Schedule No. 31.
9. Reissue of Price Schedule No. 1.
10. Amendment of Price Schedule No. 4.
11. Extension of Price Schedule No. 14.
12. Price Schedule No. 32.
13. Amendment to Price Schedule No. 12.
14. Price Schedule No. 23.
15. Price Schedule No. 33.
16. Price Schedule No. 34.
17. Amendment to Price Schedule No. 11.

CONFIDENTIAL

SUMMARY OF STENOGRAPHIC TRANSCRIPT
OF MEETING OF PRICE ADMINISTRATION COMMITTEE

October 2, 1941

11:20 a.m.

PRESENT: Mr. Henderson, Chairman, Miss Elliott, Messrs. Lubin, Ryder, Ayres, Nelson, O'Connell, Barnes, Whitcomb, Shields, Bean, Goodloe, Greenwood, Hosmer, Hamm, Ginsburg, Harris, Wallace, Summer, Bruce, Thompson.

1. Zinc Situation

Reference was made to the discussion of the zinc situation had at the meeting of the Committee on September 10, and Mr. Henderson stated that, while we are further along on the crises in zinc, we are not much further along on a clear idea of the action to be taken. He added that what brings the matter to a head is that the Eagle-Picher Company was planning to grant a wage increase tomorrow but had now postponed it over the weekend. He said it is an increase which they can absorb from their current rate of production by curtailing the operation of their high cost or marginal mines and if that is done two things will force a question on the other mines as to the wage increase: first, the situation at the Eagle-Picher Company, and, second, the prospect of their employees being drawn off by an \$8.00 a day wage rate that has been fixed for the new defense industries that have been located in that territory. These other companies are not able to meet the wage increase and to take care of the depletion out of the current income.

Mr. Hamm indicated there are two phases of the problem; that the initial problem is the labor problem, and that even with an answer to that problem, we still have a problem of price policy as to which of certain alternatives we should follow in achieving the objective.

There ensued a lengthy discussion of the question whether, as a result of the wage differential between \$8.00 a day, now being received by defense workers in the Tri-State area, and \$5.50 a day, now being received by workers in zinc mines, there is a drawing off of labor from the zinc mines to the defense plants, and as to the responsibility of the Office of Price Administration, the Labor Division of the Office of Production Management, and the War Department in this situation, but no definite recommendations regarding action to be taken were offered.

Mr. Wallace then read to the meeting certain figures compiled by him in connection with the purchase of all of the tri-state concentrates by the Government at \$55.00 a ton and its sale at \$48.00 a ton, and the resulting savings that would accrue by pursuing that line of policy rather than paying the increased price just on Government purchases. This procedure was discussed at length but no action was taken.

2. Relation between price administration and the administration of consumer rationing, if and when that becomes necessary to regularize markets when maximum prices have been established.

Reference was then made to the item above listed which had been suggested for discussion by Dr. Ezekiel, and Mr. Henderson suggested that discussion of this item be deferred until a subsequent meeting at which Miss Elliott, Mr. Weiner and Mr. Nelson will all be in attendance.

3. Participation by Interstate Commerce Commission in meetings of the Price Administration Committee.

Mr. Henderson stated that the Interstate Commerce Commission had been invited to participate in meetings of the Price Administration Committee, and that Mr. Hosmer was present today representing that organization.

The meeting thereupon adjourned at 12:30 p.m.

PART 1345—Coke

PRICE SCHEDULE NO. 29—BY-PRODUCT FOUNDRY AND BY-PRODUCT BLAST FURNACE COKE

By-product foundry and by-product blast furnace coke are important elements in the manufacture of iron and steel. Maximum prices have been established for pig iron and iron and steel scrap, other important elements of iron and steel costs.

Prices of by-product foundry and by-product blast furnace coke are now from \$1.00 to \$1.25 per ton higher than a year ago. A further upward movement of coke prices would exert pressure upon the prices of iron and steel. The stabilization of present coke prices is important in the prevention of inflation.

After full investigation and conferences with representatives of the coke industry, it has been determined that the establishment of maximum prices for by-product foundry and blast furnace coke is essential and is in the interest of national defense and the public welfare.

Accordingly, under the authority vested in me by Executive Order 8734,¹ it is hereby directed that:

§ 1345.1 *Maximum prices for by-product foundry and by-product blast furnace coke.* On and after October 1, 1941, regardless of the terms of any contract of sale or purchase, or other commitment, no person shall sell, offer to sell, deliver or transfer, by-product foundry or by-product blast furnace coke, and no person shall buy, offer to buy, or accept delivery of by-product foundry or by-product blast furnace coke at prices higher than the maximum prices set forth in Appendices A and B, incorporated herein as §§ 1345.9 and 1345.10 respectively.*

* §§ 1345.1 to 1345.10, inclusive, issued pursuant to the authority contained in Executive Order 8734.

§ 1345.2 *Less than maximum prices.* Lower prices than those set forth in Appendices A and B may be charged, demanded, paid or offered.*

§ 1345.3 *Evasion.* The price limitations set forth in this Schedule shall not be evaded either by direct or indirect methods in connection with a purchase, sale, delivery or transfer of by-product

foundry or by-product blast furnace coke, alone or in conjunction with any other material, or by way of any commission, service, transportation, or other charge, or discount, premium, or other privilege, or by tying agreement or other trade understanding, or otherwise.*

§ 1345.4 *Records and reports.* Every person making purchases or sales of by-product foundry or by-product blast furnace coke after October 1, 1941, shall keep for inspection by the Office of Price Administration for a period of not less than one year, complete and accurate records of (a) each such purchase or sale, showing the date thereof, the name and address of the buyer or the seller, the price paid or received, and the quantity of each kind or grade purchased or sold, and (b) the quantity (1) on hand, and (2) on order, as of the close of each calendar month.

Persons affected by this Schedule shall submit such reports to the Office of Price Administration as it may from time to time require.*

§ 1345.5 *Enforcement.* In the event of refusal or failure to abide by the price limitations, record requirements, or other provisions of this Schedule, or in the event of any evasion or attempt to evade the price limitations or other provisions of this Schedule, the Office of Price Administration will make every effort to assure (a) that the Congress and the public are fully informed thereof, and (b) that the powers of the Government are fully exerted in order to protect the public interest and interests of those persons who comply with this Schedule. Persons who have evidence of any offer, receipt, demand or payment of prices higher than the maximum prices, or of any evasion or effort to evade the provisions hereof, or of speculation, or manipulation of prices of by-product foundry or by-product blast furnace coke, or of the hoarding or accumulating of unnecessary inventories thereof, are urged to communicate with the Office of Price Administration.*

§ 1345.6 *Modification of the schedule.* Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Office of Price Administration for approval of any modification thereof or exception therefrom.*

§ 1345.7 *Definition.* When used in this Schedule, the term "person" means an individual, partnership, association, corporation or other business entity.*

§ 1345.8 *Effective date of the schedule.* This Schedule shall become effective October 1, 1941.*

§ 1345.9 *Appendix A, Maximum prices for by-product foundry coke per net ton (2,000 lbs.).—(a) General provision.* The maximum delivered price for by-product foundry coke shall be the price F. O. B. cars at the governing oven plant, plus rail transportation and switching charges from that oven plant to the place of delivery. The term "governing oven plant" means that oven plant, the price at which, together with transportation

¹ 4 F.R. 1917.

charges, results in the lowest price at the place of delivery.

Location of oven plant:	F. O. B. oven plant to cars (per net ton)
Alabama.....	\$8.50
Chicago, Illinois.....	11.80
Ashland, Kentucky.....	10.00
Detroit, Michigan.....	11.75
Kearny, New Jersey.....	12.18
Buffalo, New York.....	11.78
Ironton, Ohio.....	10.00
Painesville, Ohio.....	11.25
Portsmouth, Ohio.....	10.00
Erie, Pennsylvania.....	11.75
Philadelphia, Pennsylvania.....	11.75
Chattanooga, Tennessee.....	9.00
Fairmont, West Virginia.....	10.00
Milwaukee, Wisconsin.....	12.25

(b) *Exceptions—(1) New England area.* The maximum delivered price in the states of Connecticut, Rhode Island, Massachusetts, New Hampshire, Vermont, Maine, and in the adjoining areas of New York State which have automatically been included within the New England shipping area, shall be \$13.75 per net ton, less \$0.15 per net ton discount for cash ten days.

(2) The maximum delivered prices within the following switching districts are:

District	Delivered price
Chicago, Illinois.....	\$12.25
St. Louis, Mo., & East St. Louis, Ill.,.....	12.02
Indianapolis, Indiana.....	12.00
Terre Haute, Indiana.....	12.00
Detroit, Michigan.....	13.25
Buffalo, New York.....	12.50
Cincinnati, Ohio.....	11.75
Cleveland, Ohio.....	12.25
Erie, Pennsylvania.....	13.25
Philadelphia, Pennsylvania.....	12.25
St. Paul and Minneapolis, Minnesota.....	14.00

(3) *Exception for certain existing relationships.* Whenever shipment is made from an oven plant other than the governing oven plant and the seller customarily during the six months preceding September 15, 1941, has received from a purchaser a price in excess of the maximum delivered price otherwise established by this Schedule, such higher price may continue to be charged such purchaser. Each person using this exception (3) shall file with the Office of Price Administration, on or before September 27, 1941, a list of purchasers to whom this exception (3) applies and all prices received from such customer during such period. Sales or shipments to customers may not be made under this exception (3) after October 1, 1941, without the filing of such list of purchasers and prices.

(4) *Shipments to West Coast.* On shipments to the states of California, Oregon and Washington, the governing oven plant may be Chicago, Illinois; *Provided*, That, when shipment is from the oven plants listed in paragraph (a) of this Appendix, the maximum delivered price may not exceed the F. O. B. oven plant price at such oven plants plus transportation charges.

(5) *Shipments from Swedeland, Pennsylvania.* Whenever shipment is from Swedeland, Pennsylvania, the maximum delivered price shall be the price provided in paragraph (a) of this Appendix

or the price provided in this exception (5), whichever is lower, except when exceptions (1), (2), (3) or (4) are applicable the prices provided in such exceptions may be charged.

When the railroad freight rate for by-product foundry coke from Swedeland, Pennsylvania to the place of delivery, including switching charges, is:

Freight rate per net ton	The maximum price per net ton shall be
\$0.65 and less.....	\$12.25
\$0.65 to \$0.95 inclusive.....	12.40
\$0.95 to \$1.05 inclusive.....	12.45
\$1.05 to \$2.25 inclusive.....	12.70
\$2.25 to \$2.50 inclusive.....	12.80
\$2.51 to \$2.85 inclusive.....	12.85
\$2.85 and over.....	\$10.85

¹ Delivered.

² F. O. B. oven plant, except that on deliveries to be made in the Cumberland Valley and Central Pennsylvania, the price shall be \$10.00 per net ton, F. O. B. oven plant.

(6) *Delivery other than by railroad.* When delivery is by means other than railroad, the maximum delivered price shall be the price as computed in this Appendix but adjusted to provide the customary differential or charge in effect on September 18, 1941, for such means of delivery.*

§ 1345.10 Appendix B, maximum prices for by-product blast furnace coke per net ton (2,000 lbs.) The maximum price f. o. b. oven plant on by-product blast furnace coke which may be charged by any person at each oven plant, shall be \$0.75 per net ton above the weighted average price f. o. b. oven plant of such coke delivered by such person from each oven plant during the first quarter of 1941; *Provided*, That this Appendix B shall not apply to sales or shipments made after the issuance of this Schedule at less than \$6.00 per net ton f. o. b. oven plant. The weighted average price means the average of the prices for which such coke was sold during such period weighted by the tons of such coke sold at each price.

Every person who produces and sells by-product furnace coke shall file prices at which such coke was delivered, and the quantity delivered at each price during the first quarter of 1941. Such information shall be filed with the Office of Price Administration, Washington, D. C. on or before September 27, 1941.*

Issued this 18th day of September 1941.

LEON HENDERSON,
Administrator.

[F. R. Doc. 41-7007] Filed September 18, 1941;
4:26 p. m.]

* GOVERNMENT PRINTING OFFICE: 1941-11-11

OFFICE FOR EMERGENCY MANAGEMENT
Office of Price Administration

108

For Saturday A.M.'s
September 20, 1941

PM 1194

Acting to stabilize a seriously disturbed price situation, Leon Henderson, administrator, Office of Price Administration, today fixed maximum prices for all grades of waste paper sold in the area east of the Rocky Mountains.

The maximum prices, set forth in Price Schedule No. 30, become effective October 1, 1941, and were determined upon after an exhaustive investigation and after numerous conferences with representatives of all branches of the trade. They are in line with the prices prevailing on June 16, 1941.

The prices established in the schedule, Mr. Henderson emphasized, are the maximum prices that consuming mills can pay their shippers at point of shipment. Prices to be paid by wholesalers, brokers and dealers should be below these maximum prices.

Mr. Henderson explained that maximum prices are not being established in the area west of the Rocky Mountains because investigation has shown that at the present time no inflationary price rise is threatened in that area.

Since the effective date of the schedule is October 1, ample time is being given for the completion of existing contracts and the liquidation of inventory. For this reason, no provision was included to permit completion of contracts after October 1 at prices higher than those set forth in the schedule.

The defense effort has placed an increasing burden upon the country's waste paper supply—a burden made greater because the war has shut off the channels of trade through which wood pulp was imported. Waste paper is a basic raw material in the manufacture of containers for many types of civilian goods and war materials.

It is anticipated that the supply situation will be relieved shortly by the national waste paper conservation program and by the usual seasonal pick-up in collections during the fall months.

For several months, OPA has attempted, through individual voluntary price agreements, to prevent unwarranted price increases. These voluntary agreements will continue in force until the effective date of the schedule.

"The responsible dealers and mills have evidenced an admirable willingness to cooperate," Mr. Henderson said. "This patriotic segment of the industry, however, has been unable to keep prices within those established by the agreements because of the large numbers of operators who have put high prices before national welfare, and have therefore attempted in every way and by every subterfuge to circumvent the price agreements."

The maximum prices per short ton established for all grades of waste paper f.o.b. point of shipment to mill, whether loaded on car, truck or other means of conveyance,

are as follows:

No. 1 Mixed Paper	\$13.00
Super-Mixed Paper	14.00
No. 1 Baled News	15.00
Overissus News	17.00
Old Corrugated Containers	16.00
Old Kraft Corrugated Containers	27.00
New Corrugated Cuttings	18.00
Box Board Cuttings	14.50
White Blank News	33.00
Extra Manilas	37.00
New Mahila Envelope Cuttings	54.00
No. 1 Hard White Shavings	50.00
Hard White Envelope Cuttings	60.00
No. 1 Soft White Shavings	43.00
Fly Leaf Shavings	33.50
No. 1 Heavy Books and Magazines	31.50
Mixed Books	20.50
Overissus Magazines	33.50
No. 1 Mixed or Colored Ledger	38.50
No. 1 White Ledger	42.50
No. 1 Assorted Kraft (Old Kraft)	30.00
New 100% Kraft Cuttings	52.00
New 100% Kraft Corrugated Cuttings	49.00

The highest qualities of the above-listed grades are defined in the schedule, copy of which is attached.

The maximum prices take into account the baling and other costs borne by the waste paper producer, and no differentials or service charges may be added. Lower prices than those set forth in the schedule may be charged, demanded, paid or offered.

While the schedule purports to cover all grades of waste paper sold east of the Rocky Mountains, Mr. Henderson explained that in the event any claim is made that a grade has been omitted, OPA would accept an affidavit setting forth all relative data concerning the alleged omission from the person or persons making such a claim. The omission, if any, would be corrected if investigation showed that such action was justified.

Text of the schedule is attached.

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION

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Part 1347 - Paper and Paper Products

Price Schedule No. 30 - Waste Paper Sold East of the Rocky Mountains

The Office of Price Administration, being charged with the maintenance of price stability and the prevention of undue price rises and economic dislocations, has determined after an exhaustive investigation and after numerous conferences with representatives of all branches of the trade, that the establishment of maximum prices for wastepaper is essential in order to accomplish these purposes and is in the interest of national defense and national welfare, and that the maximum prices set forth herein are fair and reasonable.

The defense effort has placed an increasing burden upon the wastepaper supply since it is a basic raw material in the manufacture of containers for food and manufactured products. Additional demands upon the wastepaper supply are made by manufacturers of almost all types of paper, the channels of trade through which wood pulp was imported having been shut off by the war. Inflationary price rises threaten, and immediate action to prevent disastrous price spiraling is essential.

For several months this Office has attempted to prevent unwarranted price increases through the medium of individual voluntary price agreements. The more responsible dealers and mills have evidenced a willingness to cooperate. This segment of the industry has been unable to keep prices within those established by the agreements, however, because of certain operators who have put high prices before national welfare, and have attempted to circumvent the price agreements.

This schedule is at present limited to sales and purchases of wastepaper East of the Rocky Mountains, since no inflationary price increases threaten the West Coast area.

Accordingly, under the authority vested in me by Executive Order No. 8734, it is hereby directed that:

1347.1. Maximum Prices for Waste Paper. On and after October 1, 1941, regardless of the terms of any contract of sale or purchase or other commitment, in the area East of the Rocky Mountains no person shall sell, offer to sell, deliver or transfer any grade of waste paper, and no person shall buy, offer to buy, or accept delivery of any grade of waste paper at prices higher than the maximum prices set forth in Appendix A hereof, incorporated herein as Section 1347.10.*

* Sections 1347.1 to 1347.10, inclusive, issued pursuant to the authority contained in Executive Order No. 8734.

1347.2 Less than Maximum Prices - Lower prices than those set forth in Appendix A may, however, be charged, demanded, paid or offered.*

1347.3 Evasion - The price limitations set forth in this Schedule shall not be evaded by direct or indirect methods in connection with a purchase, sale, delivery, or transfer of waste paper, alone or in conjunction with any other material, or by way of any commission, service, transportation or other charge, or discount, premium or other privilege, or by tying-agreement or other trade understanding, or otherwise.*

1347.4 Records - Every person making purchases or sales aggregating ten short tons or more of any or all grades of waste paper in any one month shall keep for inspection by the Office of Price Administration for a period of not less than one year, complete and accurate records of each purchase or sale of waste paper made during such month and each month thereafter, showing the date thereof, the name of the buyer or of the seller, the prices paid or received, and the quantity and grade or grades so purchased or sold. Such records shall set forth separately the f.o.b. point of shipment price and the transportation charge.*

1347.5 Affirmation of Compliance - All persons who are required by Section 1347.4 to keep records, shall transmit, on or before November 10, 1941, and on or before the tenth day of each month thereafter, an affirmation of compliance on Form 130:1 containing a sworn statement that during the month for which the record is kept all purchases and sales were made at prices in compliance with this Schedule or with any exception or modification thereof. Copies of Form 130:1 can be procured from the Office of Price Administration or, provided no change is made in the style and content of it and that it is reproduced on 8" x 10 1/2" paper, may be prepared by persons required to submit affirmation of compliance hereunder.*

1347.6: Enforcement - In the event of refusal or failure to abide by the price limitations, record requirements, or other provisions contained in this Schedule, the Office of Price Administration will make every effort to assure (a) that the Congress and the public are fully informed thereof, (b) that the powers of Government, both state and federal, are fully exerted in order to protect the public interest and the interests of those persons who comply with this Schedule, (c) that full advantage will be taken of the cooperation of the various political subdivisions of state, county, and local governments through calling to the attention of the proper authorities failures to comply with this Schedule which may be regarded as grounds for the revocation of licenses and permits; and (d) that the procurement services of the Government are requested to refrain from selling to or purchasing from those persons who fail to comply with this Schedule. Persons who have evidence of the offer, receipt, demand or payment of prices higher than the maximum prices, or of any evasion or effort to evade the provisions hereof, or of speculation or manipulation of prices of any or all of the grades of waste paper or of the hoarding or accumulation of unnecessary inventories thereof, are urged and requested to communicate with the Office of Price Administration.*

1347.7 Modification of the Price Schedule - Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Office of Price Administration for approval of any modification thereof or exception therefrom.*

1347.8 Definitions - When used in this Schedule, or any modifications or exceptions thereto, the term

- (a) "Person" includes an individual, partnership, association, corporation, or other business entity.
- (b) "Wastepaper" includes all kinds, and grades and types of wastepaper.
- (c) "Consumer" means a purchaser, for its own consumption, of wastepaper, i.e. paper mill, paperboard mill, roofing mill, etc.
- (d) "Producer" means any person who produces, collects, sorts, packs, offers for sale, sells, or exchanges any wastepaper.*

1347.9 Effective Date - This Schedule shall become effective on October 1, 1941.*

1347.10 Appendix A

MAXIMUM PRICES FOR WASTE PAPER

All prices given below are per short ton,
f.o.b. point of shipment 1/

GRADES	MAXIMUM PRICES 2/
No. 1 Mixed Paper 3/	\$13.00
Super-Mixed Paper 4/	14.00
No. 1 Baled News 5/	15.00
Overissue News 6/	17.00
Old Corrugated Containers 7/	16.50
Old Kraft Corrugated Containers 8/	27.00
New Corrugated Cuttings 9/	18.00

Box Board Cuttings <u>10/</u>	14.60
White Blank News <u>11/</u>	33.00
Extra Manilas <u>12/</u>	37.00
New Manila Envelope Cuttings <u>13/</u>	54.00
No. 1 Hard White Shavings <u>14/</u>	50.00
Hard White Envelope Cuttings <u>15/</u>	60.00
No. 1 Soft White Shavings <u>16/</u>	43.00
Fly Leave Shavings <u>17/</u>	33.50
No. 1 Heavy Books and Magazines <u>18/</u>	31.50
Mixed Books <u>19/</u>	20.50
Overissue Magazines <u>20/</u>	33.50
No. 1 Mixed Ledger (Colored Ledger) <u>21/</u>	38.50
No. 1 White Ledger <u>22/</u>	42.50
No. 1 Assorted Kraft (Old Kraft) <u>23/</u>	30.00
New 100% Kraft Cuttings <u>24/</u>	52.00
New 100% Kraft Corrugated Cuttings <u>25/</u>	49.00

1/ All prices established by this Schedule shall be for waste paper loaded on freight cars, trucks or other means of conveyance at the point of shipment. The point of shipment is the point from which the waste paper is to be shipped to the consumer.

2/ All prices listed represent the maximum prices for the respective grades of waste paper, the highest qualities of which are defined in the footnotes below. Other qualities of waste paper of the grades defined must be sold at or below the maximum prices established.

The prices established in this Schedule are the maximum prices to be charged and no differentials or service charges are to be added. In the event that hardship will be inflicted on any person by virtue of the removal of differentials that were in effect prior to January 1, 1941, application for exception should be made in accordance with Section 1347.7 hereof.

3/ "No. 1 Mixed Paper" shall consist of clean dry waste paper, free from objectionable papers and foreign materials; and packed in large machine compressed bales weighing 650 pounds or more.

4/ "Super-Mixed Paper" shall consist of No. 1 mixed paper which has been screened and dusted, and is composed of hard, bright stock. The process of screening and dusting shall be performed mechanically by a "tumbler" or similar device. Must be packed in large machine compressed bales weighing 650 pounds or more.

5/ "No. 1 Baled News" shall consist of clean, dry, sorted and repacked newspapers free from foreign materials, objectionable and mixed papers and packed in large machine compressed bales weighing 650 pounds or more.

6/ "Overissue News" shall consist of all-white, large size, over-run newspapers from a newspaper office (not over 60 days old) and may be packed in securely tied bundles, small or large bales.

7/ "Old Corrugated Containers" shall consist of used corrugated or solid fibre containers free from foreign materials, mixed and objectionable papers and packed in large machine compressed bales weighing 650 pounds or more.

8/ "Old Kraft Corrugated Containers" shall consist of used containers of 90% to 100% kraft content, clean and dry, free from foreign materials, objectionable and mixed paper and packed in large machine compressed bales weighing 650 pounds or more. If kraft content is less than 90%, the packing shall be designated "Old Corrugated Containers".

- 9/ "New Corrugated Cuttings" shall consist of new corrugated cuttings of jute and kraft from a corrugating plant, or solid fibre or corrugating container converting plant, and shall be free from foreign materials, mixed and objectionable papers. May be packed in small or large bales.
- 10/ "Boxboard Cuttings" shall consist of clean, dry cuttings from paperboard converting plants or other users of paperboard, free from objectionable and mixed papers and foreign materials, packed in large machine compressed bales weighing 650 pounds or more.
- 11/ "White Blank News" shall consist of clean, dry, and white news cuttings or sheets, free from mixed and objectionable papers and foreign materials, and packed in large machine compressed bales weighing 650 pounds or more.
- 12/ "Extra Manilas" shall consist of clean, dry, unprinted manila paper of uniform natural manila color, free from yellow news blanks, paper towels, canary colored blanks, goldenrod and bogus stock, as well as mixed and objectionable papers and foreign materials, and packed in large machine compressed bales weighing 650 pounds or more.
- 13/ "New Manila Envelope Cuttings" shall consist of clean, dry, new manila cuttings or sheets from envelope factories, free from printed stock of any kind, mixed or objectionable papers and foreign materials, and may be packed in small or large bales.
- 14/ "No. 1 Hard White Shavings" shall consist of clean, dry, bond or writing paper shavings, free from colors and tints, parchment and groundwood, and from mixed or objectionable papers and foreign materials. Must be packed in large machine compressed bales weighing 650 pounds or more.
- 15/ "Hard White Envelope Cuttings" shall consist of clean, dry, bond or writing paper shavings, free from all colors and tints, parchment and groundwood and from mixed or objectionable papers and foreign materials. May be packed in small or large bales or in securely tied packages.
- 16/ "No. 1 Soft White Shavings" shall consist of clean, dry, unprinted, all-white bookmaker shavings, free from all colors and tints, parchment, and groundwood as well as mixed and objectionable papers, and foreign materials, and containing not more than 20% coated white paper stock. Must be packed in large machine compressed bales weighing 650 pounds or more.
- 17/ "Fly Leaf Shavings" shall consist of the trim of books containing some printed material, free from groundwood, mixed and objectionable papers and foreign materials. Must be packed in large machine compressed bales weighing 650 pounds or more.
- 18/ "No. 1 Heavy Books and Magazines" shall consist of dry, clean books and magazines containing not over 2 percent groundwood papers and 2 percent packing outthrow (including outside wrappers, wrapping wires and twine), entirely free from shavings and sampled stock, heavily-laked, deeply-colored, gilt, aluminum and varnished cover stock, lithographed, parchment, groundwood, rotogravure and cover papers, as well as mixed and objectionable papers and foreign materials. Must be packed in large machine compressed bales weighing 650 pounds or more.
- 19/ "Mixed Books" shall consist of dry, clean books and magazines containing not over 25 percent total outthrow, including kraft, groundwood and outside packing, and shall be free from mixed and objectionable papers and foreign materials. May be packed in small or large bales.

20/ "Overissus Magazines" shall consist of clean, dry, fresh, overrun and misprint unsold magazines and books. May be packed in small or large bales or securely tied packages.

21/ "No. 1 Mixed Ledger (Colored Ledger)" shall consist of white and light-colored ledger and writing waste containing not more than 2 percent groundwood papers and 2 percent packing outthrow, free from mixed and objectionable papers, and foreign materials. Must be packed in large machine compressed bales weighing 650 pounds or more.

22/ "No. 1 White Ledger" shall consist of white ledger and writing waste containing not more than 2 percent groundwood papers and 2 percent packing outthrow, free from mixed and objectionable papers and foreign materials. Must be packed in large machine compressed bales weighing 650 pounds or more.

23/ "No. 1 Assorted Kraft (Old Kraft)" shall consist of brown kraft waste free from corrugated waste of any kind, mixed and objectionable papers and foreign materials. Must be packed in large machine compressed bales weighing 650 pounds or more.

24/ "New 100% Kraft Cuttings" shall consist of 100 percent kraft trimmings, cutting or shavings from strictly new kraft paper stock, and must be free of fibre papers, screening pulp and colored paper of any kind, objectionable and mixed papers and foreign materials. May be packed in small or large bales.

25/ "New 100% Kraft Corrugated Cuttings" shall consist of cuttings, trimmings or shavings from new 100 percent kraft corrugated stock, and must be free of fibre papers, screening pulp, and colored paper of any kind, objectionable and mixed paper and foreign materials. Must be packed in small or large bales.

When used in these definitions:

"Objectionable papers" include carbon, waxed, parafined, oil-treated, greased, glazed, parchment, asphalt, tar, wall, friction board, book-covers, cloth-bound, heavy cores, tympan, pressboard, used billboard stock, paper-wrapped excelsior, felt furniture pads, paper twine, uncut printers' rolls, and paper strings; and

"Foreign materials" include every non-paper substance that cannot be manufactured into paper, including, but in no way limiting the generality of the above: cellophane, rags, rubbers, strings, vulcanized fibre, metals, and rubbish of all kinds."

Issued this 18th day of September, 1941.

(Sgd.) Leon Henderson
Leon Henderson
Administrator

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

(Sgd.) John E. Hamm
John E. Hamm, Deputy Administrator

OFFICE FOR EMERGENCY MANAGEMENT

OFFICE OF PRICE ADMINISTRATION

For Immediate Release
September 20, 1941

PM 1201

Text of the formal order revoking the anthracite coal price schedule follows:

Part 1340 - Fuel

Price Schedule No. 27 - Anthracite

Order of Revocation

A Price Schedule fixing maximum prices for anthracite coal f.o.b. mine was issued September 11, 1941, because the necessary data to justify a proposed increase to take effect on September 15, 1941, had not been presented to the Office of Price Administration. The information previously withheld has now been submitted.

Accordingly, under the authority vested in me by Executive Order 8734, it is directed that:

1340.71 to 1340.79, inclusive, Price Schedule No. 27, is hereby revoked.

Issued this 18th day of September, 1941.

This order of revocation is effective September 18, 1941.

(Sgd.) Leon Henderson

Leon Henderson
Administrator

Certified to be a True Copy of the Original

(Sgd.) John E. Hamm

John E. Hamm,
Deputy Administrator

OFFICE FOR EMERGENCY MANAGEMENT

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Office of Price Administration

For Release A.M.
September 20, 1941

PM 1202

Permission to liquidate futures contracts was today granted to persons who established their long or short positions prior to August 14, 1941, the date on which the raw sugar price schedule became effective, in a supplement to the schedule issued by Leon Henderson, administrator, Office of Price Administration. This action also validates liquidation of such contracts which has already occurred.

One of the effects of this supplement will be to enable such holders of September futures contracts to make or take delivery of actual sugar without violating the schedule. The exception also applies to contracts for other delivery months entered into prior to August 14. This will give holders of futures contracts the same opportunity to deliver or take sugar at prices above the ceiling price, where their position was established before the effective date of the schedule, that was extended to persons who entered into forward delivery contracts for actual sugar prior to the effective date of the schedule.

PM 1202

TITLE 32 - NATIONAL DEFENSE

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION

Part 1334 - Sugar

Supplement to Price Schedule No. 16 - Raw Cane Sugars

1334.11 Provision for liquidation of futures positions established prior to August 14, 1941. Liquidation of a position or positions, long or short, established prior to August 14, 1941, in No. 3 contract on the New York Coffee and Sugar Exchange, Inc., which has been or which shall be made, is hereby excepted from the operation of the provisions of Price Schedule No. 16.

(Executive Order No. 8734)

Issued this 19th day of September, 1941

Leon Henderson
Administrator

Certified to be a true copy of the original

John E. Hamm
Deputy Administrator

OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION

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For Tuesday AM's
September 23, 1941

PM 1216

Amendments to bring about a parity among consumers who purchase iron and steel scrap in the Cincinnati market and to create an incentive for the sale of scrap rail and re-rolling rail by mines and logging roads have been made to the iron and steel scrap schedule, the Office of Price Administration announced today.

The first change provides a shipping point price within the Cincinnati basing point of 80 cents a ton below the basing point price for all grades of scrap excepting six casting grades. This revision was made because of the great variation in switching charges within the Cincinnati basing point. It does not detract from the advantages obtained by local steel mills from the previous amendment establishing Cincinnati as a basing point, but does remove certain inequalities that resulted to those consumers with plants outside the basing point who have historically purchased scrap in the Cincinnati market.

The other revision provides an attractive price at which mines and logging camps can sell scrap rail and rails for re-rolling. It is stipulated that the maximum shipping point prices for this type of scrap shall be the ceiling prices set in the schedule, (which apply specifically to scrap of railroad origin), "except that the maximum shipping point price need in no case be less than \$13.50 per gross ton for scrap rail and \$15.00 per gross ton for rails for re-rolling." In addition, the formalities generally required from railroads upon the sale of scrap rail or re-rolling rail are eliminated when the seller is a mine or logging road.

Text of the amendments is attached.

TITLE 32 - NATIONAL DEFENSE

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CHAPTER XI - OFFICE OF PRICE ADMINISTRATION

PM 1231

Part 1312 - Lumber and Lumber Products

Amendment to Price Schedule No. 13 - Douglas Fir Peeler Logs
and Douglas Fir Plywood

§1312.2 of Price Schedule No. 13 is hereby amended to read as follows:

1312.2 Maximum Prices Established for Douglas Fir Peeler Logs.
From September 24, 1941 until October 24, 1941, regardless of the terms of any contract of sale or purchase or other commitment, no sale or delivery, or offer of sale or delivery, of Douglas fir peeler logs shall be made to manufacturers of Douglas fir plywood at a price in excess of that received by the seller for a sale or delivery of Douglas fir peeler logs of the same grade and quality from January 1, 1941 to August 1, 1941 inclusive. In the event that no sale or delivery of the same grade or quality was made by such seller during such period, the maximum price shall be the market price for the same grade and quality in the district on August 1, 1941. In the event that a manufacturer of plywood has paid a certain price, within this ceiling, to one of his log suppliers, nothing herein shall prevent such manufacturer and any other log supplier from consummating a sale between them of logs of the same grade and quality in the same district at this price. The word "district" shall mean the district as commonly recognized on August 1, 1941.*

*Issued pursuant to the authority contained in Executive Order No. 8734.

Issued this 24th day of September, 1941.

Effective September 24, 1941.

Leon Henderson
Administrator

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

John E. Hamm, Deputy Administrator

Part 1335—CHEMICALS

SCHEDULE NO. 11—ACETIC ACID

As a direct consequence of expanded economic activity induced by the national defense program the demand for acetic acid has risen sharply in the past

1941.

Acetic acid is essential in the manufacture of a large number of chemical products such as rayon yarn, plastics, transparent wrapping materials, waxes, varnishes and white pigments. The prices of all acetate solvents have risen primarily upon the price of acetic acid.

Synthetic production of acetic acid accounts for the bulk of acetic acid consumed in this country. Most of the remainder, commonly referred to as "natural acetic acid", is produced by wood distillation at a cost often in excess of that of synthetic production. The tank car price of synthetic glacial acetic acid in the third quarter of 1941 was approximately 20% higher than in the second quarter. A further increase to 6 1/2 cents per pound has recently been announced for the fourth quarter. The tank car price of natural acetic acid in 100% acid content has increased in recent months from 5 cents to 7 1/2 cents per pound and higher. Prices of the grades of acetic acid generally reflect the tank car prices for synthetic glacial and natural acetic acid in terms of 100% acid content and have increased correspondingly.

The Office of Price Administration has conferred with producers of both synthetic acetic acid and natural acetic acid. Justifiable reasons have been advanced for increasing the prices of synthetic acetic acid and natural acetic acid to 6 1/2 cents and 7 1/2 cents per pound respectively for tank cars. Increases in such prices would, therefore, be inflationary in character. Such inflationary movements in the prices of chemical products would tend to weaken the price control effort by causing dislocations, spiraling and profiteering.

Accordingly, under the authority vested in me by Executive Order No. 8724, it is hereby directed that:

§ 1335.201. **Maximum prices for acetic acid.** On and after September 29, 1941, regardless of the terms of any contract of sale or purchase, or other commitment, no person shall sell, offer to sell, deliver or transfer acetic acid in quantities of 3,000 pounds or more, and no person shall buy, offer to buy, or accept delivery of acetic acid in quantities of 3,000 pounds or more from any person, at a price higher than the maximum prices set forth in Appendix A, incorporated herein as § 1335.210.*

* §§ 1335.201 to 1335.210, inclusive, issued under the authority contained in Executive Order No. 8724, § 2 (b) (1) (1941).

§ 1335.202. **Less than maximum prices.** Any price less than those set forth in Appendix A may be charged, demanded, or offered.*

§ 1335.203. **Enforcement.** The price limitations set forth in this Schedule shall be enforced whether by direct or indirect methods in connection with a purchase, sale, delivery, or transfer, of acetic acid, or in connection with a purchase, sale, delivery or transfer, of any other

material, or by way of any commission, service, transportation, or other charge, or discount, premium, or other privilege, or by tying-agreement or other trade understanding, or otherwise.*

§ 1335.204. **Records and reports.** Every person making any purchase or sale of acetic acid in quantities of 3,000 pounds or more shall keep for inspection by the Office of Price Administration for a period of not less than one year, complete and accurate records of each such purchase or sale, showing the date thereof, the name and address of the buyer or the seller, the prices paid or received, and the specifications and quantity including the size of the containers, of the acetic acid purchased or sold.

Persons affected by this Schedule shall submit such reports to the Office of Price Administration as it may, from time to time, require.*

§ 1335.205. **Affirmations of compliance.** On or before October 10, 1941, and on or before the 10th day of each month thereafter, every person who, during the preceding calendar month, has made any sale of acetic acid in quantities of 3,000 pounds or more, whether for immediate or future delivery, shall submit to the Office of Price Administration, an affirmation of compliance on Form 131.1 containing a sworn statement that during such month all such sales were made at prices in compliance with this Schedule or with any exception or modification thereof. Copies of Form 131.1 can be procured from the Office of Price Administration, or, provided that no change is made in the style and content of the Form and that it is reproduced on 8 x 10 1/2" paper, they may be prepared by persons required to submit affirmations of compliance hereinafter.*

§ 1335.206. **Enforcement.** In the event of refusal or failure to abide by the price limitations, report requirements, or other provisions of this Schedule, or in the event of any evasion or attempt to evade the price limitations or other provisions of this Schedule, the Office of Price Administration will make every effort to assure (a) that the Congress and the public are fully informed thereof, (b) that the powers of the Government are fully exerted in order to protect the public interest and the interests of those persons who comply with this Schedule, and (c) that the procurement services of the Government are requested to refrain from purchasing acetic acid from those persons who fail to conform to this Schedule. Persons who have evidence of the offer, receipt, demand or payment of prices higher than the maximum prices, or of any evasion or effort to evade the provisions hereof, or of speculation, or manipulation of prices of acetic acid or of the hoarding or accumulating of unnecessary inventories thereof, are urged to communicate with the Office of Price Administration.*

§ 1335.207. **Modification of the schedule.** Persons complaining of hardship or inequity in the operation of this

Schedule may apply to the Office of Price Administration for approval of any modification thereof or exception therefrom.*

§ 1335.208. **Definitions.** When used in this Schedule, the term:

(a) "Person" means an individual, partnership, association, corporation, or other business entity.

(b) "Acetic acid" means the various grades of acetic acid listed in Appendix A hereof.*

§ 1335.209. **Effective date of the schedule.** This Schedule shall become effective September 29, 1941.*

§ 1335.210. **Appendix A. Maximum prices for acetic acid—(a) Acetic acid in tank cars.** The following maximum prices are established for glacial acetic acid (99.5% or over), and for weaker acetic acid of commercial grade in terms of 100% acid content:

	For One-hundred pounds delivered
Wood origin.....	\$7.25
Other origin.....	6.25

* Freight in excess of 50 cents per hundred pounds may be charged to buyer.

(b) **Acetic acid in containers, carload lots.** (1) The following maximum prices, f. o. b. producers' shipping points, are established for concentrations of technical and pure acetic acid, of any origin for carload quantities, in barrels or drums:

	For Hundred pounds
Technical:*	
30 percent.....	\$3.15
50 percent.....	5.15
70 percent.....	6.15
80 percent.....	6.90
84 percent.....	7.30
Glacial.....	8.45
Pure:†	
30 percent.....	4.25
36 percent.....	5.61
50 percent.....	7.17
80 percent.....	8.70
United States Pharmacopoeia.....	10.35
Chemically Pure.....	12.50

* Specifically designated percentages include all approximations thereof.

(2) Maximum prices, for carload quantities, in carboys and cases, are determined by adding a differential of 50 cents per hundred lbs. to the maximum prices established in subparagraph (1) of this paragraph (b).

(c) **Acetic acid in containers, less carload lots.** Maximum prices, for less than carload quantities, in the containers listed below, are determined by adding the following differentials to the maximum prices established in subparagraph (1) of paragraph (b) hereof.

	Per hundred pounds
For Barrels or Drums, less carload.....	25 cents
For Carboys and Cases, less carload.....	75 cents

Issued this 24th day of September 1941.

LEON HENDERSON,
Administrator.

[F. R. Doc. 41-7125 Filed, September 24, 1941, 11:00 a. m.]

OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION

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For Immediate Release
September 25, 1941

PM 1234

A reissue of Price Schedule No. 1, second-hand machine tools, is being made because supplies have become exhausted, the Office of Price Administration announced today.

Originally promulgated on February 17, 1941, when Leon Henderson, now OPA Administrator, was head of the Price Stabilization Division of the National Defense Advisory Commission, the pioneer price schedule corrected profiteering in second-hand machine tools. This had grown to serious proportions under stimulus of heavy demand for our own defense program and for shipment to England.

"Cases have been brought to the attention of the Price Stabilization Division where machine tools are being priced at twice the original cost when purchased thirty or more years ago," said the announcement accompanying the original schedule.

Speculative activity subsided with the issuance of the ceiling and orderly trading at reasonable price levels has prevailed ever since.

Reissue of the schedule takes the form of an amendment which substitutes the name "Office of Price Administration" for the title "Price Stabilization Division" throughout. A definition of rebuilt and guaranteed used machine tools has been added in line with previous interpretations of the schedule. A supplement issued May 7, 1941, designating March 1, 1941, as the base date for computing prices of second-hand machine tools, is incorporated in the body of the amended schedule. One other minor change is made in the text for purposes of clarity.

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION

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Part 1301 - MACHINE TOOLS

PRICE SCHEDULE NO. 1 - Second-Hand Machine Tools

Price Schedule No. 1 - Second-Hand Machine Tools issued February 17, 1941 is amended to read as follows:

WHEREAS, the Office of Price Administration is charged with functions related to the maintenance of price stability and the prevention of undue price rises and price dislocations; and

WHEREAS, in the second-hand machine tool trade, prices have risen in such fashion and to such extent since May, 1940, as compared with other basic commodities, and in particular as compared with new machine tools, as to result in price instability and dislocations injurious to the national defense; and

WHEREAS, such price increases are not justified but represent, on the part of a few, the result of speculative activity, and withholding of sales and offers to sell in the prospect of further unwarranted price increases, amounting to profiteering and hoarding; and

WHEREAS, the absence of any maximum price standards make it difficult and in some cases impossible for the trade voluntarily to cooperate with the Government in maintaining price stability and in preventing excessive and speculative price increases; and

WHEREAS, the establishment of such standards by the Government is necessary to facilitate such cooperation, and to prevent the kind of price policy which leads to a weakening of the defense effort through disastrous inflation, undue burdens upon the Government, economic dislocations, price spiraling, and profiteering, and the establishment of such standards is otherwise necessary in the public interest and in the interest of national defense; and

WHEREAS, on the basis of information secured by independent investigation by this Office and by the Office of Production Management and information furnished through the cooperation of the trade, I find that the maximum prices set forth in Appendix A, incorporated herein as section 1301.7, constitute reasonable limitations on prices for second-hand machine tools.

NOW, THEREFORE, IN ORDER TO FACILITATE COOPERATION WITH THE GOVERNMENT IN MAINTAINING PRICE STABILITY AND IN PREVENTING EXCESSIVE AND SPECULATIVE PRICE INCREASES INJURIOUS TO THE DEFENSE PROGRAM AND TO THE PUBLIC INTEREST AND WELFARE, IT IS DIRECTED THAT:

1301.1 Maximum Prices for Second-Hand Machine Tools.

On and after March 1, 1941, prices for second-hand machine tools, exclusive of extras, shall not exceed the prices set forth in Appendix A, incorporated herein as Section 1301.7 of this Schedule. No person shall sell, offer to sell, deliver or transfer, and no person shall buy, offer to buy, or accept delivery of second-hand machine tools at prices higher than those set forth in Appendix A. Lower prices may, however, be charged, demanded, paid, or offered.

The price limitation set forth in Appendix A shall not be evaded by additional or extra charges for repair or reconditioning, commissions, or otherwise.*

*1301.1 to 1301.7, inclusive, issued pursuant to the authority contained in Executive Order No. 8734.

1301.2 Records and Reports.

Each dealer in second-hand machine tools shall file with the Office of Price Administration a report on each floor-type second-hand machine tool in his stock or purchased through him as agent, and a report on each second-hand machine tool sold or otherwise disposed of, by him or through him as agent.

(a) All reports on second-hand machine tools must be made on Form 100:1, copies of which may be had upon request to this Office. Form 100:1 may be reproduced by the dealer, or printed on the reverse side of regular stock sheets, provided that no change is made in the style and content of the report and that the report is on 8 $\frac{1}{2}$ by 11 inch paper.

(b) Dealers shall file reports, not later than March 25, 1941, for each second-hand machine tool in stock as of March 15, 1941. A report for each second-hand machine tool added to stock after March 15, 1941, shall be filed not more than one week after the machine tool is purchased or otherwise acquired. Failure to object to an offering price as disclosed by a report does not constitute approval of the price by this Office.

(c) Reports for each second-hand machine tool sold or otherwise disposed of by or through a dealer after March 15, 1941, shall be filed by the dealer within one week after the transaction. Every report of sale or other disposition shall state the name and address of the purchaser. This information need be noted under item 17, Remarks, on only one of the sales reports. Requests for copies of invoices may be made by this Office at any time.

(d) When a second-hand machine tool is sold or otherwise disposed of within one week after acquisition and before the report of inventory or addition has been filed, such report of inventory or addition shall not be required. In such case, however, the report of sale or other disposition shall note that no previous report on the machine tool has been filed.

(e) For the purpose of reporting sales, the receipt of an order shall be reported as a sale. (If the order is later canceled, this Office is to be advised forthwith and the machine tool reported as added to inventory.)

(f) When a machine tool is disposed of by lease, or otherwise than by sale, a full statement of the transaction shall be made on the report.

(g) Inasmuch as prices, including commissions, may not exceed the ceiling prices, all offering or sale prices quoted in the report shall include commissions to be charged, or which have been charged, respectively.

(h) Where a dealer has acted as purchasing agent, he shall make a report on the second-hand machine tool as if it had been purchased and immediately sold by him (see clause (d) above), and shall report the amount paid by the purchaser, including any commission paid to him as purchasing agent.

(i) Dealers shall assign a separate inventory number to each second-hand machine tool handled by them and shall use this number in making reports

hereunder. If a machine tool is held in joint ownership, the inventory report shall be made by the dealer who has possession of the machine tool, or if none of the owners has possession of it, by the dealer in whose name the machine tool was purchased. When the machine tool is sold, the dealer in whose name the sale is made shall report the sale, referring to the inventory number previously assigned to the machine tool.

(j) All reports shall be filed in duplicate, and signed by the dealer or by an officer of the dealer.

(k) Complete records shall be preserved by dealers on all second-hand machine tools purchased, sold, or otherwise handled or dealt in after March 15, 1941.

(l) Subject to the provisions of section 1301.5 below, all information filed or received pursuant to this Price Schedule No. 1 shall be treated as confidential, except that it may be transmitted to any other agency or department of the Government.

(m) Extras may be defined as supplementary equipment furnished by the manufacturer at an added cost. Second-hand extras are subject to the same maximum price percentage that is applicable to the basic second-hand machine tool to which the extras are added. All extras must be separately listed as required in Form 100:1.*

1301.3 Definitions. When used in this Schedule:

(a) The term "person" includes an individual, corporation, association, partnership, or other business entity;

(b) The term "dealer" means a person in the business of buying and selling second-hand machine tools as a principal or in the business of buying or selling such tools as an agent or broker;

(c) The term "machine tool" includes all machines for the cutting, abrading, shaping, forming, and joining of metals;

(d) The term "second-hand" refers to machine tools which have previously been used or purchased for use;

(e) The term "stock", referring to second-hand machine tools, includes tools which are owned by the dealer in question, or on which he has obtained an option, or for which he has secured a selling agency.

(f) The term "rebuilt and guaranteed" applies only to a machine tool which (1) has been rebuilt or is in equivalent condition to a rebuilt machine tool and is invoiced as such (a rebuilt machine is one in which worn or missing parts have been replaced or reworked, and which has been tested under power so as to prove that it has a substantially equivalent performance to that of the machine when new); (2) has been tested under power so as to prove that it has a substantially equivalent performance to that of the machine when new; and (3) carries a binding guaranty of satisfactory performance for a period of not less than 30 days from date of shipment.*

1301.4 Modification of the Schedule.

Persons complaining of hardship or inequity in the operation of this

Schedule may apply to the Office of Price Administration for approval of any modification thereof.*

1301.5 Enforcement of the Schedule.

In the event of refusal or failure to abide by the price limitations or other provisions contained in this Schedule, this Office will make every effort to assure (a) that the Congress and the public are fully informed of the instances of such profiteering or noncooperation; and (b) that the powers of the Government are fully exerted in order to protect the public interest in the maintenance of fair prices. Persons who have evidence of the demand or receipt of prices above the limitations set forth, or of speculation, manipulation of prices or hoarding are urged to communicate with the Office of Price Administration giving as complete description of the particular machine tools as may be practicable.*

1301.6 Effective Date of the Schedule.

This Schedule shall become effective immediately.*

APPENDIX A

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Section 1301.7

MAXIMUM PRICES FOR SECOND-HAND MACHINE TOOLS

(Exclusive of Extras)

Classification by -		Maximum price in terms of per- centage of the March 1, 1941 price of equivalent new machine tool
Date of Manufacture	Condition	
1. Jan. 1, 1936, and after	(a) Rebuilt and guaranteed	95%
	(b) Others	75%
2. Jan. 1, 1930, to Dec. 31, 1935	(a) Rebuilt and guaranteed	90%
	(b) Others	70%
3. Jan. 1, 1920, to Dec. 31, 1929.	(a) Rebuilt and guaranteed	80%
	(b) Others	60%
4. Before Jan. 1, 1920	(a) Rebuilt and guaranteed	70%
	(b) Others	50%

Explanatory Information

1. The date of manufacture can be determined from the serial number stamped on the machine by the manufacturer.

2. As used above, the term "rebuilt and guaranteed" applies only to a machine tool which (1) has been rebuilt or is in equivalent condition to a rebuilt machine tool and is invoiced as such (a rebuilt machine is one in which worn or missing parts have been replaced or reworked, and which has been tested under power so as to prove that it has a substantially equivalent performance to that of the machine when new); (2) has been tested under power so as to prove that it has a substantially equivalent performance to that of the machine when new; and (3) carried a binding guaranty of satisfactory performance for a period of not less than 30 days from date of shipment.

3. Machine tools formerly equipped with a cone drive are often now manufactured with a geared head. In such cases determine the price of an equivalent new machine tool by deducting 20 percent from the March 1, 1941 price of the new geared-head machine tool.

Issued this 17th day of February, 1941

Amended this 24th day of September, 1941

Leon Henderson
Administrator

EXHIBIT A

EXHIBIT A

EXHIBIT A

Classification of

Date of Manufacture	Description	Quantity
Jan. 1, 1930, and after	(a) Serials and parts (b) Others	100 100
Jan. 1, 1925, to Dec. 31, 1929	(a) Serials and parts (b) Others	100 100
Jan. 1, 1920, to Dec. 31, 1924	(a) Serials and parts (b) Others	100 100
Before Jan. 1, 1920	(a) Serials and parts (b) Others	100 100

Professional Information

The date of manufacture can be determined from the serial number stamped on the machine by the manufacturer.

As used above, the term "serials and parts" applies only to a machine tool which (1) has been rebuilt or is in equivalent condition to a rebuilt machine tool and is covered by such a serial number in one of which either or similar parts have been replaced or repaired, and which has been tested when power is applied to prove that it has a substantially equal performance to that of the machine when new; (2) has been tested under load or has been tested with a substantially equal performance to that of the machine when new; and (3) carries a building certificate of satisfactory performance for a period of not less than 30 days from date of shipment.

Machine tools formerly equipped with a drive are also new machines. In such cases determine the date of an individual machine tool by deducting 50 percent from the March 1, 1921 date of the new Government machine tool.

Issued this 17th day of February, 1921

Respectfully,
1921

Chief Engineer
Bureau of Standards

OFFICE OF PRICE ADMINISTRATION

For Immediate Release
September 26, 1941

PM 1241

An experimental program designed to bring about quick delivery to steel mills and foundries of iron and steel scrap scattered throughout areas of the United States remote from consuming centers was announced today by Leon Henderson, administrator, Office of Price Administration.

Trade estimates of the quantities of "remote scrap" in Florida and the eight Western States affected by the program range from 500,000 to 2,500,000 tons. It is considered highly important to bring as much of this tonnage as possible to consuming points before winter weather conditions in the west make its collection difficult.

To accomplish its objective, the program allows considerably higher shipping point prices for "remote scrap" and permits consumers to pay greater transportation charges to bring "remote scrap" to their plants.

Both of these measures are embodied in an amendment to the iron and steel scrap schedule. This amendment will expire on December 31, 1941.

Specifically, the amendment sets a maximum shipping point price of \$12.00 a ton for No. 2 heavy melting scrap in Florida and all states west of the Mississippi River, excepting California, Oregon and Washington. Price differentials above and below \$12.00 for other grades of scrap will be those already established for St. Louis.

The new shipping point prices are considerably higher than those set in the present schedule for scrap from the nine states. However, except for a few isolated cases, existing shipping point prices in other States west of the Mississippi are not affected.

A separate section defines as "remote scrap" all kinds and grades of scrap, other than railroad scrap, having a shipping point and point of origin within the States of Florida, Oklahoma, Texas, Arizona, New Mexico, Nevada, Wyoming, Idaho, and Montana. It is stipulated that the maximum price of any grade of "remote scrap" delivered to the plant of a consumer may be \$5.00 a ton above the top delivered price which he has heretofore been permitted to pay.

By allowing steel mills and foundries to pay larger transportation costs, the amendment makes it possible for distant consuming plants to bring in "remote scrap" from the nine States affected. Heretofore, the maximum delivered price of scrap from these States has been the shipping point price fixed in the schedule, plus transportation costs to the nearest consuming plant, plus a further \$1.00 a ton.

This extra \$1.00 allowance enables mills and foundries to "reach out" for scrap that may otherwise lie slightly beyond their "delivered price" zone.

By increasing the extra allowance to \$5.00 in the case of "remote scrap", OPA permits consuming plants to absorb \$4.00 a ton more in transportation costs than the highest such charge allowed heretofore.

In special situations, according to the amendment, consumers may pay even more than the \$5.00 extra freight allowance, provided they apply for and obtain permission to do so in advance from the Office of Price Administration.

Lengthy discussions with the Office of Production Management, the scrap trade, and steel mills and foundries preceded the decision of OPA to conduct the present test. Representatives of the scrap trade have long contended that a large tonnage of "remote scrap" would be brought into consuming channels were shipping point and delivered prices made sufficiently attractive.

Two factors were considered in defining "remote scrap" areas. First, areas from which scrap is not now flowing to consuming points in sufficient volume and, second, areas in which more scrap accumulates than can be absorbed by nearby steel mills and foundries.

California, Colorado, Oregon, Utah and Washington were excluded because each has a number of consuming mills within its borders.

All deliveries against contracts made under the amendment must be completed by December 31, 1941. Purchasers of "remote scrap" are required to file, under oath, a detailed report of each transaction within 10 days after purchase. Further, consumers are obliged to file with OPA certified copies of their bills of lading immediately upon delivery of any "remote scrap."

Nothing in the amendment affects shipping point prices or delivered prices east of the Mississippi River, excepting in Southern Florida. Sellers in certain of the Western States not included in the "remote scrap" areas still will be able to dispose of their scrap in nearby markets within existing ceiling prices.

Text of the amendment is attached.

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION

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Part 1304 - Iron and Steel Scrap

Amendment of Price Schedule No. 4 - Iron and Steel Scrap

1304.16, Appendix A, MAXIMUM PRICES FOR IRON AND STEEL SCRAP OTHER THAN RAILROAD SCRAP, of Price Schedule No. 4 is hereby amended:

1. By adding after Subparagraph 3 in Section (b) of Paragraph II thereof the following Subparagraph 4:

"4. In the State of Florida and in all states west of the Mississippi River, excepting Washington, Oregon, and California, whenever the Shipping Point Price of No. 2 Heavy Melting Steel Scrap, as computed above falls below \$12.00 per gross ton at any Shipping Point, the maximum Shipping Point Price thereof at such point shall be \$12.00, and the maximum Shipping Point Prices for other grades of scrap at such point shall be computed by applying the price differentials established in Paragraph I hereof for St. Louis, Missouri."

2. By striking out, at the end of Paragraph III, the words, "to the consumer's plant.", and inserting in place thereof the following words: "to the consumer's plant, except as provided in Paragraph VI herein."
3. Paragraph VI is amended to read as follows:

"VI.

REMOTE SCRAP

- (a) Definitions. When used in this Paragraph:

1. Remote Scrap means all the kinds and grades of iron and steel scrap referred to in Appendix A and having a Shipping Point and a point of origin within the States of Montana, Idaho, Wyoming, Nevada, Arizona, New Mexico, Texas, Oklahoma, or Florida.

2. The Shipping Point of Remote Scrap is the point from which Remote Scrap is to be shipped, whether to consumer, dealer, broker or other person or persons.

- (b) Maximum Shipping Point Price of Remote Scrap. The maximum Shipping Point Price of Remote Scrap shall be \$12.00 for No. 2 Heavy Melting Steel Scrap and, for other grades of scrap, the maximum Shipping Point Price shall be computed by applying to the price of \$12.00 for No. 2 Heavy Melting Steel Scrap the price differentials established in Paragraph I hereof for St. Louis.

- (c) Maximum Delivered Price of Remote Scrap. The maximum price of Remote Scrap delivered to a consumer wherever located shall be the Shipping Point Price plus actual transportation charges from the Shipping Point to the consumer's plant as provided in Paragraph III above, except that, whenever necessary to absorb transportation charges, the maximum delivered price may exceed the maximum delivered price set forth in Paragraph III above by a maximum of \$4.00. Thus the maximum delivered price for Remote Scrap shall be \$5.00 above the prices set forth in Paragraph I above, for the Basing Point nearest, in terms of established transportation charges, to the consumer's plant. The consumer, however may not exceed the maximum delivered price provided in Paragraph III

above unless he conforms to the reporting requirements of Subparagraph 1. below.

1. No sales or purchases of Remote Scrap may be completed under the provisions of this paragraph unless the consumer of such scrap shall file, with the Office of Price Administration, Washington, D. C., (i) within 10 days following the purchase thereof, a fully detailed statement under oath setting forth the name and address of the seller, the point of shipment of the scrap, the grade, quantity and price at Shipping Point, delivery price, the name of the carrier, and the transportation charges from the Shipping Point to the consumer's plant, and (ii) immediately upon delivery of such scrap, certified copies of all bills of lading covering the shipment of such scrap from the remote area to the consumer's plant. Only reports of purchases and bills of lading involving delivery of not less than one car of scrap need be filed.

2. Where Remote Scrap cannot be delivered to the consumer within the maximum delivered prices of Remote Scrap established in Subparagraph (c) hereof, a consumer may apply to the Office of Price Administration, Washington, D. C., for permission to absorb the additional transportation charges necessary to secure such scrap. Applications by consumers must be fully detailed, including an affidavit setting forth the point of shipment of the scrap, the grade, quantity and price at Shipping Point, proposed delivery prices, the name of the carrier, and the transportation charges from the Shipping Point to the consumer's plant. The application should be accompanied by an affidavit from the consumer setting forth its need for, and its willingness to accept, such scrap at the price quoted.

Only applications for purchases which would involve actual delivery of not less than one car of scrap per month from one Shipping Point to one consumer destination will be considered.

The approval of the Office of Price Administration shall be obtained before consumers may absorb the additional transportation charge necessary to secure such scrap.

(d) Termination of Remote Scrap Provisions. The provisions of Subparagraph 4 of Paragraph II and this Paragraph VI shall become inoperative and terminated on and after December 31, 1941. Deliveries under contracts entered into pursuant to these provisions shall be completed on or before December 31, 1941."

These amendments shall become effective on September 26, 1941.

(Executive Order No. 8734)

Issued this 25th day of September, 1941.

Leon Henderson
Administrator

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

John E. Ham, Deputy Administrator

OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION

125

For Wednesday AM's...
October 1, 1941

PM 1279

Extension of Price Schedule No. 14 - raw silk and silk waste - to bring under ceiling prices all types of raw silk now known to be in the United States was announced today by Leon Henderson, administrator, Office of Price Administration.

The original schedule, issued August 2, 1941, covered the principal grades and established maximums at quotations that prevailed on July 21, 1941, before developments in the Far East sent prices soaring.

On July 26, 1941, domestic silk stocks were frozen by order of the Division of Priorities, Office of Production Management, which followed this action by undertaking an inventory of silk holdings.

Recently completed, the inventory disclosed that there were comparatively small amounts of numerous types and grades of raw silk not covered by the original OPA price schedule. These are now included in a comprehensive amendment.

Ceiling prices set for the newly added types and grades are based upon the prices already established for the leading types. Except for China silk, now broken down into grades, deniers and colors, no change has been made in the prices of these basic types.

The maximums will apply to all sales of silk, including sales of silk now or hereafter released from OPM's freezing order and to all transfers of silk ordered by OPM to manufacturers holding defense contracts.

It was announced that OPA does not contemplate making any provision for completion of existing contracts at prices above those established in the schedule.

OFFICE OF THE SECRETARY OF DEFENSE
OFFICE OF PRICE ADMINISTRATION

IN RE

For Wednesday AM 10
October 1, 1941

Extension of Price Schedule No. 14 - raw silk not silk waste - as being
... all types of raw silk now known as in the United States
... announced order by Labor Secretary, Administration, Office of Price Adminis-

The original schedule, issued August 2, 1941, covered the principal grades
and established maximums at quantities that prevailed on July 31, 1941, before
... in the raw silk and price control.

On July 25, 1941, domestic silk stocks were taken by order of the Division
of Production Management, which followed was noted by
... an inventory of silk holdings.

Recently completed, the inventory disclosed that there were comparatively
small amounts of numerous types and grades of raw silk not covered by the original
Price Schedule. These are now included in a comprehensive schedule.

These prices set for the newly added types and grades are based upon the
which already established for the leading grades. Except for these silk, raw
... into grades, grades and colors, no change has been made in the
... of these price types.

The maximum will apply to all inventories of silk, including sales of silk
... from GIN's transfer order and to all transfers
... by GIN to manufacturers holding defense contracts.
It was announced that GIN does not intend to issue any contracts for
... of existing contracts at which time they were established in the schedule.

TITLE 32 - - NATIONAL DEFENSE
 CHAPTER XI - OFFICE OF PRICE ADMINISTRATION
 Part 1338 - Silk and Silk Products

PM 1279

Section 1338.8 of Price Schedule No. 14 - Raw Silk and Silk Waste -
 is hereby amended to read as follows:

Section 1338.8- APPENDIX A, MAXIMUM PRICES FOR RAW SILK AND SILK WASTE.

Table I
 Prices Per Pound, Ex Seller's Warehouse

Type	Grade Percentage Evenness	E	D	C	B	A	AA	AAA	Special AAA	Special AAA	Special AAA	Special AAA
	Denier	73	78	81	83	85	87	90	92	93	94	95
Japan, White, Ivory, and Cream 1/	9-11	\$ 4.31	4.33	4.35	4.37	4.40	4.43	4.49	4.58	4.68	4.78	4.88
	10-12	4.21	4.23	4.25	4.27	4.30	4.33	4.39	4.48	4.58	4.68	4.78
	11-13	4.06	4.08	4.10	4.12	4.15	4.18	4.24	4.33	4.43	4.53	4.63
	12-14	3.11	3.13	3.15	3.17	3.20	3.23	3.29	3.38	3.48	3.58	3.68
	13-15 and 14-16	3.06	3.08	3.10	3.12	3.15	3.18	3.24	3.33	3.43	3.53	3.63
	15-17 to 18-20 inc.	3.04	3.06	3.08	3.10	3.13	3.16	3.22	3.31	3.41	3.51	3.61
	20-22 to 30-32 inc.	3.00	3.02	3.04	3.07	3.10	3.15	3.20	3.29	3.39	3.49	3.59
	40-44, 41-43 and 42-44	3.00	3.02	3.04	3.07	3.10	3.30	3.35	3.44	3.54	3.64	3.74
	60-66, 60-80, 62-64 and 83-85	3.00	3.02	3.04	3.07	3.10	3.15	3.20	3.29	3.39	3.49	3.59
Japan, Yellow; 1/ and Italian, Yellow and Persian White	20-22 to 30-32, inc.	2.95	2.97	2.99	3.02	3.05	3.10	3.15	3.24	3.34	3.44	3.54
	40-44	2.95	2.97	2.99	3.02	3.05	3.25	3.30	3.39	3.49	3.59	3.69

1/ Any Japan silk of undesignated grade, (i.e., percentage evenness) shall sell at a price not exceeding 10 cents per pound below the Grade E, 73 per cent evenness, price for its denier.

Table II

PM 1279

Prices Per Pound, Ex Seller's Warehouse

Type	Grade Percentage Evenness	G	F	E	D	C	B	A	AA	AAA	Special AAA	Special AAA	Special AAA	Special AAA
		63	68	73	78	81	83	85	87	90	92	93	94	95
<u>Denier</u>														
China, White and cream, 1/	9-11	\$4.15	4.25	4.31	4.38	4.43	4.50	4.60	4.70	4.80	4.90	5.00	5.10	5.20
Re-Reeled 2/	10-12	4.05	4.15	4.21	4.28	4.33	4.40	4.50	4.60	4.70	4.80	4.90	5.00	5.10
	11-13	3.90	4.00	4.06	4.13	4.18	4.25	4.35	4.45	4.55	4.65	4.75	4.85	4.95
	12-14	2.95	3.05	3.11	3.18	3.23	3.30	3.40	3.50	3.60	3.70	3.80	3.90	4.00
	13-15 to 18-20 inc.	2.90	3.00	3.06	3.13	3.18	3.25	3.35	3.45	3.55	3.65	3.75	3.85	3.95
	20-22 to 30-32 inc.	2.80	2.90	2.95	2.97	2.99	3.07	3.15	3.22	3.35	3.45	3.55	3.65	3.75
	40-44, 41-43 and 42-44	2.80	2.90	2.95	2.97	2.99	3.07	3.15	3.37	3.50	3.60	3.70	3.80	3.90
China, Yellow 1/	13-15 to 18-20 inc.	2.80	2.90	3.96	3.03	3.08	3.15	3.25	3.35	3.45	3.55	3.65	3.75	3.85
Re-Reeled 2/	20-22 to 30-32 inc.	2.73	2.83	2.88	2.90	2.92	3.00	3.08	3.15	3.28	3.38	3.48	3.58	3.68

1/ Any China silk of undesignated grade (i.e., percentage evenness) shall sell at a price not exceeding 75 cents per pound below the Grade G. 63 per cent evenness, price for its denier.

2/ The prices set forth are for re-reeled China silk. Ordinary reeled China silk shall sell at prices not exceeding 5 cents per pound below the prices for re-reeled China silk for equivalent colors, deniers, and qualities.

Table III

Prices Per Pound, Ex Seller's Warehouse

DOUPIONS, WHITE and YELLOW

<u>Denier</u>	<u>Maximum Price</u>
40-60	\$ 2.00
60-80	1.95
70-90	1.90
100-120	1.85
100-150	1.85
200-250	2.00

TSATLEE SILK

	<u>Maximum Price</u>
Extra	\$ 2.40
Double extra	2.55

CANTON SILK

<u>Denier</u>	<u>Maximum Price</u>
14-16	\$ 2.55
20-22	2.40
White Pearl chop grade	2.70

TUSSAH SILK

	<u>Maximum Price</u>
Ordinary	\$ 1.60
Bleached	1.70

Table IV

Imported Silk Waste

	<u>Maximum Price</u>
Canton Open Waste	\$0.64 per lb., ex seller's warehouse
China Long Waste	.92 per lb., ex seller's warehouse
Pierced Cocoons	.85 per lb., ex seller's warehouse
Peignees	1.85 per lb., in bond, Warehouse, Port of New York.

Table V

Domestic Silk Waste

	<u>Maximum Price</u>
Winders waste (untwisted) untinted	\$0.90 per lb., F.O.B. Shipping Point
Tinted	.85 per lb., F.O.B. Shipping Point
Trem Waste (1-5 turns per inch)	.80 per lb., F.O.B. Shipping Point
Crepe or Grenadine waste (6 or more turns per inch)	.22 per lb., F.O.B. Shipping Point
Cut skeins	.95 per lb., F.O.B. Shipping Point

(Executive Order No. 8734)

Effective September 30, 1941.

Issued this 30th day of September, 1941.

Leon Henderson
Administrator

Certified to be a true copy of the original.

OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION

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Immediate release
October 1, 1941

PM 1283

Ceiling prices for all grades of paperboard sold East of the Rocky Mountains, corresponding to those that have prevailed for several months under voluntary agreements with leading producers, are established in Price Schedule No. 32 announced today by Leon Henderson, Administrator, Office of Price Administration.

The new schedule goes into effect on October 1, expiration date of the voluntary agreements and effective date of OPA's recent schedule of ceiling prices on wastepaper, principal raw material for the manufacture of paperboard.

As stated in a preliminary announcement, maximum delivered prices for the three basic grades are the same as those specified in the voluntary agreements, that is, \$45.00 a ton for chipboard, \$60.00 a ton for single manila lined board and \$75.00 a ton for white patent coated news board. Differentials, up and down, in line with the expiring agreements, are established for the other types, depending upon weight, grade and quality.

All types of paperboard used in the manufacture of set-up paper boxes, folding cartons and shipping containers are covered. Top prices for the shipping container grades are stated in dollars per 1,000 square feet, rather than in dollars per ton. These are the grades used in set-up paper boxes and folding cartons.

Paperboard is in great demand for cartons and boxes to package defense materials, food products and innumerable articles of consumer goods.

Issuance of the present schedule climaxes a series of attempts by OPA to avert inflationary price trends in this basic commodity by voluntary agreements with paperboard manufacturers and the wastepaper trade.

On June 12, 1941, leading producers of paperboard agreed individually with OPA (then OPASS) to maximum prices of \$42.50 for chip board, \$57.50 per ton for single manila lined board and \$72.50 a ton for white patent coated news board, with appropriate differentials for other grades. This agreement took into account wastepaper prices as of May 29, 1941.

Prices of wastepaper rose rapidly thereafter and had increased from \$3.00 to \$4.00 a ton on June 18, 1941, when they were stabilized by individual agreements between OPA and members of the trade.

Because of these higher prices for wastepaper, the voluntary agreements with the paperboard manufacturers were revised upward by \$2.50 per ton on August 4 and at the same time were extended to October 1, 1941, to correspond with a similar extension of the agreements on wastepaper prices.

Despite these attempts to stabilize both paperboard and wastepaper prices through voluntary action, the situation continued unsettled. There developed in certain quarters of the wastepaper trade methods designed to circumvent the maximum prices and in some instances, supplies were diverted or withheld from consuming mills that refused to violate their agreements with OPA. As a result, the distribution of wastepaper stocks became unbalanced and some paperboard plants were forced to shut down.

On September 4, Mr. Henderson announced that it no longer was practicable to continue the attempt at voluntary control of wastepaper prices and that all of the more important grades would be brought under a ceiling as of October 1 at the levels that prevailed on June 16. This announcement was followed on September 23 by a statement that formal ceiling action on paperboard prices was impending.

The differentials established in the schedule are those which are familiar to the trade. A maximum base price is set for a given classification and to that base are added or subtracted amounts consistent with the quantity of all types included in the classification. For example, to the maximum base price of \$45.00 per ton for plain chip board may be added not more than \$5.00 per ton for sales of from one to three tons; \$2.50 for more than three tons, but less than 10 tons; with the base price of \$45.00 applying to sales of 10 tons or over.

In the case of white vat lined board, which is included with chip board in the "set-up boxboard" classification, the maximum base price is \$45.00 a ton, plus \$20.00 for orders of three tons or less; or plus \$17.50 for orders of over three, but less than 10 tons; or plus \$15.00 for orders of 10 tons or over. Thus, in effect, there are three ceiling prices (\$65.00, \$62.50 and \$60.00) for white vat lined boxboard. This same system prevails throughout the schedule, although in some cases minimum deductions from the base price are provided for. In addition, there are differentials allowed for varying thicknesses and for special operations in all of the grades.

Under a special exception, the additional charges for quantities less than 10 tons are eliminated if the buyer orders sizes in proper quantities and dimensions to fill the width of the paper making machine.

All of the ceiling prices are the maximums that may be charged for the respective grades and tonnages delivered to the consumer.

OPA has no present intention of establishing maximum prices for board sold west of the Rockies, Mr. Henderson said, since the voluntary agreements with West Coast manufacturers do not expire until December 31, 1941, and have been operating satisfactorily.

Price schedule No. 32 - Paperboard Sold East of the Rocky Mountains

The Office of Price Administration, being charged with the maintenance of price stability and the prevention of undue price rises, has determined that the establishment of maximum prices for paperboard is essential in order to accomplish these purposes and is in the interest of national defense and national welfare, and that the maximum prices set forth herein are fair and reasonable. The determination of these prices comes after exhaustive investigations and numerous conferences with representatives of all branches of the paperboard trade.

Paperboard, and the boxes and containers manufactured therefrom, have become essential to the prosecution of the defense effort. The Office of Price Administration, through voluntary agreements and the establishment of price schedules for wastepaper and other commodities, has been exerting its efforts to prevent undue price rises in those raw materials which go to make up paperboard. The price rises which are threatening in the paperboard industry are, therefore, unwarranted. Because of the countless uses for paperboard, the effect of an inflationary price would be to create a dangerous price spiral and, therefore, immediate action is necessary.

Accordingly, under the authority vested in me by Executive Order No. 8734, it is hereby directed that:

1347.51 Maximum Prices for Paperboard. On and after October 1, 1941, regardless of the terms of any contract of sale or purchase or other commitment, in the area East of the Rocky Mountains, no person shall sell, offer to sell, deliver or transfer any grade of paperboard, and no person shall buy, offer to buy, or accept delivery of any grade of paperboard at prices higher than the maximum prices set forth in appendices A and B hereof, incorporated herein as Sections 1347.61 and 1347.62, respectively.*

* Sections 1347.51 to 1347.62, inclusive, issued pursuant to the authority contained in Executive Order No. 8734.

1347.52 Less than Maximum Prices. Lower prices than those set forth in Appendices A and B may, however, be charged, demanded, paid, or offered.*

1347.53 Evasion. The price limitations set forth in this Schedule shall not be evaded by direct or indirect methods in connection with a purchase, sale, delivery, or transfer of paperboard, alone or in conjunction with any other material, or by way of any commission, service, transportation or other charge, or discount, premium or other privilege, or by tying-agreement or other trade understanding, or otherwise.*

1347.54 Records. Every person making purchases or sales aggregating ten tons or more of any or all grades of paperboard in any one month shall keep for inspection by the Office of Price Administration, for a period of not less than one year, complete and accurate records of each purchase or sale of paperboard made during such month and each month thereafter showing the date thereof, the name of the buyer or of the seller, the prices paid or received, the quantity and grade or grades so purchased or sold.*

1347.55 Reports. Every producer of any or all grades of paperboard shall, in addition to keeping records as required above, submit such reports as the Office of Price Administration may from time to time require.*

1347.56 Affirmation of Compliance. All persons who are required by Section 1347.54 to keep records, shall transmit, on or before November 10, 1941, and on or before the tenth day of each month thereafter, an affirmation of compliance on Form 132:1 containing a sworn statement that during the month for which the record is kept all purchases and sales were made at prices in compliance with this Schedule or with any exception or modification thereof. Copies of Form 132:1 can be procured from the Office of Price Administration or, provided no change is made in the style and content of it and that it is reproduced on 8" by 10" paper, may be prepared by persons required to submit affirmation of compliance hereunder. *

1347.57 Enforcement. In the event of refusal or failure to abide by the price limitations, record or report requirements, or other provisions contained in this Schedule, the Office of Price Administration will make every effort to assure (a) that the Congress and the public are fully informed thereof, (b) that the powers of the Government, both State and Federal, are fully exerted in order to protect the public interest and the interests of those persons who comply with this Schedule, (c) that full advantage will be taken of the cooperation of the various political subdivisions of state, county, and local governments through calling to the attention of the proper authorities failures to comply with this Schedule which may be regarded as grounds for the revocation of licenses and permits; and (d) that the procurement services of the Government are requested to refrain from selling to or purchasing from those persons who fail to comply with this Schedule. Persons who have evidence of the offer, receipt, demand or payment of prices higher than the maximum prices, or of any evasion or effort to evade the provisions hereof, or of speculation or manipulation of prices of any or all of the grades of paperboard or of the hoarding or accumulation of unnecessary inventories thereof, are urged and requested to communicate with the Office of Price Administration. *

1347.58 Modification of the Price Schedule. Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Office of Price Administration for approval of any modification thereof or exception therefrom. Such applications must include all relevant facts in detail and must be verified by the individual making the application or by an officer or partner of the business entity making the application. *

1347.59 Definitions. When used in this Schedule, or any modifications or exceptions thereto, the term

(a) "Person" means an individual, partnership, association, corporation, or other business entity.

(b) "Paperboard" means all kinds, grades, types, calipers, colors, and patterns of paperboard.

(c) "Producer" means any person who manufactures from any raw material any type, grade or caliper of paperboard for any use whatsoever.

(d) "Gage list" means those lists set forth in United States Department of Commerce Simplified Practice Recommendation R44-36 entitled "Box Board Thicknesses." *

1347.60 Effective Date. This Schedule shall become effective on October 1, 1941. *

Maximum Prices for Paperboard Used in the Manufacture of Folding Paper Boxes and Set-up Cartons.

(a)

Set-up Boxboards (No. 1 Gage List - Reg. 50's to 90's, incl. See Section (d) for other thicknesses 1/)

	Maximum Base Price Per Ton (2000 lbs.)		Maximum Differentials Applying to the Maximum Base Price 2/		
			1 - 3 Tons	Over 3 Less 10	10 Tons or Over
Plain Chip	\$ 45.00	+	3/ 5.00	+ 2.50	+ Base
News Vat Lined Chip	45.00	+	6.50	+ 4.00	+ 1.50
Filled News	45.00	+	8.00	+ 5.50	+ 3.00
Solid News 1/	45.00	+	10.00	+ 7.50	+ 5.00
White Vat Lined	45.00	+	20.00	+ 17.50	+ 15.00
Mounting Board	45.00	+	8.00	+ 5.50	+ 3.00
Tube & Can Stock	45.00	+	7.50	+ 5.00	+ 2.50

(b)

Folding Boards (No. 2 Gage List - Reg. 50's and 90's, incl. See Section (d) for other thicknesses)

	Maximum Base Price Per Ton (2000 lbs.)		Maximum Differentials Applying to the Maximum Base Price 2/		
			1 - 3 Tons	Over 3 Less 10	10 Tons or Over
Single Manila Lined, Jute-Mist Gray, Tan, Green Lined & Suit Box	\$ 60.00	+	3/ 5.00	+ 2.50	+ Base
Bleached Manila Lined	60.00	+	7.50	+ 5.00	+ 2.50
Semi-bonding & Creasing Chip	60.00	-	7.50	- 10.00	- 12.50
Full Bonding Chip	60.00	-	5.00	- 7.50	- 10.00

(c)

White Patent Coated News ^{4/} (No. 6 Gage List)

	Maximum Base Price Per Ton (2000 lbs.)		Maximum Differentials Apply- ing to the Maximum Base Price ^{2/}		
			1 - 3 Tons	Over 3 Less 10	10 Tons or Over
# 1 Single White .020 and heavier	\$ 75.00	+ ^{3/}	5.00	+ 2.50	+ Base
# 1 Single White .018	75.00	+	7.50	+ 5.00	+ 2.50
# 1 Single White .016	75.00	+	10.00	+ 7.50	+ 5.00
# 1 Single White .015	75.00	+	12.50	+ 10.00	+ 7.50
# 1 Single White .014	75.00	+	15.00	+ 12.50	+ 10.00
# 1 Double White .020 and heavier	75.00	+	27.50	+ 25.00	+ 22.50
# 1 Double White .018	75.00	+	32.50	+ 30.00	+ 27.50
# 1 Double White .016	75.00	+	37.50	+ 35.00	+ 32.50
# 1 Double White .015	75.00	+	40.00	+ 37.50	+ 35.00
# 1 Double White .014	75.00	+	42.50	+ 40.00	+ 37.50

(d)

Additional Differentials Applying to All Grades

Regular 35's to 39's	+	^{3/} 5.00
Regular 40's to 49's	+	2.50
Regular 91's to 100's	+	2.50
Regular 101's to 120's	+	5.00
Silicating (Per Side)	+	2.50
Pasting 35's to 15's	+	7.50
Pasting 14's to 1/2" Thick	+	12.50
Trimming (Per Side)	+	1.00
Gloss Ink	+	2.50

(e)

All of the above maximum prices are for the respective grades and tonnages delivered to the consumer. Billing may be f.o.b. point of shipment with freight allowed to point of destination.

1/ Except No. 3 Gage List

2/ Exception to Quantity Differentials - Where a single buyer places a single or multiple order for paperboard of a single grade, thickness, type, and color, and where the sizes ordered and quantities

demande are such as to fill the trim of the seller's paper making machine and where the only cutting involved can be done by the slitter and chopper knives as the paperboard leaves the machine, the combined weight of such orders made simultaneously shall be used as the basis for the application of the quantity differential set forth herein.

A "+" sign before a figure establishes it as the maximum amount that may be added to the base price in the sale or purchase of the kind and grade of paperboard in whose column the figure appears. Smaller amounts may be added. A "-" sign before a figure establishes it as the minimum amount that must be subtracted from the base price in the sale or purchase of the kind and grade of paperboard in whose column the figure appears. Larger amounts may be subtracted.

- 4/ Additional differentials applying to White Patent Coated News only:
- Manila Back Non-Bender + \$10.00
 - Manila Back Bender + \$15.00

1347.62 Appendix B.

Maximum Prices for Paperboard Used in the Manufacture of Corrugated and Solid Fibre Boxes

(a)

<u>Container Liners</u>	<u>Price Per M Sq. Ft.</u>
.016 42 lb. Fourdrinier Kraft	\$ 1.26
.016 47 lb. Fourdrinier Kraft	1.41
.016 49 lb. Fourdrinier Kraft	1.47
.016 50 lb. Fourdrinier Kraft	1.50
.016 52 lb. Fourdrinier Kraft	1.56
.016 52 lb. - 150 lb. Test Cylinder Kraft	1.69
.016 56 - 58 lb. - 100 lb. Test Natural Cylinder Kraft	1.82
.016 56 - 58 lb. - 100 lb. Test Filled Cylinder Kraft	1.82
.016 52 lb. - 100 lb. Test Yellow Fourdrinier Kraft	1.76
.016 56 lb. - 125 lb. Test Yellow Cylinder Kraft	1.89
.016 56 lb. Chipboard	1.26
.016 64 lb. Jute	1.92

(b)

Liners Heavier than .016

.030 100 lb. Jute	3.00
.030 110 lb. Jute	3.30
.030 96 lb. Cylinder Kraft	3.12
.030 96 lb. Yellow Cylinder Kraft	3.24
.030 90 lb. Fourdrinier Kraft	2.70
.030 104 lb. - 250 lb. Test Cylinder Kraft	3.38
.035 110 lb. High Test Cylinder Kraft	3.85

(c)

<u>Liners Lighter than .016</u>	<u>Price Per M Sq. Ft.</u>
.012 33 lb. Kraft	.99
.012 38 lb. Kraft	1.14
.012 48 lb. - 50 lb. Jute	1.50
.010 30 lb. - 32 lb. Kraft	1.04

(d)

<u>Corrugating Grades</u>	
.009 32 lb. Strawboard	.96
.009 26 lb. Fourdrinier Kraft	.78
.009 26 lb. Chestnut	.78
.009 26 lb. Pinewood	.78
.009 26 lb. Chip	.62
.009 25 - 30 lb. "Bogus" Corrugating Material	.90
.009 26 lb. Canadian (Sulphite & Ground Wood)	.78

(e)

All Kraft, Jute, and Chip prices are based on their respective natural colors except where specific provision is made otherwise in the above schedule.

(f)

For grades of Chipboard not found in this Appendix, a price per thousand square feet not in excess of \$45.00 per ton may be charged. For grades of all other types of paperboard not found in this Appendix, a price per thousand square feet not in excess of \$60.00 per ton may be charged. In the event that special circumstances are present, application should be made to the Office of Price Administration for a modification or exception to the Schedule in accordance with Section 1347.58 hereof.

(g)

All of the above maximum prices are for the respective grades and tonnages delivered to the consumer. Billing may be f.o.b. point of shipment with freight allowed to point of destination.

Issued this 30th day of September, 1941.

LEON HENDERSON
 Leon Henderson
 Administrator

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

JOHN E. HAMM
 John E. Hamm, Deputy Administrator

OFFICE FOR EMERGENCY MANAGEMENT

For Immediate Release.
Oct. 2, 1941

Office of Price Administration

PM 1290

Several minor changes in Price Schedule No. 12 covering brass mill scrap were issued today by Leon Henderson, Administrator, Office of Price Administration.

Brass mill scrap includes scrap which is a by-product of the fabrication of materials produced by brass mills.

Amendments to the schedule, which was originally issued, on July 21, 1941, include:

(1) Addition of a new category designated as "Copper" with the following maximum prices for less than 15,000 pound lots: heavy scrap, 10-1/4¢ per pound; rod ends, 10-1/4¢ per pound; and rod turnings, 9-1/2¢ per pound. Premiums of 5/8¢ per pound may be paid on shipments of 15,000 pounds or more at one time and of 1 cent on shipments of 40,000 pounds or more. This type of material is currently covered in price schedule No. 20 on "Copper Scrap" but is to be removed from that schedule shortly.

(2) Addition of a new category designated as "Nickel Silver" with the following maximum prices for less than 15,000 pound lots:

Nickel Silver	Heavy Scrap	Rod Ends	Turnings
5% nickel	9-1/4¢	9¢	4-5/8¢
10% nickel	10-1/8¢	9-7/8¢	5-1/16¢
15% nickel	10-7/8¢	10-5/8¢	5-7/16¢

Nickel silver scrap was formerly covered by price schedule No. 8 on "Nickel Scrap". The change was made because most nickel silver is produced by brass mills. Cupro-nickel, which is produced in large quantities by other than brass mills, remains in the nickel scrap schedule.

(3) The definition of "brass mill scrap" has been changed so as to conform substantially with the OPM priority order covering copper and copper alloy scrap.

(4) The enforcement section has been modified so as to take account of possible cooperation by state, county, and local governments in seeking enforcement through revocation of licenses and permits. This section also states "that the procurement services of the Government are requested to refrain from selling to or purchasing from those persons who fail to comply with the schedule."

* * * * *

OFFICE FOR BROADCAST MANAGEMENT

IN THE

Office of Public Administration

... in this regard, it is covering areas which have been...

... as a part of the Administration of the Department of...

... on July 11, 1952.

(1) ... of a new category designated as "Group" with the following...

(2) ... of a new category designated as "Group" with the following...

Group	Category	Number	Percentage
Group A	Category 1	100	100%
Group B	Category 2	200	200%
Group C	Category 3	300	300%
Group D	Category 4	400	400%

... of the Department of Public Administration...

(3) ... of the Department of Public Administration...

(4) ... of the Department of Public Administration...

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION

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Part 1309 - Copper and Copper Alloys

Amendment to Price Schedule No. 12 - Brass Mill Scrap

Price Schedule No. 12, Brass Mill Scrap, is hereby amended by substituting the words "Office of Price Administration" for the words "Office of Price Administration and Civilian Supply" wherever they appear in the Schedule and by amending Sections 1309.15, 1309.18, and 1309.19 to read as follows:

1309.15 Enforcement. In the event of refusal or failure to abide by the price limitations, record requirements, or other provisions contained in this Schedule, the Office of Price Administration will make every effort to assure (a) that the Congress and the public are fully informed thereof, (b) that the powers of Government, both state and federal, are fully exerted in order to protect the public interest and the interests of those persons who comply with this Schedule, (c) that full advantage will be taken of the cooperation of the various political subdivisions of state, county, and local governments through calling to the attention of the proper authorities failures to comply with this Schedule which may be regarded as grounds for the revocation of licenses and permits; and (d) that the procurement services of the Government are requested to refrain from selling to or purchasing from those persons who fail to comply with this Schedule. Persons who have evidence of the offer, receipt, demand or payment of prices higher than the maximum prices, or of any evasion or effort to evade the provisions thereof, or of speculation or manipulation of prices of any or all of the grades of brass mill scrap or of the hoarding or accumulation of unnecessary inventories thereof, are urged and requested to communicate with the Office of Price Administration.

(Executive Order 8734)

1309.18 Definitions. When used in this Schedule, the term

- (a) "person" includes an individual, partnership, association, corporation, or other business entity.
- (b) "brass mill scrap" means the kinds and grades of non-ferrous scrap materials which are a by-product of the fabrication of materials produced by brass mills.

(Executive Order 8734)

1309.19 - Appendix A - Maximum Prices. Maximum prices herein set forth are for the principal kinds or grades of brass mill scrap. All other kinds or grades of brass mill scrap which are not specified, except cupro-nickel alloy scrap, should be sold at the normal differentials from such principal kinds or grades. Cupro-nickel alloy scrap shall be sold in accordance with the provisions of Price Schedule No. 8 which establishes maximum prices for scrap and secondary materials containing nickel.

The maximum prices are established for scrap which is clean, dry and free from foreign materials and which meets generally accepted maximum standards in the trade. Scrap which fails to meet such standards should be sold at normal differentials below the established maximum prices. Maximum Prices

<u>Kind or Grade of Scrap</u>	<u>(per pound, f.o.b. point of shipment)</u>		
	<u>Heavy Scrap</u>	<u>Rod Ends</u>	<u>Turnings</u>
<u>BRASS</u>			
Commercial Bronze containing 95% or more copper	9-1/2¢	9-1/4¢	8-3/4¢
containing minimum of 90% up to 95% copper	9-3/8¢	9-1/8¢	8-5/8¢

<u>Kind or Grade of Scrap</u>	<u>Maximum Prices</u>		
	(per pound, f.o.b. point of shipment)		
	<u>Heavy Scrap</u>	<u>Rod Ends</u>	<u>Turnings</u>
Red Brass containing minimum of 80% copper	9-1/8¢	8-7/8¢	8-3/8¢
Best Quality Brass containing minimum of 71% up to 80% copper	8-3/4¢	8-1/2¢	-----
Yellow Brass	8-5/8¢	8-3/8¢	<u>Rod Turnings</u> 7-7/8¢
<u>Copper</u>	10-1/4¢	10-1/4¢	9-1/2¢
<u>Nickel Silver</u>			<u>Turnings</u>
5% nickel	9-1/4¢	9¢	4-5/8¢
10% nickel	10-1/8¢	9-7/8¢	5-1/16¢
15% nickel	10-7/8¢	10-5/8¢	5-7/16¢

Quantity Differentials

Premiums on shipments of:

15,000 pounds or more at one time	5/8¢ per pound
40,000 pounds or more at one time	1¢ per pound

The maximum prices set forth above apply on shipments in lots of less than 15,000 pounds. However, as indicated above, on shipments in lots of 15,000 pounds at one time, a maximum of 5/8¢ per pound may be added to such prices. On shipments in lots of 40,000 pounds or more at one time, a maximum of 1¢ per pound may be added to such prices. A lot of 15,000 pounds for the purposes of this Schedule, may be made up of any kind or grade of heavy scrap, or of any kind or grade of turnings and rod ends, but heavy scrap may not be mixed with either turnings or rod ends or both, to make up a lot of 15,000 pounds. A lot of 40,000 pounds or more for the purposes of this Schedule, may be made up of any kind or grade of brass mill scrap.

If delivery is made by truck, a shipment in lots of 15,000 pounds or 40,000 pounds or more as the case may be, will be considered to have been made "at one time", for the purposes of this Schedule, if such lot is delivered to the buyer within two days after the first shipment of the lot is so delivered.

(Executive Order 8734)

These amendments shall become effective October 3, 1941.

Issued this 1st day of October, 1941.

LEON HENDERSON
ADMINISTRATOR

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

JOHN E. HAMM
DEPUTY ADMINISTRATOR

OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION

For Immediate Release
October 3, 1941

PM 1298

Amendment of the rayon grey goods price schedule to modify a regulation which might impose a hardship on the originators of new weaves of cloth was announced today by the Office of Price Administration.

Until now, the schedule required that sales contracts contain full details of the construction of each fabric sold, whether or not covered by maximum prices. As amended, this requirement will apply only to the fabrics specifically named in the schedule.

Disclosure to buyers of the make-up of new cloths in sales contracts, according to manufacturers, provided an easy means for competitors to obtain information that would permit imitation. Thus the originators would be deprived of style advantage.

The amended regulations still require manufacturers to keep full records of the production, prices and constructions of all fabrics included in the schedule, as well as to report similar information to OPA each month on fabrics not under the ceiling, if made in quantities exceeding 25,000 yards a month. These reports, it is stipulated, must be filed even though the fabrics were not sold "in the grey", or unfinished state, but were further processed by the manufacturer.

As a result of numerous inquiries, Mr. Henderson itemized the schedule's reporting requirements in the following clarifying statement to the trade:

1. Weavers will keep full records of all transactions, of all production, and of the details of manufacture of every fabric produced.
2. Weavers will submit to OPA, on forms provided for that purpose, reports showing the volume of production and full details of manufacture of every fabric not under the ceiling, if it has been produced in quantities greater than 25,000 yards monthly. The highest prices at which such goods are sold during the month covered are to be included in the form. These prices are to cover sales both for immediate and for future delivery. Reports will be due from all producers, however, whether the goods are sold in the greige or not. Where such fabrics are not sold in the grey state, this should be indicated on the report forms instead of listing the highest selling prices.
3. Invoices on all shipments of rayon grey goods must carry a style number or symbol which identifies the fabric in such a way that it refers to the weaver's records of the details of its manufacture. Sales contracts on fabrics covered by the ceiling must carry full details of manufacture.

OFFICE OF THE ATTORNEY GENERAL
STATE OF TEXAS

The Honorable
Governor of Texas

MEMORANDUM

Subject: [Illegible]

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CHAPTER II - OFFICE OF PRICE ADMINISTRATION

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PART 1337 - RAYON

Price Schedule No. 23 — Rayon Grey Goods —, is hereby amended by substituting the words "Office of Price Administration" for the words "Office of Price Administration and Civilian Supply" wherever they appear in the Schedule and by amending Sections 1337.14, 1337.15 and 1337.16 thereof to read as follows:

1337.14. Records. (a) Every person making purchases or sales of rayon grey goods after August 25, 1941, whether or not of the constructions enumerated in Appendix A hereof, shall keep for inspection by the Office of Price Administration for a period of not less than 1 year: (i) complete and accurate records of each such purchase or sale, showing the date thereof, the name and address of the buyer or seller, the price paid or received and the quantity in yards of each construction purchased or sold; and (ii) copies of each contract of sale and invoice or similar document containing the details required in Section 1337.15 hereof.

(b) Every manufacturer of rayon grey goods shall keep for inspection by the Office of Price Administration for a period of not less than 1 year complete and accurate records setting forth: (i) a full description of each construction of rayon grey goods whether or not of the constructions enumerated in Appendix A, manufactured or sold, including (1) the width, specifying whether in or off the loom, (2) the cloth count, i.e., the number of ends and picks per inch, specifying whether in or off the loom, and (3) a full description of the yarn both in the warp and in the filling, specifying in each case the denier and number of filaments, the process by which made, the twist or combination, if any, and, if a blend, the percentages of each type of yarn so blended; and (ii) the quantity in yards of each construction of rayon grey goods, whether or not of the constructions enumerated in Appendix A, produced during each calendar month.

(Executive Order No. 8734.)

1337.15. Details Required in Contract of Sale and Invoice. (a)

Every seller of rayon grey goods of the constructions enumerated in Appendix A shall, with respect to each sale thereof, deliver to the purchaser a contract of sale which shall contain, in addition to the terms thereof, a full description of each construction of rayon grey goods sold, including (i) the width, specifying whether in or off the loom, (ii) the cloth count, i.e., the number of ends and picks per inch, specifying whether in or off the loom, and (iii) a full description of the yarn both in the warp and in the filling, specifying in each case the denier and number of filaments, the process by which made, the twist or combination, if any, and, if a blend, the percentages of each type of yarn so blended.

(b) With each delivery of rayon grey goods, whether or not of the constructions enumerated in Appendix A, there shall be transmitted to the purchaser an invoice or similar document which shall contain a style number or symbol sufficient to identify in the manufacturer's records maintained pursuant to Section 1337.14 hereof, the details of each construction so delivered.

(Executive Order No. 8734.)

1337.16. Reports. On or before October 10, 1941, and on or before the 10th day of each month thereafter, every manufacturer of rayon grey goods shall submit to the Office of Price Administration a report on Form 123:1 setting forth in the detail required by the Form all the constructions of rayon grey goods, other than the constructions enumerated in Appendix A, manufactured by such person in quantities in excess of 25,000 yards per month, and the highest prices at which each such construction was sold, both for immediate and future delivery, if sold during such month. Such reports shall be submitted even although the rayon grey goods so manufactured were not sold in the grey state but were further processed by the manufacturer thereof. Copies of Form 123:1 can be procured from the Office of Price Administration.

3.

(Executive Order No. 8734.)

This amendment shall become effective October 3, 1941.

Issued this 2nd day of October, 1941

Certified to be a true copy
of the original

Leon Henderson,
Administrator

John E. Hamn,
Deputy Administrator

(Executive Order No. 12812)

This amendment shall become effective October 3, 1981.

Issued this 3rd day of October, 1981

For the President: [Signature]

Secretary of State

Administrative

John E. [Signature]

Deputy Administrator

For Saturday AM's
October 4, 1941

Ceiling prices directly keyed to the maximum established for the full range of ordinary commercial material for all of the more common grades of cotton issued today by Leon Henderson, administrator.

This is the first formal ceiling in the recently announced formula for automatic adjustment of grey goods whenever the market price of raw cotton rises a fixed number of points.

The formula is also being worked out for other types of cotton grey goods now covered by the numerous other constructions of cotton on the goods schedule. Combed yarn undergoes an adjustment to a higher quality product than carded yarn.

In gearing maximum prices for carded yarn to the 10 "spot" markets on July 19, 1941, when the price of raw cotton was used. This formula sets maximum prices for carded yarn and grey goods. Using the 15 cent schedule sets maximum prices ranging from 39 cents for the various numbers in single ply and from 39 cents for plies.

Adjustments of one-half cent a pound above the base price are provided for all numbers of yarn, single or ply, whenever an increase occurs in the price of raw cotton as measured by the middling grade on the 10 "spot" markets for cotton.

Using 20's, a leading number, for purposes of the formula, as follows:

"Spot" Raw Cotton
(Cents Per Lb.)

14.21 - 14.65
14.66 - 15.09
15.10 - 15.54
15.55 - 15.98
15.99 - 16.43 (base)
16.44 - 16.87
16.88 - 17.32
17.33 - 17.76
17.77 - 18.21
18.22 - 18.65

ADMINISTRATION

PM 1307

market price of "spot" raw cotton are es-

commercial carded cotton yarns, base ma-

cotton fabrics, in a new price schedule

of the Office of Price Administration

the cotton goods field incorporating OPA's

adjustments in maximum prices of yarn and

cotton declines or advances by a speci-

for application to combed cotton yarn

red by price ceilings, as well as for

cloth to be added shortly to the grey

additional step in manufacturing and is

arn to cotton prices, a base of 15.99

was the average price for cotton on

the prevailing ceilings were established

15.99-cent cotton price as a base, the

anging from 35 to 55 cents a pound for

39 to 60 cents for numbers of two or mor

above and below these "base prices" are

plied, whenever a change of 44½ points

ed by the average closing price of 15/16

the previous day.

oses of illustration, the formula works

Ceiling Prices

(Cents Per Lb.)

20's (Single)

20's (Plied)

35

40

36½

40½

37

41

37½

41½

38 (base)

42 (base)

38½

42½

39

43

39½

43½

40

44

40½

44½

Since the average closing price of "spot" cotton on October 2 was 17.01 cents a pound, or 102 points above the 15.99-cent "base", the maximum prices for 20's of October 3 were 39 cents for singles and 43 cents for plied, or one cent a pound above the "base prices".

It is stipulated that carded yarn ceiling prices automatically established by application of the formula shall not change until the day after "spot" cotton closing prices show a 4 1/2-point fluctuation.

The maximum "base prices" set for carded yarn are 3 cents a pound below the corresponding numbers of combed yarn. However, more cotton is wasted in the production of combed yarn. Hence, the revised schedule for that type, now being prepared, will provide for upward and downward revisions of maximum combed yarn prices on changes of something less than 4 1/2 points in raw cotton prices.

The first announcement that ceiling prices would be set for carded cotton yarn said that this would be done by amending the combed cotton yarn schedule, rather than by issuing a separate schedule. Subsequent adoption of the new price formula, however, made this impractical.

Normally, carded yarn, excepting certain special grades, sells below equivalent counts of combed yarn. Since the latter product has been subject to a schedule of maximum prices this normal differential has narrowed considerably and in some instances has disappeared. The result has been disturbing both to sellers and users of carded yarns.

The new schedule, which was drawn up after consultation with a committee of carded yarn spinners drawn from the Cotton Textile Advisory Panel, establishes a differential between combed and carded yarn prices reflecting an appropriate relationship. At the same time, through use of the new formula, yarn trading will not be disturbed by changes in cotton prices.

Both combed and carded cotton yarns are produced from raw, clean cotton and, up to a certain point, are made by the same manufacturing process. In the final stages, however, combed yarn is put through an additional process which removes the short cotton fibres, leaving only the longer fibres. This results in a stronger yarn of fine quality, suitable for weaving of fine broadcloths, lawns, dimities, etc., and for use in the production of higher grade net goods. Combed yarn also is used by women's hosiery mills and by lace, knitting and thread manufacturers.

Carded yarn finds a much wider variety of uses, such as in the weaving of plain cloths and sheetings and in the manufacture of carpets and rugs, twine, wire insulation men's socks, and underwear.

Yarn "numbers" indicate the diameter of the yarn, with the coarser diameters represented by low numbers and the finer counts by high numbers. As the name implies, "single" refers to yarn of a single strand, while "plied" is yarn of two or more strands.

Like the combed yarn schedule, the new carded yarn ceiling applies only to yarn for sale and not to the yarns produced for use within the manufacturer's own plant. Sales for export are exempted from the schedule.

It is provided that once a contract has been made in conformity with the schedule it shall be completed at the stipulated price, irrespective of any changes in the ceilings that may occur because of fluctuations in raw cotton between the date of the contract and the date of delivery.

Deliveries under contracts made before the carded yarn ceiling becomes effective are to be carried out at prices correlated in the schedule to the "spot" cotton price on the day before the contract was entered into.

The schedule covers only carded yarn of ordinary commercial quality. About 10% of the total production of carded yarn is made up of certain special types. These yarns, the schedule indicates, should sell at the customary differential below or above the prices set for ordinary commercial grades.

Conferences to fix specific differentials for special yarns will be held shortly with yarn manufacturers. It is pointed out that, under the established policy of OPA, deliveries of such yarn, once the differentials have been fixed, will not be permitted at higher than ceiling prices, regardless of commitments to the contrary.

It is provided that once a contract has been made in conformity with the provisions of this Act, the contract shall be binding upon the parties thereto in the absence of fraud, duress, or illegality. The contract shall be enforceable in the courts of the United States and in the courts of the State in which the contract was made.

The schedule covers only certain types of ordinary commercial goods. It does not cover such things as real estate, stocks, bonds, and other securities. The schedule is intended to provide a uniform system of contract law for the sale of goods in interstate and foreign commerce.

The schedule is divided into two parts. Part I contains the general provisions which apply to all contracts covered by the Act. Part II contains the specific provisions which apply to particular types of goods.

The schedule is intended to be a uniform system of contract law for the sale of goods in interstate and foreign commerce. It is intended to be a uniform system of contract law for the sale of goods in interstate and foreign commerce.

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TITLE 32 - NATIONAL DEFENSE
CHAPTER II - OFFICE OF PRICE ADMINISTRATION

Part 1307 - Raw Materials for Cotton Textiles
Price Schedule No. 33 - Carded Cotton Yarns

From August 1940 to May 1941 the prices of cotton yarns and cotton textiles were marked by an inflationary rise. To check this advance, the Office of Price Administration issued a schedule of maximum prices for combed yarns in May 1941, and a schedule for six leading types of cotton grey goods in June 1941. It was the aim of the Office of Price Administration in taking these measures to bring about an appropriate adjustment of prices for related products in the cotton textile field to those set forth in the schedules for combed yarn and cotton grey goods. Carded yarns, however, which normally sell for several cents less per pound than combed yarns are now commanding prices as high, and in some instances higher, than the ceiling prices established for combed yarns. This dislocation in the price structure of the textile industry is injurious to national defense and to the civilian economy.

Accordingly, under the authority vested in me by Executive Order No. 8734, it is hereby directed that:

1307.51 Maximum Prices for Carded Cotton Yarn.

(a) On and after the applicable ceiling date (as set forth in Appendix A, incorporated herein as Section 1307.60), except as provided in Section 1307.51 (b) hereof, no person shall sell, offer to sell, deliver, or transfer carded cotton yarn for commercial use, and no person shall buy, offer to buy, or accept delivery of carded cotton yarn for commercial use, at prices higher than the maximum prices set forth in Appendix A.

(b) The maximum prices established by this Schedule are not applicable to sales, offers to sell, deliveries, or transfers of carded cotton yarn which is to be exported outside the territory of the United States, its territories or possessions, regardless of whether such export is to be effected through a middleman; provided, however, that carded cotton yarn sold or delivered for such export shall not subsequently be sold or delivered for use within the United States, its territories or possessions, at a price higher than the applicable maximum established by this Schedule. *

*Sections 1307.51 to 1307.60 issued pursuant to the authority contained in Executive Order No. 8734.

1307.52 Less Than Maximum Prices. Lower prices than those set forth in Appendix A may be charged, demanded, paid, or offered. *

1307.53 Evasion. The price limitations set forth in this Schedule shall not be evaded whether by direct or indirect methods in connection with a purchase, sale, delivery, or transfer of carded cotton yarn, alone or in conjunction with any other material, or by way of any commission, service, transportation, or other charge, or discount, premium, or other privilege, or by tying-agreement or other trade understanding or otherwise. *

1307.54 Records and Reports. Every person making purchases or sales of carded cotton yarn for commercial use after October 5, 1941, shall keep for inspection by the Office of Price Administration for a period of not less than one year, complete and accurate records of (a) each such purchase or sale, showing

the date thereof, the name and address of the buyer or the seller, the price paid or received, the quantity in pounds, and the specifications of the carded cotton yarn sold or purchased, and (b) the quantity of carded cotton yarn (1) on hand, and (2) on order, as of the close of each calendar month.

Persons affected by this Schedule shall submit such reports to the Office of Price Administration as it may, from time to time, require. *

1307.55 Affirmations of Compliance. On or before November 10, 1941, and on or before the 10th day of each month thereafter, every person who during the preceding calendar month has purchased or sold, whether for immediate or future delivery, or delivered or accepted delivery of carded cotton yarn for commercial use, shall submit to the Office of Price Administration an affirmation of compliance on Form 133:1, containing a sworn statement that during such month all such purchases, sales, or deliveries were made at prices in compliance with this Schedule or with any exception thereto or modification thereof. Copies of Form 133:1 can be procured from the Office of Price Administration, or, provided that no change is made in the style and content of the Form and that it is reproduced on 8x10-1/2" paper, they may be prepared by persons required to submit affirmations of compliance hereunder. *

1307.56 Enforcement. In the event of refusal or failure to abide by the price limitations, record requirements, or other provisions of this Schedule, or in the event of any evasion or attempt to evade the price limitations or other provisions of this Schedule, the Office of Price Administration will make every effort to assure (a) that the Congress and the public are fully informed thereof, and (b) that the powers of the Government are fully exerted in order to protect the public interest and the interests of those persons who comply with this Schedule. Persons who have evidence of the offer, receipt, demand, or payment of prices higher than the maximum prices, or of any evasion or effort to evade the provisions hereof, or of speculation, or manipulation of prices of carded cotton yarn, or of the hoarding or accumulating of unnecessary inventories thereof, are urged to communicate with the Office of Price Administration. *

1307.57 Modification of the Schedule. Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Office of Price Administration for approval of any modification thereof or exception therefrom. *

1307.58 Definitions. When used in this Schedule, the term

(a) "person" means an individual, partnership, association, corporation, or other business entity;

(b) "carded cotton yarn" means carded cotton yarn of the specifications for which maximum prices are established in Appendix A;

(c) "for commercial use" means for any use or purpose except use by an individual buyer at retail for home or private consumption;

(d) "ceiling date" means the date, as specified in Appendix A, on which this Schedule becomes effective with respect to any given yarn. *

1307.59 Effective Date of the Schedule. This Schedule shall become effective October 6, 1941. *

1307.60 Appendix A. Maximum Prices for Carded Cotton Yarn.

(a) - Terms of Sale

The maximum prices set forth in this Appendix are prices for carded cotton yarn with freight prepaid to the purchaser's place of business, except that an extra charge may be made to the extent that the cost of transportation exceeds one cent per pound. The prices are gross prices before discounts of any nature are deducted and they include all commissions.

(b) - Determination of Maximum Price

The maximum price for any offer to buy or sell, sale or contract of sale, delivery or transfer of carded cotton yarn shall be determined from Paragraph (c) in the following manner:

(1) Offer to Buy or Sell - By the cotton spot price ^{1/} of the business day immediately preceding that on which the offer was made except that, if the offering price is not otherwise specified, an offer to buy or sell at the maximum price applicable on the day the contract of sale is to be made shall not be a violation of the Schedule.

(2) Sale or Contract of Sale - By the cotton spot price of the business day immediately preceding the day on which the sale or contract of sale is made, regardless of the maximum price applicable to the offer pursuant to which such sale or contract is made.

(3) Delivery or Transfer - By the cotton spot price of the business day immediately preceding that on which the sale or contract of sale is made, regardless of any change in the cotton spot price subsequent thereto. ^{2/}

1/ The term "cotton spot price" when used herein, means the average, published daily by the United States Department of Agriculture, Agricultural Marketing Service, of the price quotations for middling 15/16-inch cotton on ten designated spot markets.

2/ This method of determining the maximum price shall be used in connection with deliveries and transfers pursuant to sales or contracts of sale made before, as well as on or after, the applicable ceiling date.

Group A - The following maximum prices are for white carded yarns of all twists from knitting to warp twist, put up on regular-sized cones or tubes or in skeins. Carded yarns of twists outside the above range; yarns in put-ups other than the above; yarns with tensile specifications which cannot be met with cotton used for ordinary commercial quality combed yarns of the same counts; yarns with special constructions; yarns which have regularly sold at a premium because they are specially inspected; and yarns of grades lower than ordinary commercial quality white yarn should not sell for more than these maximum prices, appropriately increased or decreased by the normal trade differentials. This schedule is to be supplemented by a list of fixed differentials for yarns in these classes, to which all subsequent deliveries of such yarns will be subject, regardless of the terms of any contract of sale in existence at the date of issuance of such supplement.

Yarn Number	COTTON SPOT PRICES - CENTS PER POUND													
	14.21 to 14.65	14.66 to 15.09	15.10 to 15.54	15.55 to 15.98	15.99 to 16.43	16.44 to 16.87	16.88 to 17.32	17.33 to 17.76	17.77 to 18.21	18.22 to 18.65	18.66 to 19.10	19.11 to 19.54	19.55 to 19.99	
	CENTS PER POUND													
<u>Single</u>														
8s	33	33.5	34	34.5	35	35.5	36	36.5	37	37.5	38	38.5	39	
10s	33.5	34	34.5	35	35.5	36	36.5	37	37.5	38	38.5	39	39.5	
12s	34	34.5	35	35.5	36	36.5	37	37.5	38	38.5	39	39.5	40	
14s	34.5	35	35.5	36	36.5	37	37.5	38	38.5	39	39.5	40	40.5	
16s	35	35.5	36	36.5	37	37.5	38	38.5	39	39.5	40	40.5	41	
18s	35.5	36	36.5	37	37.5	38	38.5	39	39.5	40	40.5	41	41.5	
20s	36	36.5	37	37.5	38	38.5	39	39.5	40	40.5	41	41.5	42	
24s	37	37.5	38	38.5	39	39.5	40	40.5	41	41.5	42	42.5	43	
26s	38	38.5	39	39.5	40	40.5	41	41.5	42	42.5	43	43.5	44	
30s	40	40.5	41	41.5	42	42.5	43	43.5	44	44.5	45	45.5	46	
36s	43	43.5	44	44.5	45	45.5	46	46.5	47	47.5	48	48.5	49	
38s	44	44.5	45	45.5	46	46.5	47	47.5	48	48.5	49	49.5	50	
40s	45	45.5	46	46.5	47	47.5	48	48.5	49	49.5	50	50.5	51	
50s	53	53.5	54	54.5	55	55.5	56	56.5	57	57.5	58	58.5	59	
<u>Plied</u>														
8s	37	37.5	38	38.5	39	39.5	40	40.5	41	41.5	42	42.5	43	
10s	37.5	38	38.5	39	39.5	40	40.5	41	41.5	42	42.5	43	43.5	
12s	38	38.5	39	39.5	40	40.5	41	41.5	42	42.5	43	43.5	44	
14s	38.5	39	39.5	40	40.5	41	41.5	42	42.5	43	43.5	44	44.5	
16s	39	39.5	40	40.5	41	41.5	42	42.5	43	43.5	44	44.5	45	
18s	39.5	40	40.5	41	41.5	42	42.5	43	43.5	44	44.5	45	45.5	

COTTON SPOT PRICES - CENTS PER POUND cont.

Yarn	14.21	14.66	15.10	15.55	15.99	16.44	16.88	17.33	17.77	18.22	18.66	19.11	19.55
	to	to	to	to	to	to	to	to	to	to	to	to	to
Number	14.65	15.09	15.54	15.98	16.43	16.87	17.32	17.76	18.21	18.65	19.10	19.54	19.99

CENTS PER POUND

<u>Plied</u>													
20s	40	40.5	41	41.5	42	42.5	43	43.5	44	44.5	45	45.5	46
24s	41	41.5	42	42.5	43	43.5	44	44.5	45	45.5	46	46.5	47
26s	42	42.5	43	43.5	44	44.5	45	45.5	46	46.5	47	47.5	48
30s	44	44.5	45	45.5	46	46.5	47	47.5	48	48.5	49	49.5	50
36s	48	48.5	49	49.5	50	50.5	51	51.5	52	52.5	53	53.5	54
38s	49	49.5	50	50.5	51	51.5	52	52.5	53	53.5	54	54.5	55
40s	50	50.5	51	51.5	52	52.5	53	53.5	54	54.5	55	55.5	56
50s	58	58.5	59	59.5	60	60.5	61	61.5	62	62.5	63	63.5	64

(d) - Ceiling Date

The maximum prices established herein become effective, with respect to yarn of the types listed in Paragraph (c), Group A, on October 6, 1941, which shall constitute the ceiling date for that Group.

Issued this 3rd day of October, 1941.

/s/ Leon Henderson
 Leon Henderson
 Administrator

Certified to be a true copy of the original.

John E. Hamm
 Deputy Administrator

2-17-54

Reference is made to the report of the

MEMORANDUM
TO: SAC, [illegible]
FROM: [illegible]

Reference is made to the report of the

MEMORANDUM
TO: SAC, [illegible]
FROM: [illegible]

(4) - [illegible]

Date	Time	Location	Remarks	Initials
2-17-54	10:00	[illegible]	[illegible]	[illegible]
2-17-54	10:05	[illegible]	[illegible]	[illegible]
2-17-54	10:10	[illegible]	[illegible]	[illegible]
2-17-54	10:15	[illegible]	[illegible]	[illegible]
2-17-54	10:20	[illegible]	[illegible]	[illegible]
2-17-54	10:25	[illegible]	[illegible]	[illegible]
2-17-54	10:30	[illegible]	[illegible]	[illegible]
2-17-54	10:35	[illegible]	[illegible]	[illegible]
2-17-54	10:40	[illegible]	[illegible]	[illegible]
2-17-54	10:45	[illegible]	[illegible]	[illegible]
2-17-54	10:50	[illegible]	[illegible]	[illegible]
2-17-54	10:55	[illegible]	[illegible]	[illegible]
2-17-54	11:00	[illegible]	[illegible]	[illegible]
2-17-54	11:05	[illegible]	[illegible]	[illegible]
2-17-54	11:10	[illegible]	[illegible]	[illegible]
2-17-54	11:15	[illegible]	[illegible]	[illegible]
2-17-54	11:20	[illegible]	[illegible]	[illegible]
2-17-54	11:25	[illegible]	[illegible]	[illegible]
2-17-54	11:30	[illegible]	[illegible]	[illegible]
2-17-54	11:35	[illegible]	[illegible]	[illegible]
2-17-54	11:40	[illegible]	[illegible]	[illegible]
2-17-54	11:45	[illegible]	[illegible]	[illegible]
2-17-54	11:50	[illegible]	[illegible]	[illegible]
2-17-54	11:55	[illegible]	[illegible]	[illegible]
2-17-54	12:00	[illegible]	[illegible]	[illegible]
2-17-54	12:05	[illegible]	[illegible]	[illegible]
2-17-54	12:10	[illegible]	[illegible]	[illegible]
2-17-54	12:15	[illegible]	[illegible]	[illegible]
2-17-54	12:20	[illegible]	[illegible]	[illegible]
2-17-54	12:25	[illegible]	[illegible]	[illegible]
2-17-54	12:30	[illegible]	[illegible]	[illegible]
2-17-54	12:35	[illegible]	[illegible]	[illegible]
2-17-54	12:40	[illegible]	[illegible]	[illegible]
2-17-54	12:45	[illegible]	[illegible]	[illegible]
2-17-54	12:50	[illegible]	[illegible]	[illegible]
2-17-54	12:55	[illegible]	[illegible]	[illegible]
2-17-54	13:00	[illegible]	[illegible]	[illegible]

Office of Price Administration

For Immediate
October 4, 1941

PM 1308

Methanol made from wood, commonly known as wood alcohol, a basic industrial chemical that has advanced sharply in prices while markets for synthetic methanol have held firm at much lower levels, is brought under a uniform ceiling at 60 cents a gallon, delivered East of the Mississippi, in a price schedule announced today by Leon Henderson. West of the Mississippi a maximum price of 63 cents is set.

This is the fourth price schedule issued by OPA in the chemical field, the other covering formaldehyde, a derivative of methanol; ethyl alcohol, and acetic acid. Mr. Henderson said that maximum prices would be imposed on other industrial chemicals in the near future.

In previous years, prices of wood alcohol have been largely governed by the price of synthetic methanol, which is competitive for most uses. However, with demand greatly stimulated by the defense program, wood alcohol markets recently have become disordered. Prices quoted publicly during the third quarter showed advances of 25% or more and large sales have been made at prices far above any published figure. The usual differentials for grades, quantity purchases, freight zones, etc., have been widely ignored. Speculation has made its appearance and there are indications that excess inventories have been accumulated.

In contrast to the inflationary situation in wood alcohol, synthetic methanol prices have held steady at 30 cents a gallon during the first three quarters of 1941 and the largest producer has announced a reduction of two cents a gallon for the fourth quarter. This producer and the three other companies responsible for virtually the entire United States output of synthetic methanol have agreed with the Office of Price Administration not to raise prices without at least 30 days' advance notice to OPA.

Under these circumstances it is not considered necessary to establish maximum prices for synthetic methanol at this time, but it is obvious that a price ceiling for wood alcohol is essential.

The new schedule, which covers all transactions in containers of 50 gallons or more, sets a maximum price of 60 cents a gallon, delivered in tank car lots, for the four principal grades of wood alcohol sold East of the Mississippi River. West of the Mississippi 3 cents a gallon may be added to the base ceiling price.

When sales in any territory are made in carload quantities in drums or other containers, the schedule allows the addition of 6 cents a gallon. In the case of less-than-carload sales in drums or other containers 16 cents may be added.

The four grades named in the schedule are: Denaturing, Pure, 95%, and 97%. The percentage designations shall include all approximations thereof, it is stipulated. sworn statements of compliance with the maximum prices are required by the schedule.

Methyl alcohol (methanol) is an essential industrial chemical used as an anti-freeze and in the manufacture of formaldehyde, denatured alcohol, paints, varnishes, enamels, and numerous other products.

It is produced synthetically from hydrogen and carbon gases and by a wood distillation process which also recovers acetic acid and charcoal. The synthetic type is made by four large chemical companies, while production of the wood type is scattered among a large number of concerns.

Output for the current year is estimated at about 54,000,000 gallons, of which only about 10% will be of wood origin. Approximately one-half of all wood alcohol produced is used as a denaturant for ethyl alcohol. The synthetic product is not used for this purpose.

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION

PART 1335 - CHEMICALS

PM 1308

Price Schedule No. 34 - Wood Alcohol

Methyl alcohol is an essential chemical which is used as an anti-freeze and in the manufacture of formaldehyde, denatured alcohol, paints, varnishes, enamels and many other products. Most methyl alcohol is produced synthetically. The remainder, herein referred to as "wood alcohol", is produced by the distillation of wood.

As a result of conditions engendered by the national defense program, the demand for methyl alcohol has increased sharply, causing a shortage of supply. A steep rise in the prices of the various grades of wood alcohol has occurred. The price of the denaturing grade, representing approximately one-half of the wood alcohol production, increased from 45 cents per gallon for tank car quantities in the second quarter of 1941 to 60 cents per gallon in the third quarter. Substantial transactions have taken place at even higher prices. Such a price movement threatens to create an unsound market in wood alcohol and also to dislocate the market for synthetic methyl alcohol. Producers of the latter product have refrained from increasing its price. The largest producer, in fact, has announced a price reduction in recent weeks. It is therefore unnecessary at this time to establish maximum prices for synthetic methyl alcohol.

After investigation and conferences with representatives of the methyl alcohol industry, the Office of Price Administration has found that, under existing conditions, there is no justifiable reason for prices of wood alcohol in excess of 60 cents per gallon for tank car quantities. Further increases in price would, therefore, be inflationary.

Accordingly, under the authority vested in me by Executive Order 8734, it is hereby directed that:

1335.251 Maximum Prices for Wood Alcohol. On and after October 10, 1941, regardless of the terms of any contract of sale or purchase, or other commitment, no person shall sell, offer to sell, deliver or transfer, wood alcohol in containers of 50 gallons or more, and no person shall buy, offer to buy, or accept delivery of wood alcohol in containers of 50 gallons or more, at prices higher than the maximum prices set forth in Appendix A, incorporated herein as Section 1335.259*

1335.252 Less than Maximum Prices. Lower prices than those set forth in Appendix A may be charged, demanded, paid or offered.*

1335.253 Evasion. The price limitations set forth in this Schedule shall not be evaded whether by direct or indirect methods in connection with a purchase, sale, delivery, or transfer of wood alcohol, alone or in conjunction with any other material, or by way of any commission, service, transportation, or other charge, or discount, premium, or other privilege, or by tying-agreement or other trade understanding, or by alteration of formula or grades of wood alcohol, or otherwise.*

1335.254 Records and Reports. Every person making purchases or sales of wood alcohol in containers of 50 gallons or more after October 10, 1941 shall keep for inspection by the Office of Price Administration for a period of not less than one year, complete and accurate records of each such purchase or sale, showing the date thereof, the name and address of the buyer or the seller, the price paid or

OFFICE OF THE SECRETARY OF AGRICULTURE

1941

WASHINGTON - DISTRICT

Price Schedule No. 1 - Wood Alcohol

As a result of conditions... the maximum price for wood alcohol...

The maximum price for wood alcohol... is hereby fixed at...

After investigation and... the maximum price for wood alcohol...

Accordingly, under the authority vested in me by Executive Order...

Section 1. Maximum Price for Wood Alcohol. On and after October 1, 1941...

Section 2. Lower Price for Wood Alcohol. Lower prices for wood alcohol...

Section 3. Exemption. The price limitations set forth in this schedule shall not...

Section 4. Enforcement. Any person who violates any provision of this schedule...

received, and the specifications and quantity, including the size of the containers, of the wood alcohol purchased or sold.

Persons affected by this Schedule shall submit such reports to the Office of Price Administration as it may, from time to time, require.*

1335.255 Affirmations of Compliance. On or before November 10, 1941, and on or before the 10th day of each month thereafter, every person who, during the preceding calendar month, has sold wood alcohol in containers of 50 gallons or more, whether for immediate or future delivery, shall submit to the Office of Price Administration an affirmation of compliance on Form 134:1, containing a sworn statement that during such month all such sales were made at prices in compliance with this Schedule or with any exception or modification thereof. Copies of Form 134:1 can be procured from the Office of Price Administration, or, provided that no change is made in the style and content of the Form and that it is reproduced on 8 x 10 $\frac{1}{2}$ " paper, they may be prepared by persons required to submit affirmations of compliance hereunder.*

1335.256 Enforcement. In the event of refusal or failure to abide by the price limitations, report requirements, or other provisions of this Schedule, or in the event of any evasion or attempt to evade the price limitations or other provisions of this Schedule, the Office of Price Administration will make every effort to assure (a) that the Congress and the public are fully informed thereof, (b) that the powers of the Government are fully exerted in order to protect the public interest and the interests of those persons who comply with this Schedule, and (c) that the procurement services of the government are requested to refrain from purchasing wood alcohol from those persons who fail to comply with this Schedule. Persons who have evidence of the offer, receipt, demand or payment of prices higher than the maximum prices, or of any evasion or effort to evade the provisions hereof, or of speculation, or manipulation of prices of wood alcohol, or of the hoarding or accumulating of unnecessary inventories thereof, are urged to communicate with the Office of Price Administration.*

1335.257 Modification of the Schedule. Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Office of Price Administration for approval of any modification thereof or exception therefrom.*

1335.258 Definitions. When used in this Schedule, the term

- (a) "person" means an individual, partnership, association, corporation, or other business entity;
- (b) "wood alcohol" means the various grades of methyl alcohol of wood origin listed in Appendix A hereof.*

*Sections 1335.251 to 1335.259, inclusive, issued pursuant to authority contained in Executive Order No. 8734.

MAXIMUM PRICES FOR WOOD ALCOHOL

The following maximum prices are established for wood alcohol:

I. Tank Cars

East of the Mississippi River

Denaturing Grade	60 cents per gallon, delivered
Pure Methyl Alcohol	60 cents per gallon, delivered
95% Methyl Alcohol**	60 cents per gallon, delivered
97% Methyl Alcohol**	60 cents per gallon, delivered

West of the Mississippi River

Maximum prices for tank car quantities in territory west of the Mississippi River are determined by adding 3 cents per gallon to the maximum prices established above for tank cars in territory east of the Mississippi River.

II. Drums and other containers, Carload Quantities

Maximum prices for drums and other containers, in carload quantities, in territory east or west of the Mississippi River, are determined by adding 6 cents per gallon to the maximum prices established for tank cars in the respective territory by Paragraph I of this Appendix.

III. Drums and other containers, Less than Carload Quantities.

Maximum prices for drums and other containers, in less than carload quantities, in territory east or west of the Mississippi River, are determined by adding 16 cents per gallon to the maximum price established for tank cars in the respective territory by paragraph I of this Appendix.

Issued this 3rd day of October, 1941.

Leon Henderson
Administrator

CERTIFIED TO ME A TRUE COPY OF THE ORIGINAL

John E. Hamm, Deputy Administrator

** Specifically designated percentages include all approximations thereof.

TITLE 32 - NATIONAL DEFENSE

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION

Part 1316 - Cotton Textiles

Amendment to Price Schedule No. 11 - Cotton Gray Goods

Section 1316.7 (a) (2) is hereby amended in part, as follows:

1316.7 Schedule of Maximum Prices(a) Maximum Prices for Cotton Gray Goods

* * * * *

(2) Group II. 2/Type of ClothPrice per yard, f.o.b.
seller's point of shipment

* * * * *

Combed Lawns

36" - 76x72	9-3/4¢
36" - 68x80	10-3/4¢
40" - 68x56	9¢
40" - 72x58	10¢
40" - 76x72	10-1/4¢
40" - 86x80	11-1/4¢
40" - 96x92	12-7/8¢
40" - 96x100	13-1/2¢ <u>4/</u>
40" - 106x112	16-3/8¢
45" - 76x72	11-7/8¢
45" - 88x80	12-7/8¢

4/ For combed lawns of the construction 40" 96x100 which most United States Marine Corps specifications for Rubberized Poncho (adopted May 10, 1938, corrected to December 30, 1940), a premium of 3/4¢ per yard may be charged.

(Executive Order No. 8734, 8875, 6 F.R. 1917, 4483)

Effective October 4th, 1941.

Issued this 4th day of October, 1941.

(Sgd.) Leon Henderson
Leon Henderson
Administrator

CERTIFIED TO BE A TRUE COPY
OF THE ORIGINAL

(Sgd.) John E. Hamm
John E. Hamm, Deputy Administrator

OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION

For Sunday AM's
October 5, 1941

PM 1313

The high quality demanded by the United States Marine Corps in cotton cloth used in making rubberized ponchos for troops is recognized in an amendment to the cotton grey goods price schedule announced today by Leon Henderson, administrator, Office of Price Administration.

The schedule has been amended so that a premium of 3/4-cent a yard may be added to the ceiling price of 13 $\frac{1}{2}$ cents a yard for 40-inch combed lawn, 96 x 100, meeting the specifications for Marine Corps poncho material. The premium is intended to cover the higher costs involved in making this grade of goods. Marine Corps requirements call for high-tensile strength and complete absence of imperfections.

October 8, 1941.

Dear Pat

I have your letter about Count R. N. Goudanove-Kalergi and shall be glad to see him again. I have put down an appointment for 3:00 p.m., Monday, October 13th, and if he will be in Washington then, I shall be able to talk with him. Unless I hear to the contrary, I shall consider this a definite engagement.

Affectionately,

(Signed) Henry

Mr. Henry Morgenthau,
1135 Fifth Avenue,
New York, New York.

GEF/dbs

→ 10/6 N me 148

~~Kush~~ to
Monday 3 pm.

HENRY MORGENTHAU
1133 FIFTH AVENUE
NEW YORK CITY

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*glad to see
him again*

September 19, 1941

My dear Henry:

*ask Fritz
mon*

Count Coudenhove Kalergi called on me today and explained to me that he wrote a letter to the President of which I enclose you a copy. He feels that it would be very useful and important if right now, "A Government in Exile" were established for Austria in the United States. He says, in his opinion, it is very essential to do so before the war is decided. He thinks that the United States should withdraw their de facto recognition of Austrian annexation. He would appreciate it highly if you would give him the privilege of calling on you in Washington. He says the moment you will let him know that you will see him on a fixed date, he will go up there.

You probably will remember meeting him. He is the gentleman who is at the head of the Pan European movement. (His mother was a Japanese). I have seen quite a little of him, and find him extremely intelligent and energetic.

With best love,

Yours,

Pa

New York, September 1st, 1941

To the President of the United States
Franklin D. Roosevelt,
White House,
WASHINGTON, D.C.

Dear Mr. President,

Deeply impressed by the high moral principles of your Atlantic Charter, I venture to submit to you and to Prime Minister Winston Churchill a few thoughts regarding the problems of Austria's independence in the light of these great principles.

The withdrawal of the de facto recognition of Austria's annexation, and the recognition of this nation's independence by the two great Democracies would be hailed by the entire world as a first practical step toward the execution of your Atlantic program.

Should you be ready to consider the suggestions of this Ambassador, I would take the initiative toward the constitution of a National Council for Austria, to achieve its closest contact with the governments of the English-speaking Democracies for the final liberation and reconstruction of Austria.-

Respectfully yours,

Count R.N. Coudenhove-Kalergi,
President of the Pan Europe Union.

TREASURY DEPARTMENT

151

INTER-OFFICE COMMUNICATION

DATE October 8, 1941.

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 64,000
Purchased from commercial concerns	£178,000

Of the latter amount, £150,000 were bought from the Singer Sewing Machine Company.

Open market sterling held steady at 4.03-1/2. The only reported transaction consisted of £2,000 sold to a commercial concern.

The Uruguayan free peso again improved 1/2¢ to close at .4600. One of the New York banks expressed the belief that the current strength in the Uruguayan peso has been due mainly to a small transfer of funds from Argentina to Uruguay.

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

Canadian dollar	11-3/8 discount
Argentine peso (free)	.2345
Brazilian milreis (free)	.0505
Colombian peso	.5775
Mexican peso	.2070
Venezuelan bolivar	.5775
Cuban peso	1/16¢ discount

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$5,377,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

In London, spot and forward silver were again fixed at 23-1/2d and 23-7/16d respectively. The U.S. equivalents were 42.67¢ and 42.55¢.

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

We made no silver purchases today.

- 2 -

The report of October 1, received from the Federal Reserve Bank of New York, giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$5,077,000, an increase of \$592,000 in the short position since September 24. Net changes were as follows:

<u>Country</u>	<u>Short Position</u> <u>September 24</u>	<u>Short Position</u> <u>October 1</u>	<u>Change in</u> <u>Short Position*</u>
England**	\$ 272,000 (Long)	\$ 70,000 (Long)	+ \$202,000
Europe	2,615,000	2,553,000	- 62,000
Canada	162,000 (Long)	20,000 (Long)	+ 142,000
Latin America	46,000 (Long)	65,000	+ 111,000
Japan	310,000	340,000	+ 30,000
Other Asia	2,093,000	2,279,000	+ 186,000
All others	<u>53,000 (Long)</u>	<u>70,000 (Long)</u>	<u>- 17,000</u>
Total	\$4,485,000	\$5,077,000	+ \$592,000

*Plus sign (+) indicates increase in short position, or decrease in long position.
Minus sign(-) indicates decrease in short position, or increase in long position.

**Combined position in registered and open market sterling.

CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON


PERSONAL

October 8, 1941

Dear Mr. Secretary:

I am afraid, as you will notice from the attached clipping from yesterday's Times, that the very thing I feared has happened.

Yours sincerely,


Lauchlin Currie

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

Chungking Is Encouraged

CHUNGKING, China, Oct. 6 (AP)—Commenting today on visits of United States, British and Netherlands Indies representatives, Foreign Minister Quo Tai-chi said "they indicate increasing cooperation in various fields among the A. B. C. D. [American, British, Chinese and Dutch] powers, and China is gratified."

Dr. Henry F. Grady, President Roosevelt's special Far Eastern economic representative, and J. G. Mulder, trade envoy from the Netherlands Indies, already have arrived in China, and Brig. Gen. John Magruder, head of a military lease-lend mission, is scheduled to arrive tomorrow from Hong Kong.

Mr. Quo also announced arrangements to receive a British-American economic mission headed by Sir Otto E. Niemeyer and Merle Cochran.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Hong Kong,
Via H.K.
DATE: October 8, 1941, 5 p.m.
NO.: 403

THE FOLLOWING IS STRICTLY CONFIDENTIAL.
FOR THE SECRETARY OF THE TREASURY FROM FOX.

I concur that all of the members of the Board react unfavorably to the Department's (T) plan. The feeling of the Chinese members of the Board is especially strong, particularly with regard to the relegation of the central bank and the broadening of the other cooperating banks' powers.

The Chinese members regard this plan as a reversal of the policy and position taken by the United States and, as such, is considered to be a serious matter. Their position is briefly summarized as follows:

1. It is usually considered as an unfriendly act to freeze the assets of a foreign country. In the present instant, the freezing of assets of a foreign country has been employed as a friendly gesture to aid China. The new plan would nullify the benefits of freezing to China.
2. Certain foreign institutions are granted general license status in license No. 59. Some of these foreign institutions are not really considered as banks. However, Chinese commercial banks of recognized standing are not included in this group.

3. Under the

3. Under the new plan, all "cooperating" banks are extended the special powers which are granted to the Government of China and its Central Bank in License No. 60. The Central Bank may not be equipped to meet the full responsibility which is imposed on it in Canton. However, before the Central Bank has been tested, similar powers would be granted to a large number of institutions which have not been tested.

4. There is resentment among the Chinese due to point 2 (above) which would be heightened by point 3. They feel that it was a step to strengthen the foreign banks at the Chinese banks' expense.

5. The granting of the same status as that of the Central Bank of China to other banks would constitute a show of distrust as well as a lack of confidence by the United States. This action would be taken as an admission to the world that a mistake had been made by the United States. Action of this type would cause the Government of China "to lose face". The Chinese Government would also be placed in a situation which would be most unbearable.

6. Tantalizing to putting the Board into the Banking business, the new plan is impractical and places part of the functions of the Central Bank in the Board. In effect, the Board would become the banker's bank. The Board would no doubt be called upon to do many of these

-3-

these things which are ordinarily done by a central bank.

Hall-Patch hesitated to express his opinion until after the arrival and discussion of the matter with Cochran and Niemyer. However, confidentially, Hall-Patch stated that the "plan was bound to cause difficulties and appeared to be ill-considered".

Furthermore, Hall-Patch stated that a few snags in the plan were apparent, such as the following:

(1) The new plan would mean an unfreezing of all of the balances of the Chinese.

(2) The plan is a radical change from the procedure of July 26. Considerable confusion would be the result of any attempt to put it into operation.

(3) By the virtual elimination of general license No. 60, the plan would arouse strong opposition in Chungking.

(4) Technically, Hall-Patch thought that the plan, should it be put into effect, would create a big dollar drain on the resources of the Board which are located in Hong Kong.

The statement was made by Hall-Patch, with regard to the Banque Belge, that the (1) Tientsin branch had positively had record, and (2) even at the present time the bank is controlled from Brussels."

This is the end of the message. The foregoing is a paraphrase of the original message.

02.247

SOUTHARD

FEDERAL RESERVE BANK
OF NEW YORK

October 8, 1941.

S i r : Attention: Mr. Frank Dietrich.

We enclose for your files a copy of cable No. 3 dated October 8, 1941, received by us from the Stabilization Board of China, Hong Kong and a copy of our cable No. 2 to the Stabilization Board of China, Hong Kong.

Respectfully,

(Signed) D. J. Cameron

D. J. Cameron,
Manager, Foreign Department.

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

Enc.

COPY

OUTGOING CABLEGRAM

October 8, 1941

The Stabilization Board of China

Hongkong

No. 2

We have appropriated cipher "ZAHIG" to have
the following meaning

"United States Dollar-Chinese Yuan Stabil-
ization Fund of China. Special Account" STOP

Your number 3. Payment made by debit of United States
Dollar-Chinese Yuan Stabilization Fund of China,
Special Account. In your future instructions please
specify this account.

FEDERAL RESERVE BANK OF NEW YORK

COPY
INCOMING CABLEGRAM
October 8, 1941

Hongkong, October 8, 1941

Federal Reserve Bank of New York

New York

No. 3

Charge our account and pay National City Bank of the
City of New York U.S. dollars 1,150,000 for account of National
City Bank of the City of New York Shanghai branch office.

Stabilization Board of China

COPY:lc:8/9/41

C A B L E

To: Federal Reserve Bank of N. Y.
From: Stabilization Board of China
Hong Kong
Date: October 8, 1941

#3.

Charge our account and pay National City Bank of the City of New York U. S. Dollars 1,150,000 for account of National City Bank of the City of New York, Shanghai Branch Office.

(Signed)

Stabilization Board of China

TEST OK

(Rec'd. by phone from Fed.Res.Bk. of N.Y., 11:30 am, Oct.8/41-ek)

NOTE: Cable states "Charge our account" and signed Stabilization Board of China, whereas the \$20,000,000 is held in the account entitled "U. S. Dollar-Chinese Yuan Stabilization Fund of China, Special Account."

(init.) F. D.

MEMORANDUM

October 8, 1941

TO: Mr. Liversy, State Department
FROM: V. F. Coe
SUBJECT: Cable to Winton

Will you please transmit the attached cable for
Secretary Mergenthau.

Original to State by special messenger 10/8/41
from Mr. Coe's office.

VFC:lem
10/8/41

COPY

October 8, 1941

AMERICAN EMBASSY

LONDON

FOR AMBASSADOR WINANT FROM THE SECRETARY OF THE TREASURY

Referring to your 4348 of September 17 Treasury is informed by Cox of Lend Lease that the Lend Lease Administration is setting up machinery in Washington for dealing with difficult cases on exports

Initialed by
the Secretary (RMJ)

Orig. sent to State 10/8/41

VFC:em
10/8/41

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BRITISH EMBASSY,
WASHINGTON, D. C.

PERSONAL
AND SECRET

October 8th, 1941.

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

Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

TELEGRAM FROM LONDON DATED OCTOBER 5th, 1941.

Reference telegram of October 5th.

Seven Swordfish attacked convoy of six ships northeast of Tripoli (L); one ship estimated 8,000 tons, one ship estimated 6,000 tons left in sinking condition, one estimated 8,000 tons possibly damaged. Believed one of the former sunk, reconnaissance next day showing one ship missing convoy.

2. H.M. Submarine sank torpedo boat GENERALI class northwest of Messina on September 27th. Another of H.M. Submarines hit with torpedo medium size merchant ship in convoy escorted by destroyers north bound 4 miles west of .. (words omitted) .. Time night 1st/2nd October, result unobserved.

3. Reference telegram of September 30th; Submarine torpedoed tanker LIRI which got into ORTONA; sank 3050 ton ship off ORTONA; also sank by gunfire pilot cutter, shore batteries compelled her withdrawal.

4. H.M. Submarine on September 26th torpedoed 5,000 ton transport in the Aegean. On September 28th, torpedoed large escorted merchant ship; result unobserved. On September 27th she also sank by gunfire CAIQUE full of Italian soldiers.

5. At Tobruk on October 3rd H.M. Trawler sunk by bombs during air raid. British tanker THORFIELD 5856 tons mined and sunk Suez Canal area October 5th. Canal probably reopened October 5th.

6. BATHAGERI (S.I.S.) captured fully laden dhow off Berbera on October 5th on passage Madagascar to Djibuti.

- 2 -

7. Royal Air Force. October 5th. Few fighters: sweeps over northern France.
8. Libya 3rd/4th. Bombers again attacked harbours of Benghazi and Bardia and petrol dump near latter.
9. German Air Force. 5th/6th. Few enemy aircraft operating.
10. Cyprus. 3rd/4th. Enemy aircraft attacked again; no damage or casualties reported.
11. Russia. Finno-German forces have taken Petrosavodsk. German thrust developing north of Smolensk, -Moscow railway and southeast from Dniepropetrovsk bridge-head.

TELEGRAM FROM LONDON DATED OCTOBER 7th. 1941.

Near Kirkness Russian submarine sank merchant vessel 5000 tons on October 3rd and torpedoed motor torpedo boat and merchant vessel on October 5th.

2. On September 26th British submarine torpedoed 5000 ton transport in Gulf of Athens, on September 28th, large escorted merchant vessel in the same vicinity. One hit obtained in each case results unobserved owing to counter attacks. She also sank by gunfire off Mile on September 27th CAIQUE carrying Italian troops.

3. Night of October 4th/5th small British merchant vessel with Bauxite from Georgetown to Trinidad sank owing to internal explosions when east of Trinidad. Sabotage suspected all crew saved.

4. During air attack over Suez Canal on October 5th/6th British medium merchant vessel was sunk at anchor southern end Gulf of Suez.

5. Royal Air Force. October 6th. Hurricanes of which one missing damaged two armed trawlers off Ostend and probably sank third.

6. Libya. October 4th/5th. Wellingtons attacked Benghazi harbour; fire and explosion seen on one ship. Officers quarters at Benina aerodrome hit and fires started near power station at Bares and stores dump near Bardia.

7. October 5th/6th. Fifteen tons of bombs dropped on Tripoli (L) setting fire to large oil tanker and scoring hits or near misses on two merchant vessels.

- 2 -

8. German Air Force. October 6th/7th.
Few enemy aircraft operated.
9. Libya. October 4th/5th. Tobruk bombed
for eight hours by about 50 aircraft.
10. Malta. October 4th/5th. Two aircraft
dropped bombs causing few civilian casualties and slight
damage to property.
11. Smolensk Sector: No definite news.
Fighting continues southwest of Kharkov. Germans
progressing towards the Sea of Azov.

CONFIDENTIAL

MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, October 8, 1941

TENTATIVE LESSONS BULLETIN
No. 185
G-2/2657-235

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction, see Letter TAG 350,05 (9-19-40) M-3-11.

GERMAN ASSAULT ARTILLERY AND 75-MM. TANK WEAPONSOURCE

The section on assault artillery is based upon notes compiled by a British official source and submitted on August 15, 1941, by an American official observer in London. The notes on the test firing of the 75-mm. tank weapon are based upon a report submitted by an American official observer in Cairo on June 24, 1941.

It is hoped that this bulletin will serve to supplement, and bring more up-to-date, the information contained in T.L.B. No. 119.

CONTENTS

1. ASSAULT ARTILLERY
2. 75-MM. GUN IN GERMAN 19K.IV TANK

CONFIDENTIAL

CONFIDENTIALGERMAN ASSAULT ARTILLERY AND 75-MM. TANK WEAPON1. ASSAULT ARTILLERYa. Introduction

In recent campaigns, German entitank guns and infantry artillery weapons have appeared on self-propelled mounts. In each case the mounting has been improvised from an existing type of mass-produced tank. It is evident in some cases that the older types of tanks such as the Mk. I - which exist in large numbers - and possibly the Mk. II are being converted into artillery assault weapons. For the most part, reports concerning the guns mentioned herein have been substantiated by photographic evidence.

b. 75-mm. Infantry Support Gun

This gun is mounted on a Mk. III tank chassis from which the turret has been completely removed. The gun is mounted in the well of the tank, and screens of armor-plating protect the crew from at least three sides. The height of the gun from the ground seems to be about four feet. The overall height of the vehicle is about five feet, which gives it an exceptionally well-streamlined appearance. Its mobility and armor-plating are no doubt designed to allow it to move up to the forward line in an attack. The gun has the same performance as the 75-mm. piece which is mounted on the Mk. IV tank and probably has a maximum range of 9000 yards. The built-up superstructure for the protection of the crew is entirely welded, but there is no accurate indication of the thickness of the armor. Since the armor basis of the Mk. III hull is 30-mm., however, this superstructure may also be of that thickness. The ammunition is carried in an armored trailer, which is towed by an armored tractor. The latter is semi-tracked, has a very long bonnet, a low driving compartment, and a streamlined tail; its overall height is about four feet. Ammunition appears to be carried in the tail of the tractor as well as in the trailer.

c. 105-mm. Assault Gun

It has been established from photographic evidence that a 105-mm. assault gun is in existence. It is not known whether the mount is the same as that of the 75-mm. gun, but this type of equipment must certainly be expected to appear in certain formations, such as the heavy armored division. No details of the gun are known, but it may well be

CONFIDENTIAL

CONFIDENTIAL

an adaption of the 105-mm. gun-howitzer - the light field howitzer of 1918 - which has a considerably greater range than either the 75-mm. or the 150-mm. infantry gun and which is suitable for firing either armor-piercing or H.E. ammunition.

d. 150-mm. Assault Gun

Photographs of the 150-mm. assault gun show it mounted on the hull of a Mk.I, light tank. The superstructure of the tank has been entirely removed and has been replaced by a high box-like shield with a slightly sloping front. This shield gives protection to the crew from three sides. It appears that the crew stand behind the gun on a platform which is built on the hull of the tank. It may be, therefore, that ammunition is carried in the well of the tank. The range of this gun is 6000 yards, and the weight of the projectile is 80 pounds.

e. 25-mm. Self-Propelled Antitank Gun

Reorganizations have made large numbers of Mk.II, 9-ton tanks available for conversion, and recent information suggests that one of the uses to which they have been put is that of providing light, mobile, antitank equipments. It is probable that the Germans captured or took over from the French more than 3000 Hotchkiss 25-mm. antitank guns, and it is believed that at least 2000 Mk.II tanks may be in existence, although it does not follow, of course, that they are all being converted into mobile antitank guns. It is not known whether the turret of the tank has been removed or whether the gun has been mounted in the existing turret in place of the 20-mm. heavy machine gun. Their mobility and armored protection, however, would give definite advantages over the ordinary antitank battery. The characteristics of this self-propelled weapon would be as follows:

Weight:	9 tons - approximately
Armor thickness:	20-mm.
Maximum road speed:	24 miles per hour
Cross-country speed:	16 miles per hour
Spanning capacity:	4 feet 11 inches
Fording depth:	2 feet 6 inches
Muzzle velocity:	3000 foot seconds
Weight of armor-piercing shot:	11.3 ounces
Penetration:	1.91 inches at normal at 400 yards 1.22 inches at 22 degrees at 400 yards

f. 47-mm. Self-Propelled Antitank Gun

Recent reports point to the existence of tank destroyers consisting of a 47-mm. antitank gun mounted on a self-propelled carriage and

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protected by armor. No details of the equipment are as yet definitely known, but the carriage is probably a converted Mk.I or Mk.III tank. The gun employed may be either the Skoda 47-mm., the French 47-mm. anti-tank gun, or the new German 50-mm. antitank gun* - TJW. No details of the latter are available yet, but the specifications of the two former are as follows:

	<u>Skoda 47-mm.</u>	<u>French 47-mm.</u>
Muzzle velocity:	3000 foot seconds	2800 foot seconds
Approximate weight of projectile:	3.75 pounds	3.80 pounds
Penetration:	Unknown, but estimated as com- parable to the French model.	2.36 inches at 30° at 650 yards 3.15 inches at 10° at 200 yards

g. Comments of Official Observer

Information available at present indicates that the weapons listed above have definitely been mounted on self-propelled carriages converted from tank chassis and that these guns are included in the light armored divisions, the heavy armored divisions, and possibly in the motorized infantry divisions. It may well be, of course, that a specially designed self-propelled mount is under consideration by the Germans, and that the present improvisation has been affected in the interests of production speed. Equipment as a whole is thus given a very good cross-country performance and an ability to negotiate obstacles and ground which is unsuitable for wheeled vehicles. In addition, the crew are given protection at least against small arms fire and possibly against even heavier weapons and H.E. projectile splinters as well. This support artillery is thus geared up to the armored brigade with respect to speed, mobility, and to a certain extent, protection of personnel. Ease of concealment has, of course, suffered, but to compensate for this, the equipment has been very thoroughly streamlined and the frontal target is very low. The Germans have always felt that speed will compensate for drawbacks such as this. The equipment has been seen and reported on in the Balkan and Middle East campaigns.

2. 75-MM. GUN IN GERMAN MK. IV TANK

Test firing with the 75-mm. gun of a German Mk. IV tank was responsible for the data that follows. The target consisted of the open front of a British A-10 cruiser tank with two pieces of 5/8 inch

*This gun is now known to be the Skoda. Observer's Note.

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armor placed in front of it.

a. Range at Maximum Elevations

The maximum elevation of the gun is about 22°. Two rounds were fired, and the maximum range was determined to be about 9000 yards.

b. Range of 6000 Yards

Due to the mirage on the desert, it was impossible to lay accurately on a small target at 6000 yards. Large targets or areas, however, could be successfully engaged at this range. One round each of H.E. and armor-piercing tracer ammunition was fired. The H.E. appeared to be the more accurate. The tracer of the armor-piercing projectile was plainly visible for the entire trajectory.

c. Range of 1500 Yards

Twelve rounds of H.E. and two rounds of armor-piercing tracer ammunition were fired at 1500 yards without registering a direct hit. Several near misses were observed, the nearest being within three feet. Had the target been as large as a complete tank, direct hits could have been registered. Fragments from the near misses scarred the armor to a depth of approximately one-eighth of an inch.

d. Range of 1000 Yards

Six rounds of H.E. were fired at 1000 yards; only one direct hit was registered. The fuse setting of the projectile was instantaneous. The direct hit dented the outer armor plate to a depth of about one inch, causing a little flaking on the inside. Fragments from the near misses scarred the armor to a depth of about one-fourth of an inch.

e. Range of 500 Yards

The same target was engaged and ten rounds of H.E. and two rounds of armor-piercing tracer were fired at 500 yards. Two direct hits with each were registered. The H.E., with instantaneous fuse setting, penetrated the first thickness of armor and split the plate from six to eight inches in all directions from the point of impact. The second thickness was dented to a depth of about an inch and a half with two cracks about four inches long extending out from the point of impact. The inside flaked considerably.

The H.E., with the fuse set at .15 second delay, completely shattered both plates, breaking the outer one into eight large pieces and many smaller ones and the inner plate into five large pieces and several smaller ones.

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The armor-piercing rounds cleanly penetrated both thicknesses of outer plate. One round struck the edge of the armor plate of the main turret and chipped a small piece off. The other round passed through both thicknesses of five-eighths inch outer plate and into the main turret through the gun opening, breaking up on the back wall of the main turret but causing no damage to the armored plate of the turret.

f. Comments of Official Observer

Fragmentation of the H.E. was excellent. The largest pieces found were two and one-half by one and one-half inches. Fragments were picked up a hundred yards from the point of impact.

In hard, fine, gravel soil, craters were small, varying from 18 inches to 28 inches in diameter and from six to eight inches in depth. The craters contained no fragments.

The gun is smooth in action and easy to fire, although both the gunner and loader are very cramped for space. An elevating and traversing mechanism other than the power traverse allows for fine adjustments for laying.

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G-2/2657-220; No. 513 M.I.D., W.D. 11:00 A.M., October 8, 1941

SITUATION REPORTI. Eastern Theater.

Ground: Desperate fighting is in progress along the whole central front.

German High Command reports the encirclement of several Russian armies in the vicinity of Vyazma, west of Moscow.

A German armored force having captured Orel, continued its advance to the northeast as far as Mtzensk.

Germans claim that the armored force moving southeast, east of Melitopol, reached the Sea of Azov and captured the towns of Mariupol and Berdyansk.

Air: German sources reported raids in the Moscow and Leningrad areas, and on the arms factory at Rostov, gateway to the oil regions of the Caucasus. This is the first report of a raid on Rostov and is not confirmed from any other source.

II. Western Theater.

Air: The R.A.F. was grounded by bad weather last night. German activity was probably limited, with small damage in southwestern England and south Wales, the only results.

III. Middle Eastern Theater.

Air: The Axis claims strong activity and heavy damage from attacks on the Suez Canal area.

British ~~planes~~ bombed Tripoli, while Axis aircraft operated over Malta.

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Paraphrase of Code Cablegram
Received at the War Department
at 10:04, October 8, 1941

CAIRO, filed 2011, October 6, 1941.

(Lieut. Colonel Fellers continues his summary of the relationship between air and naval power).

1. There appears to be no sound logic in the setting up of a separate air arm in the United States armed forces. In the future this country will face an aggressor who will attack through the mediums of sea, air and land, and to successfully repulse this force our own defenses must be coordinated under a supreme high command. In peace or in war, the training of our Air Force should be periodically assigned to a theater commander in the Navy or the Army.

2. Reference M.A. Cairo Report No. 1927, the conclusions drawn therein are that the hemisphere of the Americas can set up an air-tight protection with a reasonably powerful naval force supported by adequate air cover. This was one lesson that the British Mediterranean Battle Fleet learned in Mythen Straits last May.

FELLERS.

I.B. # B. 10/8/41.

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Paraphrase of Code Cablegram
Received at the War Department
at 2:11 p.m., October 8, 1941.

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London, filed: 4:40 p.m., October 8, 1941.

No. 637

1. British Air Activity over the Continent.

a. October 7, 130 fighter aircraft were active as follows: 19 on special missions; 72 protecting shipping, and 39 on interception patrols. All R.A.F. activity was limited by bad flying weather.

2. German Air Activity over Britain.

a. October 6, day. 10 reconnaissance aircraft and 5 long range bombers.

October 6, night. 20 long range bombers.

b. October 7, day. Small scale ocean reconnaissance along East Coast.

October 7, night. Limited activity against southwest coast shipping. While on interception patrol over the Devonshire District, 1 Beaufighter was allowed to approach within 400 yards of a He-111. The deliberate action of the He-111 was then to climb and drop 6 cannisters, approximately one foot in length, which were attached by nearly one yard of wire to a parachute. No apparent attempt was made to take cover in the clouds.

3. Aircraft Losses Reported.

a. British losses. October 8; No R.A.F. casualties reported in Western Theater. October 6; No losses were sustained by the R.A.F. when Germans attacked the R.A.F. at their Murmansk airfield. October 6; 2 pilots of Hurricanes fighters were lost in an engagement with Me-109's in the Sidi Omar area.

b. Axis losses. October 6. 2 of the attacking Ju-88's and

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1 Me-109 were shot down, probably six more Ju-88's were crippled and 3 Ju-88's forced to turn back by Hurricanes protecting an R.A.F. airbase near Murmansk. October 6, day: 1 Me-109 shot down and 1 probably destroyed in the Sidi Omar area.

4. British Air Activity, Other Theaters.

a. Middle Eastern Theater. October 5-6. Night. A supply train at Bardia was bombed by 6 Wellingtons. 6 Wellingtons attacked Benghazi. October 6, day. In the Sidi Omar area, 14 Me-109's were intercepted by 12 Tomahawks. Comiso Airfield was bombed by 9 Hurricanes. October 6-7, night. High Explosive bombs totaling 12 tons were released by 8 Hurricanes over Tripoli Harbor. Apparently one 10,000 ton ship was damaged.

5. Axis Air Activity, Other Theaters.

a. Western Theater. October 6. Airfield at Murmansk, North Russia, was attacked and bombed by 14 bombers and 6 fighters with little resultant destruction.

b. Middle East. October 5. The Suez canal was attacked by Axis planes. The Tobruk district was bombed by anti-personal bombs.

Lee

I. B. # 4, 9:45A, 10/9/41

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, October 9, 1941.
10/9/41

Press Service
No. 27-91

Secretary of the Treasury Morgenthau today offered for cash subscription, through the Federal Reserve Banks, at par and accrued interest, \$1,200,000,000, or thereabouts, of 2-1/2 percent Treasury Bonds of 1967-72, and at the same time announced provision for refunding the 1-1/4 percent Treasury Notes of Series C-1941, maturing December 15, 1941, through offering to the holders of such maturing notes the privilege of exchanging them for additional amounts of the Treasury bonds now offered for cash subscription. The exchanges to be made par for par, with interest adjustments as of October 20, 1941. An additional amount of \$100,000,000, or thereabouts, of the bonds may be sold to Government Investment Accounts during the next month.

The Treasury Bonds of 1967-72 now offered for cash subscription and in exchange for the notes due December 15, 1941, will be dated October 20, 1941, and will bear interest from that date at the rate of 2-1/2 percent per annum, payable semiannually on March 15 and September 15. The first coupon due March 15, 1942, will be for a fractional period. The bonds will mature September 15, 1972, but may be redeemed, at the option of the

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United States, on and after September 15, 1967. They will be issued in two forms: bearer bonds with interest coupons attached, and bonds registered both as to principal and interest. Both forms will be issued in the denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000.

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

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

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accompanied by payment of 10 percent of the amount of bonds applied for. Exchange subscriptions should be accompanied by a like face amount of 1-1/4 percent Treasury Notes of Series C-1941, due for payment on December 15, 1941, with final coupon due December 15, 1941, attached, and following the acceptance of the notes, accrued interest from June 15 to October 20, 1941, about \$4.34 per \$1,000 face amount, will be paid the owners of the surrendered notes.

The right is reserved to close the books as to any or all subscriptions or classes of subscriptions at any time without notice. Subject to the reservations set forth in the official circular, all exchange subscriptions will be allotted in full. The basis of allotment of cash subscriptions will be publicly announced, and payment for any bonds allotted must be made or completed on or before October 20, 1941, or on later allotment.

There are now outstanding \$204,425,400 of 1-1/4 percent Treasury Notes of Series C-1941, maturing December 15, 1941. The present offering affords to holders of the maturing notes an opportunity to exchange them for other interest-bearing obligations of the United States. Any notes not so exchanged at this time will be paid in cash following their presentation on and after December 15, 1941.

The text of the official circular follows:

UNITED STATES OF AMERICA

2-1/2 PERCENT TREASURY BONDS OF 1967-72

Dated and bearing interest from October 20, 1941

Due September 15, 1972

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND
AFTER SEPTEMBER 15, 1967

Interest payable March 15 and September 15

1941
Department Circular No. 670TREASURY DEPARTMENT,
Office of the Secretary,
Washington, October 9, 1941.Fiscal Service
Bureau of the Public Debt

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for 2-1/2 percent bonds of the United States, designated Treasury Bonds of 1967-72. The amount of the public offering is \$1,200,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to increase the offering by an amount sufficient to accept all subscriptions for which Treasury Notes of Series C-1941, maturing December 15, 1941, are tendered in payment and accepted. In addition to the amount offered for public subscription, \$100,000,000, or thereabouts, of these bonds may be allotted to Government investment accounts against cash payment.

II. DESCRIPTION OF BONDS

1. The bonds will be dated October 20, 1941, and will bear interest from that date at the rate of 2-1/2 percent per annum, payable on a semiannual basis on March 15 and September 15 in each year until the principal amount becomes payable. They will mature September 15, 1972, but may be redeemed at the option of the United States on and after September 15, 1967, in whole or in part, at

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

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

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

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

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

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be

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

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, subscriptions in payment of which Treasury Notes of Series C-1941 are tendered will be allotted in full. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted on cash subscriptions hereunder must be made or completed on or before October 20, 1941, or on later allotment. In every case where payment is not so completed, the payment with application up to 10 percent of the amount of bonds applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depository will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when

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so notified by the Federal Reserve Bank of its district. Treasury Notes of Series C-1941, maturing December 15, 1941, with coupon dated December 15, 1941, attached, will be accepted at par in payment for any bonds subscribed for and allotted, and should accompany the subscription. Accrued interest from June 15, 1941 to October 20, 1941, (\$4.33743 per \$1,000), will be paid following acceptance of the notes.

V. GENERAL PROVISIONS

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

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

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

October 9, 1941
9:15 a.m.

GROUP MEETING

Present: Mr. Blough
Mr. Thompson
Mr. Johnson
Mr. Waesche
Mr. Buffington
Mr. Graves
Mr. Kuhn
Mr. Foley
Mr. Schwarz
Mr. Odegard
Mr. Sullivan
Mr. Haas
Mr. White
Mr. Bell

H.M.Jr: When I had this meeting at 8:15 I told them to call Ed Foley first and George Haas second. I wonder what happened to Chester Barnard?

Blough: He went to a conference in Atlantic City today.

H.M.Jr: What is that?

Blough: I don't know the nature of it but that is what his secretary said when I checked with her this morning.

H.M.Jr: Ed?

Foley: Dean called up yesterday and said that Mr. Hull had made arrangements or wanted to make arrangements with the Japanese so that three Japanese

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owned boats could come in to bring over some two or three thousand American citizens from Japan and take back from here an equal number of Japanese born residents to Japan. And they wanted to make sure that if they came in the vessels would not be libelled, and they had made arrangements with the Department of Justice so that the Department of Justice would go in to court and make representations to the Federal judge in the event that libels were filed that the vessels were owned by the Japanese Government, and therefore were not subject to private law suits.

They wanted to find out whether or not we would grant the necessary credit so that they could make purchases of bunker supplies and ship stores and other things so they could get out. There is no question here about cargoes. It is merely bringing people over and taking people back.

H.M.Jr: Send back two Japanese for every U. S. citizen?

Foley: I think it is going to be on a per capita switch, but I told them that if that was what Mr. Hull wanted we would carry out our end of the bargain and see that clearances were granted and that frozen funds were made available so that the ships' stores can be purchased.

We have a letter from the Secretary of State saying that the Panamanian Government is going to revoke the charter of all ships under Panamanian registry that are armed and the Maritime Commission now has seven vessels under Panamanian registry with arms on them, and they are taking the arms off. The State Department doesn't want us to let any Panamanian ships out that are armed until the arms have been removed.

H.M.Jr: That is Waesche.

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Foley: Yes, and Customs.

H.M.Jr: Now, Ed, I thought at ten o'clock tomorrow you could come in with Pehle and with Kuhn and anybody else that you want on this program for publicizing educational - Foreign Funds. It is an educational job and I would like Peter Odegard to sit in on it, please. You might educate him beforehand.

Foley: Ferdie and I have had a talk in line with our discussion on Monday.

H.M.Jr: But with Peter?

Foley: I haven't talked with Peter. We talked about getting somebody under Ferdie.

H.M.Jr: But you have got a whole program.

Foley: That is right, the balance of that will have to be worked out.

H.M.Jr: But I will give you half an hour tomorrow morning.

Foley: All right.

H.M.Jr: Dan, you ought to be in on that. It is dealing with the banks.

Bell: All right. Ten o'clock?

H.M.Jr: Ten o'clock and if B.M. Edward is here, he ought to be in on it.

Graves: I think he will be here.

H.M.Jr: Inasmuch as we are asking the banks to educate, I think you (Buffington) might sit in and listen, you see. Here is something quite new and we are trying to do a teaching job with the banks on how to handle all these regulations of Foreign Funds. You might get ideas. So I think at ten

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tomorrow, and also I would like you to sit in on the eleven o'clock meeting on the Defense Savings Bonds program.

Buffington: Today or tomorrow?

H.M.Jr: Today. Eleven today and ten tomorrow.

Foley: Here is a little thing that Leon would like to have you --

H.M.Jr: Is B. M. Edward going to be here?

Foley: Harold said he thought he would be.

H.M.Jr: Will somebody deliver B. M. Edward here tomorrow at ten o'clock?

Graves: Yes.

Foley: That is something Leon would like to have you give him a boost on at your press conference this afternoon, if you could.

H.M.Jr: Read it out loud, please.

Foley: All right. Leon has issued an appeal to all manufacturers that the new excise taxes, once they become effective, not be included in the base upon which the mark up is made more than once. In other words, if it is a ten dollar excise tax and the article costs a hundred dollars, once the wholesaler sells it to the retailer and then the retailer sells it again before it goes to the consumer, that the ten dollars not be included two or three times in the base upon which the mark up is made.

H.M.Jr: He is right, but I can't do that ad lib. It is too important and I wish you would turn it over to Kuhn and the first time I have a chance to say something formally, you see, Ferdie. I

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am not going to - I don't know enough about it, Ferdie. Who is it, Joe O'Connell brings that up?

Foley: Yes.

H.M.Jr: Ferdie, talk with Joe O'Connell and look into it more, but I don't want to just do it offhand.

Foley: Here is a personal thing. This is a letter to Cornell in regard to that note. He wants to wind up that company. I suggest that you take it because you are going to be better off. He will give you his note for five thousand, with interest. What you are getting is a personal obligation and you have nothing now but a writing as to a corporation which has virtually no assets. He wants to dissolve the corporation and assume the liability personally and I should say that that was a generous act on his part. I think you will be better off.

Klotz: It seems too generous.

H.M.Jr: If I ever get that five thousand we will throw a party.

Klotz: It is in the record.

Foley: I think he is trying to act like a gentleman. That is all the way through that file.

This letter addressed to Fly on an amendment to the Communications Act of 1934 was sent back to me with a notation that you wanted to talk to me about it.

H.M.Jr: I don't know a damn thing about it, Ed. I mean, somebody drops this on my desk without any explanation. What is it all about?

Foley: Well, this --

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- H.M.Jr: I mean, I can't read all that stuff.
- Foley: Well, briefly the bill would authorize the President in time of war or when war is imminent to close or requisition or take over all types of communication facilities, assign preferences and priorities to all types of communications, permit radio communications upon any frequency and on any matter, and so forth.
- H.M.Jr: Well, why do I get in on it?
- Foley: Well, we are in on it because of Coast Guard.
- H.M.Jr: Has the Admiral seen it?
- Foley: Yes, it has been initialed by Gaston --
- H.M.Jr: What am I saying, it is all right?
- Foley: We are saying it is all right except a provision in there that says if there is war, then the President has to have these functions administered either by the Secretary of War or the Secretary of the Navy. We say it is unduly restrictive and the President's hands shouldn't be tied, but he should be able to assign these duties to any department that he wants to.
- H.M.Jr: I bet you Waesche never saw it.
- Bell: May I see it, because I have been handling it with the Navy and I would like to see it.
- Foley: This isn't censorship. This is not that matter; this is a matter of just tightening up the controls over the communications.
- H.M.Jr: Have you ever seen it, Waesche?
- Waesche: No, sir, I haven't seen it.

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H.M.Jr: Let Waesche take a look at it because it may leave Coast Guard out in the middle of the ocean.

Foley: Gaston initialed it.

H.M.Jr: Did he?

Foley: Yes.

H.M.Jr: Get it back to me tomorrow, Waesche.

Waesche: Very good.

H.M.Jr: What else?

Foley: That is all.

H.M.Jr: I have never been through three harder days than on this financing. The interesting thing is, the New York Tribune amazingly - the notice only went out last night - has a swell editorial on our financing and the New York Times on the financial page writes, well, we are just going to the banks, and so forth and so on. Just the old tripe. The New York Tribune, somebody there had some brains.

Schwarz: They are far ahead. They are stepping out.

H.M.Jr: The thing only went out yesterday and they have already got an editorial on the thing and they are comparing it to the World War. The Treasury has different kinds of securities for different people and that this is the way to do it, and so on.

Bell: Nick Gregory came in and talked to me last night. I assume he fed that to the editorial staff.

H.M.Jr: It was a nice job. They put it all over the Times.

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- Bell: Rights are selling for - I don't know if they are selling yet, but they are being quoted around at over a hundred and three.
- H.M.Jr: Was it you or Rouse told me they were going to have a meeting to try to sell some of the Fed's rights today?
- Bell: Rouse was trying last night to get in touch with the Executive Committee to get authority to sell some of the rights in case they thought it was necessary instead of exchanging them. I would say that this price would justify the sale.
- H.M.Jr: The only thing I am sorry for on that issue, I should have paid that two hundred million issue off in cash. I should have paid it off because here is a two hundred million issue controlling a billion and a half issue.
- Bell: Well, that is very unfortunate, but I think it would also be unfortunate for you to announce that policy within two months of the maturity date.
- H.M.Jr: Well now, go after that United States Housing, Dan, you see.
- Bell: United States Housing?
- H.M.Jr: Yes, that next issue.
- Bell: I think we might let the word drop that we may pay off the Commodity Credit because we have got enough cash to pay off half of it, anyhow.
- H.M.Jr: Which comes first?
- Bell: The Commodity Credit comes November fifteenth, I think.
- H.M.Jr: Well, I want a meeting next week. I don't want

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to do it today. I want a meeting next week. I want Walter Stewart here. I will have it whatever day he can be here. Now, did you look up that - was it in the circular about banks lending to people who want to buy this?

Bell: Yes. You may recall that we wrote a letter to all the banks on May 27, 1936, about our financing.

H.M.Jr: Now Dan, don't do that to me so early in the morning.

Bell: That was quite a letter and got a lot of publicity. I thought maybe you read it. We told the banks that they would greatly assist us in this program if they would cooperate by avoiding making loans, unsecured loans or loans without collateral and asked them to put into their certificate, when they submitted subscriptions for customers, that they were made in good faith to meet the customers' legitimate requirements and that the bank had no beneficial interest whatever in those securities.

Now, that has been done since '36, but I take it what happened - from Mr. Graham, a man whom he knows has a line of credit in his bank and he merely walks in and says, "I want a hundred thousand dollar credit," and then he puts in a subscription of a hundred thousand dollars. He doesn't have to tell the bank what he wants the hundred thousand for.

H.M.Jr: Well, Dan, will you, for me, get out word to the people who do the controlling of this thing --

Bell: Yes, I will do that.

H.M.Jr: There are people, aren't there?

Bell: Federal Reserve banks police these subscriptions.

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H.M.Jr: Will you get out word this morning, I want them to look for the kind of cases Mr. Graham spoke about.

Bell: I will do it right afterward.

H.M.Jr: This man Graham, he is one of the smartest fellows. He is president of the First National of Baltimore, isn't he?

Bell: I don't know.

H.M.Jr: And he comes in and he says the department store there will come in to him and say, "We have got a line of credit for a million dollars," and he will say, "Yes," and they will say, "Put us down for a million dollars worth of bonds." They keep it for three or four days and make two points, make twenty thousand dollars and sell it out. As long as he is as frank as that, I think we ought to see how many other people do it. Will you do it, Dan?

Bell: Yes, sir.

H.M.Jr: That is definitely your responsibility.

Haas: Wouldn't it be better, Mr. Secretary, to tighten it up on the next issue, for this reason, that the people that are buying this and putting their subscriptions in expect the usual thing of ten

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percent or something, and if it is tightened up too much and they get fifteen or twenty, it will ---

H.M.Jr: There are not many cases like that. No, I want very definitely to go out this time. I mean, this is on the policing.

Haas: Yes.

H.M.Jr: This is on the policing. Somebody, according to Graham, has been just a little smarter than our own people and Mr. Graham was kind enough to tell us.

It may be just peculiar to Baltimore, because Graham's reason for telling us was, this looks like a good issue, and if he tells on some of his customers, maybe he will get a little more of the issue himself. Maybe that is unkind, but -- (Laughter).

Bell: It is not peculiar to Baltimore, Mr. Secretary. We run into it every once in a while.

We ran into a situation in a little town in Iowa. I don't suppose there are over a thousand people in it. This cashier of this National Bank went around the community to four or five little towns and got the names of individuals and put in subscriptions.

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H.M.Jr: Did he take them off the tombstones?

Bell: Probably

Put in subscriptions to even the RFC issues which were three quarters of one per cent and one percent. We turned that over to a bank examiner and he went out and discussed it with the bank officials, and they said of course it is wrong, and they stopped that.

H.M.Jr: Well, I would also take a look at Baltimore, particularly.

Bell: In connection with paying off some of these maturing issues in cash, I am going to a meeting of the directors of the Federal Farm Mortgage Corporation this afternoon and we are going to discuss refunding of the two issues callable in January and March, aggregating three hundred and forty million. I would like also to discuss at that time the possibility of paying off those issues in cash.

H.M.Jr: I wish you would.

Bell: Farm Credit has fifteen million dollars in the Production Credit Corporations, and twenty-eight million dollars in the Federal Land Banks, which they would like to invest in this issue. I would like to give the Production Credit Corporations, because they are wholly owned, ten million dollars of this hundred million. That leaves them still --

H.M.Jr: Dan, when you come to a hundred million, come in with a list and we will go over our customers.

Bell: Well, I have got it.

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H.M.Jr: Well, not now, I don't want it.

Bell: Wait a minute, until I tell you.

H.M.Jr: All right.

Bell: If they can't get this allotment, of course they want to subscribe, and I don't think they ought to do both. I would like for the Federal Land Banks, because we don't own all the stock, to subscribe, and we will not give them any allotment, but I would like to promise the Production Credit Corporations - well, say at least half of their cash and that will keep them out of the subscription list.

H.M.Jr: How much do they have?

Bell: They have fifteen million dollars.

H.M.Jr: I don't know what the whole list is.

Bell: I have the whole list, and I have a recommendation on the side.

H.M.Jr: You rush me so.

Bell: You don't have to agree to all of that at this time.

H.M.Jr: Are you going to a meeting this afternoon, is that the point?

Bell: No, they have put in their subscription today because we close tonight. This is our cash on the trust accounts. I want to clear twenty.

H.M.Jr: Postal Savings?

Bell: Thirty, twenty, and twenty.

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H.M.Jr: Let's see, that is --

Bell: It is a hundred million.

H.M.Jr: It doesn't leave anything, does it?

Bell: It leaves six million seven. That is a reserve to take up other --

H.M.Jr: How much?

Bell: Six million seven.

H.M.Jr: And you want to give these fellows ten?

Bell: Yes.

H.M.Jr: Would you settle for seven and a half?

Bell: I will, and that will leave about ten million here as a reserve.

H.M.Jr: Seven and a half.

Bell: I will settle for that.

H.M.Jr: Anything else?

Bell: Yes, I think so. I have a copy of the proposed press release of the State Department on this Mexican settlement. I think it is all right. I think it has been over - you (White) have been over it in August. They sent it over late in August.

White: Oh, are they using the same one?

Bell: I think so. It has just two paragraphs on our end of it. I was a little surprised to read that this isn't really a definite settlement. What they do is agree to set up a commission, and within a certain time,

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and then those commissioners have four months, I think, to agree upon property values and then if they can't agree upon that, it comes back to the Governments to settle diplomatically, and then if the Governments can't settle it, the nine million dollars is returned to Mexico upon demand of the Mexican Government.

H.M.Jr: This is the State Department?

Bell: Yes. I don't know as we have anything to do with it, but I would think they would sew up the nine million dollars definitely. That is the amount that the Mexican Government agrees to pay the day the agreement is signed, to be held by the United States until an agreement is arrived at on the value of the claims. They give a certain time, and if that time elapses and nothing is done, Mexico can demand the nine million back.

H.M.Jr: There is nothing we can do?

Bell: No, I just kind of hate to let go the forty million that we have when they have a right to get the nine back.

H.M.Jr: Have you seen it, Harry?

White: I haven't seen that part of it. The two paragraphs that related to our participation we did work over, but I haven't seen the rest of it.

Bell: Those are all right.

H.M.Jr: Well, read the two that affect me.

Bell: "The Treasury Department has entered into an agreement for monetary and financial cooperation with the Mexican Government and

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the Bank of Mexico, which will provide, among other things, for the purchase of Mexican pesos with United States dollars. The U.S. dollars thus acquired by the Mexican authorities will greatly assist them in stabilizing the exchange value of the peso in terms of the dollar for the mutual benefit and advantage of the two countries.

The Treasury Department has also indicated its willingness to purchase newly mined Mexican silver directly from the Mexican Government on a basis similar to that under which such purchases were made prior to 1938."

This assumes that we will have our own press statement, also.

- H.M.Jr: Did you (White) know - you most likely did, but I didn't - that the industrial usage of silver in the United States is up to eighty million ounces?
- White: I did not know.
- H.M.Jr: Well, it is. I was told that. Eighty million ounces, and largely through soldering.
- White: I did not know that.
- H.M.Jr: I was amazed.
- White: It is a great increase.
- H.M.Jr: They said it was just doubled. Eighty million ounces, at that rate.
- White: Well, that may mean - then we will have to buy very little silver. They will just offer a cent more and they will buy it.

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- H.M.Jr: Check my source, because the source is very good.
- Bell: Handy and Harman are worried about this Mexican silver agreement. If you agree to take all the Mexican silver, that leaves none of the Mexican silver for the - for commercial purposes.
- H.M.Jr: Well, that is why I am saying there is eighty million owners.
- White: All they have to do is offer another cent.
- H.M.Jr: They pay an eighth more.
- White: An eighth or a cent more and they can get all the silver they want, provided you don't meet the price, and there has been no such policy of upping the price.
- H.M.Jr: If they are worried, I will drop the price.
- Bell: That is what they are afraid of, that every time the market goes up an eighth you will raise the price an eighth.
- H.M.Jr: Don't worry, if I do anything, I will drop it. I am serious. I have just been waiting for a time to drop the damn price.
- White: You don't have to drop it, Mr. Secretary, we just don't raise it. They can get all the silver they want. All they have to do is bid for it.
- H.M.Jr: I know. I want to drop it.
- Bell: That is all.
- H.M.Jr: I heard a story which is delicious on Washington

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and some of the new agencies. I have got to tell it.

Robert Sherwood, the playwright, is at present with Colonel Donovan. He talks very slowly. He went to see Jimmy Walker, who talks very fast. Robert Sherwood says, "Jimmy, I would like you to come down and be my assistant. I am over with Colonel Donovan." So Jimmy says, "What do you want me to do, what do you want me to do?" "Well," he says, "Jimmy, if you will come down and work for me, maybe you can find out what I am supposed to do." (Laughter).

Bell:

I wonder if anything I said brought on that story?

H.M. Jr:

No. I have had it. Mrs. Morgenthau heard it at the White House the other night when I wasn't there, and I thought it was a wonderful story.

They had a man over there who was lent to them by the State Department. He is vice-president of the Cannon Mills, in charge of sales. He has been there for six months, working over there in Civilian Defense, working hard, Cosgrove, I think his name is. He is a very fine type of fellow. Yesterday he was told, "Very sorry, but the policy has changed. We don't need you. Good afternoon." Six months he has been there. He gave up his business and everything else.

"Senator George telephoned to advise me that today he had talked with the President about Social Security program. The Senator got the impression --" this of course is extra confidential -- "The Senator got the impression that the President made some

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commitments and felt obliged to send some sort of message to the Hill. However, the President said such a message would be general in nature, and would not be sent for three or four weeks. And the leaders of the Senate Finance, House Ways and Means, would have an opportunity to talk with the President before the message was sent. The President told Senator George it was his idea the Committee would do some preliminary investigations for the fall and winter, and not really go to work on this problem until next year. The President also stated he understood there would be plenty of other work to keep these Committees busy in the meantime. He had no intention of side-tracking this work with the Social Security program."

So that gives you plenty of time. What happened to Arthur Altmeyer, did he go out to Seattle or not?

Blough: He stayed. He would like to go this evening. If that is the situation there is no reason why he should stay any longer.

Bell: Except that he can't make very much of a speech.

Blough: There is not much reason why he should go.

H.M.Jr: I wouldn't tell him this. I told Sullivan - I mean, I don't want them to think that we are doing anything. Just tell them - it isn't up to us to tell them.

Blough: Oh, of course not. In the light of that, what are your wishes about the proposed message?

H.M.Jr: He is working on it.

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(The Secretary held a telephone conversation with Walter Stewart).

- H.M.Jr: He says he thinks in November the Administrative Amendments --
- Blough: It would please us very much if we didn't have to start until November.
- H.M.Jr: He says November just now.
- Blough: Might I say another word on the Social Security thing?
- H.M.Jr: Sure. I will finish you up.
- Blough: I wish we could clean this message up, so far as the Treasury is concerned, for two reasons: one is so that Altmeyer would have no reason to feel that we were holding things up, and another is to get it out of the way. There is quite an important meeting in St. Paul next week of the National Tax Association.
- H.M.Jr: You can have what is left of me after my three thirty appointment with Irving Fisher. (Laughter).
- Blough: All right, sir.
- H.M.Jr: Oh, let's do it tomorrow morning. Ten thirty tomorrow, Social Security.
- Blough: All right.
- H.M.Jr: Ten thirty. Anybody else that is interested is invited. I told Chester Barnard to get in touch with you yesterday. Did he?
- Blough: He was in touch with me, yes. He went over some of the material. He will be back also tomorrow morning.

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H.M.Jr: So then, ten thirty.
I am doing it to wait for him.

Blough: All right, fine.

H.M.Jr: All right?

Blough: Suits me.

H.M.Jr: Ferdie, you be here too.

Kuhn: All right.

H.M.Jr: Now, Customs.

Johnson: We are working with Secret Service, and made a rather interesting seizure at Buffalo last Saturday. A man coming in from Canada had almost twenty-four pounds of gold bars worth ten thousand dollars in a specially made vest. We have the man and his accomplice and the gold. It looks like a regular operation that has been stopped.

H.M.Jr: A U.S. citizen or a Canadian?

Johnson: His citizenship isn't disclosed in the record. He is coming from Canada. One of them lived in Buffalo and the other in New York City.

White: Where did the gold originate, do you know?

Johnson: In Canada, and probably stolen from the mine. High graded gold, they called it.

H.M.Jr: That is interesting. Anything else?

Johnson: We have these two matters that Ed Foley mentioned well in hand on the getting the reports in on the armament on Panamanian ships, and preparing for the three Japanese boats.

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- H.M.Jr: Waesche? God, have you got all those things? It frightens me.
- Waesche: I have two sets of amendments to the regulations, Mr. Secretary. There are two places to sign there.
- H.M.Jr: Your regulations?
- Waesche: One of them is an amendment to the reserve regulations, and the other is an amendment to the anchorage regulations. The reserve regulations must go to the Navy.
- H.M.Jr: Anchorage regulations?
- Waesche: Yes.
- H.M.Jr: Did you ever get the War Department out of the harbors?
- Waesche: Yes, we got that completely fixed up. These regulations have some bearing on that.
- H.M.Jr: They still control part of the --
- Waesche: Well, they don't issue any regulations without coming through us, and we are working very well with them, and there is a clear understanding. I also have that information about the tree tops. Do you want that now?
- H.M.Jr: Stay behind.
- Ferdie?
- Kuhn: Nothing.
- H.M.Jr: George?
- Haas: I have just this report. October is still leading by a nose.

- H.M.Jr: George, keep me posted each week now particularly on the cost of living. Give me a Monday report, will you?
- Haas: All right, I will do that.
- H.M.Jr: That is a pretty good-sized nose, George, six per cent.
- Haas: I was just looking at the E Bond. That is the E, F, and G.
- Waesche: That is all.
- H.M.Jr: I would say that was leading by Harold Graves' nose. (Laughter).
- Klotz: That is very unkind.
- H.M.Jr: No, it is a small nose. If it was about twenty per cent, it would be mine. That is what I meant.
- Peter? I have got to tell the story on Peter. I called him up Sunday and he said, "I see you had an accident, but you got a swell press." (Laughter)
- Klotz: That sounds more like you.
- White: Do you think it is worth trying again?
- Bell: You see how Peter's mind works. He is in that business.
- H.M.Jr: All right, Peter?
- Odegard: That is all.
- H.M.Jr: Chick?
- Schwarz: You may be interested. Ernest Lindley was called up to New York because the editor of

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News Week Magazine has been appointed editor of the new morning paper in Chicago. They are having a meeting there. He asked if he could renew the request next week.

H.M.Jr: Yes. It is too bad that he didn't come in, because I was going to have him see the fellow from Detroit today.

Schwarz: It would have been a good meeting.

H.M.Jr: Yes.

Schwarz: That is all.

H.M.Jr: Harry?

White: Do you want to see that memo before it goes to Hull, Hopkins, and so forth?

H.M.Jr: That wasn't the answer to - I asked you Monday.

White: No, we are talking about two different things now. I was saving that unpleasant thing for the last.

H.M.Jr: Which memo?

White: The arrangement which was agreed upon.

H.M.Jr: The memo on our conversation?

White: - At the conference yesterday.

H.M.Jr: No, I will just sign it.

White: You want to sign it?

H.M.Jr: That is all. I will sign it.

White: I see. I had a discussion with the Mexicans --

H.M.Jr: What about my question, Harry?

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- White: I have three things which are not so nice. May I leave them for the end? That is one of them.
- H.M.Jr: Do they get worse as you go along?
- White: I hope not, because the last one is going to be - I am going to ask you to go to New York tomorrow.
- H.M.Jr: I accept.
- White: I mean, I am going to ask you if I may go.
- H.M.Jr: Oh, all right.
- White: I spoke to the Mexicans yesterday about two matters, one of which they mentioned, and the other they hadn't. They question of repurchase of their bonds from the British. We have a memo on it, and we are ready to take it up at the next stage, however you want to handle it. I don't know how long Suarez is going to be here, but--
- H.M.Jr: Come in at three forty-five today, will you, Harry?
- White: On that?
- H.M.Jr: On that or anything else that you have got.
- White: There is just one other thing I would like to raise here.
- H.M.Jr: All right.
- White: First, in answer to the request which you just spoke of that you thought I was answering, about sending that stuff on Monday. We were about ten days behind because the number of countries we are doing are growing. We have about twenty-five persons now, owing to your

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regulations that people on that fund be examined by Secret Service first. It is impossible to get people in a hurry. It takes several weeks or a month. We have borrowed four or five persons, and I thought it would be much nicer if in the first notice that you send these people we would cover the last week rather than be two or three weeks behind, so they have been working day and night, and it should be ready today. I have a perfect alibi on that.

H.M.Jr: Says you.

White: Yes. You would say so too if you knew all the details. I can give you more details if you don't agree already.

H.M.Jr: What is the matter with the memorandum I asked you to send on Monday?

White: That is it.

H.M.Jr: Why not send the one you sent me?

White: That is two weeks old, and we are supposed to give them twenty-four hour service.

H.M.Jr: Harry, you know me. What did you do, forget about it?

White: No, I didn't. (Laughter)

Klotz: He is innocent.

White: I deserve credit for the way I went about the thing. I think I was using good judgment. But they will be ready today.

H.M.Jr: You aren't influenced by the fact that you don't want the Department of Commerce to catch on to what you are doing?

White: No, I was going to include in the letter which I would call to your attention that we are doing it with their cooperation. Otherwise there will just be a wide-open fight on the matter very quickly.

H.M.Jr: Are you satisfied on your explanation?

White: Well, as I say, if you understood exactly what we were doing you would compliment me, so if you don't wish to compliment me it is because I haven't made myself clear.
(Laughter)

H.M.Jr: There are no compliments coming your way on this.

White: All right, I will give up on that.

This next one is not particularly my baby, but it raises a question I think maybe the whole staff ought to hear. We have got this Monetary Commission going down to Cuba. Before he left, he said he wanted a stenographic assistant. He said to go down there and see if he couldn't find any and confer with the Ambassador. He cabled back saying none available and the Ambassador suggested we send somebody here. He asked for his secretary who is a very competent person.

Mr. Norman Thompson, when I informed him, very rightly told me there was a Treasury principle or rule not to send women out of the country. Now, I think that is unfair discrimination.

Thompson: Or in the country, with their bosses. It is just a--

H.M.Jr: Send women where?

Thompson: Out on junkets. Newspapers sometimes get hold

of it.

- White: Southard has his mother with him. (Laughter) It wasn't a good start. Well, Southard, who is in charge, has his mother with him and the other two men have their wives with them, and they are paying their own way, and there is no reason, on the merits of the particular case, why the girl can't go, and I think it is unfair to women. That may be the only chance any of them ever get for going out of the country, and I don't think that they ought to be discriminated against. (Laughter) I would like to have you reconsider that.
- H.M.Jr: I would have to look at the girl first.
- White: I don't think that would disturb you either. (Laughter) She is mature.
- Klotz: I think I will leave the room.
- Thompson: Well, I just told Harry the general policy had been not to let girls go out because there is danger of some newspaper talk.
- H.M.Jr: What is the reason for the girl going?
- White: They must have a confidential stenographer down there in preparing these reports for us. They really do need one. They have a man to send whom they have looked up, but I think it is unfair.
- Thompson: The only thing, there has been criticism in the past.
- H.M.Jr: Well, when Mr. Hull went down to South America, they had three or four girls go along.
- White: And two of them were blonds, I remember. This girl--

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- H.M.Jr: Now, Harry, let's be serious a minute.
- Thompson: I didn't know at the time that he mentioned it. He just said he wanted to send this girl down, and I said the policy was not to do that.
- H.M.Jr: Being serious, are you sending the girl, because they really need her or because you think she ought to have a trip?
- White: They really need a person. It will be a question of sending this girl or a man. I think in general the girls are all disappointed - when she first heard about it, she was quite excited, and I think the recognition that none of them can ever go on a trip if an opportunity occurs is a unfortunate thing. They are low income groups, and they may never get a chance.
- H.M.Jr: I am being serious. Question number one. Do they need a stenographer?
- White: Yes.
- H.M.Jr: All right. Then I will leave it to you to select a competent stenographer. I don't care what the sex is.
- White: He has asked for his secretary.
- H.M.Jr: That is up to you. The responsibility is yours.
- Thompson: I see no particular objection to it.
- H.M.Jr: It is Harry's responsibility, that is all. You are selecting the people, aren't you, Harry?
- Foley: Sure.
- White: Well, I am willing to accept the responsibility if--

- H.M.Jr: Why should I pick the stenographer?
- White: I don't expect you to, but I would like you to reconsider a ruling which prevents any female stenographer from going down.
- H.M.Jr: Well, I have told you now. It is settled.
- White: That is all right. Then I will share the responsibility with Norman, and we will pick the girl to go.
- Thompson: I think it is all right. I just raised the question because--
- H.M.Jr: I never put such a ruling into effect.
- Thompson: No.
- Foley: I never heard of the rule, and I know it hasn't been observed in my division. (Laughter) Cairns has taken Mrs. Poole up to New York two or three times to work on a speech or something of that character.
- H.M.Jr: Well, a couple of years ago, when we were working on something, Harry, and you brought your secretary up to New York. When we were working up to the farm, you remember that time?
- White: Yes.
- H.M.Jr: I never knew of this ruling.
- Thompson: Well, it is not a written rule. It has been an unwritten law around here that we wouldn't do that. There is just always the potential danger of some scandal-monger putting something in the papers to stir up trouble, and say she is on a junket with her boss. We have tried to avoid that. I don't think there is

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one chance in a thousand of that happening in this case. I see no objection to it.

H.M.Jr: Well, again, if White says that they need a stenographer, I will leave it to him to pick a competent person. I don't care what the sex is.

White: All right. Norman said it was--

H.M.Jr: Is that right, Mrs. Klotz?

Klotz: Oh, definitely.

White: I asked Norman, and he said it was all right for me to bring this up here.

H.M.Jr: Is that settled?

White: Yes. Sorry to take so much time over a small matter, but it is important. That is all.

H.M.Jr: Harold?

Graves: You asked me--

H.M.Jr: That is the first time I ever heard of it.

Graves: You asked me last week to have a memorandum prepared to OPM about this alcohol-molasses transaction that Senator Herring mentioned.

H.M.Jr: Yes.

Graves: I have had that memorandum since Monday and have talked to Mr. Mack about it. We both feel that it should not go.

H.M.Jr: O.K. Out.

Graves: That is all I have.

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H.M.Jr: If that is your decision, all right.

Graves: I might say that I believe Mr. Foley is interested in some aspect of it.

Foley: They referred a call to me because you had shut off your calls. He asked me to look into it.

H.M.Jr: Who did?

Foley: Herring. I called him back and told him that legally we couldn't do anything but sign the contract, and he said that is all right.

H.M.Jr: That isn't, of course, what I am interested in.

Foley: Well, this is on the conversion of molasses into alcohol.

H.M.Jr: This is - no--

Graves: A change in specifications that permitted the company that Senator Herring was interested in to bid.

H.M.Jr: And they didn't get the business, but I wanted to ask OPM why did they change the specifications. But you don't think I ought to send it?

Graves: No, for this reason, if you would like me to give you the reason.

H.M.Jr: Yes.

Graves: The form in which the specifications were finally advertised, Mr. Mack and I both feel, were the proper form and not withstanding it was asked by Herring. That required that the British, as I understand it, furnish from their stocks the molasses to be converted.

- H.M. Jr: That is right.
- Graves: And Mr. Mack feels as a matter of principle they should have been asked to furnish their molasses for conversion and not use our molasses.
- H.M. Jr: Well, it was a lucky break for OFM that the company that Herring was interested in was high. But I was just having a little fun, but you don't want me to have it.
- Foley: They have got to work out an over-all policy in so far as these small businesses are concerned, Mr. Secretary.
- H.M. Jr: That has nothing to do with this.
- Graves: But it happens to be involved.
- Foley: Because of the dislocation of labor and because of the control that they have established in so far as molasses supply is concerned and other commodities they have got to - Floyd Odium has got to work out a policy that the rest of us can follow.
- H.M. Jr: Well, Floyd Odium is now in touch with Chester Barnard, and I put Chester Barnard on that.
- Foley: I told that to Herring, and he said, "That is perfectly all right, and I am satisfied."
- Graves: That is all I have.
- H.M. Jr: Have you anything?
- Buffington: No, sir.
- H.M. Jr: Are you getting along all right?
- Buffington: Yes, sir. I have something in the course of

preparation, but I would like to discuss several matters with Mr. Haas' department and Mr. Foley's department before reporting on it.

H.M.Jr: And then before you bring it to me, I would like you to show it to Kuhn and Odegard.

Buffington: All right.

H.M.Jr: Norman?

Thompson: As you probably know, the Bundles For Britain, Inc., are putting on a three-ring circus, all-star, three-ring circus. They want permission to sell tickets through the Treasury. It is against the regulations. I didn't know whether you wanted to let them.

H.M.Jr: No.

Thompson: We have the Red Cross and Community Chest drives.

H.M.Jr: That is enough.

Thompson: As you probably know, John Pehle's organization have decentralized certain of their licensing work and it is handled by the Federal Reserve Bank in New York, and that has increased the volume of telephoning there, and he wants two additional - John Pehle wants two additional private lines to New York. He is also putting in a teletype. The teletype will--

H.M.Jr: I told him teletype. Let him have one teletype and one telephone.

Thompson: That was what I was going to recommend. I have checked the figures, and there is full justification for one telephone.

H.M.Jr: One telephone and one teletype and then come

back and see me. Incidentally, Ed, I would like a report once a week now on that Pehle organization, how many applications they are behind.

Foley: They will be current in two weeks.

H.M.Jr: They had better.

Foley: We are down below five thousand now, and we have come from eight thousand on Monday down below five today. We will be current in two weeks.

Thompson: Miss Chauncey said you wanted this..

H.M.Jr: Yes, what about that?

Thompson: Well, in the Treasury the Coast Guard follows the Navy in having secret and confidential, strictly and so on, but outside of the Coast Guard we use the term "confidential" for things of that nature. I would just tell him that. I don't know of any reports we can give him.

H.M.Jr: It is the dumbest thing I ever saw. I would love to write him a sarcastic letter. I am getting so sick and tired of these new agencies. You and Waesche fix it up. I mean, it is just the most asinine performance. What business is it of theirs what we use? I mean, some of these people, they just make me sick. It is the stupidest thing I ever say.

Fix it up with Admiral Waesche. It is just asinine. They bother you and pester you and so forth.

Thompson: Yes.

H.M.Jr: Anything else?

Thompson: That is all.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE October 9, 1941

TO Secretary's files

FROM Mr. Kuhn

At his staff meeting this morning, Secretary Morgenthau said that he did not wish to discuss this matter at a press conference, as it was too important and complicated for such informal handling. He did say that he was willing to refer to it in some formal statement such as a speech, and he asked me to take the memo for Mr. Foley.

I have since been told that Mr. Henderson hoped for some help from the Secretary immediately and that any mention of this in a speech would be too late to be of any use.

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE OCT 9 1941

TO Secretary Morgenthau

FROM E. H. Foley, Jr.

On October 1, 1941, the day on which the new Federal manufacturers' excise taxes became effective, Leon Henderson issued an appeal to all manufacturers, wholesalers and retailers, urging that the cost to the consumer of articles subject to such taxes be not increased by more than the amount of the tax. He pointed out that if the wholesaler, and in turn the retailer, includes the amount of the excise tax in the base upon which he computes his "marked-up" (the mark-up is ordinarily a percentage of the base price) the result will be a pyramiding process which will mean that the cost to the ultimate consumer will be enhanced by an amount substantially in excess of the new taxes imposed.

Henderson's efforts have met with a favorable response among some groups of retailers and others, but there is a recalcitrant group, which may or may not be a minority, which is not sympathetic with the suggestion made and may ignore it. Their representatives are coming to Washington to discuss the matter with Mr. Henderson on Thursday and he has asked whether you could see your way clear to give a public expression of accord with his view as to the treatment of these excise taxes.

Should you wish to do so, it could be done at your next press conference by means of an answer to a simple question addressed to you inquiring as to whether you are generally in accord with the suggestion contained in Mr. Henderson's press release of October 1, 1941 relative to manufacturers' excise taxes. A copy of his press release is attached.

E.H.F.L.

OFFICE FOR EMERGENCY MANAGEMENT

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Office of Price Administration

Release

F. M. Papers,
Wednesday, Oct. 1, 1941

FM 1284

Manufacturers, wholesalers and retailers dealing in articles subject to the new Federal manufacturers' excise taxes were asked today by Leon Henderson, Administrator, Office of Price Administration, to exert their utmost efforts to prevent price increases to ultimate consumers exceeding the actual amount of the additional taxes.

Excise taxes of 10% will apply today for the first time to such articles as electric, gas and oil appliances, including flat irons, fans, stoves, mixers and vacuum cleaners; to a large list of rubber products, excluding foot-wear, and to electric light bulbs. As applied to articles that have carried excise taxes previously - such articles as automobiles, tires, tubes, radios, and household refrigerators - the new rate will be double or nearly double the old one.

"The increased prices paid by consumers as the result of the new levies should in no case reflect more than the actual dollar amount of the manufacturers' total excise tax," Mr. Henderson stated. "This policy should be applied to cases where excise taxes are continued and increased as well as where taxes are now being levied for the first time.

"Pyramiding of these taxes must be carefully guarded against. Where a manufacturer sells an article for \$100 and passes on the 10% excise tax it results in a price of \$110 to the wholesaler. Should the latter compute his regular mark-up price on the \$110 price, instead of on the \$100 base, the price to the retailer will be raised by more than the amount of the tax. If the retailer in turn calculates his mark-up, on this total, the final cost of the article to the ultimate consumer will be raised considerably in excess of the actual excise tax.

"Properly figured, the tax should be left out of all mark-up calculations. The threat to the general price structure if "Pyramiding" of the new tax is resorted to by distributors of merchandise is real and dangerous. I am sure that American business men will take steps to avert this threat."